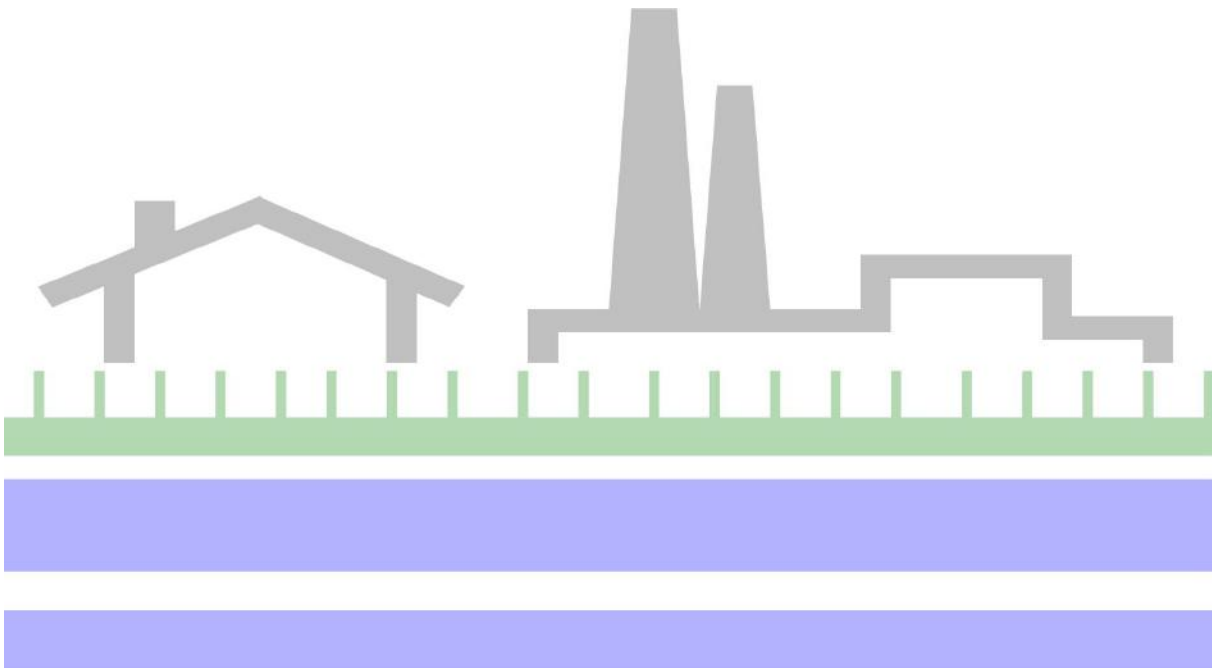


SOUTH DAVIS SEWER DISTRICT

West Bountiful, Utah

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2016 and 2015



SOUTH DAVIS SEWER DISTRICT
North Treatment Plant
West Bountiful ,Utah



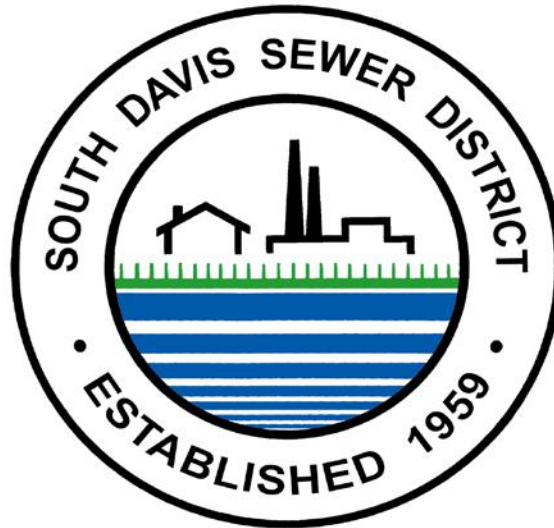
Comprehensive Annual Financial Report

South Davis Sewer District West Bountiful, Utah

For the Fiscal Year Ended December 31, 2016 and 2015

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SOUTH DAVIS SEWER DISTRICT
Comprehensive Annual Financial Report
For the Years Ended December 31, 2016 and 2015

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INTRODUCTORY SECTION



June 21, 2017

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, 2016, 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, 2016, 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, 2016, fairly represent conformity with GAAP. The first component of the financial section of this report beginning on page 36 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 38 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 372.41 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 97,252 (U.S. Census Bureau). The 1990s plant expansion project designed the combined treatment plants to serve a population of 100,000 with a reasonable allowance for commercial and industrial users. Since the last Plant upgrades in the 1990s the per capita flows have decreased. The Plants are only operating at approximately 60% capacity. At current per capita 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 be some increases in density so we are using a population of 110,000 for planning and design purposes.

Existing plant hydraulic capacity will serve the District through build-out based on this population projection. Compliance with recent changes in discharge permit limits for phosphorus and nitrogen require upgrading our treatment processes. It has been 23 years and 26 years since the South Plant and the North Plant respectively were rehabilitated. Now that nutrient removal requirements are understood, the District can proceed with plant upgrades and rehabilitation.

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, the Board Chair, passed away on March 3, 2017. He had served on the Board for 31 years, representing Bountiful City. Bountiful City appointed Mayor Randy C. Lewis as their new representative.

Dee C. Hansen was elected as the new Board Chair. Mr. Hansen was reappointed to the Board in January 2012 to represent Centerville City. He has served on the Board for 19 Years. Howard G. Burningham was elected Vice Chair. Mr. Burningham has served on the Board for 16 years. Mr. Burningham and John K. Davies were elected to the Board in 2013.

Mark W. Preece was appointed to represent West Bountiful City in January 2013. Ryan T. 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, Leonard K. Arave to fill the remainder of this term.

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 Ryan T. Westergard, Chair, Howard G. Burningham and Mark W. Preece. 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, Randy C. Lewis and Leonard K. Arave. The engineering committee consists of John K. Davies, Chair, Leonard K. Arave and Randy C. Lewis.

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

Utah code requires annual training for Board Members. The Association of Special Districts represents districts at the Legislature and provides training for special district board members and management. All Board members comply 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 has a written Facilities Maintenance and Finance Plan. This plan is reviewed at five-year intervals. The existing condition of all District facilities is assessed. It also assesses the current and projected wastewater flows and strengths and reviews this information against the capacity of the collection system and treatment plants. It also evaluates known and anticipated discharge permit requirements. We then project future maintenance and capital improvement needs. The ability of existing and projected District reserves and revenues to support the anticipated financial needs is then assessed. If necessary, the District would then adjust impact fees, user fees, and tax assessments. This plan was most recently updated in its entirety in 2016.

The District has not raised user fees since 1988 when they were raised from \$2 to \$5 per month per residence and residential equivalent. Since 1988, the District's tax rate has decreased 69% from 0.000940 to 0.000287. The median house value is currently \$250,000 and would pay an annual tax of \$39.46 (at an assessed valuation of 55%). This is a total sewer user cost of \$8.29 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 fourth 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, will perform a review of its sewer rates, which expected to be completed in 2017.

The following table shows the current allocation of District reserves:

Capital Reserves Allocation	Amount
<i>Operating Capital</i>	\$ 2,000,000
Insurance reserve fund (auto, sewer backups)	\$ 150,000
Developer escrow funds	\$ 55,000
Wasatch Water Quality Council	\$ 444,000
Subtotal	\$ 2,649,000
<i>Treatment Plants</i>	
Emergency reserve	\$ 1,500,000
Available for Capital projects	\$ 9,600,000

Subtotal	\$ 11,100,000
<i>Collection System</i>	
Emergency reserve	\$ 1,500,000
Capital projects	\$ 3,000,000
Equipment replacement (jet washer & CCTV)	\$ 426,000
Subtotal	\$ 4,926,000
TOTAL	\$ 18,675,000

The District retired its last bonds in 2008. Bonding would not be required for capital improvements under current circumstances. Current reserves are adequate for treatment plant rehabilitation

There are, however, two significant emerging issues. Wastewater reuse, should it be implemented, would benefit a limited number of District customers. Reuse 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.

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 significant bonding and rate increases.

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 37.1% and 38.2% respectively from 2015 to 2016. This continues a trend from the previous two years where the number and value of residential construction decreased significantly. The decreases in the last three years are probably more of a reflection on the decreasing space available for development rather than influences from the overall economy.

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

The following table* summarizes construction activity in the District for 2016:

City	New Dwelling Units		New Residential Value		New Nonresidential Value	
	2016	% change	2016	% change	2016	% change
	Units	2015-16	\$1,000	2015-16	\$1,000	2015-16
Bountiful	34	-59.5%	\$ 12,322	-31.5%	\$ 16,425	160.0%
Centerville	125	3.3%	\$ 21,059	4.9%	\$ 1,679	-42.6%
North Salt Lake	71	-54.5%	\$ 18,545	-41.1%	\$ 13,574	461.0%
West Bountiful	10	-33.3%	\$ 2,325	-25.9%	\$ 466	-99.8%
Woods Cross	4	-69.2%	\$ 605	-82.0%	\$ 5,066	26.8%
Totals	244	-37.1%	\$ 54,856	-38.2%	\$ 37,210	-525.0%

Additions & Repairs						
City	Residential		Nonresidential		Total Construction Value	
	2016	% change	2016	% change	2016	% change
	\$1,000		\$1,000		\$1,000	
Bountiful	\$ 2,616	-24.8%	\$ 23,079	776.4%	\$ 54,442	79.0%
Centerville	\$ 1,064	42.8%	\$ 2,547	41.3%	\$ 26,349	3.2%
North Salt Lake	\$ 1,427	-35.0%	\$ 9,351	-28.8%	\$ 42,897	-12.9%
West Bountiful	\$ 107	-73.2%	\$ 464	-4.2%	\$ 3,362	-98.5%
Woods Cross	\$ 1,322	43.7%	\$ 4,192	1012.6%	\$ 11,186	29.3%
Totals	\$ 6,536	-15.8%	\$ 39,633	114.9%	\$ 138,236	-58.7%

*Kem C. Gardner Policy Institute

Total nonresidential construction in the District declined by 525% from 2015 to 2016. This follows steady and significant decreases in years since 2008. The years 2008 through 2012 are certainly a reflection of the overall economic slowdown. Current decreases are likely due to the very limited amount of undeveloped industrial property remaining in the District. Nonresidential construction does not significantly affect District revenue or operations.

Employment

Since 2010, Utah's job growth has remained well above the U.S. average. The average growth rate from 2011 through 2016 has been a little over 3.0%. Utah's job growth was 3.3% in 2016, while the national rate was 4.5% in March.

The unemployment rate for Utah was 3.1% in February and March. Compared to a year ago Utah added 45,300 jobs. Only the Natural Resources & Mining and Information sectors posted net employment losses. These sectors do not directly affect South Davis County. All other sectors of the Utah economy posted net job increases. Construction (4.9%); manufacturing (3.4%); financial activity (2.0%); professional & business services (4.5%); education and health services (3.7%); trade, transportation and utilities (3.9%); and leisure & hospitality (2.6%) showed significant increases in employment. Unemployment levels are expected to remain low for 2017. Some industries will face a tight labor market. In-migration and a full educational pipeline should mitigate any labor shortages. Labor force participation for Utah has averaged 69.4% for the last 35 years, immediately before the recession it was 72%. Labor force participation is currently 69.5%. Utah has the fifth highest labor participation rate in the nation.

Utah's personal income increased by 5.0% in 2016 to an estimated \$124.7 billion. Nationally, personal income increased 3.5% over the same period. Utah's average annual pay grew 3.0% to reach \$43,546 in 2015. Preliminary estimates suggest average annual pay grew 3.6% in Utah and

2.4% nationally between 2015 and 2016, according to the Economic Council's, "Economic Report to the Governor"

Current Economic Conditions

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

1st	Innovation and Entrepreneurship
2nd	High-Tech Performance
3rd	Economic Performance
5th	Transportation and Trade
7th	Business Climate

In 2015, this report concluded that Utah rated as "the most fundamentally sound state across all identified policy areas.

Property tax revenue increased 4.07% from 2015 to 2016. The certified tax rate decreased by 5.3%, while the assessed valuation increased by 9.03%. The increase in assessed valuation is not entirely reflected in the tax revenue, but assessed valuation 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. Impact fees were \$592,321 in 2016. This was a decrease of 32% (adjusted for the large Holly impact fee in 2015).

Annual impact fees should continue to decline. This is a reflection of the availability of land for development. The number of large apartment complexes has been an important factor in the level of impact fees collection in recent years. Apartments continue to be an important factor in 2016-17. 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.

Current Major Activities - Accounting

Comprehensive Annual Financial Report (CAFR)

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

Governmental Accounting Standards Board

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 2016 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 took effect for fiscal year 2014. The District does not have any activities that are governed by these Statements for 2016. The District will have reporting obligations under GASB #70 for 2017.

Statement #71 amends paragraph 137 of Statement #68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement #68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. This Statement applies to the 2016 audit.

GASB Statement #72 addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement applies to the 2016 audit.

GASB Statement #73 establishes requirements for defined benefit pensions that are not within the scope of Statement #68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. The District does not have pension programs that are not within the scope of Statement #68.

GASB Statement #74 and #75 are intended to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The District does not provide any other postemployment benefits.

GASB Statement #76 identifies—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement applies to the 2016 audit.

GASB Statement #76 requires governments that enter into tax abatement agreements to provide; descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing

abated taxes, and the types of commitments made by tax abatement recipients; the gross dollar amount of taxes abated during the period and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. This Statement applies to the 2016 audit.

Investments

As of December 31, 2016, all District reserves continued to be 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, Nutrient Removal Project and Treatment Plant Rehabilitation Projects become better defined; Moreton will assist the District in seeking investments that have a higher return than the Public Treasures Investment Fund. Due to 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.

Current Major Activities – Human Resources

Retirement Benefits

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

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 1st 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 in the 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.

The District does not provide any other post employment benefits.

Medical Insurance

Perhaps because of the nature of our work we are particularly sensitive to health issues. The District provides medical, dental, and vision insurance. The District covers the entire premium for the employees and their families. The District, like all employers, is concerned by the tremendous inflation in medical and insurance costs. We periodically request underwritten proposals from all Utah

Health Insurance carriers. This was done for 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 maximum allowable annual contribution to the HSA. The District has offered the high deductible option to employees since 2012. Most District employees (19 out of 25) opted for the high deductible program. Some employee's personal circumstances do not permit participation in a HDHP.

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

While the District does provide support for participating in exercise programs, we should do more to promote weight loss programs and other healthy lifestyle activities. Numerous studies show that such programs can improve productivity, reduce medical insurance costs, reduce workplace injuries and reduce sick leave utilization.

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 had its first retiree in many years in 2016. A replacement was hired and trained in advance of this retirement. 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) is currently conducting the second phase of 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 Jordan River TMDL is nutrient, nitrogen and phosphorus, loading. There is considerable sentiment from DWQ staff that nutrient removal for treatment plants discharging to the Jordan River and/or the Great Salt Lake is inevitable. The capital and operational costs of nutrient removal are very high.

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 water quality based limit process such as a site-specific evaluation. These new requirements are having significant impacts on planning for both capital and operational costs.

The 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 has allowed the District to proceed with much needed planning for treatment plant rehabilitation and upgrades.

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.

Frontline, a Public Broadcasting Service (PBS) program, aired a documentary titled "Poisoned Water," on Tuesday, April 21, 2009. This program examines the evidence that a significant new threat is posed by the chemicals in consumers' face creams, deodorants, prescription medicines and household cleansers that find their way into sewers, storm drains and eventually into surface waters and drinking water supplies.

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 Point Discharge Elimination System (UPDES) Permit Renewal

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

New UPDES Permits were issued for both plants, effective March 1, 2017. Lower limits for ammonia were set at both plants. These limits will require additional treatment to achieve consistently. Limits for flow were implemented. The flow limits are the design capacities of the plants. A requirement to study the presence or absence of *early life stages* of fish during the spring and fall in the State Canal were incorporated in the North Plant permit.

As mentioned above there is a new technology based permit limit for phosphorus that must be complied with by 2020. Both nitrogen and phosphorus removal are addressed by the nutrient removal process discussed below.

The District has been following a policy of minimizing treatment plant upgrades and improvements until the outcome of these issues becomes clearer. These new permit limits will allow the District to proceed with planning for needed rehabilitation and upgrades at both plants.

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, Orem City and The Timpanogos Special Service District have joined the group. The 2015/2016 budget for Utah Lake is \$200,000.nb These agencies are facing much the same issues in Utah Lake as the original members face with the Jordan River, the wetlands surrounding the Great Salt Lake and the Great Salt Lake. This will expand our research activities to their receiving streams and to 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 June and October the North Plant had exceedences of its Total Residual Chlorine limits. These were isolated incidents. So specific equipment problems or operator error were discovered.

In November, The North Plant exceeded its maximum weekly average and its 30-day average limit for ammonia. In December, the North Plant again exceeded its limits for ammonia. The Plant had no operational problems or pretreatment problems. The exceedences were thought to be due to cold weather. These ammonia exceedences continued into January and February putting the plant on State's quarterly report for significant non-compliance. These exceedences will result in an enforcement action by the Division of Water Quality.

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 July and August 2016 were 1 mg/l over the 30-day limit. Effluent COD, TSS and Ammonia were all normal. We cannot explain a high BOD result under these conditions. The problem spontaneously disappeared.

TSSs for the South Plant effluent for November and December 2016 were significantly high for both the 30-day and 7-day averages. Effluent BOD, COD and ammonia values were normal. We found that by flushing the primary trickling filter we were eventually able to bring the TSS numbers back to normal.

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.

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

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.

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

Nutrient Removal Project

In researching technologies for capturing nutrients from the digestate and digestate side streams, the design team found a newly developed nutrient removal process that could meet the nutrient removal needs for the Resource Recovery Project and the treatment plant, discharge permit issues for nutrient removal. This would provide the District with an economical way to meet present and future nutrient limits and allow planning for needed plant rehabilitation needs. The District and ALPRO team engaged the technology vendor, Clearas Water Recovery (CWR), and began a feasibility study to meet both Resource Recovery Project and UPDES nutrient removal needs.

This new technology uses microalgae to remove nitrogen and phosphorus from secondary effluent. On-site pilot testing of this process at six Wasatch Front POTWs demonstrated that the process consistently reduced phosphorus levels to below 0.1 mg/l and ammonia levels well below 10 mg/l. Extensive pilot testing at numerous locations throughout the U.S. has demonstrated the capability and reliability of the technology.

The process produces significant quantities of algae biomass. Algae biomass is a valuable and sought after material for numerous uses including soil amendment, fertilizer, animal feed and as a feedstock for the production of plastics, solvents and other industrial chemicals. Revenue from the algae produced is expected to cover capital, operation and maintenance costs.

Discussions were initiated with the Utah Division of Water Quality about the feasibility of utilizing this technology for nutrient removal to meet water quality needs in the State. The Water Quality Board awarded the District bond financing at an interest rate of 1.5% to construct the project.

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 #2 very similar to what was done at pump station #1 in 2015. 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. 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.

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

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 Resource Recovery Project will generate in excess of 25,000 dry tons of biosolids per year. This will require mechanical dewatering. Biosolids from the South Plant's existing digesters will also be mechanically dewatered. The volume of biosolids to be utilized presents challenges but also creates opportunities. We are working on a contract with a corporate farm to utilize all biosolids produced by the Resource Recovery Project and the District's treatment plants.

Current Major Activities - Collection System

DWQ established a stakeholder group to develop a sewer management 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 and 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

Accounting

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 and Nutrient Removal Projects 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 10 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.

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

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

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

Safety

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

Year	Collection System	Treatment Plants	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
2016		laceration to head bruised elbow			1
Department Total	10	6	1	2	19

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
	Utah DOT Manual on Uniform TC			
Traffic Control	Devices		X	X
Heavy Equipment	Federal OSHA 1910.180(b)(3)		X	X
Crane operator licensing	Utah Code Section 58-55-102			X

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

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

Security

The 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 2015 and 2016, the District's liability insurance was 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 Workmen's 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.

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, 2015. This was the eighteenth 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 2015 meeting schedule, a listing of the employees of the District, a copy of our 2015 Certificate of Achievement, a list of professional awards, a location map, an area map, staff pictures, and project pictures.

Conclusion

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

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

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

Respectfully submitted,



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

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



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

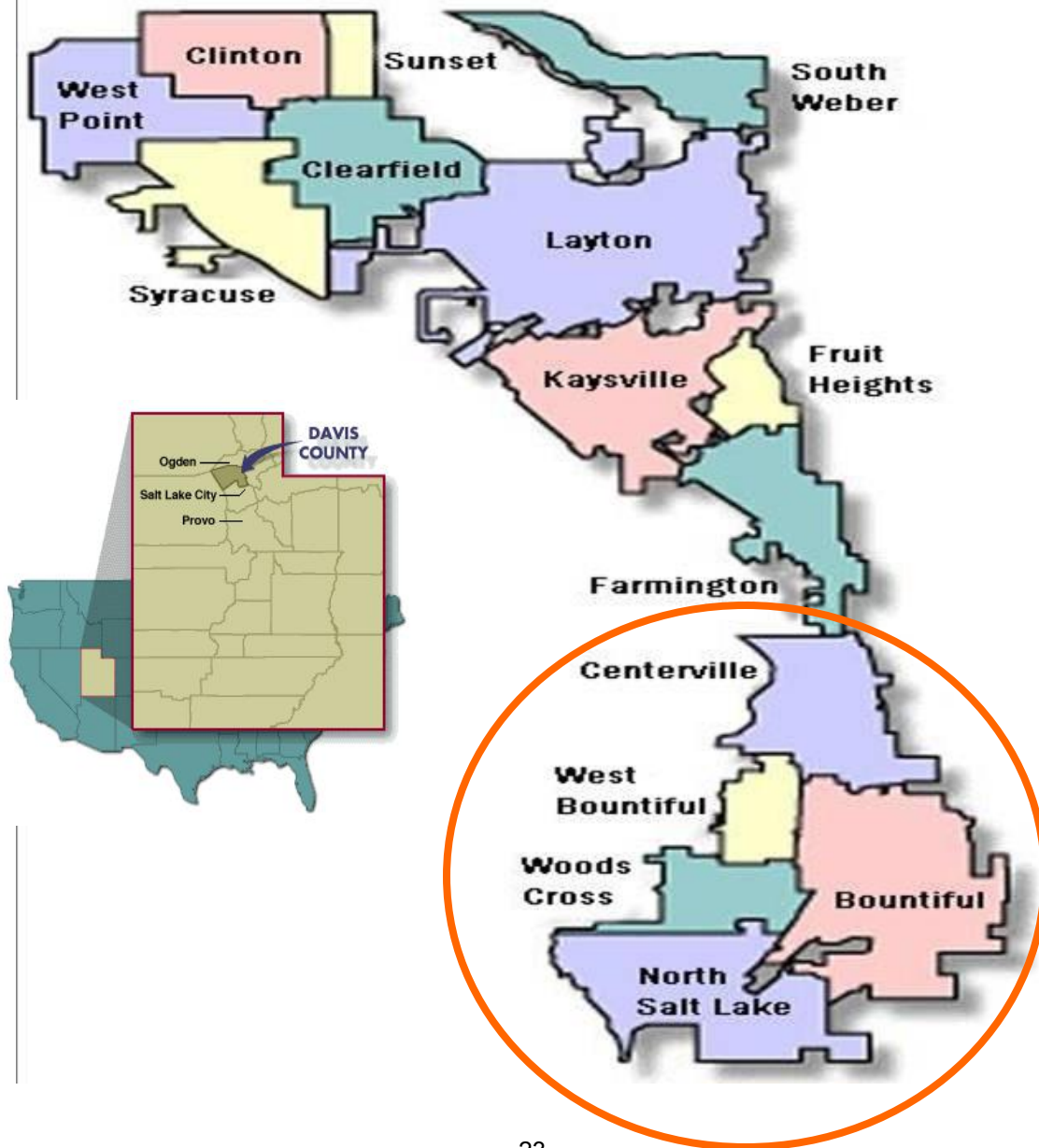
Mark R. Katter
Accounting Manager/Clerk

SOUTH DAVIS SEWER DISTRICT
Davis County and District Map
For the Year Ending December 31, 2016

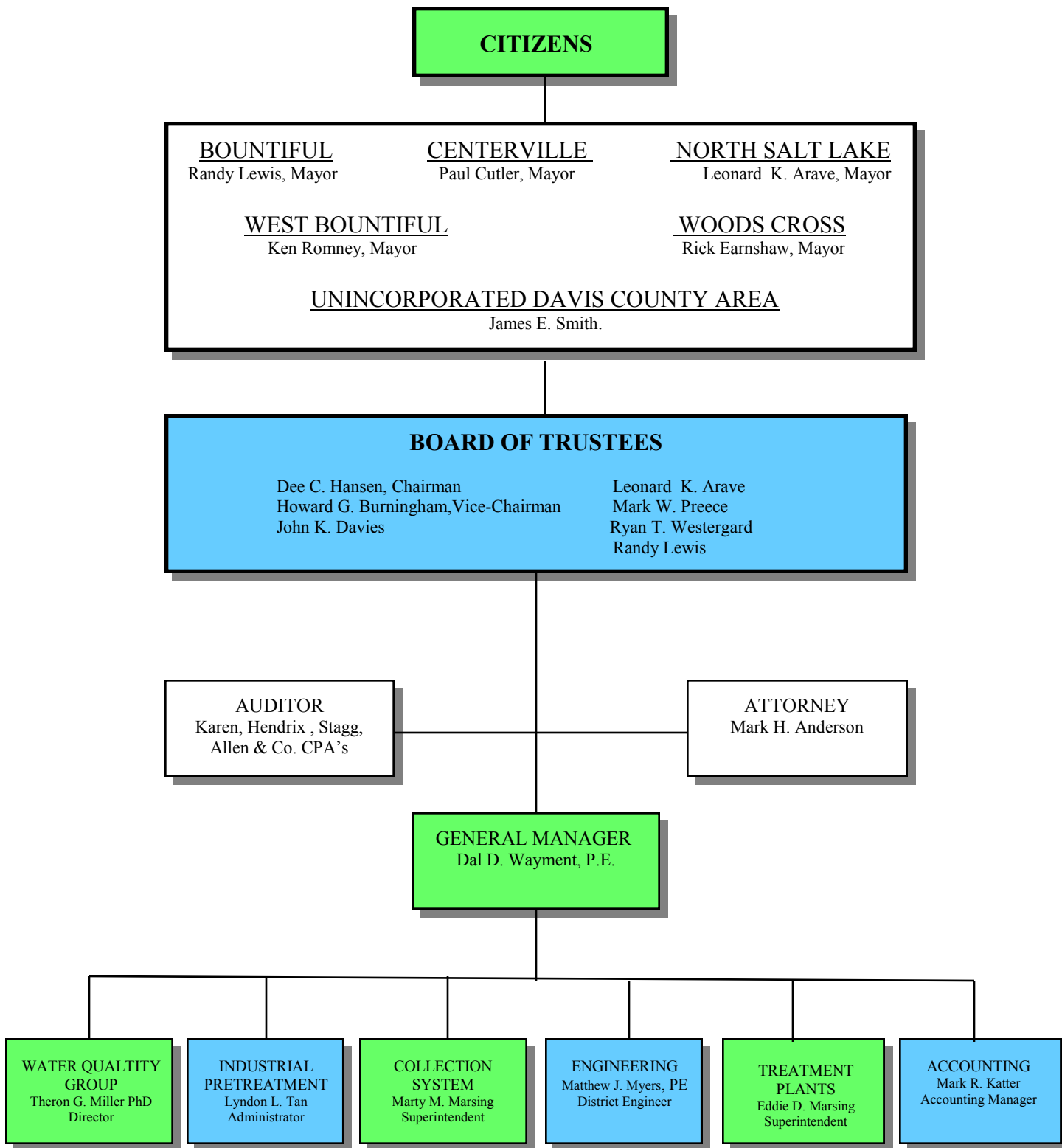
Cities Serviced by South Davis Sewer District

<u>City</u>	<u>Approximate Population (2014)</u>	<u>Square Miles</u>	<u>Date Incorporated</u>
Centerville	16,877	5.99	May 5, 1915
West Bountiful	5,511	2.96	Dec. 31, 1948
Bountiful	43,784	13.22	Dec. 5, 1892
Woods Cross	11,284	3.76	Sep. 4, 1930
North Salt Lake	19,796	8.45	Sep. 3, 1946
Totals	97,252	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, 2016



SOUTH DAVIS SEWER DISTRICT
Board of Trustees
As of December 31, 2016

<u>Name</u>	<u>Title</u>	<u>Representing</u>	<u>Term Expires</u>
Dee C. Hansen (Appointed)	Chairman	Centerville City	12/31/2019
Howard G. Burningham (Elected)	Vice-Chairman	District At Large	12/31/2017
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	12/31/2020
Randy C. Lewis (Appointed)	Trustee	Bountiful	12/31/2020

Source: District human resource and election records

SOUTH DAVIS SEWER DISTRICT
2017 Meeting Schedule
Board of Trustees
December 31, 2016

PUBLIC NOTICE is hereby given that the 2017 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	19th
February	16th
March	16th
April	20th
May	18th
June	15th
July	20th
August	17th
September	21st
October	19th
November	16th
December	7th

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, 2016

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
Earl W. Seely	Treatment Plant Operator/Biosolids
Brent M. Maxwell	Treatment Plant Operator
Jedd C. Powell	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**

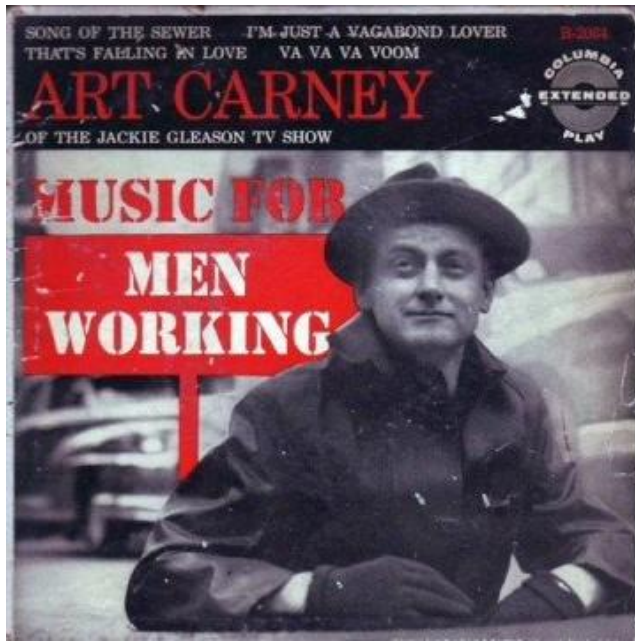
Presented to

**South Davis Sewer District
Utah**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO



© Mark Parisi, Permission required for use.



Administration & Office Staff

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

Collection System Operators

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



Maintenance & Operations Superintendent

Mike Bradshaw, Zane Young, & Ed Marsing



**Industrial Pretreatment
Administrator**

Lyndon Tan

**South Treatment Plant
Operators**

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



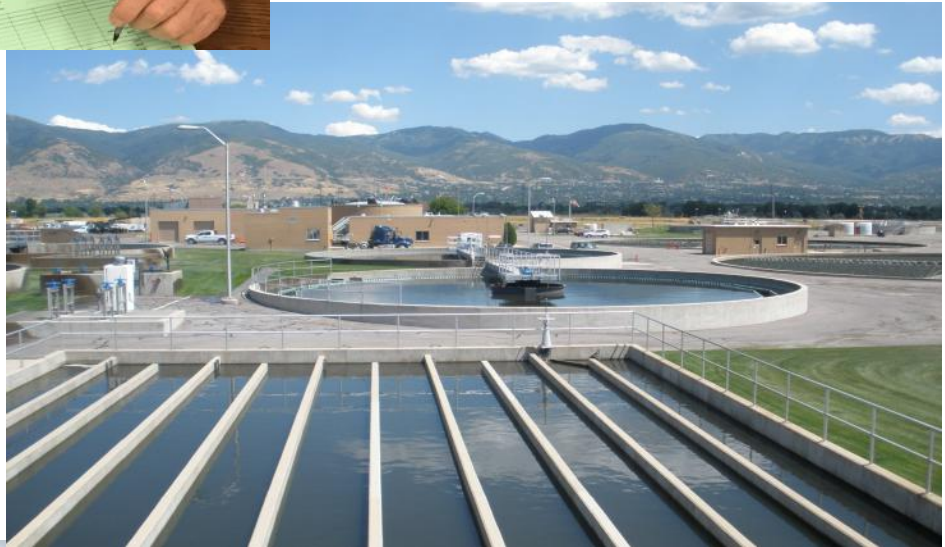
**North Plant Treatment
Operators**

Brent Maxwell & Corry King



Dr. Theron Miller
Research Scientist

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



**Field Trip
North Plant**



North Treatment Plant

North Treatment Plant
Operation Control Panel

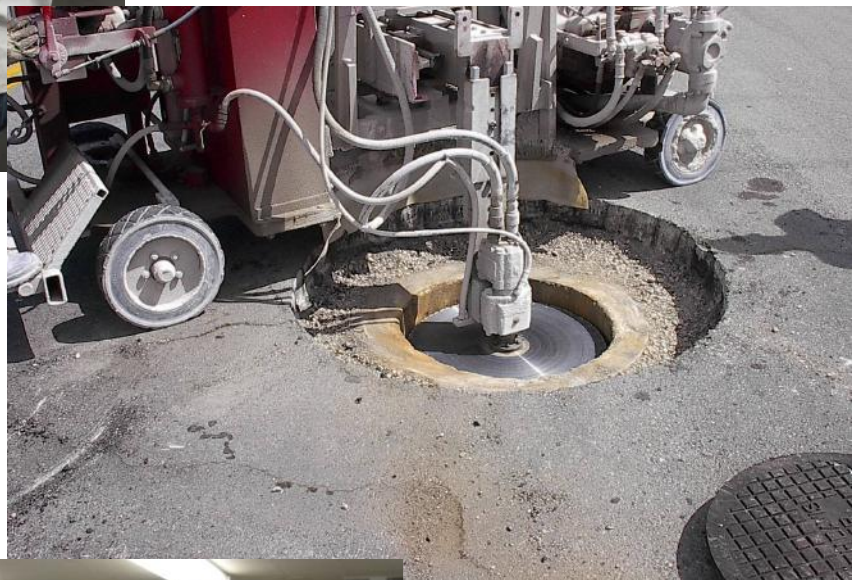


Earl Seely
Bio Solids/Operator



Vehicle Maintenance

Manhole Rehabilitation & Preservation Work



Reviewing Developer Plans

FINANCIAL SECTION





KARREN | HENDRIX | STAGG | ALLEN
COMPANY

Certified Public Accountants

111 East Broadway • Suite 250 • Salt Lake City, Utah 84111

Phone 801.521.7620 • Fax 801.521.7641

Website www.khsa.biz

Ray H. Allen, CPA
Rebecca M. Allred, NCG
Lois M. Brandriet, PhD
APRN, GCNS-BC, NCG
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

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, 2016 and 2015, 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, 2016 and 2015, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Analysis on pages 38-47, Modified Approach for Eligible Infrastructure Assets on pages 65-70 and Schedule of the Proportionate Share of the Net Pension Liability on pages 71-73 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 21, 2017 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 21, 2017

SOUTH DAVIS SEWER DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2016 and 2015
(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, 2016 and December 31, 2015, with comparative totals for December 31, 2014. 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 (pp.1-22), the Basic Financial Statements and Notes to Financial Statements (pp. 53-64), and the other information which is presented in the Financial Section and Statistical Section of this *Comprehensive Annual Financial Report*.

Financial Highlights

- The assets of the District exceeded their liabilities (net position) at the end of fiscal year 2016 by \$80,552,156 \$79,784,151 in 2015 and \$75,924,807 in 2014. Net investment in capital assets is the majority of the District's assets (land, buildings, facilities, sewer lines, and equipment).
- The District's total net position increased by \$768,005 (1%) from 2015 to 2016 and increased \$3,823,044 (5%) from 2014 to 2015.
- At the end of the fiscal year 2016, the District's cash, cash equivalents, and investments reported combined ending balances of \$18,628,790; 2015 and 2014 ending balances were \$18,796,338 and \$14,950,344 respectively.
- The District had no outstanding debt during the fiscal year 2016.
- 2016 impact fee revenue was \$592,322, an 87.0% decrease from 2015. Impact fee revenue in 2015 was \$4,572,029 and for 2014, \$868,201. The 2016 impact fee revenue was primarily the result of two major construction developments: Infred Park and Foxboro North. You can read more about the District's impact fee revenue in the Other Supplementary Information section (pp. 74-78).
- Interest income in 2016 came from cash, cash equivalents, and investments totaling \$178,050, an 89% increase from 2015. Interest income in 2015 and 2014 was \$94,186 and \$75,657 respectively, a 24% increase.
- Operating revenues for 2016 and 2015 were \$2,981,204 and \$2,762,985 respectively (8% increase), and \$2,742,784 for 2014 (1% increase from 2014 to 2015). 2016 operating expenses (less depreciation) increased by 12%, or \$731,259 from 2015. From 2014 to 2015, operating expenses increased 7%.

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 Financial Statements, (5) Required Supplementary Information, and (6) Other Supplementary Information in addition to the basic financial statements themselves.

The financial statements of the District are designed to provide readers with a broad overview of the District's finances in a manner similar to the private sector business. The basic financial statements and notes can be found on pages 48-52. 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 information in the Statement of Revenues, Expenses, and Changes in Net Position presents how the District's net assets changed during the years presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

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

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 53-64 of this report.

The Other Supplementary Information is additional to the basic financial statements and accompanying notes. These reports present certain required and non-required supplementary information of the District. The Required Supplementary Information and Other Supplementary Information can be found on pages 65-73 and pages 74-79 respectively.

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 80-116.

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 \$80,552,156 at the end of the 2016 fiscal year, \$79,784,151 at the end of the 2015 fiscal year, and \$75,924,807 at the end of the 2014 fiscal year.

The largest portion of the District's net position (77% in 2016, 77% in 2015 and 80% in 2014) reflects its net 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). 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 2016.

In 2016, the District's operating revenues of \$2,981,204 increased from \$2,792,985 in 2015 of 8%. Operating revenue in 2014 was \$2,742,985. Operating expenses (less depreciation) increased by 12% or \$731,259 and from 2015 to 2016 increased by \$403,169 or 7% from 2014 to 2015.

Key factors driving these results include:

- Sewer service revenue for 2016 increased 9% compared to year 2015. This primarily resulted from continued growth in the new construction of homes and businesses within the District in 2016. The District has not increased sewer service rates since 1988 and did not increase rates in 2016
- Actual property tax revenue was \$2,282,530, and increase from 2015 of 3% or \$73,768. This was the result of District growth, overall increases in assessed property valuations, and a property tax collection rate of 101.6%.
- Contributions to capital revenue were \$650,236 and \$266,362 in 2016 and 2015 respectively, an increase of 144%. In 2014, contributions to capital revenue were \$1,327,057. Contributions to capital revenue primarily come from deeded lines to the District from developers. This is projected to increase 2% in 2017 as a consequence of an increase of new construction.
- Impact fee revenue is a consequence of new building construction and development (see Other Supplementary Information for details, pages 74-79). These impact fees reflect economic recovery for the construction industry from when the great economic recession of 2008 was in full swing. Impact fee revenue was \$592,322 in 2016. In 2015, \$3,702,000 of impact fee revenue came from Holly Refinery for plant expansion; therefore for comparison purposes, 2015 impact fee revenue was \$870,026 (without Holly Refinery's impact fee revenue).
- With the implementation of the Modified Approach to Accounting for Infrastructure in 2004 per *GASB Statement No.34*, depreciation expenses for 2016 and 2015 were \$326,654 and \$278,380 respectively. Depreciation expense for 2014 was \$342,111. The Modified Approach is discussed in greater detail in this report (see the Required Supplementary Information section, pages 65-70).
- In 2016 and 2015, salaries and benefit expenses increased 7% and 3% respectively, due to a combination of health care costs and cost of living adjustments.
- The 2016 increase in operating expenses was 12% (less depreciation) compared to 2015. This essentially was the result of higher costs from outside services, manhole rehabilitation, lab testing, utilities, chemicals, repairs and maintenance, and health care coverage.
- As of December 31, 2016, the District has had a long-term obligation outstanding related to compensated absences due to employees of \$488,321 (\$475,097 in 2015), an increase of 2.7%. This obligation continues to grow because of the District's low employee turnover rate.
- The District had a net pension liability totaling \$1,485,456 for 2016 and \$893,518 for 2015, an increase of 66%. This was due to complying with *GASB Statement No. 68* which was adopted in 2015. The Utah Retirement System's actuaries lowered its 2016 assumed rate of return from 7.5% to 7.2% consequently resulting in an increase in the net pension liability. The fiduciary net position (funded) for URS was 86%, and many experts consider 80% or greater to be a sound funding ratio for government retirement plans. See the Notes to Financial Statements on pages 53-64 and the Required Supplemental Information on pages 71-73 for more detailed information.

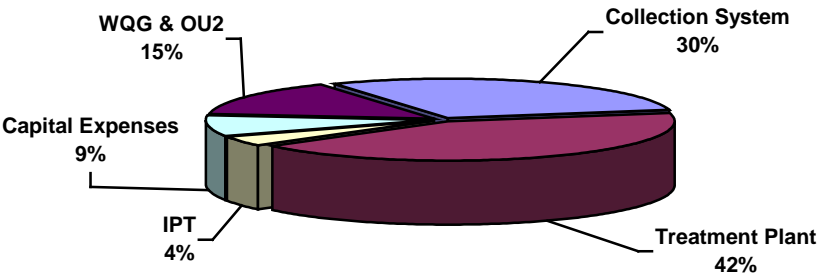
**South Davis Sewer District
Condensed Statements of Net Position
2016-2015**

Current and Other Assets	\$ 19,928,549	\$ 19,562,221	\$ 366,328	2%
Restricted Assets	0	0	-	
Capital and Noncurrent Assets	62,322,747	61,735,456	587,291	1%
Total Assets	\$ 82,251,296	\$ 81,297,677	\$ 953,619	1%
Deferred Outflows of Resources	900,460	361,388	539,072	149%
Total Assets & Deferred Outflows of Resources	\$ 83,151,756	\$ 81,659,065	\$ 1,492,691	2%
Current Liabilities	522,624	403,320	119,304	30%
Long Term Liabilities	1,948,777	1,343,615	605,162	45%
Total Liabilities	\$ 2,471,401	\$ 1,746,935	724,466	41%
Deferred Inflows of Resources	128,199	127,979	220	
Total Liabilities & Deferred Inflows of Resources	\$ 2,599,600	\$ 1,874,914	\$ 724,686	39%
Net Position:				
Invested in capital assets, (net of related debt)	62,253,415	61,660,782	592,633	1%
Restricted	0	0	-	
Unrestricted	18,298,741	18,123,369	175,372	1%
Total Net Position	\$ 80,552,156	\$ 79,784,151	\$ 768,005	1%

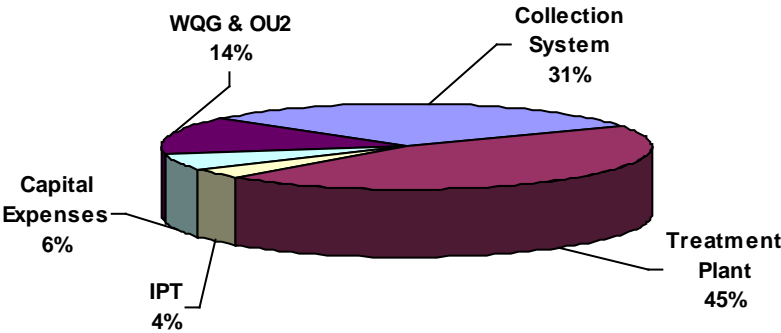
**South Davis Sewer District
Condensed Statements of Net Position
2015-2014**

	Fiscal Year 2015	Fiscal Year 2014	Dollar Change	Percent Change
Current and Other Assets	\$ 19,562,221	\$ 15,820,392	\$ 3,741,829	24%
Restricted Assets	0	0		
Capital Assets and Noncurrent Assets	61,735,456	60,838,477	896,979	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	\$ 76,658,869	4,638,808	
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	-		
Total Liabilities and Deferred inflows of Resources	\$ 1,874,914	\$ 734,062	\$ 1,012,873	
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%

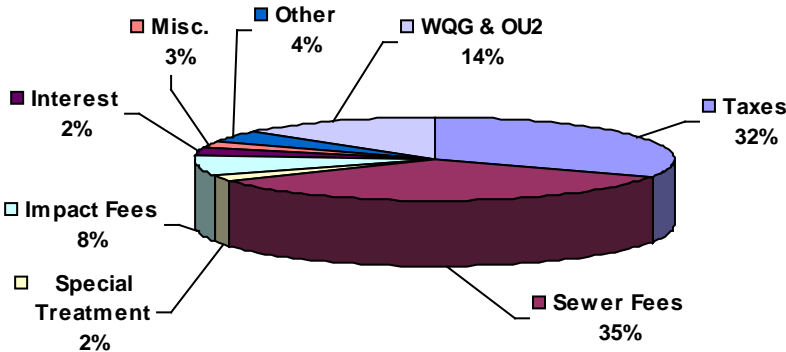
Expenses by Department 2016



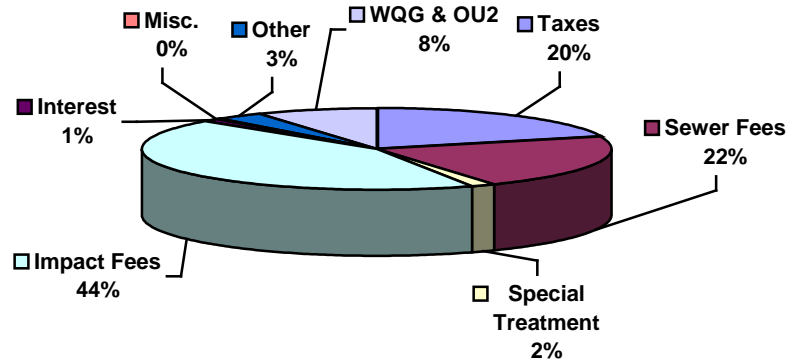
Expenses by Department 2015



Revenue by Source 2016



Revenues by Source 2015



SOUTH DAVIS SEWER DISTRICT Revenues, Expenses, and Changes in Net Position 2016-2015

	Fiscal Year 2016	Fiscal Year 2015	Dollar Change	Percent Change
Operating Revenues:				
Sewer Service Fees	\$ 2,471,683	\$ 2,266,210	\$ 205,473	9%
Special Treatment Fees	197,526	180,779	16,747	9%
Inspection & Project Fees	33,730	20,470	13,260	65%
Other	278,265	295,526	(17,261)	-6%
Total Operating Revenues	2,981,204	2,762,985	218,219	8%
Operating Expenses:				
Operating Expenses	3,110,940	2,615,468	495,472	19%
Salaries & Benefits	3,555,888	3,320,101	235,787	7%
Depreciation	326,654	278,380	48,274	17%
Total Operating Expenses	6,993,482	6,213,949	779,533	13%
Non-Operating Revenue (Expense)				
General Property Tax	2,282,560	2,208,762	73,798	3%
Impact Fees	592,322	4,572,029	(3,979,707)	-87%
Miscellaneous	119,065	140,865	(21,800)	-15%
Interest Income	178,050	94,186	83,864	89%
WQG Contributions & EPA Grant	900,827	785,000	115,827	15%
Gain (Loss) on Disposal of Property	36,394	33,603	2,791	8%
Unrealized gain (loss) on investments	20,829	(14,326)	35,155	100%
Total Non-Operating Revenue (Expense)	4,130,047	7,820,119	(3,690,072)	-47%
Increase in Net Position Before Capital Contributions	117,769	4,369,155	(4,251,386)	-97%
Contributed Capital	650,236	266,362	383,874	144%
Increase in Net Position	768,005	4,635,517	(3,867,512)	-83%
Net Position at Beginning of Year	79,784,151	75,924,807	3,859,344	5%
Prior Period Adjustment	-	(776,173)	776,173	
Net Position at End of Year	\$ 80,552,156	\$ 79,784,151	\$ 768,005	1%

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

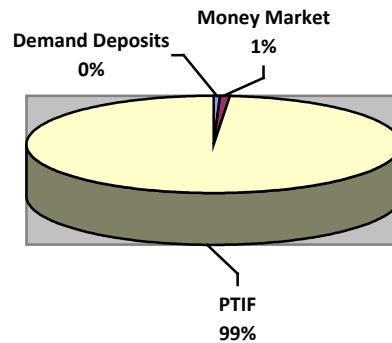
	Fiscal Year 2015	Fiscal Year 2014	Dollar Change	Percent Change
Operating Revenues:				
Sewer Service Fees	\$ 2,266,210	\$ 2,235,118	\$ 31,092	1%
Special Treatment Fees	180,779	213,554	(32,775)	-15%
Inspection & Project Fees	20,470	40,200	(19,730)	-49%
Other	295,526	253,912	41,614	16%
Total Operating Revenues	2,762,985	2,742,784	20,201	1%
Operating Expenses:				
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%
Total Operating Expenses	6,213,949	5,874,511	339,438	6%
Non-Operating Revenue (Expense)				
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	100%
Gain (Loss) on Disposal of Property	33,603	104,325	(70,722)	-68%
Unrealized gain (loss) on investments	(14,326)	(2,552)	(11,774)	
Total Non-Operating Revenue (Expense)	7,820,119	3,836,867	3,983,252	104%
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%
Increase in Net Position	4,635,517	2,032,197	2,603,320	128%
Net Position at Beginning of Year	75,924,807	73,892,610	2,032,197	3%
Prior Period Adjustment	(776,173)	-		
Net Position at End of Year	\$ 79,784,151	\$ 75,924,807	\$ 3,859,344	5%

Cash, Cash Equivalents, and Investments

The District's cash and cash equivalents that are temporarily idle during the year are invested with the Utah Public Treasurer's Investment Fund (PTIF). The District feels the safety, liquidity, and yield provided by the PTIF make a prudent strategy for the investment and management of its cash assets in the short-term. The average interest rates paid by the PTIF for 2016 and 2015 were 0.948% and 0.593% respectively (60% 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 102

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 2016



The net interest (the difference between interest income and interest expense) earned for 2016 was \$178,050 an 89% increase compared to the 2015 net interest earned of \$94,186. 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. This act also defines the type of securities the District is allowed to invest in and provides a list of state certified investment advisors and brokers. The District complies with the requirements of the Utah State Money Management Act.

Capital Assets

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

As of December 31, 2016, the District had \$79,458,839 (historical cost) in capital assets. This represents a net increase of 1% over 2015 and a 1% net increase from 2014 to 2015 as shown in the tables below:

Property and Equipment (excluding depreciation) 2016-2015 and 2015-2014

	Fiscal Year		Fiscal Year			Percent
	2016		2015		Change	Change
Land	\$ 3,148,863	\$	3,148,863	\$	-	0%
Buildings & Facilities	24,297,371		24,297,371		-	0%
Outfall/Sewer Lines	45,925,842		45,564,968		360,874	1%
Equipment	5,950,097		5,492,793		457,303	8%
Construction in Progress	136,667		85,874		50,793	59%
Total	\$ 79,458,839	\$	78,589,869	\$	868,970	1%

	Fiscal Year		Fiscal Year			Percent
	2015		2014		Change	Change
Land	\$ 3,148,863	\$	3,148,863	\$	0	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%

The major capital asset events for the 2016 fiscal year included the following:

- Contribution of sewer lines from developers at a value of \$360,874.
- \$352,002 spent on cured in place pipe (CIPP) for main sewer linings.
- Purchase of two front end loaders at a cost of \$265,976.
- Upgrade of GIS system at a cost of \$36,027.
- Purchase of LMK T liner launcher system for \$55,692.

The District spent \$882,814 on the maintenance and rehabilitation of the collection system and treatment plant assets in 2016. Studies have shown that every dollar of preventative maintenance spent in the first 10 years of an asset will save \$4-5 over the second 10 years (Iowa Department of Transportation). The District has an aggressive asset management program to prolong the useful life of its assets.

2016 capital asset additions included:

Sewer Lines	\$360,874
Buildings, Facilities & Lines	-0-
Equipment	762,659
Construction -In-Progress	59,088
Total	<u>\$1,182,621</u>

Additional information on the District's capital assets can be found in note 6 on page 56, in the Required Supplementary Information on pages 65-70, and on pages 107-112 of the Statistical Section of this report.

Debt Administration

The District's 2003 revenue bond matured and was refunded and settled in fiscal year 2008. Since fiscal year 2008, the District currently has 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 account 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 2016 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 65-70 of this report.

Economic Factors, Next Year's (2017) Budgets, and Rates

- The District continues to approach budgeting for revenues conservatively with the focus on long-term sustainability.
- The operating and maintenance costs (O&M) of the District are currently being covered by the existing user fees and property taxes. No rate or tax increases are projected for 2017. \$2,192,000 has been budgeted in 2017 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 94 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 2017 are projected to increase 3% according to the Davis County Assessor's office. \$2,375,000 has been budgeted for property tax revenue for 2017.
- Sewer service revenue of \$3,145,000 has been budgeted for 2017.
- Short-term interest rates have been significantly trending downward since the 1st quarter of 2009 and have leveled off in 2015. Interest rates are now trending upward but are still projected to remain low for 2017.
- \$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 the Resource Recovery Project. The Resource Recovery Project Phase 1 will be built at the south treatment plant. As of December 31, 2016, this project was in the planning phase. This project will take food waste and convert it to energy (natural gas and power). If approved, this project will be funded by taxable revenue bonds.
- To comply with the new nutrient restrictions issued by the Environmental Protection Agency (EPA) and the Utah State Division of Water Quality (DWQ), the District is exploring the possibility of building a nutrient removal facility that will use algae to facilitate this nutrient removal. It is anticipated this algae project will cost approximately \$30m and would be funded from state bonds. As of December 31, 2016, this was in the planning and feasibility stage.
- No sewer service rate increase or property tax increase is projected for 2017.

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, mailing address P. O. Box 140111, Salt Lake City, Utah 84114-0111, by phone at (801) 295-3469, or email at dwayment@sdsd.us or mkatter@sdsd.us.

SOUTH DAVIS SEWER DISTRICT

Basic Financial Statements

For The Fiscal Year Ended December 31, 2016 and 2015



SOUTH DAVIS SEWER DISTRICT

Statements of Net Position December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 18,628,790	\$ 18,796,338
Accounts receivable:		
Sewer service charges	179,820	97,373
Sewer service charges certified to county treasurer	49,321	55,371
Special treatment charges	16,678	9,678
Other	478,870	149,275
Accrued property taxes receivable	531,343	426,442
Accrued interest	3,019	1,849
Inventory of construction and maintenance materials	18,324	11,312
Prepaid expenses	22,384	14,583
TOTAL CURRENT ASSETS	<u>19,928,549</u>	<u>19,562,221</u>
NONCURRENT ASSETS:		
Capital assets:		
Nondepreciable capital assets	59,854,700	59,461,635
Depreciable capital assets, net	2,398,715	2,199,147
Investments	-	-
Reimbursable costs	69,317	74,432
Net pension asset	15	242
TOTAL NONCURRENT ASSETS	<u>62,322,747</u>	<u>61,735,456</u>
TOTAL ASSETS	<u>82,251,296</u>	<u>81,297,677</u>
DEFERRED OUTFLOWS OF RESOURCES:	<u>900,460</u>	<u>361,388</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 83,151,756</u>	<u>\$ 81,659,065</u>

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

SOUTH DAVIS SEWER DISTRICT

Statements of Net Position December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 344,691	\$ 244,649
Accrued salaries & wages	79,740	70,881
Accrued payroll taxes	18,288	18,585
Performance deposits and retainage	54,905	44,205
Current portion of accrued compensated absences	25,000	25,000
TOTAL CURRENT LIABILITIES	<u>522,624</u>	<u>403,320</u>
NONCURRENT LIABILITIES:		
Accrued compensated absences	463,321	450,097
Net pension liability	1,485,456	893,518
TOTAL NONCURRENT LIABILITIES	<u>1,948,777</u>	<u>1,343,615</u>
TOTAL LIABILITIES	<u>2,471,401</u>	<u>1,746,935</u>
DEFERRED INFLOWS OF RESOURCES:	<u>128,199</u>	<u>127,979</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCE:	<u><u>\$ 2,599,600</u></u>	<u><u>\$ 1,874,914</u></u>
NET POSITION:		
Investment in capital assets	\$ 62,253,415	\$ 61,660,782
Restricted	-	-
Unrestricted	<u>18,298,741</u>	<u>18,123,369</u>
Total net position	<u><u>\$ 80,552,156</u></u>	<u><u>\$ 79,784,151</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES:		
Sewer service charges	\$ 2,471,683	\$ 2,266,210
Sewer special treatment charges	197,526	180,779
Inspection, and project fees	33,730	20,470
Other operating revenues	<u>278,265</u>	<u>295,526</u>
TOTAL OPERATING REVENUES	<u>2,981,204</u>	<u>2,762,985</u>
OPERATING EXPENSES:		
Personal services	3,555,888	3,320,101
Contractual services	602,336	606,946
Utilities	330,856	325,895
Repairs and maintenance	1,484,918	1,190,680
Other supplies and expenses	575,766	382,743
Insurance claims and expenses	117,064	109,204
Depreciation	<u>326,654</u>	<u>278,380</u>
TOTAL OPERATING EXPENSES	<u>6,993,482</u>	<u>6,213,949</u>
OPERATING LOSS	<u>(4,012,278)</u>	<u>(3,450,964)</u>
NONOPERATING REVENUES AND (EXPENSES):		
General property tax	2,282,560	2,208,762
Intergovernmental contributions	900,827	785,000
Impact fees	592,322	4,572,029
Miscellaneous revenue	119,065	140,865
Grant Revenue	-	-
Interest income	178,050	94,186
Unrealized gain (loss) on investments	20,829	(14,326)
Gain (loss) on sale of plant equipment	<u>36,394</u>	<u>33,603</u>
TOTAL NONOPERATING REVENUES AND (EXPENSES)	<u>4,130,047</u>	<u>7,820,119</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	117,769	4,369,155
DEVELOPER CONTRIBUTED SEWER LINES	<u>650,236</u>	<u>266,362</u>
CHANGE IN NET POSITION	\$ 768,005	\$ 4,635,517
NET POSITION - BEGINNING OF THE YEAR	<u>79,784,151</u>	<u>75,924,807</u>
Prior period adjustment	-	(776,173)
NET POSITION - END OF THE YEAR	<u><u>\$ 80,552,156</u></u>	<u><u>\$ 79,784,151</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 2,133,003	\$ 2,425,160
Payments to suppliers of goods and services	(3,025,711)	(2,517,262)
Payments to employees for services	(3,480,789)	(3,367,757)
Other receipts	311,995	315,996
NET CASH USED IN OPERATING ACTIVITIES	<u>(4,061,502)</u>	<u>(3,143,863)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes collected	2,305,988	2,232,190
Intergovernmental contributions	1,019,892	925,865
Impact fees collected	592,322	4,572,029
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>3,918,202</u>	<u>7,730,084</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the sale of capital assets	299,725	276,485
Purchase of capital assets	(532,382)	(1,077,205)
Receipt of performance deposits and retainages	54,905	15,000
Refund of performance deposits and retainages	(44,205)	(33,800)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(221,957)</u>	<u>(819,520)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income received	197,709	79,293
NET CASH PROVIDED IN INVESTING ACTIVITIES	<u>197,709</u>	<u>79,293</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(167,548)	3,845,994
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	<u>18,796,338</u>	<u>14,950,344</u>
CASH AND CASH EQUIVALENTS - END OF PERIOD	<u><u>\$ 18,628,790</u></u>	<u><u>\$ 18,796,338</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Net loss from operations	\$ (4,012,278)	\$ (3,450,964)
Adjustments to reconcile net loss from operations to net cash provided by operating activities:		
Depreciation	326,654	278,380
(Increase) decrease in:		
Accounts receivable:		
Sewer service charges	(82,447)	6,254
Sewer service charges certified to county treasurer	6,050	6,002
Special treatment charges	(7,000)	(16)
Other	(329,595)	(40,852)
Property taxes	(128,329)	-
Inventory of construction and maintenance materials	(7,012)	1,612
Prepaid expenses	(7,801)	27,089
Reimbursed costs	5,115	6,783
Net pension asset	227	(242)
Deferred outflows of resources	(539,072)	(50,260)
Increase (decrease) in:		
Accounts payable	100,042	69,505
Accrued payroll	8,859	13,684
Accrued payroll taxes	(297)	3,424
Accrued compensated absences	13,224	51,542
Net pension liability	591,938	(193,783)
Deferred inflows of resources	220	127,979
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (4,061,502)</u>	<u>\$ (3,143,863)</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>\$ 650,236</u>	<u>\$ 266,362</u>
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SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2016 and 2015

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

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

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2016 and 2015

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

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 74 to 75. 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, 2016 and 2015

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, 2016 and 2015, 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.

Q. Deferred Outflows/Inflows of Resources

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

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, 2016 and 2015

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

	2016	2015
Cash on deposit	\$ 198,804	\$ 141,735
Cash on hand	725	725
TOTAL	<u>\$ 199,529</u>	<u>\$ 142,460</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, 2016 and 2015, the District's insured and uninsured and uncollateralized bank balances were as follows:

	2016	2015
Carrying amount (book balance)	<u>\$ 198,804</u>	<u>\$ 141,735</u>
Bank balance:		
Covered by FDIC insurance	\$ 250,000	\$ 232,274
Uninsured and uncollateralized	<u>123,827</u>	<u>-</u>
TOTAL BANK BALANCE	<u>\$ 373,827</u>	<u>\$ 232,274</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.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2016 and 2015

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper classified as "first tier" by two nationally recognized statistical rating organizations, 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, 2016 and 2015, the District had the following investments and maturities:

December 31, 2016

<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)	18,352,254	18,352,254	-	-	-
Total investments	<u>\$ 18,352,254</u>	<u>\$ 18,352,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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>

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, 2016 and 2015

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, 2016 and 2015:

<u>December 31, 2016</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)	18,352,254			18,352,254
Total investments	<u>\$ 18,352,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,352,254</u>

<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>

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, 2016 and 2015 are \$488,321 and \$475,097, respectively. The estimated current portion of accrued compensated absences as of December 31, 2016 and 2015 are \$25,000 and \$25,000, respectively.

<u>December 31, 2016</u>				
	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Compensated Absences	<u>\$ 475,097</u>	<u>\$ 225,000</u>	<u>\$ (211,776)</u>	<u>\$ 488,321</u>

<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>

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2016 and 2015

6. CAPITAL ASSETS

The changes in capital assets for the year ended December 31, 2016, are as follows:

	<u>12/31/2015</u>	<u>Increase</u>	<u>Decreases</u>	<u>12/31/2016</u>
Nondepreciable capital assets:				
Land	\$ 3,148,863	\$ -	\$ -	\$ 3,148,863
Construction in progress	85,874	59,084	(8,295)	136,663
Infrastructure:				
Sewer treatment facility and collection system	69,862,339	360,874	-	70,223,213
Accumulated depreciation on infrastructure assets prior to January 1, 2005	(13,635,441)	(18,598)	-	(13,654,039)
Total nondepreciable capital assets	<u>59,461,635</u>	<u>401,360</u>	<u>(8,295)</u>	<u>59,854,700</u>
Depreciable capital assets:				
Machinery and equipment	1,663,847	88,726	-	1,752,573
Mobile equipment	3,473,932	637,906	(305,356)	3,806,482
Office furniture and equipment	355,014	36,028	-	391,042
Total depreciable capital assets at historical cost	<u>5,492,793</u>	<u>762,660</u>	<u>(305,356)</u>	<u>5,950,097</u>
Less accumulated depreciation for:				
Machinery and equipment	(1,219,430)	(91,893)	-	(1,311,323)
Mobile equipment	(1,611,514)	(199,883)	50,320	(1,761,077)
Office furniture and equipment	(462,702)	(16,280)	-	(478,982)
Total accumulated depreciation	<u>(3,293,646)</u>	<u>(308,056)</u>	<u>50,320</u>	<u>(3,551,382)</u>
Depreciable capital assets, net	<u>2,199,147</u>	<u>454,604</u>	<u>(255,036)</u>	<u>2,398,715</u>
Total capital assets, net	<u>\$ 61,660,782</u>	<u>\$ 855,964</u>	<u>\$ (263,331)</u>	<u>\$ 62,253,415</u>

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>

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2016 and 2015

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. Impact fees collected in respect of the District's existing wastewater treatment facilities are not restricted to future capital expenditures, but may be used for any purpose of the District. The District had impact fee reserves of \$-0- at December 31, 2016 and 2015, respectively. Revenues from impact fees were \$592,322 and \$4,572,029 for the year ended December 31, 2016 and 2015, respectively.

8. PENSION PLAN

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:

Defined Benefit Plans

- Public Employees Noncontributory Retirement System (Noncontributory System);
- Public Employees Contributory Retirement System (Contributory System); are multiple employer, cost sharing, retirement systems.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); is a multiple employer, cost sharing, public 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 E. 200 S., Salt Lake City, Utah 84102, or visiting the website: www.urs.org.

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

Summary of Benefits by System

System	Final Average 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	2.0% 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	125% 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	150% per year all years	Up to 2.5%

* With actuarial reductions

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2016 and 2015

*** 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.*

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 Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

Utah Retirement Systems

	<u>Employee</u>	<u>Employer</u>	<u>Employer 401(k)</u>
Contributory System			
11 - Local Governmental Division Tier 1	6.00%	14.460%	N/A
111 - Local Governmental Division Tier 2	N/A	14.910%	1.780%
Noncontributory System			
15 - Local Governmental Division Tier 1	N/A	18.470%	N/A

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

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 311,783	N/A
Contributory System	44,999	-
Tier 2 Public Employee Systems	12,907	-
Total Contributions	<u>\$ 369,689</u>	<u>\$ -</u>

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

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

At December 31, 2016, we reported a new pension asset of \$15 and a net pension liability of \$1,485,456.

	<u>Proportionate Share</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Noncontributory System	0.1773809%	\$ -	\$1,003,707
Contributory System	0.6854172%	-	481,749
Tier 2 Public Employees System	0.0067634%	15	-
Total Net Pension Asset/Liability		<u>\$ 15</u>	<u>\$1,485,456</u>

The net pension asset and liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2015, and rolled forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2016 and 2015

For the year ended December 31, 2016, we recognized pension expense of \$423,005.

At December 31, 2016, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 69,607
Changes in assumptions	-	58,592
Net difference between projected and actual earnings on pension plan investments	482,514	-
Changes in proportion and differences between contributions and proportionate share of contributions	48,257	-
Contributions subsequent to the measurement date	369,690	-
Total	<u>\$ 900,461</u>	<u>\$ 128,199</u>

\$369,690 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, 2015. 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,	Deferred Outflows (Inflows) of Resources
2016	\$ 96,112
2017	99,355
2018	96,188
2019	114,154
2020	(44)
Therafter	(194)

Actuarial assumptions: The total pension liability in the December 31, 2015, 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

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

The actuarial assumptions used in the January 1, 2015, 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 and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2016 and 2015

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 payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

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:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Noncontributory System	\$ 2,120,734	\$ 1,003,707	\$ 71,214
Contributory System	848,405	481,749	173,924
Tier 2 Public Employee System	2,708	(15)	(2,078)
Total	<u>\$ 2,971,847</u>	<u>\$ 1,485,441</u>	<u>\$ 243,060</u>

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

Defined Contribution Savings Plans

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

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2016 and 2015

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

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

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

	2016	2015	2014
401(k) Plan			
Employer Contributions	\$ 37,657	\$ 30,405	\$ 29,379
Employee Contributions	\$ 136,180	\$ 114,260	\$ 102,560
457 Plan			
Employer Contributions	\$ -	\$ -	\$ -
Employee Contributions	\$ 25,800	\$ 23,200	\$ 12,000
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ 15,020	\$ 15,860	\$ 15,035

9. SUBSEQUENT EVENTS

In the subsequent period, the District entered into a Public Private Partnership called The Wasatch Resource Recovery Project ("WRR Project"). The WRR Project will bring food waste from food processors, bottling companies, grocery stores, restaurants and institutional food services to a new facility at the District's South Plant. After pre-processing to remove packaging and other contamination, we will anaerobically digest this organic material, producing methane gas. Scrubbers will clean the methane to natural gas utility standard and compressors will inject this green natural gas into the natural gas network. The WRR Project will ultimately produce sufficient green natural gas to serve a population of 40,000.

The WRR Project is a Public Private Partnership between the District and ALPRO. ALPRO is a Utah company founded to develop the Project. The District and ALPRO are equal partners in the Project with each participating equally in equity and debt financing. The District's total debt issued in the subsequent period for the Project is \$21,195,000.

In addition, The District must meet new, more stringent discharge standards for phosphorus and ammonia. The District is undertaking an additional project ("Algae Project") to remove these nutrients using a new biologically based process utilizing algae. In removing the nitrogen and phosphorus, the algae grow and multiply. The net growth of algae is harvested and dried. The District will then sell the algae. Algae is used as a soil amendment, fertilizer and animal feed. Refineries process algae into plastics, solvents and other valuable commercial products. The State of Utah's Division of Water Quality (DWQ) is supporting the construction of this Algae Project with a low interest (1.5%) loan.

The District's South Plant is at the end of its routine, 20-year rehabilitation schedule. We have planned approximately \$5,000,000 in plant rehabilitation costs. The DWQ is allowing us to finance these rehabilitation costs as part of the above low interest loan. The District will borrow approximately \$29,000,000 for these two projects.

REQUIRED SUPPLEMENTAL INFORMATION



SOUTH DAVIS SEWER DISTRICT
Modified Approach for Eligible Infrastructure Assets
For the Year Ended December 31, 2016

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

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

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

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

The District makes use of a physical condition assessment of its collection system and treatment plant facilities that began January 1, 2004. The District's objective is to complete an assessment annually (or at least once every three years) of all infrastructure assets covered by its asset management system in accordance with *GASB Statement No. 34*. The District's condition assessments will be performed using statistical samples that are representative of infrastructure assets. The latest condition assessment was performed in 2016 according to *GASB Statement No. 34*. This allows the District to ensure that assets are maintained at a prescribed condition and analyze future funding needs. The District's collection system and treatment plant facilities are composed of approximately 376.41 miles (1,987,439 feet) of sewer lines, 8,867 sections of line, 8,489 manholes, 11 lift stations, and 2 treatment plant facilities which collect and treat up to 16 million gallons per day (MGD) of wastewater.

Approximately 18% of the District's collection system was cleaned and 9% was inspected by closed circuit television (CCTV) in 2016 (see Collection System GIS TV and Cleaning Maps at the end of this section).

The District expended \$782,817 on maintenance or preservation of the collection system, lift stations, and treatment plant facilities for the year ended December 31, 2016. These expenses add service life to capital assets. A study by the Iowa Department of Transportation reported that for every dollar of preventative maintenance spent in the first 10 years of an asset, \$4-5 will be saved over the next 10 years. The District has an aggressive asset management program to prolong the useful life of its capital assets.

The District is using trenchless technology or cured in place pipe (CIPP) as a means of being more efficient in repairing and maintaining the sewer collection system. CIPP equipment, resin, and liners are used to complete rehabilitation projects of the collection system. The collection system operators performed 43 and 27 rehabilitation projects for CIPP on sewer lateral lines in 2016 and 2015 respectively for a total cost of \$24,657 in 2016 and \$14,353 in 2015.

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

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

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

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

In 2016, 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, 2,198 manholes, and 11 lift stations. The condition assessment of the 797 line segments identified 16 deficiencies in line segments and 28 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 2016. Each treatment plant had a deficiency identified in its respective cogeneration (cogen) system. The cogen 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 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 2019.

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:

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
2016	\$782,817

The budget required to maintain and preserve the current overall condition through the year ended December 31, 2030 is estimated to be \$668,161 per year. This figure was arrived at by taking the average expenditures from 2007 to 2016 and adding 1.5% for inflation ($\$658,287 \times 0.015$).

Funds totaling \$1,103,000 are budgeted for fiscal year 2017 for the continued maintenance and preservation of the District's infrastructure assets and are allocated as follows:

\$831,000	Collection System
\$272,000	Plant & Equipment Building

The District expended \$515,366 on repairs, maintenance, rehabilitation, and other preservation costs 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 \$668,161 for 2016, and the actual cost was \$782,817. The District employees performed most of the repairs, maintenance, rehabilitation, and other preservation work 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.

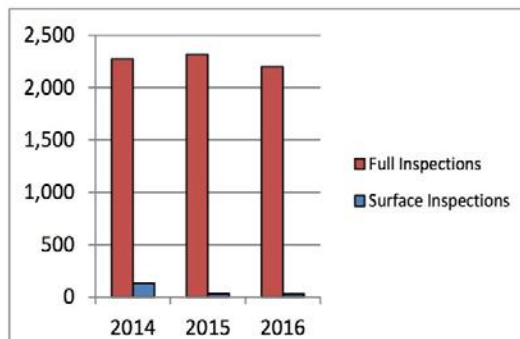
SOUTH DAVIS SEWER DISTRICT

2016 COLLECTION SYSTEM STATISTICS

MH INSPECTIONS

YEAR	2014	2015	2016
Full Inspections	2,273	2,319	2,198
Surface Inspections	131	31	27

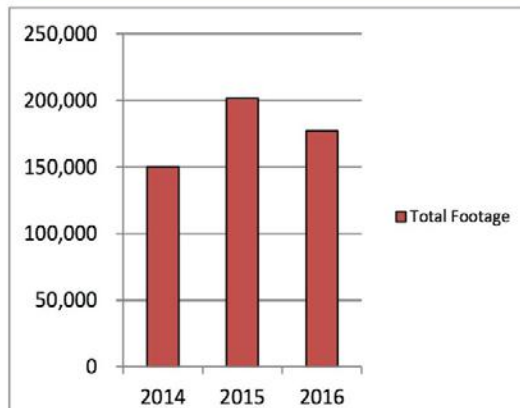
When a manhole is opened for cleaning, TV inspection or any other purpose, the District's collection system operators complete a full manhole inspection. When maintenance activities do not require that a manhole be opened, operators complete a surface inspection, identifying collar, lid and base ring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



TV INSPECTIONS

YEAR	2014	2015	2016
Sections	660	915	797
Total Footage	150,027	201,540	177,127
Total Mileage	28.41	38.17	33.55

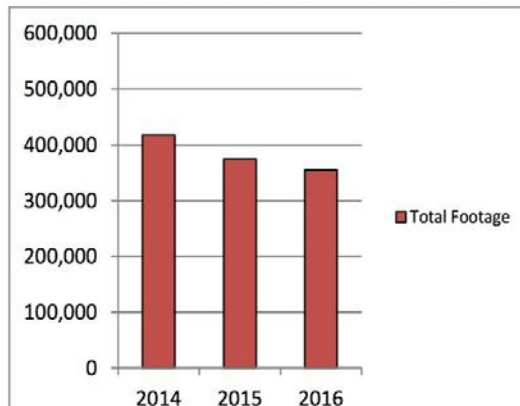
The totals reported include repeat inspections of pipe sections that are on the District's routine ("hot spot") list.



CLEANING

YEAR	2014	2015	2016
Sections	1,718	1,534	1,468
Total Footage	417,638	373,797	354,929
Total Mileage	79.10	70.79	67.22

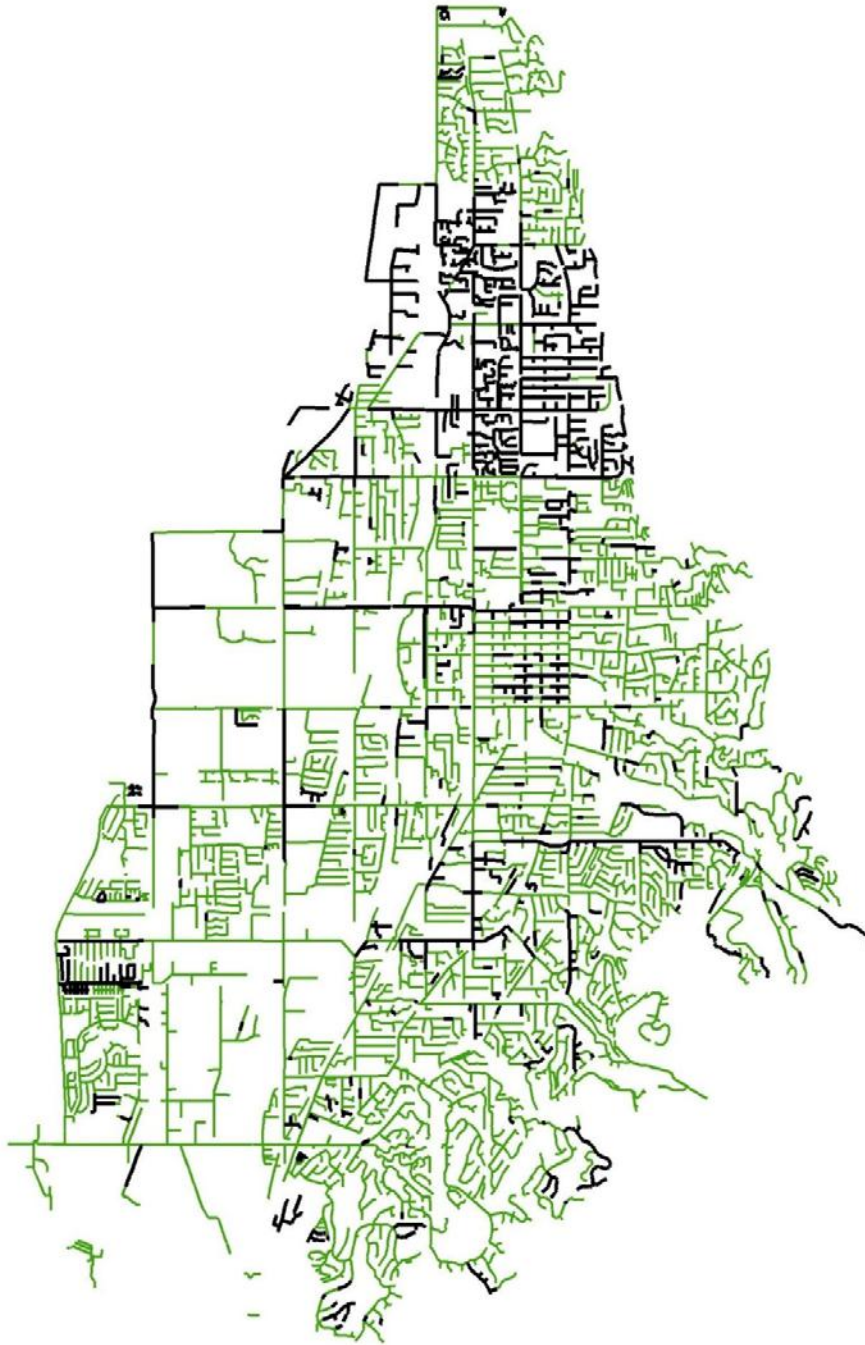
The totals reported include repeat cleanings of pipe sections that are on the District's routine ("hot spot") list.



SOUTH DAVIS SEWER DISTRICT
2016 COLLECTION SYSTEM STATISTICS

TV INSPECTIONS

2014-2016

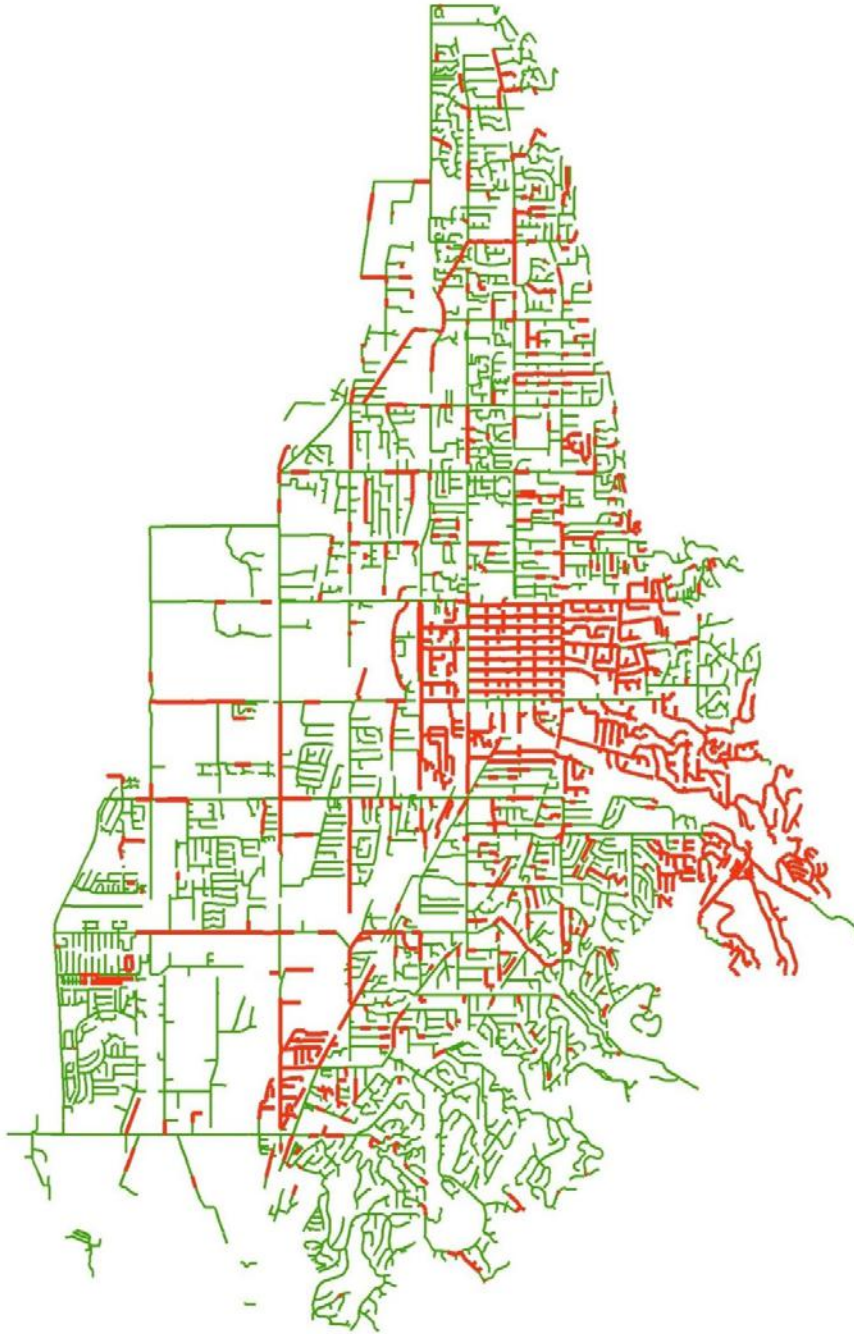


Pipe sections that were TV'ed between 2014 and 2016 are shown above in black.

SOUTH DAVIS SEWER DISTRICT
2016 COLLECTION SYSTEM STATISTICS

CLEANING

2014-2016



Pipe sections that were cleaned between 2014 and 2016 are shown above in red.

SOUTH DAVIS SEWER DISTRICT

**Schedule of the Proportionate Share of the Net Pension Liability-
Utah Retirement System
For the Year Ended December 31, 2016 With a Measurement Date
of December 31, 2015
Last 10 Fiscal Years***

Noncontributory System for the Fiscal Years Ended December 31,

	2016	2015
Proportion of net pension liability (asset)	0.1773809%	0.1714837%
Proportionate share of the net pension liability (asset)	\$ 1,003,707	\$ 744,623
Covered employee payroll	\$ 1,579,894	\$ 1,504,734
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	63.53%	49.5%
Plan fiduciary net position as a percentage of the total pension liability	87.8%	90.2%

Contributory System for the Fiscal Years Ended December 31,

	2016	2016
Proportion of net pension liability (asset)	0.6854172%	0.5162013%
Proportionate share of the net pension liability (asset)	\$ 481,749	\$ 148,895
Covered employee payroll	\$ 292,048	\$ 275,901
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	164.96%	54.0%
Plan fiduciary net position as a percentage of the total pension liability	85.7%	94.0%

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

	2016	2016
Proportion of net pension liability (asset)	0.0067634%	0.0079996%
Proportionate share of the net pension liability (asset)	\$ (15)	\$ (242)
Covered employee payroll	\$ 43,693	\$ 39,225
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	-0.03%	-0.6%
Plan fiduciary net position as a percentage of the total pension liability	100.2%	103.5%

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

SOUTH DAVIS SEWER DISTRICT

Schedule of Contributions - Utah Retirement Systems December 31, 2016

	As of fiscal year ended December 31,*	Actuarial Determined Contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory System	2014	\$ 267,149	\$ 267,149	\$ -	\$ 1,504,734	17.75%
	2015	288,938	288,938	-	1,579,894	18.29%
	2016	288,938	288,938	-	1,702,246	18.32%
Contributory System	2014	\$ 38,303	\$ 38,303	\$ -	\$ 275,901	13.88%
	2015	42,230	42,230	-	292,048	14.46%
	2016	44,999	44,999	-	311,199	14.46%
Tier 2 Public Employee System**	2014	\$ 5,676	\$ 5,676	\$ -	\$ 39,225	14.47%
	2015	6,521	6,521	-	43,693	14.92%
	2016	12,907	12,907	-	86,566	14.91%

* Only fiscal years 2014-2016 were available. The District will continue to present information for available years until a 10-year trend is compiled.

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

SOUTH DAVIS SEWER DISTRICT

Notes to Required Supplementary Information For the Fiscal Year Ended December 31, 2016

Changes in Assumptions:

The following assumption changes were adopted from the most recent actuarial experience study. There was a decrease in the wage inflation assumption for all employee groups from 3.75% to 3.50%. Also there was a modification to the rate of salary increase for most groups. The payroll growth assumption was decreased from 3.50% to 3.25%. There was an improvement in the post retirement mortality assumption for female educators and minor adjustments to the preretirement mortality assumption.

There were additional changes to certain demographic assumptions that generally resulted in: (1) more members are anticipated to terminate employment prior to retirement, (2) slightly fewer members are expected to become disabled, and (3) members are expected to retire at a slightly later age.

SUPPLEMENTAL INFORMATION



SOUTH DAVIS SEWER DISTRICT
Schedule of Revenues and Expenses Budget to Actual
(Non-GAAP Budgetary Basis)
For the Year Ended, December 31, 2016

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Operating Revenues				
Sewer Service Fees	\$ 2,525,000	\$ 2,506,000	\$ 2,471,682	\$ (34,318)
Sewer Special Treatment	100,000	100,000	197,526	97,526
Inspection Fees	6,000	6,000	6,330	330
Project Fees	5,000	5,000	27,400	22,400
Permit Fees	7,000	7,000	6,100	(900)
Sampling Fees	6,000	6,000	6,250	250
Lab Testing Fees	50,000	50,000	32,771	(17,229)
Taxable Sales	1,000	1,000	2,159	1,159
Misc Income	250,000	250,000	238,955	(11,045)
Refund and Allowances	(1,000)	(1,000)	(7,969)	(6,969)
Total	\$ 2,949,000	\$ 2,930,000	\$ 2,981,204	\$ 51,204
Nonoperating Revenues				
Property Taxes	\$ 1,868,000	\$ 1,863,000	\$ 2,282,560	\$ 419,560
Impact Fees	750,000	750,000	592,322	(157,678)
Delinquent Account Administration Fees	60,000	-	119,065	119,065
Interest	70,000	70,000	178,050	108,050
Surplus Property Sales	260,000	260,000	291,430	31,430
WQG Contributions	750,000	750,000	900,827	150,827
Reserve Transfer	2,640,000	2,807,000	-	(2,807,000)
Total	\$ 6,398,000	\$ 6,500,000	\$ 4,364,255	\$ (2,135,745)
Total Revenue	\$ 9,347,000	\$ 9,430,000	\$ 7,345,459	\$ (2,084,541)
EXPENSES				
Operating Expenses				
Operating Expenses	\$ 444,000	\$ 495,000	\$ 506,479	(11,479)
Utilities	347,000	344,000	373,086	(29,086)
Payroll and Benefits	3,332,000	3,434,000	3,555,888	(121,888)
Biosolid Disposal	20,000	20,000	12,734	7,266
No-Fault Sewer Back-up	25,000	25,000	22,081	2,919
Outside Services	625,000	546,000	519,469	26,531
Chemicals	300,000	300,000	319,813	(19,813)
Lab Testing	207,000	157,000	199,161	(42,161)
Transportation	62,000	62,000	36,793	25,207
Buildings & Grounds	74,000	74,000	65,254	8,746
Office & Computer	144,000	102,000	81,491	20,509
Insurance	95,000	89,000	94,983	(5,983)
Self Insurance Casualty	2,000	2,000	1,711	289
Audit & Accounting	25,000	23,000	15,000	8,000
Education & Training	62,000	60,000	37,971	22,029
Legal	50,000	278,000	78,774	199,226
Total	\$ 5,814,000	\$ 6,011,000	\$ 5,920,687	\$ 90,313

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, 2016

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Non Operating Expenses				
Capital Expenses				
Operating Reserves	\$ 376,000			
Outfall/Sewer Lines	1,260,000	\$ 1,260,000	\$ 582,817	\$ 677,183
Operating Equipment	1,043,000	1,155,000	207,140	947,860
Building and Facilities	30,000	40,000	11,610	28,390
Mobile Equipment	595,000	648,000	583,193	64,807
Major Equipment & Engineering	200,000	200,000	-	200,000
Office Equipment	130,000	145,000	57,846	87,154
Other				
Debt Service Principle	-	-	-	-
Debt Service Interest	-	-	-	-
Total	\$ 3,634,000	\$ 3,448,000	\$ 1,442,606	\$ 2,005,394
Total Expenses	\$ 9,448,000	\$ 9,459,000	\$ 7,363,293	\$ 2,095,707.50
			\$	-
			\$	-
Excess of Revenue over Expenses	\$ (101,000)	\$ (29,000)	\$ (17,833)	\$ 11,167

RECONCILIATION OF BUDGET BASIS
ACTUAL TO GAAP BASIS ACTUAL

Note A - Explanation of differences between budgetary sources/inflows
and uses/outflows and GAAP revenues and expenses

Excess (Deficit) of Revenues over Expenses "Budget Basis"	\$ (17,833)
Sources/inflows of resources:	
Revenue Accruals	551,422
CDRA Tax Increment	100,827
Contributed Capital	650,236
Gain on Sale of Assets	36,394
Unrealized Gain on Investments	20,829
Uses/outflows of resources:	
Expense Accruals	(226,384)
Depreciation Expense	(326,657)
Net Change in Fair Value of Investments	(20,829)
Increase in Net Position, "GAAP Basis"	\$ 768,005

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, 2016

Project/Development	Lot/Building	Date Received	Amount	Monthly Subtotal
Eaglewood Village	Lot 301	1/4/2016	\$ 1,596.00	
Heritage Point	Lot 12	1/14/2016	1,596.00	
Ruth Estates	Lot 7	1/15/2016	1,596.00	
1274 N 550 W	West Bountiful M&B	1/21/2016	1,596.00	
Foxboro North	Lots 206,212,214,216,217, & 218	1/22/2016	9,576.00	
Alice Acres	Lots 3,6, & 7	1/22/2016	4,788.00	
SkyPark Industrial Park	Lot 62	1/26/2016	2,234.40	
			\$	22,982.40
RJD Holdings	588 W 2600 S Bountiful	1/29/2016	\$ 1,436.40	
Legacy Sub	Lot 6	1/29/2016	1,596.00	
Foxboro North	Lots 203 & 215	2/12/2016	3,222.00	
Olsen Ranches	Lot 8	2/15/2016	1,596.00	
Eaglewood Village	Lots 27, 209 & 232	2/16/2016	4,788.00	
JT Thorup Building	1455 W Center St NSL	2/16/2016	4,788.00	
Williamsburg Place	Lot 2	2/18/2016	1,596.00	
Eaglepoint Estates	Lots 1601 & 1602	2/19/2016	3,192.00	
Foxboro North	Lots 204,208,210, & 222	2/22/2016	6,384.00	
Schultz Subdivision	Lot 2	2/22/2016	1,596.00	
Foxboro North	Lots ,205, 207, & 220	2/23/2016	4,788.00	
Woods Park	Lots 2,8, & 25	2/23/2016	4,788.00	
Eaglewood Village	Lot 318	2/24/2016	1,596.00	
Porter Walton Townhouses	Lots 833,834, 835, 836 & 837	2/25/2016	7,980.00	
			\$	49,346.40
Eaglewood Village	Lot 317	2/12/2016	\$ 1,596.00	
Woods Park	Lots 1,3,5,9,11,23,24, & 27	3/1/2016	12,768.00	
Og Partners LLC	999 W 1500 S WX M&B	3/2/2017	3,537.80	
Foxboro North	Lots 219 & 209	3/8/2016	3,162.00	
Eaglepoint Estates	Lot 1820	3/8/2016	1,596.00	
Heritage Point	Lot 19	3/9/2016	1,596.00	
1305 S Main St Bountiful	Lot 1	3/9/2016	1,596.00	
Porter Walton Townhomes	Lots 1043,1044, 1045, & 1046,	3/10/2016	6,384.00	
Heritage Point	Lot 32	3/11/2016	1,596.00	
Ranches	Lot 10	3/14/2016	1,596.00	
Canyon Crest	Lot 167	3/21/2016	1,596.00	
Mickelson Meadows	Lots 1,2,3	3/17/2016	4,788.00	
Foxboro North	Lot 221	3/17/2016	1,596.00	
Eaglewood Village	Lots 14, 207, & 231	3/25/2016	4,788.00	
North Point Commerce Park	Lot 1	3/29/2016	2,633.40	
Miles Manor	Lot 1	3/29/2016	1,596.00	
			\$	52,425.20
Chelsea Cove PUD	Lot 614	4/7/2016	\$ 1,626.00	
166 W 200 S Bountiful	19 Units	4/11/2016	25,506.00	
Stringham Farms	Lot 7	4/14/2016	1,596.00	
Oakhollow Est	Lot 24	4/27/2016	1,596.00	
Porter Walton Townhomes	Lots 938, 939, 940, 941, & 942	4/27/2016	7,980.00	
Foxboro North	Lots 1,2,3,4, & 8	4/27/2016	7,980.00	
			-	\$
				46,284.00
Moss Farms	Lot 207	5/12/2016	\$ 1,596.00	
Val Verda Meadows	Lot 7	5/13/2016	1,596.00	
Legacy Trials	Clubhouse	5/13/2016	1,755.60	
Sarah Burns	Lot 2	5/19/2016	1,596.00	
			\$	6,543.60
Ranches	Lot 8	6/2/2016	\$ 1,596.00	
SkyPark Industrial Park	Lot 64	5/31/2016	1,596.00	
Heritage Point	Lot 33	6/1/2016	1,596.00	
140 W Parrish Lane	M&B	5/31/2016	478.80	
610 N Franklin Pkwy NSL	Allen Masonary Building	6/1/2016	4,788.00	
SkyPark Industrial Park	Lot 65	6/6/2016	3,511.20	
Crestpointe	Lot 2021	6/9/2016	1,596.00	
Island Views	Lot 4	6/13/2016	1,596.00	
52 N Hwy 89 NSL	M&B	6/14/2016	1,596.00	
Eaglepoint Estates	Lot 1007	6/14/2016	1,596.00	
609 E 700 N Centerville	M&B	6/24/2016	1,596.00	
Legacy Trials	Lot 4 Bldg 7	6/23/2016	47,880.00	
			\$	69,426.00

Olsen Ranches	Lot 4	7/6/2016	\$ 1,596.00	
Orchard Business Park	Lots 16,17, 18, 19, & 20	7/6/2016	7,980.00	
Jenna Rae Subdivision	Lot 2	7/5/2016	1,596.00	
1030 S 400 W Centerville	Lot 2	7/12/2016	1,596.00	
614 W 2600 S Woods Cross	Lot 4	7/12/2016	13,326.60	
393 S 800 W West Bountiful	Holly Frontier, West Tank Farm	7/13/2016	2,793.00	
1275 W 1600 N West Bountiful	Dan Loueland Property	7/14/2016	1,995.00	
Olsen Ranches	Lot 3	7/14/2016	1,596.00	
Town Plaza Townhomes	Lot 101,102, 103, & 104	7/18/2016	6,384.00	
Porter Walton Townhomes	Lots 415, 416, 417, 418, & 419	7/20/2016	7,980.00	
Ruth Estates	Lots 2	7/20/2016	1,596.00	
Val Verda Meadows	Lot 8	7/20/2016	1,596.00	
120 W 1000 N Bountiful	Viewmont High Addition	7/19/2016	2,793.00	
Legacy Trails Subdivision	Lot 5	7/21/2016	1,596.00	
179 W 400 S Bountiful	M&B	7/26/2016	1,596.00	
Legacy Trails Subdivision	Lot 1 Maverik Inc	7/27/2016	5,187.00	
			\$	61,206.60
168 S Hwy 89 NSL	M&B	8/2/2016	\$ 9,576.00	
Eaglewood Village	Lots 319 & 325	8/8/2016	3,192.00	
Legacy Trails Subdivision	Lots 1 & 2	8/8/2016	63,840.00	
Eaglewood Village	Lot 1	8/8/2016	5,266.80	
2500 W 300 S	M&B	8/9/2016	1,117.20	
Edgewood Est	Lots 33b, & 33a	8/16/2016	3,192.00	
Pasture Sub	Bldg 2	8/17/2016	2,922.60	
Infred Park	Lot 32	8/17/2016	36,708.00	
Island Views	Lot 10	8/19/2016	1,596.00	
Ruth Estates	Lot 4	8/22/2016	1,596.00	
1125 W 500 S West Bountiful	1125 W 500 S Grandview Rockery	8/23/2016	1,596.00	
Ruth Estates	Lot 8	8/25/2016	1,596.00	
122 N Redwood Road NSL	So Legacy Sub 3a, rear building	8/31/2016	1,596.00	
			\$	133,794.60
Oakhollow Est	Lot 25	9/6/2016	\$ 1,596.00	
625 W 1100 N NSL	Lot 21 NSL Industrial Park	9/13/2016	6,304.20	
Foxboro Market Place	Lot 4	9/14/2016	18,194.40	
Val Verda Meadows	Lots 4, & 5	9/29/2016	3,192.00	
Lewis Park	Lot 702	9/28/2016	1,596.00	
			\$	30,882.60
Legacy Crossing	Lot 401	10/5/2016	\$ 1,356.60	
25 W Parrish Ln	Pizza Hut	10/6/2016	429.00	
Porton Walton Townhomes	Lot 310, 311, 312, 313, & 314	10/6/2016	7,980.00	
Ruth Estates	Lot 6	10/13/2016	1,596.00	
Legacy Trials	Bldg 3	10/17/2016	31,920.00	
Steele Sub	Lot 201	10/18/2016	1,596.00	
Auto Galley Sub	Lot 3	10/19/2016	1,596.00	
Val Verda Meadows	Lot 3	10/20/2016	1,596.00	
Val Verda Meadows	Lot 1	10/27/2016	1,596.00	
			\$	49,665.60
Hillcrest	Lot 5	11/1/2016	\$ 1,596.00	
Knighton Court	Lot 2, & 5	11/8/2016	3,192.00	
Riverbend Industrial Park	Lots 1 & 2	11/10/2016	8,937.60	
2010 E Mueller Park Rd	M&B	11/18/2016	1,596.00	
45 N Main St Centerville	M&B	11/25/2016	1,456.00	
Porton Walton Townhomes	Lots 520, 521, 522, 523 & 524	11/28/2016	7,980.00	
			\$	24,757.60
Legacy Trials	Bldg 4	12/6/2016	\$ 38,304.00	
Cannonwood Industrial Park	Lot 1	12/6/2016	79.80	
Cannonwood Industrial Park	Lot 2	12/6/2016	1,835.40	
Heritage Point	Lot 37	12/9/2016	1,596.00	
Valentine Cottage	Lot 212	12/20/2016	1,596.00	
Eaglewood Village	Lot 11	12/23/2016	1,596.00	
			\$	45,007.20
Grand Total			\$	592,321.80

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

Year Collected	Impact Fee	Interest	Total
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
2016	592,322	2,962	595,283
Total	\$ 11,925,269	\$ 150,074	\$ 12,075,343

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.



South Davis Sewer District
Local Government

December 31, 2016
Fiscal or Calendar Year Ending

Certification of Impact Fee Report

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

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

I, the undersigned, certify that the attached impact fees report is a true, correct and complete copy of the report of impact fees on hand at fiscal/calendar year ending December 31, 2016 and their scheduled intended use.



Chief Financial Officer

South Davis Sewer District
Local Government

STATISTICAL SECTION



STATISTICAL SECTION

(UNAUDITED)

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

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

Contents	Page
Financial Trends	81
<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>	
Revenue Capacity	84
<i>These schedules contain information to help the reader assess the District's most significant local revenue sources.</i>	
Debt Capacity	92
<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>	
Demographic and Economic Information	96
<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>	
Operating Information	101
<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

	2016	2015 ⁴	2014	2013	2012 ³	2011	2010	2009 ²	2008 ¹	2007
Assets										
Current & Other Assets	\$ 19,928,549	\$ 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
Restricted Assets			-	-	-	-	-	-	-	793,500
Capital & Noncurrent Assets - (Net of related debt)	62,322,747	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
Total Assets	\$ 82,251,296	\$ 81,297,677	\$ 76,658,869	\$ 74,759,893	\$ 70,628,990	\$ 68,709,378	\$ 68,779,136	\$ 68,711,620	\$ 66,926,230	\$ 60,853,249
Deferred Outflows of Resources	900,460.00	361,388.00	-	-	-	-	-	-	-	-
Total Assets & Deferred Outflows of Resources	\$ 83,151,756	\$ 81,659,065								
Liabilities										
Current Liabilities	\$ 522,624	\$ 403,320	\$ 330,507	\$ 486,103	\$ 434,771	\$ 453,497	\$ 328,292	\$ 354,546	\$ 182,958	\$ 615,576
Noncurrent Liabilities	1,948,777	1,343,615	403,555	381,180	373,624	370,027	311,618	304,622	273,862	274,584
Total Liabilities	\$ 2,471,401	\$ 1,746,935	\$ 734,062	\$ 867,283	\$ 808,395	\$ 823,524	\$ 639,910	\$ 659,168	\$ 456,820	\$ 890,160
Deferred Inflows of Resources	128,199	127,979								
Total Liabilities & Deferred Inflows of Resources	\$ 2,599,600	\$ 1,874,914								
Net Position:										
Net Investment in Capital Assets (Net of related debt)	\$ 62,253,415	\$ 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
Restricted										793,500
Unrestricted (deficit)	18,298,741	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
Total Net Position	\$ 80,552,156	\$ 79,784,151	\$ 75,924,807	\$ 73,892,610	\$ 69,820,595	\$ 67,885,854	\$ 68,139,226	\$ 68,052,452	\$ 66,469,410	\$ 59,963,089

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

¹Revenue Bonds were refunded in October 2008, matured on 12/15/08 (See MD&A Section).

²SDSD became the agent entity for a interlocal agreement for the Water Quality Research Group (WQG)

³Contracted 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.

⁴GASB 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

	2016 ⁵	2015 ⁴	2014	2013	2012 ³	2011	2010	2009 ²	2008 ¹	2007
Operating Revenues										
Sewer Service Fees	\$ 2,471,683	\$ 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
Sewer Special Treatment Fees	197,526	180,779	213,554	255,804	180,475	168,374	144,771	204,535	216,773	260,670
Inspection & Project Fees	33,730	20,470	40,200	52,460	77,980	27,210	8,145	27,889	43,106	106,976
Other	278,265	295,526	253,912	334,343	247,124	178,195	146,055	80,574	105,614	105,438
Total Operating Revenue	\$ 2,981,204	\$ 2,762,985	\$ 2,742,784	\$ 2,831,258	\$ 2,651,008	\$ 2,501,381	\$ 2,409,218	\$ 2,403,752	\$ 2,415,018	\$ 2,479,162
Operating Expenses										
Operating & Maintenance	\$ 6,666,828	\$ 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
Depreciation	326,654	278,380	342,111	360,330	327,082	295,415	265,475	215,435	180,487	174,174
Total Operating Expenses	\$ 6,993,482	\$ 6,213,949	\$ 5,874,511	\$ 5,767,780	\$ 5,568,873	\$ 5,999,522	\$ 5,781,343	\$ 4,861,332	\$ 4,678,895	\$ 3,598,778
Operating Income (Loss)	\$ (4,012,278)	\$ (3,450,964)	\$ (3,131,727)	\$ (2,936,522)	\$ (2,917,865)	\$ (3,498,141)	\$ (3,372,125)	\$ (2,457,580)	\$ (2,263,877)	\$ (1,119,616)
Nonoperating Revenue (Expenses)										
General Property Tax	\$ 2,282,560	\$ 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
Impact Fees	592,322	4,572,029	868,201	1,029,824	957,351	712,027	285,462	605,482	1,113,553	1,189,019
Miscellaneous Revenue	119,065	140,865	113,190	175,989	109,002	98,692	94,955	91,182	74,035	55,844
Intergovernmental Contributions	900,827	785,000	600,000	550,000	350,000	355,400	350,000	367,161		
Project Grant	-	-		69,418	178,113					
Interest Income	178,050	94,186	75,657	81,659	213,508	158,551	105,190	255,888	642,770	833,564
Gain (Loss) on Disposal of Property	36,394	33,603	104,325	43,625	29,866	198,630	38,559	25,727	1,197	55,742
Interest & Bond Expenses	-	-	-	-	-	-	-	-	(9,095)	(32,067)
Net Change in Fair Value of Investments	20,829	(14,326)	(2,552)	(6,336)	507,089	(437,754)	21,396	131,103	(15,198)	(7,801)
Total Non-Operating Revenue (Expense)	\$ 4,130,047	\$ 7,820,119	\$ 3,836,867	\$ 4,063,401	\$ 4,334,356	\$ 3,110,357	\$ 2,866,509	\$ 3,356,732	\$ 3,642,316	\$ 3,910,595
Income (Loss) Before Contributions	\$ 117,769	\$ 4,369,155	\$ 705,140	\$ 1,126,879	\$ 1,416,491	\$ (387,784)	\$ (505,616)	\$ 899,152	\$ 1,378,439	\$ 2,790,979
Capital Contributions - Assets	650,236	266,362	1,327,057	2,871,442	518,250	134,412	592,390	683,890	5,127,882	2,039,089
Increase in Net Assets	\$ 768,005	\$ 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
Total Net Position at Beginning of Year	79,784,151	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
Prior Period Adjustment	-	(776,173)	-	73,694						
Total Net Position at End of Year	\$ 80,552,156	\$ 79,784,151	\$ 75,924,807	\$ 73,892,610	\$ 69,820,595	\$ 67,885,854	\$ 68,139,226	\$ 68,052,452	\$ 66,469,410	\$ 59,963,089

Source: District accounting and financial records

Notes: GASB Statement No 34 implemented in 2004

¹Revenue bonds were refunded in October of 2003, matured on 12/15/08 (See MD&A section)

²SDSD became the agent entity for a interlocal agreement for the Water Quality Research Group (WQG)

³Contracted with the EPA to operate a superfund site (OU2) in West Bountiful

The District had no aggregated debt since 2008

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

2014 Prior period adjustment resulted from a journal entry error.

⁴GASB 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

	2016	2015 ⁴	2014	2013	2012 ³	2011	2010	2009 ²	2008 ¹	2007
Net Revenues										
Operating Revenues	\$ 2,981,204	\$ 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
Operating Expenses (excluding depreciation)	(6,666,828)	(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)
General Property Tax	2,282,560	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
Impact Fees	592,322	4,572,029	868,201	1,029,824	957,351	712,027	285,462	605,482	1,113,553	1,189,019
Intergovernmental Contributions	900,827	785,000	600,000	550,000	350,000	355,400	350,000	367,161		
Project Grant Revenue	-	-	-	69,418	178,113					
Misc. Revenue	119,065	140,865	113,190	175,989	109,002	98,692	94,955	74,035	74,035	55,844
Interest Income	178,050	94,186	75,657	81,659	213,508	158,551	105,190	255,888	642,770	833,564
Total Net Revenues	\$ 387,200	\$ 4,628,258	\$ 949,688	\$ 1,449,920	\$ 1,206,618	\$ 9,891	\$ (300,096)	\$ 1,307,771	\$ 1,582,022	\$ 2,949,279
Net Revenues Excluding Impact Fees										
Net Revenues	387,200	4,628,258	949,688	1,449,920	1,206,618	9,891	(300,096)	1,307,771	1,582,022	2,949,279
Impact Fees	(592,322)	(4,572,029)	(868,201)	(1,029,824)	(957,351)	(712,027)	(285,462)	(605,482)	(1,113,553)	(1,189,019)
Net Revenues Excluding Impact Fees	\$ (205,122)	\$ 56,229	\$ 81,487	\$ 420,096	\$ 249,267	\$ (702,136)	\$ (585,558)	\$ 702,289	\$ 468,469	\$ 1,760,260
Aggregate Debt Service*	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 309,300	\$ 902,925
Ratio of Net Revenues to Aggregate Debt Service	0	0	0	0	0	0	0	0	5.11	3.27
Ratio of Net Revenues to Aggregate Debt Service (Excluding Impact Fees)	0	0	0	0	0	0	0	0	1.51	1.95
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

¹Revenue bonds were refunded in October of 2003, matured on 12/15/08 (See MD&A section)

²SDSD became the agent entity for a interlocal agreement for the Water Quality Research Group (WQG).

³Contracted 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.

⁴GASB Statement No.68 (Pension Plan) Implemented & Received Holly Refinery Impact Fee \$3,702,000

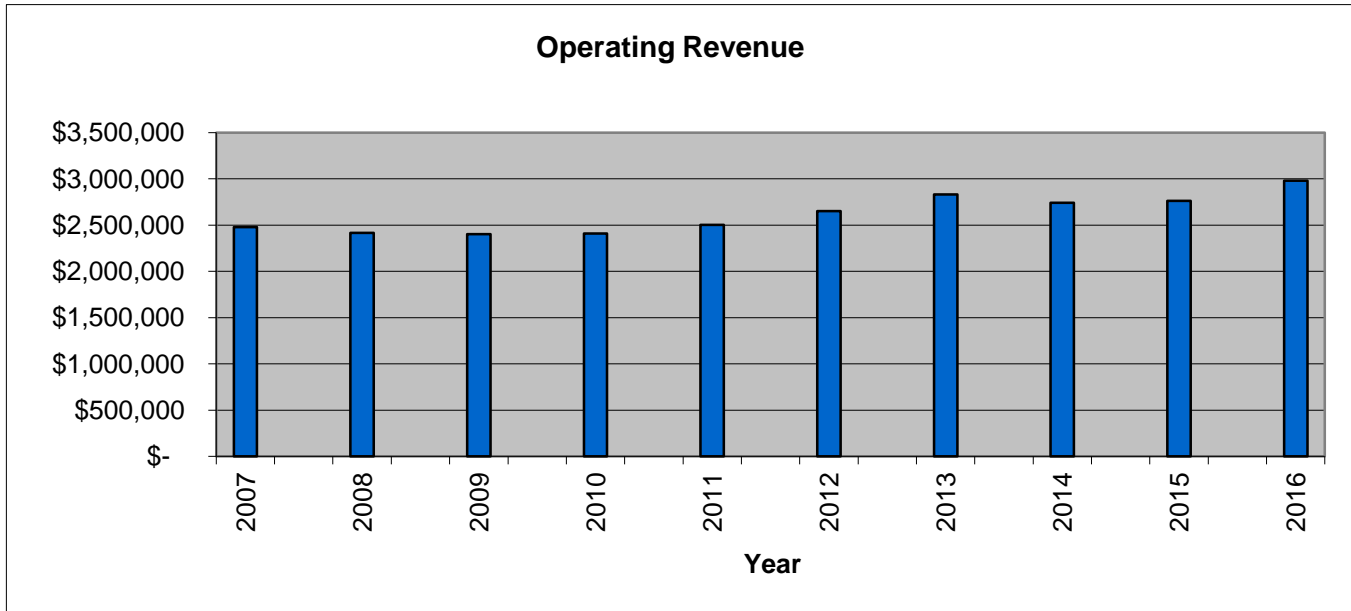
SOUTH DAVIS SEWER DISTRICT

Operating Revenues (Unaudited)

Last Ten Fiscal Years

Schedule 4

Year	Sewer Fees	Special Treatment Project & Inspection Fees	Other	Total
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
2016	\$ 2,471,683	\$ 231,256	\$ 278,265	\$ 2,981,204



Source: District accounting records

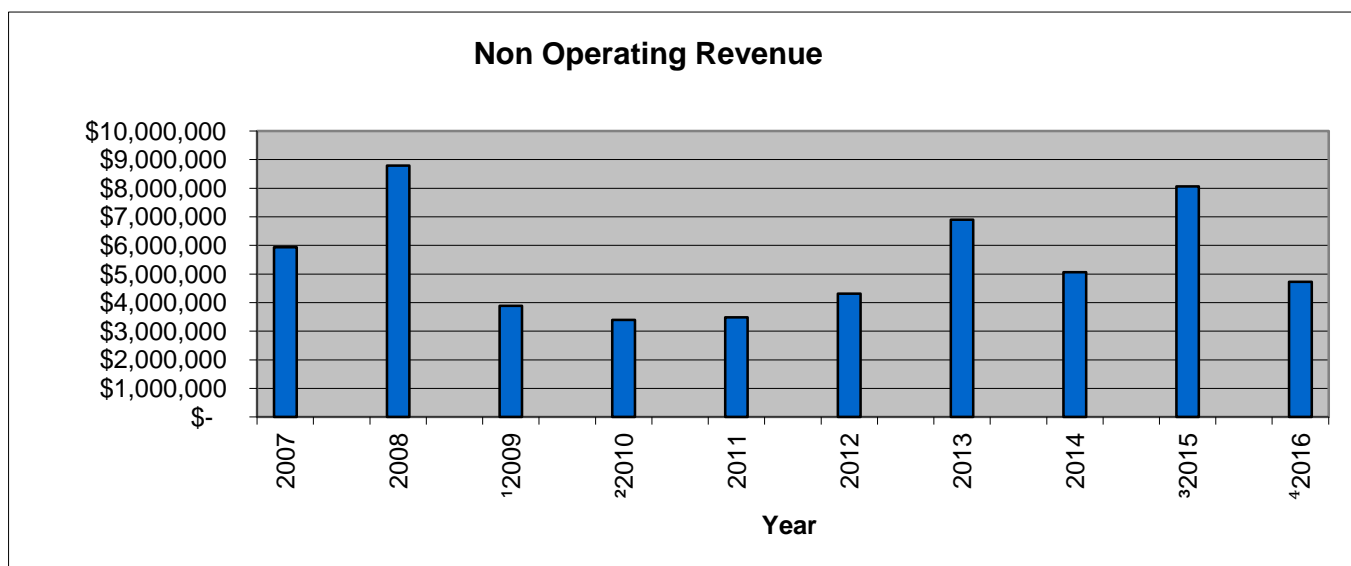
Notes: Bountiful City Sewer System was transferred on 1/1/04 to the South Davis Sewer District

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
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
¹ 2009	\$ 1,880,189	\$ 683,890	\$ 605,482	\$ 255,888	\$ 91,182	\$ 367,161	\$ 3,883,792
² 2010	\$ 1,970,947	\$ 592,390	\$ 285,462	\$ 105,190	\$ 94,955	\$ 350,000	\$ 3,398,944
2011	\$ 2,024,811	\$ 134,412	\$ 712,027	\$ 158,551	\$ 98,692	\$ 355,400	\$ 3,483,893
2012	\$ 1,989,427	\$ 518,250	\$ 957,351	\$ 213,508	\$ 109,002	\$ 528,113	\$ 4,315,651
2013	\$ 2,119,222	\$ 2,871,442	\$ 1,029,824	\$ 81,659	\$ 175,989	\$ 619,418	\$ 6,897,554
2014	\$ 2,078,046	\$ 1,327,057	\$ 868,201	\$ 75,657	\$ 113,190	\$ 600,000	\$ 5,062,151
³ 2015	\$ 2,208,762	\$ 266,362	\$ 4,572,029	\$ 94,186	\$ 140,865	\$ 785,000	\$ 8,067,204
⁴ 2016	\$ 2,282,560	\$ 650,236	\$ 592,322	\$ 178,050	\$ 119,065	\$ 900,827	\$ 4,723,061



Source: District financial and accounting records

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

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

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

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

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

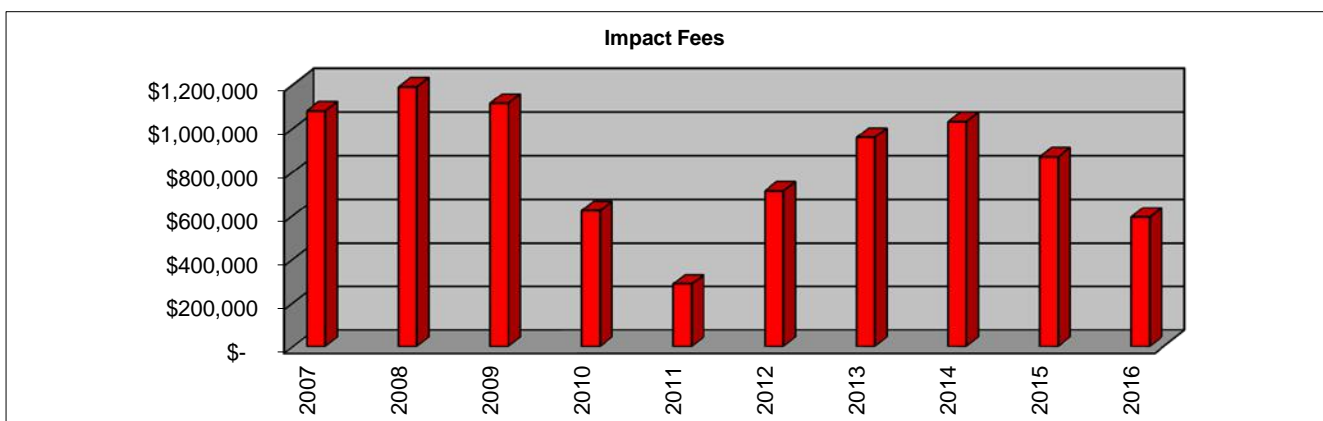
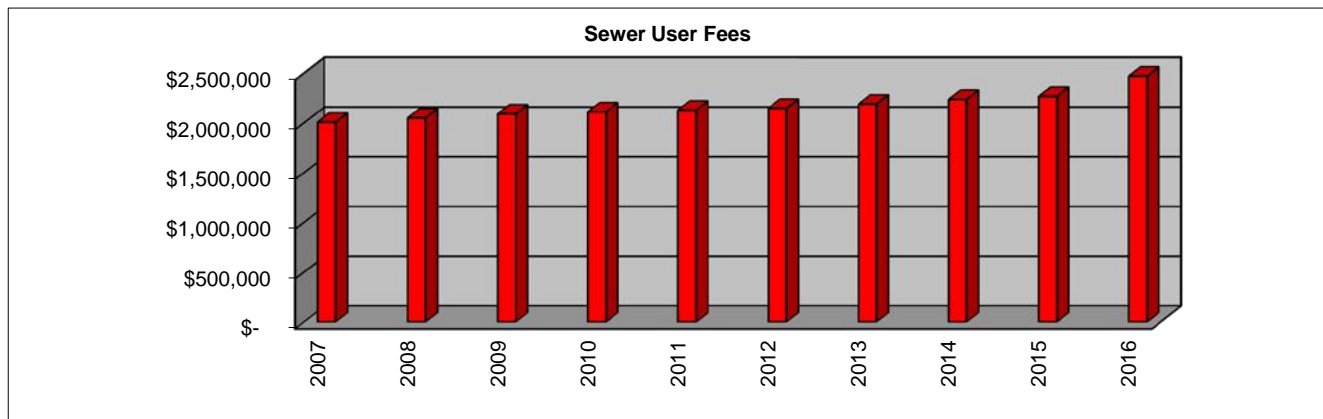
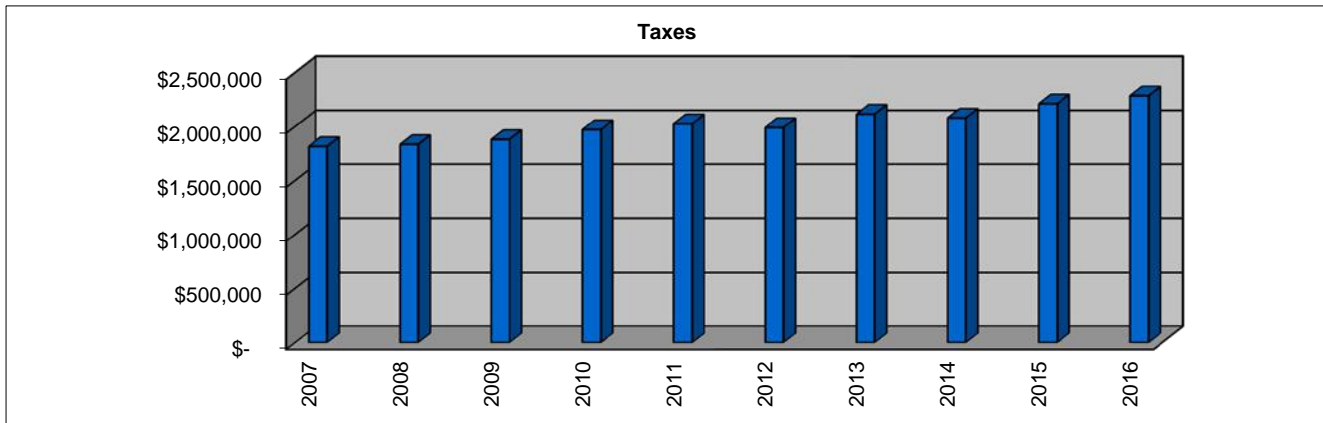
⁴Tax Increment from CDA in Miscellaneous Income for \$100,827

SOUTH DAVIS SEWER DISTRICT

Schedule 6

Revenues by Source (Unaudited)

Last Ten Fiscal Years



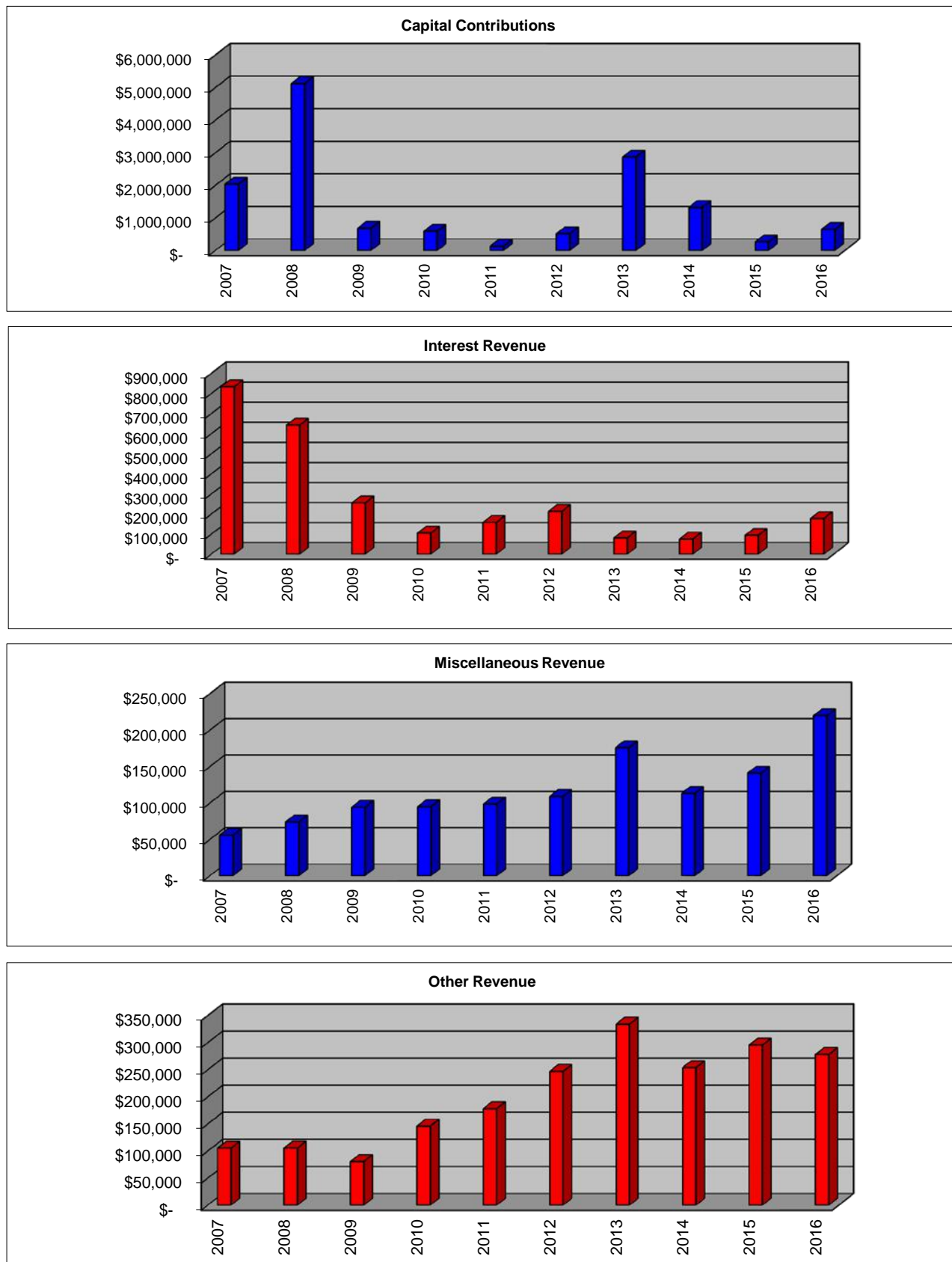
Source: District financial and accounting records

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

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.

In 2008 the economic downturn started

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
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	2,213,392	102.1%
2016	2,265,124	2,192,274	96.8%	52,939	2,300,647	101.6%

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

Year	Annual Sewer Service Fee (Single Residential Home)	Annual Sewer Service Fee (Single Mobile Home)	Impact Fee
2007	\$60.00	\$48.00	\$1,456.00
2008	\$60.00	\$48.00	\$1,456.00
2009	\$60.00	\$48.00	\$1,456.00
2010	\$60.00	\$48.00	\$1,456.00
2011	\$60.00	\$48.00	\$1,456.00
2012	\$60.00	\$48.00	\$1,596.00
2013	\$60.00	\$48.00	\$1,596.00
2014	\$60.00	\$48.00	\$1,596.00
2015	\$60.00	\$48.00	\$1,596.00
2016	\$60.00	\$48.00	\$1,596.00

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 Zions Public Finance was engaged to conduct a impact fee rate study.

¹The 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, 2016

Schedule 10

	Business	Location	Discharged Annual (Gallons)
1	Holly Refinery*	West Bountiful	414,442,000
2	Big West Oil LLC*	North Salt Lake	162,285,000
3	Air Products Manufacturing Corp	Bountiful	140,282,000
4	Silver Eagle Refinery*	Woods Cross	78,450,000
5	Restaurants	District	46,890,000
6	Car Wash/Service Stations/Dealers	District	44,618,000
7	Medical Centers/Retirement Homes	District	38,573,000
8	IHC Laundry	Woods Cross	26,928,000
9	Large Retail Stores	District	23,300,000
10	Health Clubs/ Bountiful Rec. Center	District	21,499,000
11	Schools	District	21,211,000
12	Hotels	District	17,585,000
13	Churches	District	15,488,000
14	Lakeview Hospital	Bountiful	11,968,000
15	Chevron Products	North Salt Lake	9,055,000
16	Stericycle Inc.	North Salt Lake	7,730,000
17	Zero Manufacturing Inc.*	North Salt Lake	6,599,000
18	Dry Cleaners/Laundry	District	4,902,000
19	Orbit Sprinklers	North Salt Lake	4,797,000
20	Pilot Travel	North Salt Lake	4,584,000
21	Cowboy Oil	Woods Cross	3,919,000
22	Quality Plating*	Woods Cross	3,919,000
23	South Davis Hospital	Bountiful	3,917,000
24	General Electric	North Salt Lake	3,792,000
25	Manuel's Fine Foods	Woods Cross	3,538,000
26	Advanced Drainage Systems	North Salt Lake	3,361,000
27	Benchmark Hospital	Woods Cross	2,918,000
28	Windriver Petroleum	Centerville	2,548,000
29	Albertson's Distribution Center	North Salt Lake	2,356,000
30	Legacy Megaplex Theater	Centerville	2,013,000
31	Pioneer Pipe Line	North Salt Lake	2,012,000
32	Aero Tech*	North Salt Lake	1,957,000
33	THB Inc	North Salt Lake	1,887,000
34	Pipe Fab	Woods Cross	1,863,000
35	Biotron Laboratories	Centerville	1,302,000
36	Dura-Line	North Salt Lake	1,096,000

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

Note: *EPA categorical industry

SOUTH DAVIS SEWER DISTRICT
Top Ten Non-Residential Customers
For the Current Year (2016) and Nine Years Prior

Schedule 11

Account #	Rate Payer	Type of Service	<u>Annual User Fee Amount</u>	
			2016	2007
00200	Holly Refinery	Refinery	\$ 223,137	\$ 88,434
03792 & 11076	Big West Oil	Refinery	\$ 118,524	\$ 84,436
05020	Silver Eagle Oil	Refinery	\$ 27,542	\$ 38,682
30985	Lakeview Hospital	Health Care	\$ 12,986	\$ 6,992
07287	Intermountain Health Care	Health Care	\$ 9,204	\$ 8,902
35963	South Davis Recreation Center	Recreation	\$ 6,703	\$ 6,120
08644	Zero Mfg	Manufacturing	\$ 5,994	\$ 10,872
08989	Air Products	Manufacturing	\$ 5,597	\$ 4,587
00345	Pioneer Pipeline	Manufacturing	\$ 4,448	\$ 3,834
08999	Stercyle	Manufacturing	\$ 2,686	\$ 1,887

Source: District accounting records & 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

Year	1989 Bond (3% Interest)	1990 Bond (5% Interest)	1992 Bond (4% Interest)	2003 Refunding Bond (2.7% Interest)	Total Bonds
2007	\$ -	\$ -	\$ -	\$ 1,170,000	\$ 1,170,000
2008	\$ -	\$ -	\$ -	\$ 300,000	\$ 300,000
2009	\$ -	\$ -	\$ -	\$ -	\$ -
2010	\$ -	\$ -	\$ -	\$ -	\$ -
2011	\$ -	\$ -	\$ -	\$ -	\$ -
2012	\$ -	\$ -	\$ -	\$ -	\$ -
2013	\$ -	\$ -	\$ -	\$ -	\$ -
2014	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ -	\$ -	\$ -	\$ -	\$ -

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.
2007	\$ 300,000	86,200	\$ 3.48	n/a	n/a	\$ 4,973,841,630	0.40%
'2008	\$ -	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	\$ 5,860,299,292	0.00%
2016	\$ -	97,252	\$ -	n/a	n/a	\$ 6,065,092,075	0.00%

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

Notes: 'Revenue bonds matured 12/15/08

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

SOUTH DAVIS SEWER DISTRICT

Debt to Asset Ratios (Unaudited)

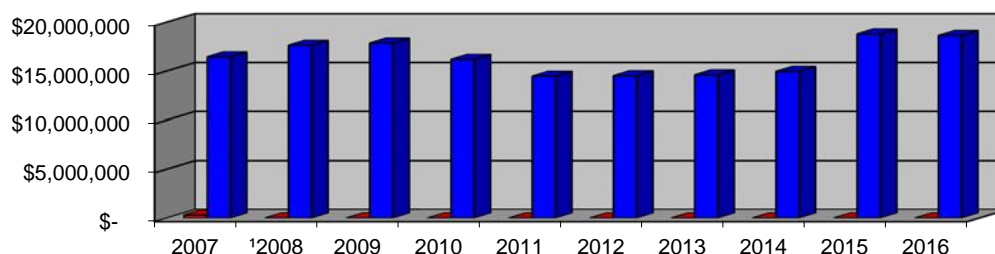
Schedule 14

Last Ten Fiscal Years

Year	Total Debt	Cash & Investments	% of Debt : Cash	² Total Capital Assets	% of Debt : Asset	Total Cash & Assets	% of Debt to Cash & Assets
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	\$ -	\$ 18,796,338	0.00%	\$ 78,589,869	0.00%	\$ 97,386,207	0.00%
2016	\$ -	\$ 18,628,790	0.00%	\$ 79,458,839	0.00%	\$ 98,087,629	0.00%

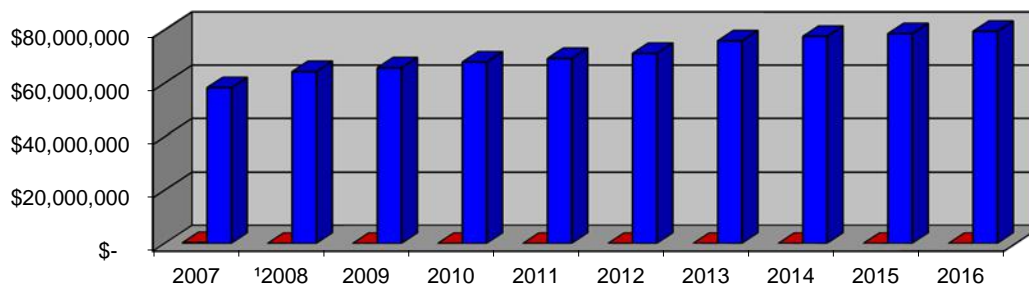
■ Debt ■ Cash & Investments

Total Debt to Total Cash & Investments



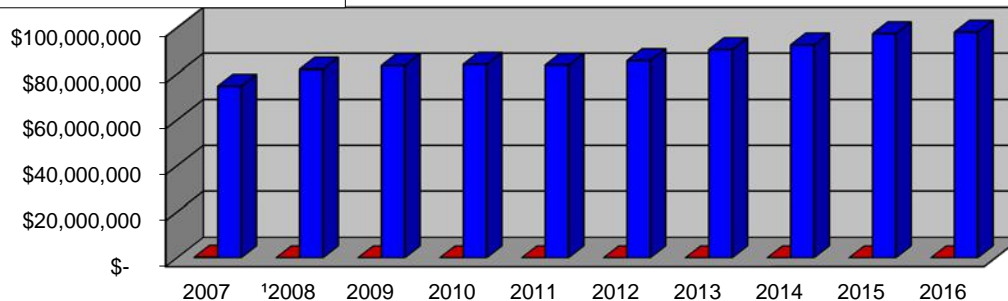
■ Debt ■ Capital Assets

Total Debt to Capital Assets



■ Debt ■ Total Cash & Assets

Total Debt to Total Cash & Capital Assets



Source: District accounting records.

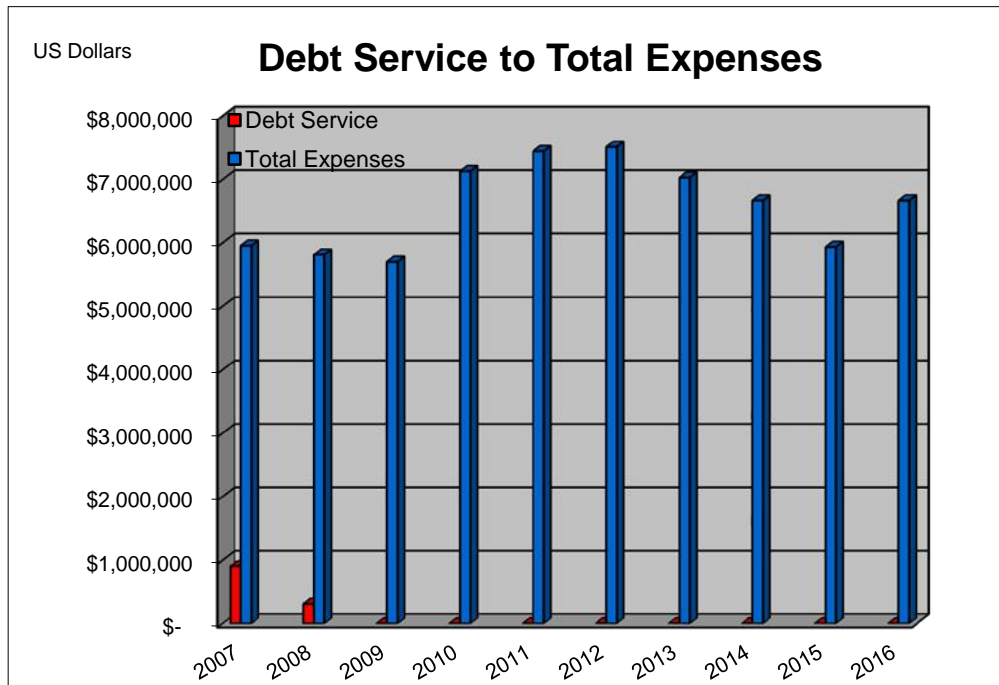
Note: 2003 Revenue Bond matured 12/15/08.

²Capital 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
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	\$ -	\$ 5,935,569	0.00%
2016	\$ -	\$ 6,666,828	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

<u>Fiscal Year</u>	<u>Population</u>	<u>Births</u>	<u>Deaths</u>	<u>Per Capita Income</u>	<u>Personal Income</u>	<u>Annualized % Unemployment Rate</u>	<u>Total Public School Enrollment</u>
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	1,612	\$38,165	\$12,292,741,914	4.20%	68,571
2014	329,492	5,772	1,684	\$38,427	\$12,661,524,171	3.60%	69,139
2015	336,043	5,870	1,710	\$38,809	\$13,041,369,897	3.30%	69,879
2016	342,281	5,687	1,762	\$40,000	\$13,691,240,000	3.30%	71,021

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

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

SOUTH DAVIS SEWER DISTRICT
Davis County Principle Employers
Current Year (2016) and Nine Years Ago

Schedule 17

<u>Employer</u>	<u>2016</u>			<u>2007</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of</u>
			<u>Total County</u>			<u>Total County</u>
			<u>Employment</u>			<u>Employment</u>
			162521			146771
Hill Airforce Base	10000-14999	1	9.23%	10000-14999	1	10.2%
Davis County School District	7000-9999	2	6.15%	5000-6999	2	4.8%
ATK Space Systems	1000-1999	3	1.23%	700-999	5	0.7%
Lagoon Corporation	1000-1999	4	1.23%	1000-1999	3	1.4%
Lifetime Products	1000-1999	5	1.23%	700-999	7	0.7%
Utility Trailer Manufacturing	1000-1999	6	1.23%	700-999	6	0.7%
Your Employer Solutions	1000-1999	7	1.23%	250-499	14	0.3%
Alliant	500-999	8	0.61%	700-999	4	0.7%
Davis Hospital and Medical	500-999	9	0.61%	700-999	7	0.7%
FedEx Ground	500-999	10	0.61%	500-699	11	0.5%
Lofthouse Bakery Products	500-999	11	0.61%	n/a	n/a	n/a
Lakeview Hospital	500-999	12	0.61%	500-699	10	0.5%
South Davis Community Hospital	500-999	13	0.61%	250-499	15	0.3%
Davis County	500-999	14	0.61%	250-499	18	0.3%
Northrop Grumman	250-499	15	0.31%	500-699	9	0.5%
Job Corp	250-499	16	0.31%	250-499	17	0.5%
Albertsons	250-499	17	0.31%	250-499	20	0.5%
Davis Applied Technology Center	250-499	18	0.31%	250-499	22	0.5%
Totals	<u>26500-30482</u>		<u>27.06%</u>	<u>22500-34083</u>		<u>23.6%</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 (Five cities)

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 Irrigation District	Mosquito Abatement	¹ South Davis Recreation District	Total Direct & Overlapping Rates
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
2016	0.000287	0.000890	0.000983	0.001684	0.001057	0.001622	0.010139	0.000342	0.000187	0.000234	0.000110	0.000116	0.000306	0.017957

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.

¹South 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, 2016

Schedule 19

1	Davis County Jail Bond	0.000076
2	Bountiful Water	0.000110
3	Davis County Mosquito Abatement	0.000116
4	Weber Basin Water	0.000187
5	Central Davis Sewer District	0.000208
6	Utah Assess & Collect	0.000218
7	Davis County Assess & Collect	0.000224
8	South Davis Water District	0.000234
9	South Davis Sewer District	0.000287
10	South Davis Recreation Center	0.000306
11	Davis County Library	0.000342
12	Hooper Water Improvement	0.000369
13	Benchland Water District	0.000411
14	Central Weber Sewer District	0.000758
15	Bountiful City	0.000890
16	Centerville City	0.000983
17	West Point City	0.000984
18	North Davis Sewer District	0.001025
19	Woods Cross City	0.001057
20	North Davis Fire District	0.001182
21	Syracuse City	0.001573
22	North Salt Lake City	0.001622
23	Utah Statewide School Rate	0.001675
24	West Bountiful City	0.001684
25	Davis County	0.001703
26	Kaysville City	0.001717
27	Clearfield City	0.001800
28	Clinton City	0.002082
29	Sunset City	0.002121
30	Farmington City	0.002132
31	Fruit Heights City	0.002295
32	Davis County School District	0.006450
33	Layton City	0.018050

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

SOUTH DAVIS SEWER DISTRICT
 Principle Tax Payers (Unaudited)
 For the Current Year 2016 and Nine Years Prior

Schedule 20

			Assessed Taxable Value			
Tax Payer	City	Personal Property	Real Property	2016 Total	2007 Total	
1 Holly Refinery	Woods Cross	\$ 577,965,229	\$ 22,940,474	\$ 600,905,703	\$ 247,214,941	
2 Chevron USA Inc.	County/NSL	\$ 380,122,632	\$ 9,625,639	\$ 389,748,271	\$ 431,734,268	
3 Big West Oil	North Salt Lake	\$ 110,523,779	\$ 11,306,339	\$ 121,830,118	\$ 82,237,334	
4 Wal-Mart	Centerville	\$ 1,345,375	\$ 98,334,279	\$ 99,679,654	\$ 17,991,994	
5 Pacificorp	North Salt Lake	n/a	\$ 67,656,872	\$ 67,656,872	\$ 63,668,096	
6 WBC Partners/West	West Bountiful	n/a	\$ 45,247,376	\$ 45,247,376	\$ 36,916,456	
7 IGI RE Holdings WX LLC	West Bountiful	\$ 37,444,601	\$ 4,411,733	\$ 41,856,334	\$ 30,796,258	
8 Hospital Corp of Utah	Bountiful	\$ 13,625,547	\$ 25,000,100	\$ 38,625,647	\$ 28,208,007	
9 Questar Gas	Bountiful	n/a	\$ 28,677,515	\$ 28,677,515	\$ 25,763,854	
10 Legacy Crossing LLC	Centerville	\$ 3,770,862	\$ 24,048,154	\$ 27,819,016	\$ 34,997,957	
11 Dayton West LLC	North Salt Lake	\$ 1,802,931	\$ 25,899,800	\$ 27,702,731	\$ 14,678,052	
12 Albertsons	North Salt Lake	\$ 6,052,100	\$ 21,007,384	\$ 27,059,484	\$ 35,072,905	
13 Linde Gas North America LLC	Woods Cross	\$ 20,796,503	n/a	\$ 18,479,296	\$ 17,018,951	
14 Bountiful Corner	Bountiful	n/a	\$ 16,475,000	\$ 16,475,000	\$ 16,650,401	
15 G & E Healthcare	Woods Cross	n/a	\$ 15,376,000	\$ 15,376,000	\$ 18,688,126	

Source: Davis County Clerk/Auditor's Office

Notes: 2016 Certified Tax Rate = 0.000287 . Year end property values for the District were:

Real property \$6,208,275,270 Personal property, \$1,427,038,469 & Centrally assessed \$177,546,491

Total adjusted property values were \$7,812,860,230

SOUTH DAVIS SEWER DISTRICT
Operator Certification Program (Unaudited)
For the Year Ending December 31, 2016

Schedule 21

Employee	Collection Operator Certification Level	Treatment Operator Certification Level
Curtis D. Bohman	Grade IV	
Mike C. Bradshaw	Grade IV	Grade IV
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

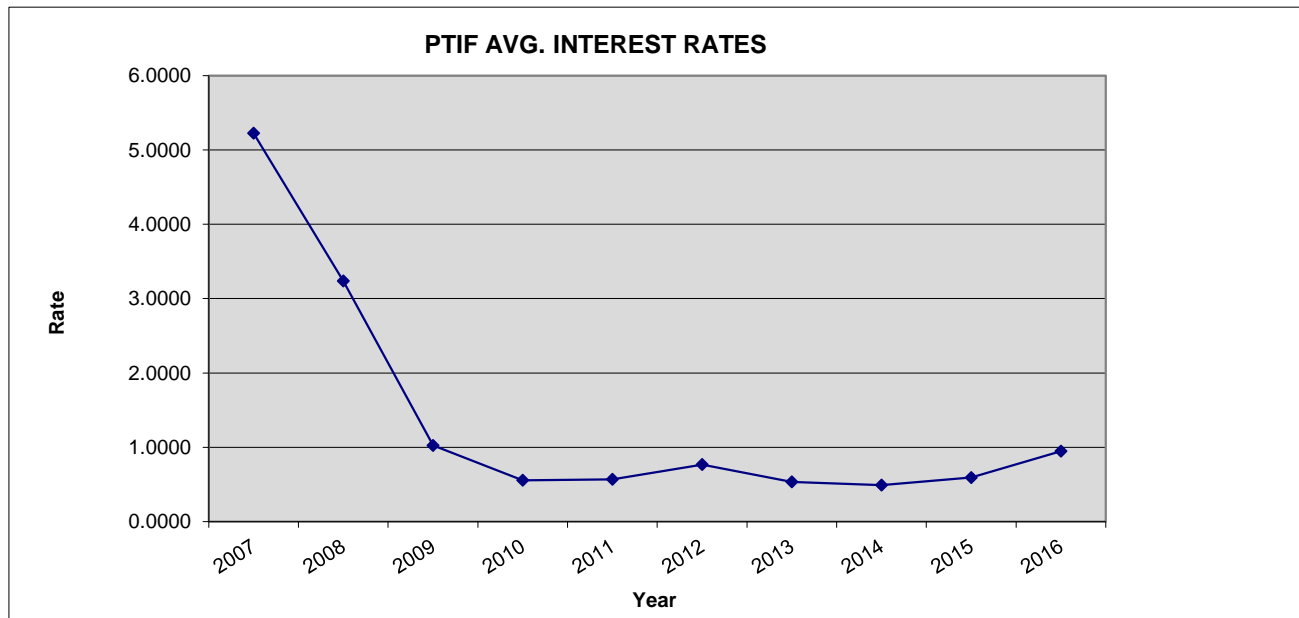
Source: District employment records and State of Utah, Division of Water Quality records.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Jan	5.2238	4.7787	1.8558	0.5955	0.4812	0.7496	0.6499	0.5074	0.5073	0.7460
Feb	5.2342	4.2164	1.3798	0.5518	0.4900	0.7949	0.6120	0.5070	0.5184	0.7796
Mar	5.2384	3.6482	1.2600	0.5605	0.5102	0.7937	0.5739	0.5023	0.5294	0.8224
Apr	5.2424	3.2426	1.1700	0.5649	0.5362	0.7941	0.5295	0.4992	0.5475	0.8517
May	5.2463	3.0435	1.1170	0.5833	0.5374	0.7917	0.4902	0.4879	0.5559	0.8997
Jun	5.2510	3.0185	1.0107	0.5965	0.5463	0.7894	0.5046	0.4799	0.5610	0.9093
Jul	5.2554	3.0504	0.9296	0.5959	0.5455	0.7877	0.5115	0.4693	0.5791	0.9429
Aug	5.2629	3.0128	0.8489	0.5851	0.5577	0.7791	0.4962	0.4699	0.6098	0.9968
Sep	5.2672	2.8922	0.7592	0.5622	0.5961	0.7784	0.5126	0.4767	0.6368	1.0597
Oct	5.2677	2.8959	0.6968	0.5167	0.6336	0.7484	0.5143	0.4850	0.6593	1.0982
Nov	5.2074	2.7780	0.6396	0.4878	0.6790	0.7235	0.5150	0.5071	0.6824	1.1231
Dec	5.0112	2.2742	0.6255	0.4813	0.7190	0.6908	0.5103	0.5077	0.7244	1.1457
Avg	5.2257	3.2376	1.0244	0.5568	0.5694	0.7684	0.5350	0.4916	0.5926	0.9479



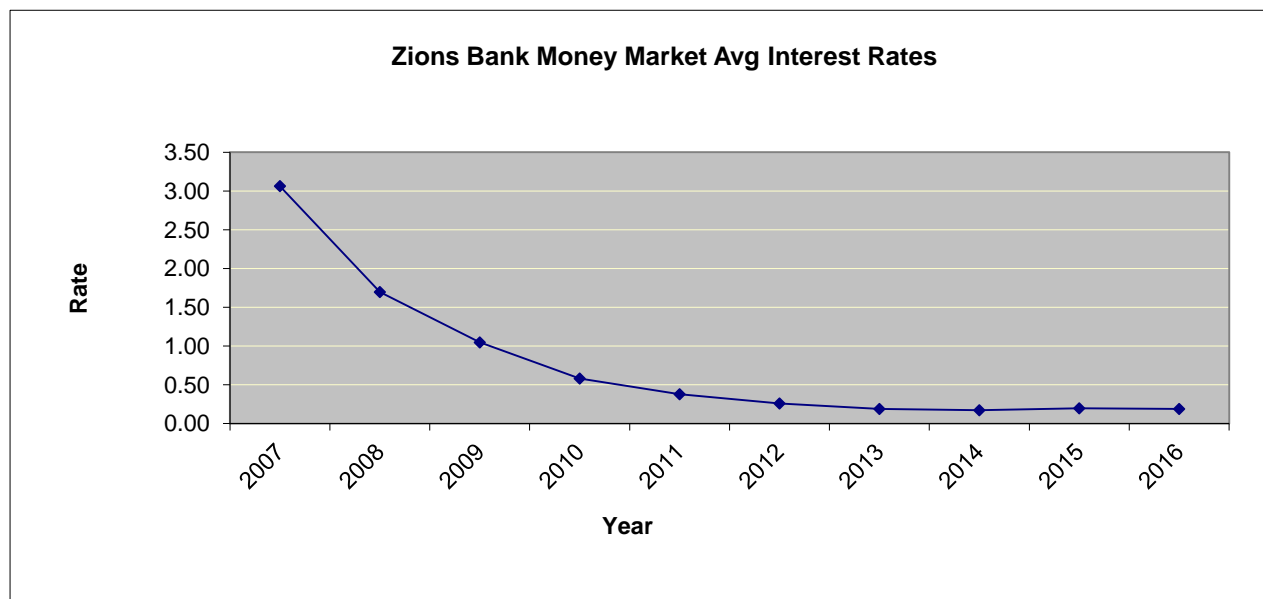
Source: Utah State Treasurer's Office

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Jan	2.75	2.50	1.50	0.90	0.60	0.30	0.20	0.20	0.20	0.20
Feb	2.75	1.75	1.35	0.70	0.40	0.30	0.20	0.20	0.20	0.40
Mar	3.40	1.30	1.20	0.50	0.47	0.25	0.20	0.15	0.20	0.15
Apr	3.40	1.30	1.00	0.50	0.38	0.20	0.20	0.20	0.19	0.15
May	2.75	1.30	0.85	0.65	0.37	0.20	0.15	0.20	0.19	0.15
Jun	3.40	1.50	1.00	0.50	0.36	0.20	0.20	0.15	0.19	0.15
Jul	3.40	1.80	1.15	0.65	0.50	0.30	0.20	0.15	0.19	0.20
Aug	3.40	1.80	1.00	0.65	0.35	0.25	0.20	0.15	0.20	0.20
Sep	3.40	1.80	1.00	0.57	0.30	0.50	0.15	0.20	0.20	0.15
Oct	3.00	2.00	1.00	0.50	0.30	0.20	0.15	0.15	0.19	0.15
Nov	2.60	2.05	1.00	0.44	0.25	0.20	0.20	0.15	0.20	0.20
Dec	2.50	1.25	0.50	0.40	0.25	0.20	0.20	0.15	0.20	0.15
Avg	3.06	1.70	1.05	0.58	0.38	0.26	0.19	0.17	0.20	0.19



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)	
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
2016	1,721	377,935	172,821	29,958	73,250	653,965
10-year Avg.	1,406	274,538	120,470	19,839	35,340	420,467

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	Research	
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
2016	7	8	2	6	1	1	25
Average	6.9	7.1	2	6.2	1	0.8	24

Source: District employment records

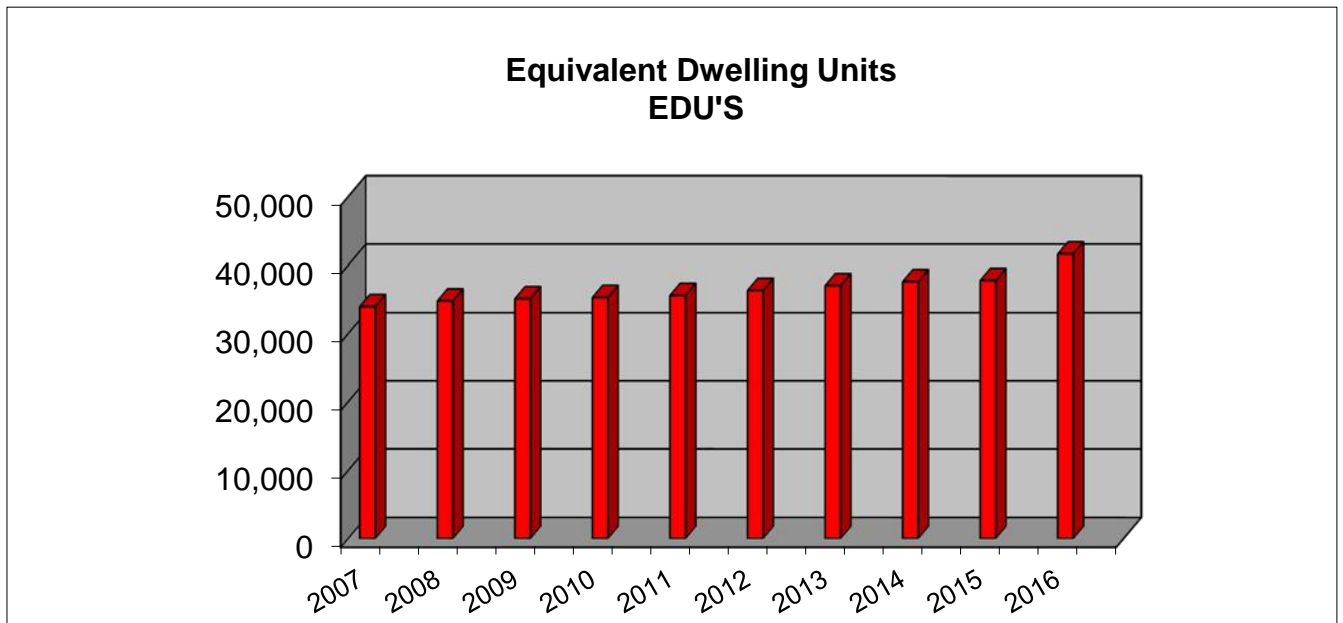
Notes: Full time employees are scheduled to work 2,080 hours per year (Including vacation, and sick leave).

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>
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
2016	41,589



Source: District accounting and engineering records.

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

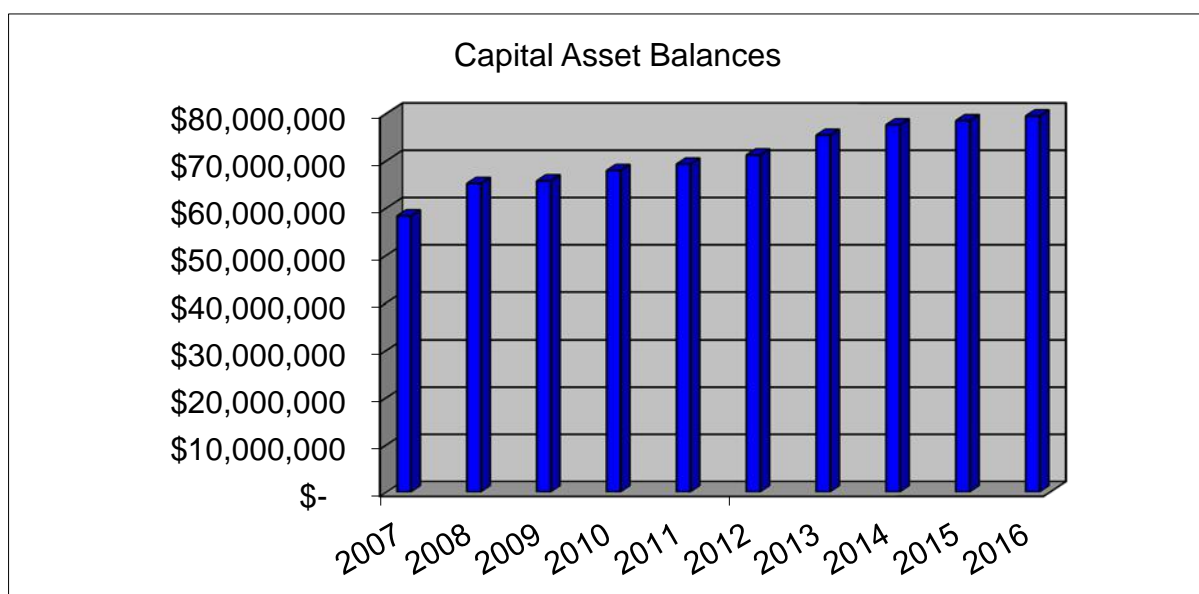
Bountiful City Sewer System was transferred to the District in 2004 bringing 9000 new additional customer accounts

The District has approximately 27,200 customer accounts as of 12/31/16

SOUTH DAVIS SEWER DISTRICT
Capital Asset Balances (Unaudited)
Last Ten Fiscal Years

Schedule 27

Year	Collection System	Treatment Plants	Land	Total
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
2016	\$ 46,265,131	\$ 30,044,846	\$ 3,148,863	\$ 79,458,839



Source: District capital asset records.

Notes: Balances exclude depreciation (historical cost),

SOUTH DAVIS SEWER DISTRICT
 Capital Asset Summary (Unaudited)
 For the Year Ended December 31, 2016

Schedule 28

COST								ACCUMULATED DEPRECIATION							
		Balances					Balances			Balances	Depreciation			Balances	
Acct #	Description	12/31/15	Additions	Deletions	Transfers	Adjust	12/31/16	Acct #	12/31/15	Expense		Deletions	Transfers	12/31/16	
108							-0-								
	182000	0.01 Building & Facilities	2,710,249.55	-0-	-0-	-0-	-0-	2,710,249.55	182100	0.01	(88,070.67)	(7,898.00)	-0-	-0-	(95,968.67)
	182000	0.02 Building & Facilities	21,587,121.30	-0-	-0-	-0-	-0-	21,587,121.30	182100	0.02	(8,594,396.09)	(8,703.44)	-0-	-0-	(8,603,099.53)
	188000	0.04 Construction in Progress	85,873.64	59,088.03	-0-	(8,295.00)	-0-	136,666.67			-0-	-0-	-0-		
	189000	0.01 Outfall/Sewer Lines	39,816,847.36	360,874.00	-0-	-0-	-0-	40,177,721.36	189110	0.01	(3,662,414.62)	(2,000.00)	-0-	-0-	(3,664,414.62)
	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.	419,685.24	76,691.52	-0-	-0-	-0-	496,376.76	189210	0.01	(241,003.59)	(21,020.77)	-0-	-0-	(262,024.36)
	189200	0.02 Operation & Sup Equip.	479,420.05	-0-	-0-	-0-	-0-	479,420.05	189210	0.02	(125,076.22)	(17,565.76)	-0-	-0-	(142,641.98)
	189300	0.01 Tools & Test Equip.	229,478.88	8,295.00	-0-	-0-	-0-	237,773.88	189310	0.01	(401,378.75)	(2,385.03)	-0-	-0-	(403,763.78)
	189300	0.02 Tools & Test Equip.	178,996.25	3,739.00	-0-	-0-	-0-	182,735.25	189310	0.02	(193,043.28)	(1,414.91)	-0-	-0-	(194,458.19)
	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	(148,290.67)	(49,506.17)	-0-	-0-	(197,796.84)
	189400	0.01 Mobile Equipment	2,390,279.88	210,820.23	(110,242.00)	-0-	-0-	2,490,858.11	189410	0.01	(944,628.94)	(146,798.85)	13,683.05	-0-	(1,077,744.74)
	189400	0.02 Mobile Equipment	1,061,215.04	427,086.00	(195,114.00)	-0-	-0-	1,293,187.04	189410	0.02	(662,398.40)	(48,595.65)	36,636.96	-0-	(674,357.09)
	189400	0.03 Mobile Equipment	22,437.03	-0-	-0-	-0-	-0-	22,437.03	189410	0.03	(4,487.41)	(4,487.41)	-0-	-0-	(8,974.82)
	189500	0.01 Office Furn. & Equip.	116,123.60	36,027.56	-0-	-0-	-0-	152,151.16	189510	0.01	(194,329.94)	(8,319.03)	-0-	-0-	(202,648.97)
	189500	0.02 Office Furn. & Equip.	234,040.91	-0-	-0-	-0-	-0-	234,040.91	189510	0.02	(263,669.07)	(7,961.82)	-0-	-0-	(271,630.89)
	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-								
		78,589,869.03	1,182,621.34	(305,356.00)	(8,295.00)	-0-	79,458,839.37			(16,929,087.46)	(326,656.84)	50,320.01	-0-	(17,205,424.29)	

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, 2016

Schedule 29

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	WQG (.05)	Total
BUILDINGS AND FACILITIES (182000)							
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CONSTRUCTION WORK IN PROGRESS (188000)							
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OUTFALL/SEWER LINES (189000)							
2016 Contributed Deeded Sewer Lines		360,874.00					360,874.00
SUBTOTAL		\$ 360,874.00	\$ -	\$ -	\$ -	\$ -	\$ 360,874.00
OPERATION & SUPPORT EQUIPMENT (189200)							
Wichita 500 Barrel Frac Tanks (2)	6511	21,000.00					21,000.00
LMK T Liner Launcher System	5936	55,691.52					55,691.52
SUBTOTAL		\$ 76,691.52	\$ -	\$ -	\$ -	\$ -	\$ 76,691.52
TOOLS AND TEST EQUIPMENT (189300)							
Newell DP 700 Lathe	3559		3,739.00				3,739.00
SUBTOTAL		-0-	3,739.00	-0-	-0-	-0-	\$ 3,739.00
MOBILE EQUIPMENT (189400)							
Mini Jetter Cab & Chassis	3547	\$ 50,145.00					\$ 50,145.00
Interstate 50TDL Tilt Deck Trailer	3548	28,930.04					28,930.04
2007 Ford E450 Paratransit Shuttle Bus	3549	10,745.19					10,745.19
2017 Ford F350 4x4 Crewcab 18153	3550	56,850.00					56,850.00
36' Tri Axle Flat Bed Goose Neck Trailer	3551	7,300.00					7,300.00
2017 Ford F350 4x4 Crewcab 18154	3553	56,850.00					56,850.00
John Deere 544K Loader 9'" Dump	3555		129,850.00				129,850.00
John Deere 544K Loader 10'2"Dump & Forks	3556		136,126.00				136,126.00
2017 Ford F350 4x4 Crewcab 18152	3552		56,850.00				56,850.00
2017 Ford F350 4x4 Crewcab 18155	3554		56,850.00				56,850.00
2017 Ford F150 4x4 Super Crew 48141	3546		47,410.00				47,410.00
SUBTOTAL		\$ 210,820.23	\$ 427,086.00	\$ -	\$ -	\$ -	\$ 637,906.23
OFFICE FURNITURE & EQUIPMENT (189500)							
GIS Laptop - Dell Precision15 7000	3557	\$ 2,456.00					\$ 2,456.00
GIS Development Engineering Azteca/Hendrickson	3558	33,571.56					33,571.56
SUBTOTAL		\$ 36,027.56	\$ -	-0-	-0-	-0-	\$ 36,027.56
LAND & RIGHT OF WAYS (189600)							
SUBTOTAL		-0-	-0-	-0-	-0-	-0-	\$ -
GRAND TOTAL		\$ 684,413.31	\$ 430,825.00	\$ -	\$ -	\$ -	\$ 1,115,238.31

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, 2016

Schedule 30

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	Total
BUILDINGS AND FACILITIES (182000)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
CONSTRUCTION WORK IN PROGRESS (188000)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
OUTFALL/SEWER LINES (189000)						
SUBTOTAL		\$ -	\$ -	\$ -	-0-	\$ -
OPERATION & SUPPORT EQUIPMENT (189200)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
TOOLS AND TEST EQUIPMENT (189300)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
MOBILE EQUIPMENT (189400)						
2016 Ford F350 4x4 Crewcab 72760	3540	\$ 48,622.00				\$ 48,622.00
2016 Ford F350 4x4 Crewcab 72762	3541	47,597.00				47,597.00
Chassis Extended Cab - Mini Vac	3508	9,023.00				9,023.00
Twamco Equipment Trailer	3499	5,000.00				5,000.00
Komatsu WA250 3PT Loader & Forks	3482		49,100.00			49,100.00
2016 Ford F350 4x4 Crewcab 72759	3543		48,622.00			48,622.00
2016 Ford F350 4x4 Crewcab 72761	3544		47,942.00			47,942.00
2016 Ford Expedition	3542		49,450.00			49,450.00
SUBTOTAL		\$ 110,242.00	\$ 195,114.00	\$ -	\$ -	\$ 305,356.00
OFFICE FURNITURE & EQUIPMENT (189500)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
LAND & RIGHT OF WAYS (188000)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
GRAND TOTAL		\$ 110,242.00	\$ 195,114.00	\$ -	\$ -	\$ 305,356.00

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, 2016

Schedule 31

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	Total
BUILDINGS AND FACILITIES (182000)						-0-
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
CONSTRUCTION WORK IN PROGRESS (188000)						
2 Post Bendpak 18K Lift CS	6509	(8,295.00)		-0-		(8,295.00)
SUBTOTAL		(8,295.00)	-0-	-0-	-0-	(8,295.00)
OUTFALL/SEWER LINES (189000)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
OPERATION & SUPPORT EQUIPMENT (189200)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
TOOLS AND TEST EQUIPMENT (189300)						
2 Post Bendpak 18K Lift CS	6509	8,295.00				8,295.00
SUBTOTAL		8,295.00	-0-	-0-	-0-	8,295.00
MOBILE EQUIPMENT (189400)						
SUBTOTAL		-0-	-0-	-	-0-	\$ -
OFFICE FURNITURE & EQUIPMENT (189500)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
LAND & RIGHT OF WAYS (188000)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
GRAND TOTAL		\$ -	\$ -	\$ -	\$ -	\$ -

Source: District capital asset records

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, 2016

Schedule 32

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	Total
BUILDINGS AND FACILITIES (182000)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
CONSTRUCTION WORK IN PROGRESS (188000)						
Carport - South Plant	6510		9,922.60			9,922.60
Algae Project - Aqua Engineering	6513		49,165.43			49,165.43
SUBTOTAL		\$ -	\$ 59,088.03	\$ -	\$ -	\$ 59,088.03
OUTFALL/SEWER LINES (189000)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
OPERATION & SUPPORT EQUIPMENT (189200)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
TOOLS AND TEST EQUIPMENT (189300)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
MOBILE EQUIPMENT (189400)						
SUBTOTAL		-0-	-0-	\$ -	-0-	\$ -
OFFICE FURNITURE & EQUIPMENT (189500)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
LAND & RIGHT OF WAYS (188000)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
GRAND TOTAL		\$ -	\$ 59,088.03	\$ -	\$ -	\$ 59,088.03

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

Year	Collection System O & M	Treatment Plants O & M	Capital Expenses	Debt Service	Total
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
2016	\$ 2,032,653	\$ 3,208,443	\$ 1,182,621		\$ 6,423,717

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

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

¹ Bountiful City sewer system was transferred to the District in 2004.

Treatment Plants include pretreatment, OU2 facility and WQG expenses

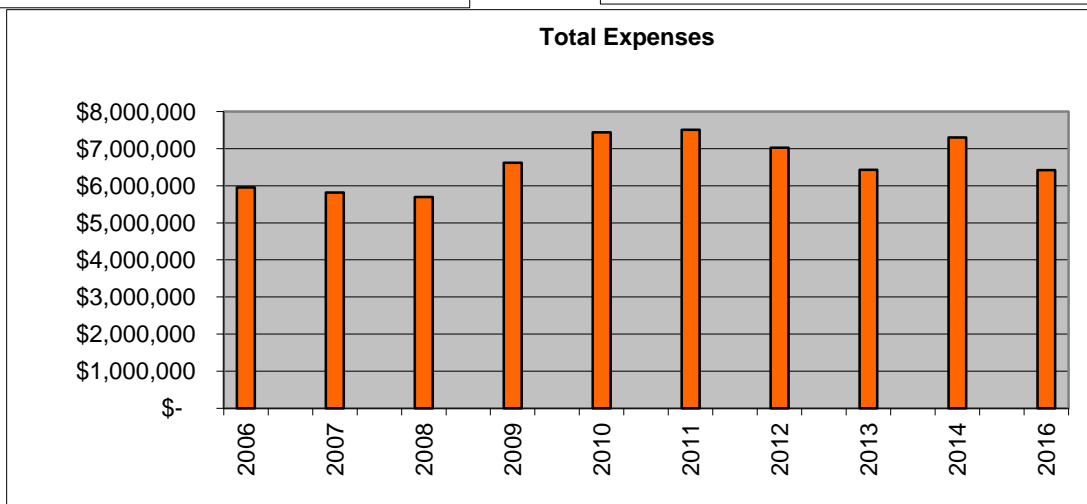
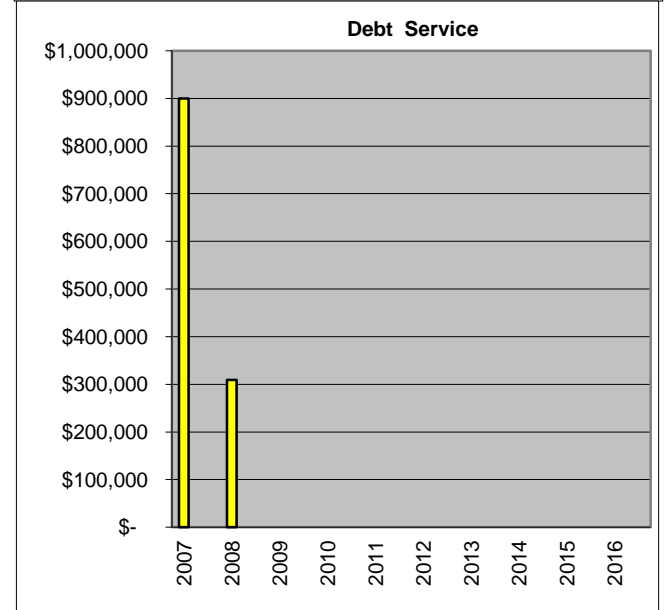
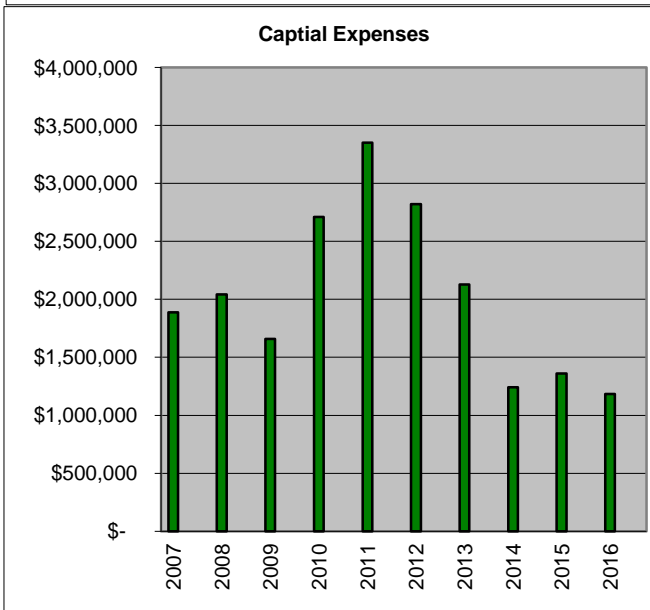
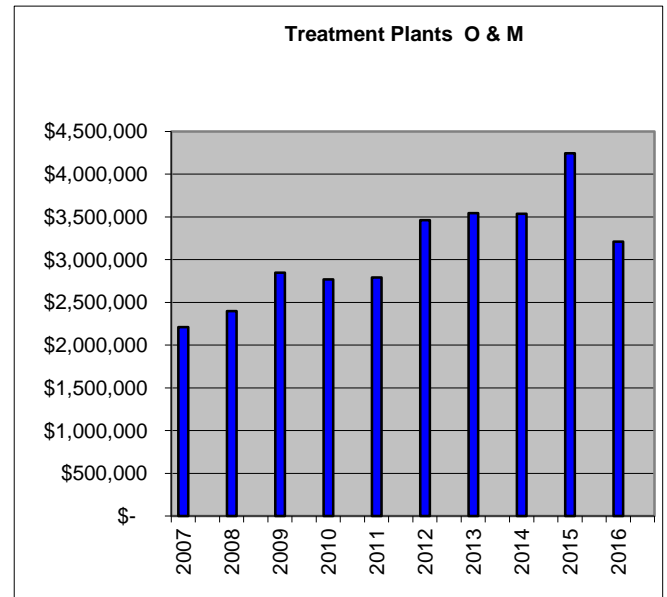
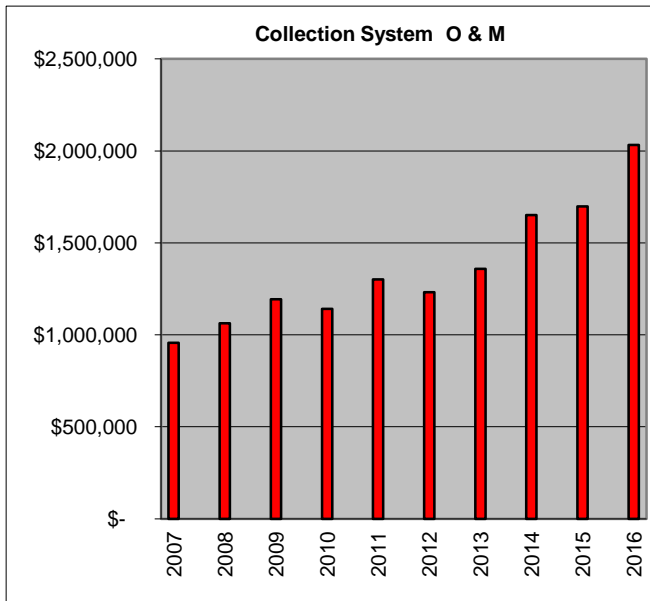
Total expenses excluded depreciation

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, 2016

Schedule 35

<u>Carrier</u>	<u>Policy No.</u>	<u>Coverage</u>	<u>Policy Period</u>
Olympus Insurance Agency	GWUFP0154303 Arch	General Liability (\$3,000,000) Bodily Injury Personal Injury Property Damage Public Officials Errors/Omissions	1/1/16 to 1/1/17
Olympus Insurance Agency	GWUFP0154303 Arch	Excess Liability (\$10,000,000)	1/1/16 to 1/1/17
Olympus Insurance Agency	GWPKG0154303 Arch	Property (\$52,030,580)	1/1/16 to 1/1/17
Olympus Insurance Agency	GWPKG0154303 Arch	*Fidelity Bond (\$750,000) Treasurer	1/1/16 to 1/1/17
Olympus Insurance Agency	GWPKG0154303 Arch	Crime (\$50,000) Employees Computer Fraud Employee Dishonesty	1/1/16 to 1/1/17
Worker Compensation Fund	1494897	Workers Compensation	1/1/16 to 1/1/17

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. 2015 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, 2016

Schedule 36

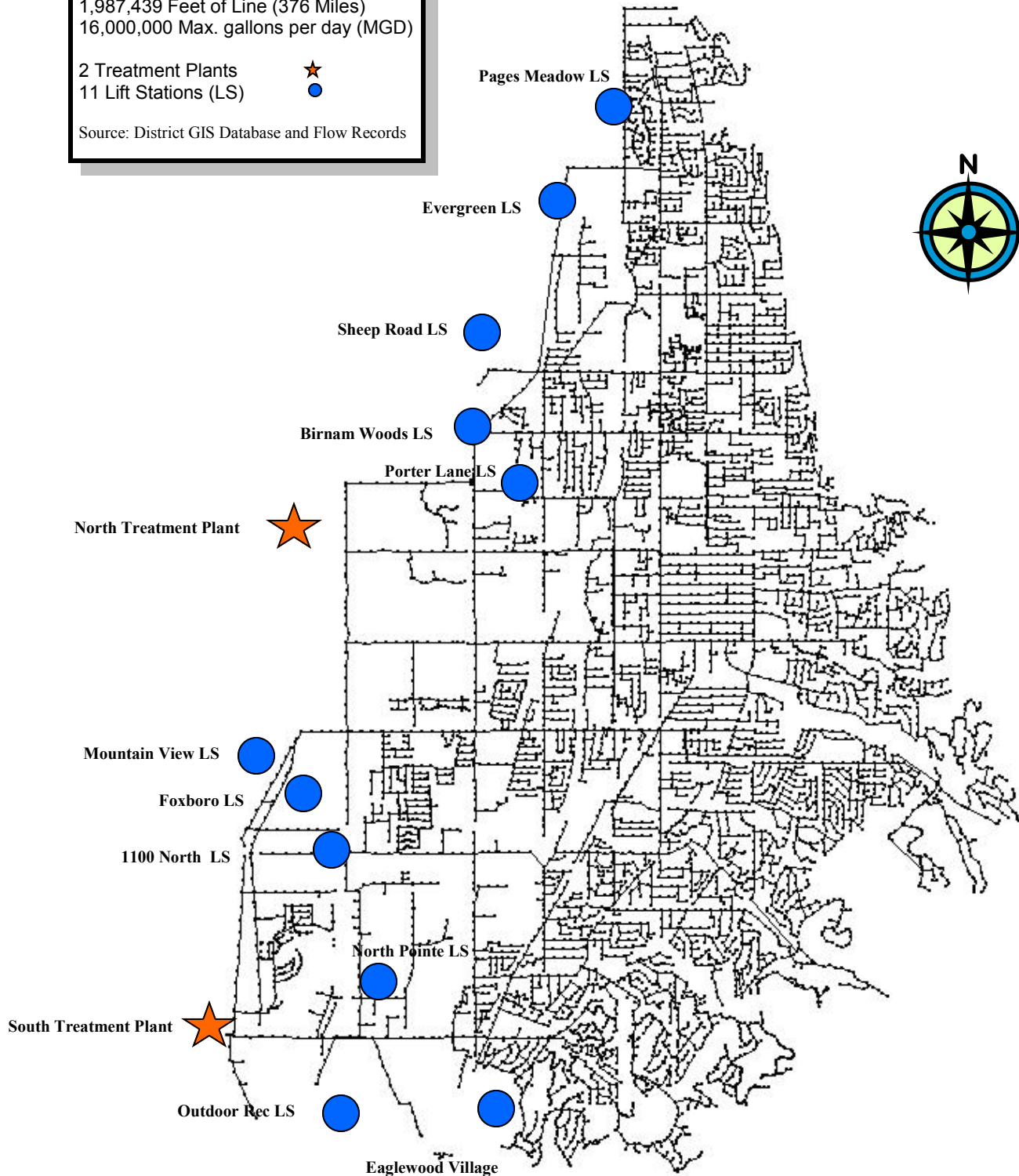
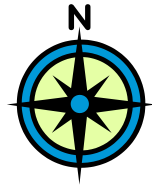
Statistics

34.38 Square Miles
8,489 Manholes
8,867 Sections of Line
1,987,439 Feet of Line (376 Miles)
16,000,000 Max. gallons per day (MGD)

2 Treatment Plants
11 Lift Stations (LS)



Source: District GIS Database and Flow Records



COMPLIANCE SECTION





KARREN | HENDRIX | STAGG | ALLEN
COMPANY

Certified Public Accountants

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B. Joe Merkley, CPA
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G. John Runia, 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, 2016 and 2015, 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 21, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Karren, Hendrix, Stagg, Allen & Company

Salt Lake City, Utah
June 21, 2017



KARREN | HENDRIX | STAGG | ALLEN
COMPANY

Certified Public Accountants

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

Board of Trustees
South Davis Sewer District
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, 2016.

General state compliance requirements were tested for the year ended December 31, 2016 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, 2016.

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.

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, 2016.

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, 2016.

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 21, 2017

SOUTH DAVIS SEWER DISTRICT

South Treatment Plant

North Salt Lake, Utah

