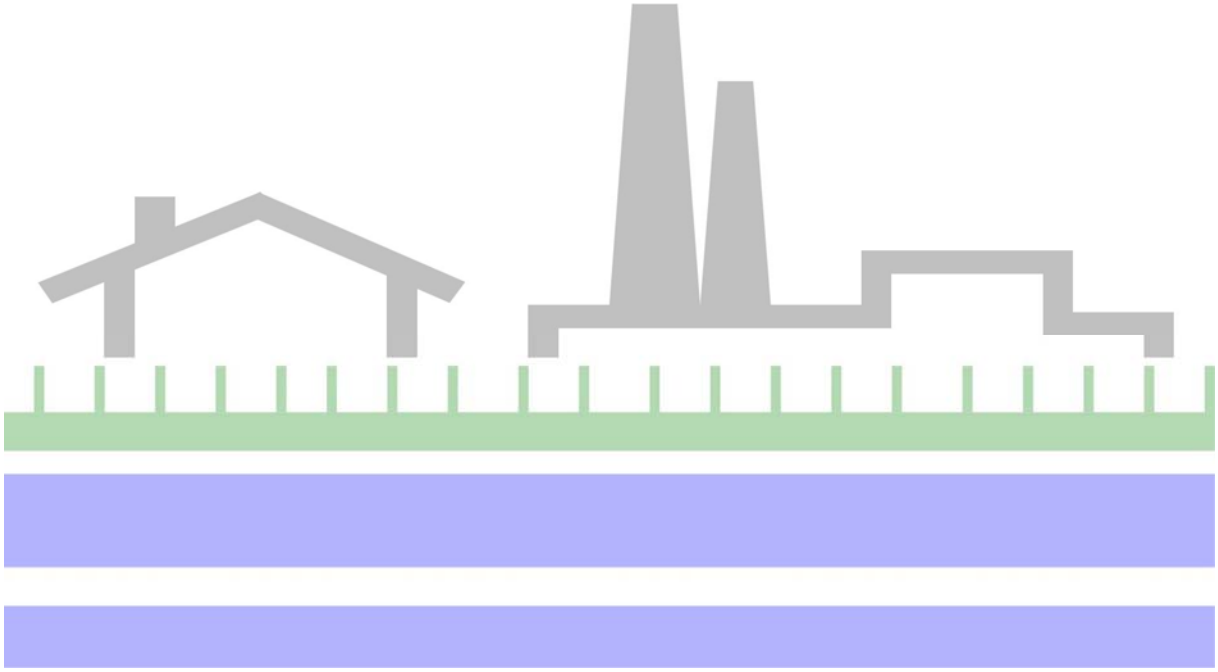
SOUTH DAVIS SEWER DISTRICT
West Bountiful, Utah

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2013 and 2012



SOUTH DAVIS SEWER DISTRICT

North Treatment Plant

West Bountiful ,Utah

SOUTH DAVIS SEWER DISTRICT
West Bountiful, Utah

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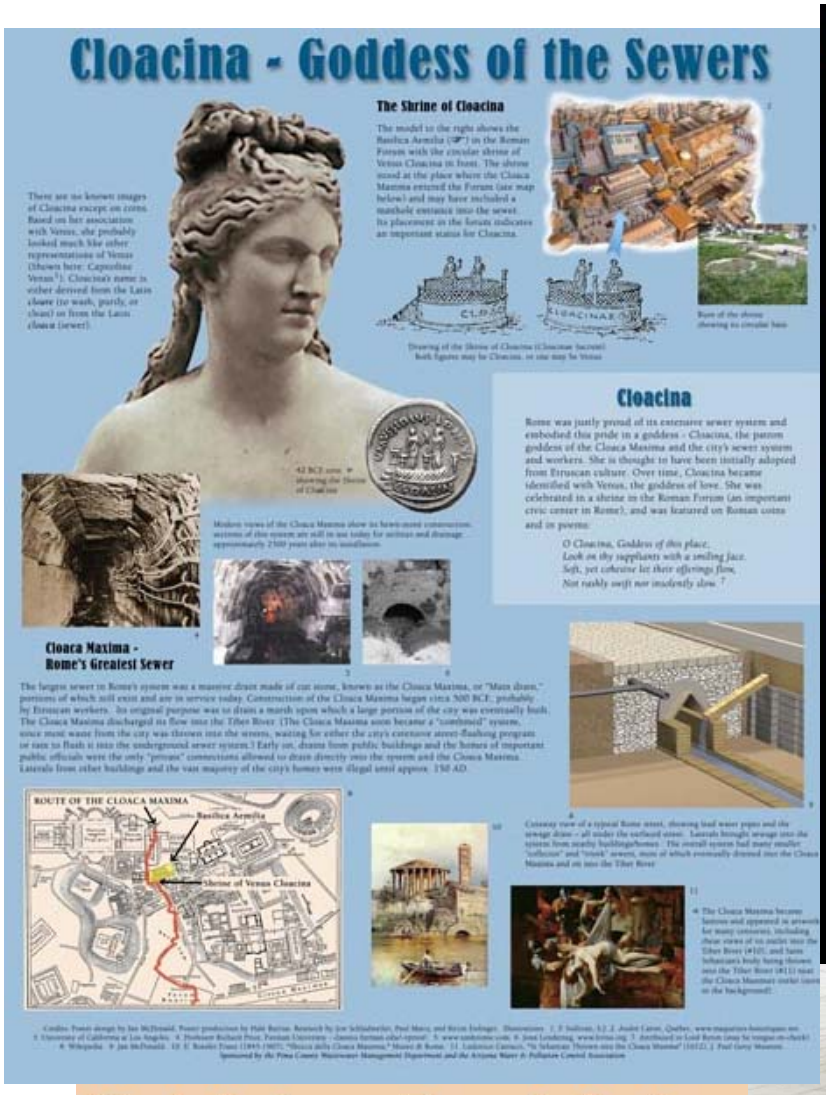
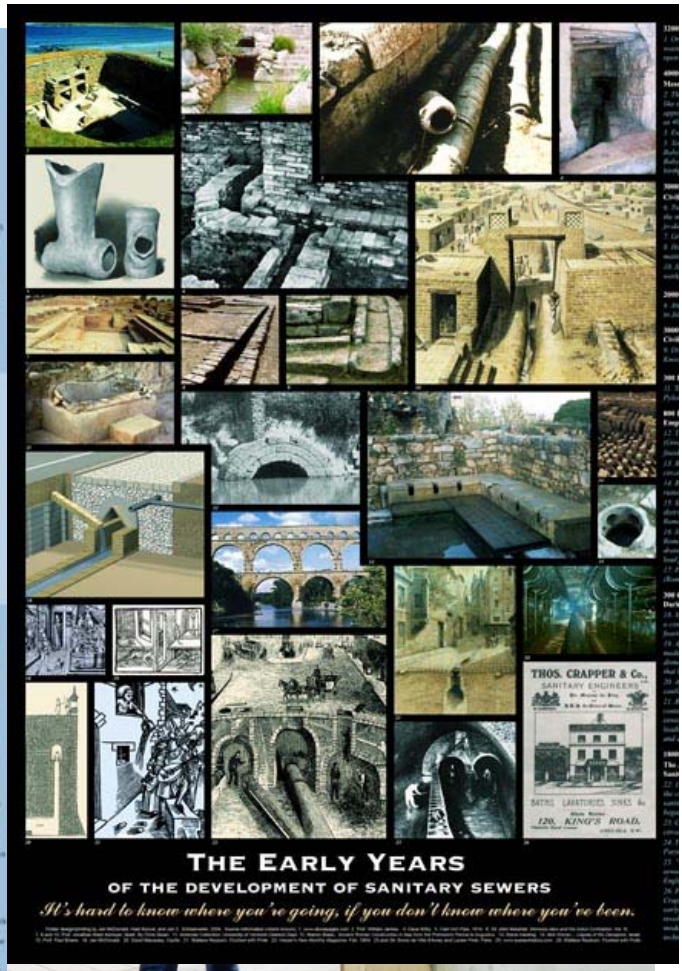

Cloacina - Goddess of the Sewers
The Shrine of Cloacina
Cloacina
Cloaca Maxima - Rome's Greatest Sewer
ROUTE OF THE CLOACA MAXIMA
Basilica Aemilia
Shrine of Venus Cloacina


THOS. CRAPPER & Co.
SANITARY ENGINEERS
120, KING'S ROAD.
THE EARLY YEARS
OF THE DEVELOPMENT OF SANITARY SEWERS
It's hard to know where you're going, if you don't know where you've been.

Manhole Covers Through the Ages
The earliest manhole covers
Beginnings of modern design
Explosion of designs
Problem-solving
Materials
Manhole covers as art
Gallery of Manhole Covers
Functional and Aesthetic Assets to Our Community

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SOUTH DAVIS SEWER DISTRICT

Comprehensive Annual Financial Report
For the Years Ended December 31, 2013 and 2012

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INTRODUCTORY SECTION

South Davis Sewer District

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June 23, 2014

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, 2013, 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, 2013, 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, 2013, fairly represent conformity with GAAP. The first component of the financial section of this report beginning on page 38 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 40 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 368 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 was 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 94,257. The 1990s plant expansion project designed the combined treatment plants to serve a population of 100,000 with a reasonable allowance for commercial and industrial users. Since the last Plant upgrades in the 1990s the per capita flows have decreased. The Plants are only operating at approximately 60% capacity. At current per capital flows, plant design capacity would support a population of approximately 150,000.

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

Existing plant capacity will serve the District through build-out based on this population projection and assuming no significant changes in discharge permit requirements. However, given current regulatory pressure to remove nutrients and the number of emerging constituents of concern permit requirements will almost certainly become more stringent.

The District is empowered to levy a property tax on both real and personal property. It has the power of eminent domain and may extend its boundaries by annexation. The District has annexed all property within its natural limits of growth.

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.

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

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

At the January meeting of the Board of Trustees, Mr. Arnell Heaps was elected Chairman of the Board of Trustees. Mr. Heaps has served as a Board Member for 30 years. He recently completed 10 years service as a member of the Executive Board of the Utah Association of Special Districts. The Association represents districts at the Legislature and provides training for special district board members and management.

The follow table shows the current allocation of District reserves:

Capital Reserves Allocation	Amount
Operating Capital	$1,750,000
Insurance Reserve Fund	$150,000
Water Quality Group	$264,424
Subtotal	**$2,164,424**
Reserve for renewal and replacement	$1,200,000
Near term capital improvements budget	$2,250,000
Long term capital improvements budget	$4,004,763
Sludge disposal (compost, land application)	$2,000,000
Subtotal	**$9,454,763**
Collection system renewal & replacement	$2,400,000
Collection system equipment (jet washer, CCTV)	$500,000
Subtotal	**$2,900,000**
TOTAL	**$14,519,187**

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.

(The District currently has no debt obligations)

Long Term Financial Planning

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

The District has not raised user fees since 1988 when they were raised from the then current fee of $2 to $5 per month per residence and residential equivalent. Since 1988, the District's tax rate has decreased 65.5% from 0.000940 to 0.000324. The median house value is currently $234,800 and would pay an annual tax of $41.84. This is a total sewer user cost of $8.49 per month.

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

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

Local Economy

Construction

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

The majority of construction in the District has always been and continues to be residential as seen in 2013 total values for construction of $48,604,000 for residential construction and remodeling versus $3,659,000 for commercial. The District saw a strong recovery in the number and value of residential units, which increased 62% and 44% respectively from 2011 to 2012. The number and value of residential construction increased 107% and 55% respectively from 2010 to 2011. From 2012 to 2013, however, there was a significant decline in the number and value of residential units, which declined 59% and 50% respectively. This is probably more of a reflection on the decreasing space available for development rather that influences from the overall economy.

The District is seeing more, large apartment projects than in the past. In 2012, two projects of 214 units and 28 units were completed. In 2013, two projects of 168 units and 106 were completed. In addition, there are numerous projects where older single-family residences and lots are being 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 2013:

	New Dwelling Units			New Residential Value			New Nonresidential Value		
	2012	2013		2012	2013		2012	2013	
City	Number	Number	% change	$1,000	$1,000	% change	$1,000	$1,000	% change
Bountiful	33	17	-48%	$ 14,026	$ 7,364	-47%	$ 745	$ 1,511	103%
Centerville	133	19	-86%	$ 21,580	$ 3,825	-82%	$ 729	$ 16	-98%
North Salt Lake	339	239	-29%	$ 33,726	$ 33,984	1%	$ 5,938	$ 1,905	-68%
West Bountiful	17	5	-71%	$ 4,196	$ 1,168	-72%	$ 1,001	$ 37	-96%
Woods Cross	174	13	-93%	$ 24,553	$ 2,263	-91%	$ 631	$ 190	-70%
Totals	**696**	**293**	**-58%**	**$ 98,081**	**$ 48,604**	**-50%**	**$ 9,044**	**$ 3,659**	**-60%**

	Additions & Repairs								
	Residential			Nonresidential			Total Construction Value		
	2012	2013		2012	2013		2012	2013	
City	$1,000	$1,000	% change	$1,000	$1,000	% change	$1,000	$1,000	% change
Bountiful	$ 2,571	$ 360	-86%	$ 2,513	$ 918	-63%	$ 19,854	$ 10,153	-49%
Centerville	$ 1,359	$ 73	-95%	$ 2,531	$ 129	-95%	$ 26,200	$ 4,043	-85%
North Salt Lake	$ 1,178	$ 136	-88%	$ 1,756	$ 469	-73%	$ 42,599	$ 36,494	-14%
West Bountiful	$ 672	$ 64	-90%	$ 163	$ 180	10%	$ 6,032	$ 1,449	-76%
Woods Cross	$ 884	$ 45	-95%	$ 487	$ -	-100%	$ 26,556	$ 2,498	-91%
Totals	**$ 6,664**	**$ 678**	**-90%**	**$ 7,450**	**$ 1,696**	**-77%**	**$ 121,241**	**$ 54,637**	**-55%**

Total non-residential construction in the District decreased in value by 60% from 2012 to 2013. This follows decreases of 15%, 39%, 16%, 69%, and 2% in years 2008 through 2012. This is certainly a reflection of the overall economic slowdown; however, it is probably also due to the very limited amount of undeveloped industrial property remaining in the District. The most significant nonresidential project in 2013 was the construction of an office and maintenance complex at the Holly Refining and Marketing facility in West Bountiful. Nonresidential construction does not significantly affect District revenue or operations. The interpretation of these numbers should also be tempered by the fact that these numbers are coming after record high years. 2008 was the second highest year for construction activity in the District's history.

Employment

In early 2007, Utah's job growth was 4.9%, well above the national rate of 1.5%. In December 2007, the month that the National Bureau of Economic Research cites as the beginning of the recent recession, Utah's job growth dropped to 3.0% compared to the National job growth of 0.8%. By the end of the recession at the end of 2009 Utah's job growth had dropped to -6.0%. The job growth for the U.S. bottomed out at -5.0%. Utah's job growth remained below the U.S. average until early in 2010, since that time Utah's job growth has remained well above the U.S. average. In 2013, job growth was 3.3% while the U.S. growth rate was 1.6%. For 2014, Utah's job growth is expected to be 3.1%, equal to its long-term average. The U.S. rate is expected to be 1.7%.

Monthly unemployment rates for Utah dropped during the first half of 2013. Unemployment rates were then steady at about 4.6% for the remainder of the year. The annual average for 2013 was 4.8%. Labor force participation has not recovered to pre-recession levels. Average 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 about 68%.

Utah's personal income increased by 4% in 2013 to an estimated $105.2 billion, lower growth compared to the 5.2% increase in 2012. This increase was led by strong wage growth. All sources of income had growth in 2013. National change in personal income over the same period was 3.6%. Utah's per capita personal income relative to U.S. per capita personal income will decrease slightly to 81.2%. Utah's average annual pay grew 1.5% to reach $41,245 in 2013. Annual pay is forecast to increase 2.5% to $42,276 in 2014. Average annual pay for the nation was $52,389 in 2013 and is forecast to be $53,796 in 2014, an increase of 2.7%.

Current Economic Conditions

The slow recovery from the recent recession continues to be of some concern. The District is affected by economic conditions much as any non-governmental business would be. We are concerned with increasing costs in some areas, the possibility of declining revenues, the effect of lowered property values, the decline in housing and other construction and any effects on employees personally.

Our monthly sewer service fee revenue has been relatively unaffected by current conditions. Unemployment levels, however, have affected District customer's ability to pay their sewer bill. Delinquent sewer bills are submitted to Davis County as an attachment to a customer's property taxes and are collected when the property taxes are paid. For example, the lien amount certified to Davis County from delinquent accounts increased 69% from 2007 to 2013. These liens currently represent 12% of District sewer fee revenues. Delinquencies seem to have stabilized at this level.

Property tax revenue was up 19% from 2012 to 2013. The District's tax rate was reduced from .000330 in 2012 to .000324 in 2013, a decrease of 2%. The assessed valuation only increased 4%. We cannot explain this windfall. Under Utah's "Truth in Taxation", statute if the District adopts the "Certified Tax Rate" proposed by the State Tax Commission our tax revenue should equal the previous year's revenue plus an increase proportionate to growth. We have not relied on this level of revenue for the 2014 budget.

District budgeting does not depend on growth for stability, but with the improvement in the economy new construction project fee and inspection fee revenues were up considerably for 2013. 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 $1,026,478 in 2013. We do not expect impact fee revenues to be at this level in 2014. We have a number of significant projects in the planning or application phase, but most of the sewer connections will not be made until 2015. 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 will definitely be an important factor in 2014.

Reduction in interest income has been significant, but we do not to rely on interest income to fund basic operations and maintenance budgets, so this has not been a problem.

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

Because of safety issues, we began working on replacing liquid chlorine and sulfur dioxide with safer products. The installation of a sodium hypochlorite/sodium bisulfate system has been completed at the South Plant. This installation was completed for significantly less than the budget and chemical consumption has been less than expected. The North Plant installation will be completed by September of 2014. We expect the 20-year present worth of the disinfection project for the two plants to be approximately $1,500,000 below budget.

Two major impacts to Utah's economy are layoffs and other cutbacks at Kennecott due to a landslide in their open pit mine that occurred early in 2013. This has significantly curtailed their mining and refining operations. One estimate held that impacts would be about $1,000,000,000. Hundreds of workers have already been laid off.

The second impact is from the federal government budget sequester. Federal budget cuts have had a significant effect on employment and other expenditures by government entities and contractors. One significant Utah employer had to reduce its workforce by 12%.

Hill Field Air Force Base was chosen for the first operational unit of the new F-35 Joint Strike Force Fighter. This action strongly reinforces the chances that Hill Field will avoid future base closures. Hill Field is the most significant element in the Davis County economy, significant cutbacks or closure would have far-reaching effects on the local economy.

Two important regional projects are the $100 million expansion of the Huntsman Cancer Institute and the $2.3 billion Terminal Redevelopment Program at the Salt Lake City International Airport. These projects will not only strengthen short-term employment, but also enhance the long-term economy for Northern Utah.

Current Major Activities - Accounting

Comprehensive Annual Financial Report (CAFR)

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

Governmental Accounting Standards Board

The Governmental Accounting Standards Board (GASB) has promulgated new standards governing annual audits. These are Statement #60 Accounting and financial reporting for service concession arrangements, #62 Codification of accounting and financial reporting guidance, #63 Deferred inflows/outflows of resources and net

position, and #64 Derivative instruments-application of termination of hedge accounting. To the extent that they apply to the District's audit, these GASB statements have been implemented for the 2012 audit. There are no new GASB standards that affect the 2013 reporting period.

Investments

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

Billing

The District is receiving an increasing number of electronic "bill pay" payments. These require individual hand posting which is time consuming and provides an opportunity for data entry errors. Working with our accounting software vendor to automate these payments the District has worked out the details of posting these payments directly via computer. This process was introduced in December 2012. This project has worked well in 2013. The District currently bills 26,394 accounts. Of these 1,399 are "bill pay" accounts.

The District has initiated a program for emailing sewer bills for those who wish to have an electronic bill. These bills save the District postage and processing time. Currently 1,321 accounts are billed electronically.

Impact Fees

The 2012 Utah Legislature adopted changes to the statute governing impact fees. Zions Public Finance was retained to assist the District in updating its impact fee in compliance with the new statute. The statute outlines a detailed methodology for calculating the impact fee. The intent of the statute is to ensure that the impact fee represents an equitable assessment of the cost of providing service to new customers. The District's impact fee of $1456 was adopted in 1995. The current impact fee study recommended that the impact fee be raised to $1596, an increase of 10% after 17 years. Lengthy notice periods were adopted to allow for public comment and to permit developers and other impacted users time to consider the impact fee increase in their budgeting.

Current Major Activities – Human Resources

A retirement in late 2014 has given us the opportunity for a further reduction in personnel. Duties were reshuffled and the responsibility for utilities locating (blue stakes) and inspections were moved from the office to the collections system. This allows the inspector to fill in his time automatically with the collection system, maintenance crew. There is very little undeveloped property left in the District and very few properties of significant size. It is unlikely that the development momentum that we saw in 1998 through 2008 will ever be repeated. Therefore, this is a permanent reduction in force.

Retirement Benefits

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

Contribution rates are set on July 1st of each year. Tier I contribution rates for 2012/2013 are 18.03% and 16.04% of qualified employee's salary to the respective systems to which they belong. Contribution rates for 2013/2014 are 19.28% and 17.29%. Currently all contributions are funded by the District. Additional information is contained in the Notes to the Financial Statements.

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 I" employees. "Tier II" employees are those who begin initial employment on or after

July 1, 2011. Retirement benefits for these employees are significantly reduced. Contribution rates for Tier II employees are 14.33% for 2012/2013 and 15.58% for 2013/2014.

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

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

There are no post employment benefits.

Medical Insurance

Perhaps because of the nature of our work we are particularly sensitive to health issues. The District provides medical, dental, and vision insurance. The District covers the entire premium for the employees and their families. The District, like all employers, is concerned by the tremendous inflation in medical and insurance costs. We periodically request underwritten proposals from all Utah Health Insurance carriers. This was done for 2012. The Utah Public Employees Health Plan, which is a part of the Utah Retirement System, was very competitive with the commercial market and was again selected to be our insurer. By dropping a tier in coverage and reducing the number of providers available in the system, we were able to reduce our renewal premium significantly.

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

The high deductible health plan gives the employee an incentive to shop and otherwise manage medical utilization. It also removes a significant portion of the cash flow for medical transactions from under insurance overhead. A survey was conducted of all employees in the high deductible program. At the end of 2012, the employees’ HSAs contained $46,182; at the end of 2013, this amount had increased to $71,861 of an original annual contribution by the District of $110,500.

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.

Current Major Activities - Regulatory Issues

Total Maximum Daily Load Study

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

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

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

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

Technology-Based Nutrient Limits

DWQ is proposing to promulgate 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 and 10 mg/l of total inorganic nitrogen. The phosphorus limit would have to be achieved within five years; the nitrogen limit would have to be achieved within 10 years. The Water Quality Board will initiate rulemaking on May 1, 2014. This rule would be independent of any limit determined by a TMDL or other regulatory process. These new requirements will have significant impacts on both capital and operational costs. During the first five years, impacts are expected to be moderate and can be handled within the District's existing budget and rate structure.

Emerging Constituents of Concern

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.

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 determining 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 will allow the District to proceed with much needed planning for treatment plant rehabilitation and upgrades.

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

USEPA announced on April 8, 2009, that it is seeking approval from the Office of Management and Budget to study the prevalence of 200 emerging contaminants of concern in drinking water sample from 25 utilities. Their notice explained that improvements in analytical chemistry have enabled scientists to detect trace amounts of

contaminants that are commonly used in homes and being released into the environment. Fluorinated compounds such as perfluorooctanoic acid (PFOA) were cited as an example. PFOA is associated with the manufacture and use of Teflon® and other nonstick products.

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

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, West Bountiful City and Woods Cross City both 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.

Working with the engineering firm of CH2M-Hill, who conducted a DWQ sponsored study, we have identified some modifications that would permit our treatment plants to treat nutrients to various levels in the range of discharge being discussed. The difficulty and cost of plant modification range from simple and inexpensive to major reconstruction costing tens of millions of dollars.

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

The Jordan River/Farmington Bay Water Quality Council

The District has joined the six other POTWs discharging to the Jordan River and/or Farmington Bay of the Great Salt Lake in an interlocal agreement. In this agreement, these POTWs commit to an organized approach to the many issues arising out of the above TMDL and other water quality concerns surrounding these water bodies. The group provides ongoing funding to hire a fulltime, PhD level scientist to assist the group in understanding and responding to the many meetings, reports and published research concerning the Jordan River, Farmington Bay and the Great Salt Lake.

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

For the 2013/2014 season, the Water Quality Group has 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, were 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.

The District's personnel have designed and built several pieces of equipment to support both university researchers and our summer interns. We designed and built six respirometers that measure the dissolved oxygen consumption by microorganisms in both the water column and in the sediments. We designed and built four devices that allow the gases in the pore spaces in sediments to be sampled. Finally, we built a device to suction large quantity samples of water and detritus from the bottom of streams. This will enable us to begin to quantify the organic load contributed by leaf litter and other detritus blown, dumped, or otherwise introduced into the Jordan River and its contributaries.

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

The North Plant exceeded its BOD, TSS and Ammonia limits for January. These violations were the direct result of interference due to discharges from a petroleum refinery. Once the refinery corrected the problem, the plant quickly recovered. A discussion of the violation follows below.

The North Plant exceeded its TSS limits for February. This was a residual effect from the refinery discharge. By the end of February, all effects had been eliminated.

The North Plant exceeded its Ammonia limits for December. The permit 30-day average limit is 10 mg/l. The effluent 30-day average was 10 mg/l. The cause was likely cold weather.

There were no biomonitoring exceedences during 2013.

On December 4, 2012, plant operators noted that the algal growth on the trickling filters had developed an unhealthy color. This algal growth was being washed off the rock media. This was accompanied by a strong chemical odor. Samples were immediately taken of plant influent, of several major dischargers, and of key branches of the collection system. It was quickly determined that the District was receiving a high strength, but unidentified waste from the Holly Refining and Marketing Inc. refinery.

The high strength waste was toxic to the plant's trickling filter microorganisms. Treatment plant performance degraded and for several weeks, the plant significantly exceeded its permit limits for biochemical oxygen demand, total suspended solids, and ammonia.

Discussions were held with Holly to determine the nature and source of the discharge. A thorough review of their operation and wastewater treatment system did not reveal the source of the discharge. Their biological treatment process, however, was also adversely affected. The District recommended that Holly procure testing equipment and supplies to perform the Chemical Oxygen Demand test. Using this test Holly was able to determine that the source of the high strength was ethanol leaking from over temperature relief valves located at the loading dock across the street from the refinery. The loading facility shares the refinery wastewater system. Once these leaks were eliminated, the refinery effluent strength returned to normal. The District's treatment plant recovered quickly and returned to compliance.

The District in compliance with its Industrial Pretreatment Program pursued an enforcement action against Holly. Once the industry returns to compliance the enforcement action requires that the District recover its enforcement costs, any costs that the industry might have avoided because of its non-compliance, and a penalty commensurate with the severity of the violations, the industry's responsiveness and any other mitigating or aggravating factors. In addition, the industry is required to take whatever measures are needed to prevent a recurrence of the problem. The settlement agreement that was reached with Holly included a monetary settlement of $202,000.

During this period, the District was in violation of its permit. In cases of "interference", the POTW can raise this as an affirmative defense against an enforcement action. The District remained in constant contact with the staff at DWQ in reporting our plant performance and in conducting the enforcement action. At the completion of our enforcement action DWQ concluded that the District's pretreatment program had functioned as intended and that no enforcement action would be undertaken against the District.

The North Plant failed its third and fourth quarter, acute, *Ceriodaphnia dubia,* biomonitoring test. Accelerated testing did not identify a toxicant. The toxicant disappeared from the effluent before it could be identified. Testing has returned to normal.

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 deficiencies noted.

<u>South Plant</u>

The South Plant had no DMR or biomonitoring exceedences in 2013.

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 - Operations & Maintenance

Biosolids

The treatment and ultimate utilization or disposal 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 disposal 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 coincidently 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. Recently several parcels have been evaluated as potential sites for land application. None of these parcels has proven a solution due to availability or technical limitations.

The District was contacted in 2010 by a very large farming operation in Corrine, Utah, that was very interested in procuring biosolids for beneficial land application. Working with the Central Valley Water Reclamation Facility, we pursued this opportunity. The site proved to be a viable option and Central Valley has been sending biosolids to this site for over two years. This could provide the District with a viable option for biosolids disposal in the future.

Composting biosolids with yard waste or other organic material opens a greater range of options for biosolids recycling. In a three-year pilot project with Bountiful City, it was found that the biosolids amended compost produced is a valuable and well-accepted soil amendment. Local residents purchased all that could be produced at $30 per ton. Implementing a long-term composting project presents a number of issues to be addressed such as the source of organic material, access to the market, and possible saturation of the market due to existing POTW composting operations. For a fee, the District may be able to combine its biosolids with those at an existing composting operation.

It is also possible to compost on-site without a bulking agent. In this process the biosolids must be held over two complete summers, be frequently turned, and at the end of the second summer to be tested for bacteria, virus, and helminth ova. This process produces a low-moisture, Class A biosolids that can then be sold or otherwise distributed without use restrictions.

During 2009, the large South Valley Wastewater Reclamation Facility (SVWRF) entered into a contract with a Southern Idaho dairy. The dairy pays $1 per ton for SVWRF biosolids and transports them at their cost to their dairy near Burley, Idaho. The biosolids are then mixed with livestock manure for composting. The dairy sees the biosolids as an economical source of nitrogen for composting their manure. The District has met several times with representatives of the dairy to explore this option. The two-summer method of achieving Class A biosolids would fit in with this option.

These and possibly other options will continue to be explored should a time come when local land application is no longer viable.

Disinfection

The recent and continuing construction of subdivisions near the North Plant, the proximity of the new Legacy Parkway to both plants and a new charter school near the South Plant are a safety concern due to our disinfection process. We utilize one-ton cylinders of liquid chlorine and sulfur dioxide for disinfection and dechlorination. Because of these concerns, it may be more desirable to change disinfection methods than to install scrubbers to capture chlorine or sulfur dioxide from an accidental release.

After a lengthy literature search, discussions with vendors, and discussions with other local treatment plants, we found that currently the most attractive disinfection alternative is the use of ultraviolet (UV) radiation. UV eliminates hazardous chemicals. It is reliable, and is affordable relative to other options. Unfortunately, trickling-filter plants such the District's are not good candidates for UV disinfection. The effluent from a trickling-filter plant contains humic substances that are not present at an activated sludge treatment plant. This limits the effectiveness of the UV radiation, increases costs, and decreases reliability.

Samples of effluent from the South Plant and the North Plant were sent to a UV disinfection vendor. It was determined ultraviolet (UV) disinfection is not feasible because of low transmissivity. We can do nothing about the transmissivity level except go to a new treatment process.

In 2009 and 2010, we evaluated ozone, commercial sodium hypochlorite and on-site hypochlorite generation for disinfection alternatives. The most promising alternative is on-site generation of hypochlorite. A promising alternative for dechlorination is the on-site generation of sulfur dioxide by burning elemental sulfur. A preliminary

feasibility study and economic analysis show that the twenty-year present worth of constructing and operating on-site hypochlorite and sulfur dioxide generation ($2,305,000) are about 20% higher than adding emergency gas scrubbers and operating the existing system ($1,935,000. A sulfur burner was purchased and testing was done to determine the design parameters for a sulfur burner based dechlorination system.

A new pasteurization process for wastewater disinfection was recently patented. Pasteurization would eliminate all chemical addition with their attendant safety and environmental impact issues. It appears that the process can be cost effective when compared to chlorine or UV. In 2011 the results of a reconnaissance level economic feasibility study to evaluate pasteurization at the North Plant was completed. The economics identified in the study were not encouraging. The vendor has now completed pilot testing and begun full-scale design for the City of Ventura, California.

Ferrate and peracetic acid are disinfectants that have excellent potential for use as a wastewater disinfectant. Ferrate is the most powerful oxidant known. It is so reactive that it cannot be shipped and therefore has never been considered for commercial use. Recently an on-site generator has been developed and is being marketed for wastewater disinfection. The District contacted the manufacturer and received cost estimates for capital, operation, and maintenance costs. Peracetic acid is also a powerful oxidant and disinfectant. It can be produced and shipped commercially. Currently there is only one US producer. There is one wastewater treatment plant using peracetic acid for disinfection. Our review of this technology did not indicate any cost savings or other advantages over options being reviewed.

A review was made of the options available to the District and an updated lifecycle analysis prepared adding pasteurization and ferrate as options. Chlorine/Sulfur Dioxide scrubbers were eliminated because it was felt that they did not give sufficiently positive protection. It was determined that the two most viable options were on-site generation of hypochlorite and sulfur dioxide and commercially available bulk sodium hypochlorite and sodium bisulfate. The life cycle costs of these two options were essentially equal. On-site generation is more capital intensive with lower, more reliable operation, and maintenance costs; Commercial bulk chemicals have a lower capital cost, but higher and more volatile operation and maintenance costs. The Board of Trustees determined that the on-site generation option was the best choice for the District. At the May 2013, Board Meeting, the Board authorized the disinfection upgrade project.

Because of the proximity of the charter school to the South Plant, we started work there first. The first step in constructing the new disinfection facilities at the South Plant was to provide a temporary system while the existing system equipment was removed. We determined that the best way to do this was to use bulk commercial sodium hydroxide and sodium bisulfite in temporary tanks. As we began to plan and install this equipment, we continually found conduit, piping, and space exactly where we needed it. We were able to adapt all of the existing instrumentation and controls. With very little extra effort or expense we were able to make this temporary system suitable for long-term use as a primary or backup system.

As we put this system on-line, it proved to be very simple, robust, and reliable. Chemical use proved to be on the low end of expected demand. The very low capital cost and favorable chemical use prompted us to review the lifecycle costs of bulk chemicals vs. on-site generation. The 20-year present worth of the bulk chemical system for both plants was reduced by $1.5 million. With the present worth of the two best systems essentially equal, we felt that the lower operating costs of the on-site generation outweighed the low initial capital cost of the bulk chemical system. However, with the exceptionally low capital cost that we have been able to achieve and the experience that we have had with operating costs, we feel that building the less expensive system lets us preserve capital against changes in the next 5 to 10 years that will result in better disinfection options. The Board authorized the change from an on-site generation system to the bulk chemical system at its regular Board meeting on March 27, 2014.

North Plant

Working with local contractors seeking to dispose of spoil material from construction sites, we have been able to continue to import fill material. Approximately 200,000 tons of this material has been placed on the District's property adjacent to the North Plant and across the Legacy Parkway from the North Plant. This is all of the fill

material that we can use until we resolve wetland delineation and mitigation issues. The District's only cost has been some site grading.

The North Plants' pump stations have both had flow control issues over the past several years. A 90 hp. pump and variable frequency drive (VFD) were installed in pump station #1. This pump replaced an existing 60 hp unit. The new pump had greatly reduced the number of pump starts in the pump station, which affects both pump motor life and possibly demand charges.

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

Construction of an equipment shed to house all emergency generators and other emergency equipment was begun for the South Plant. This is a simple steel building with separate bays for each piece of equipment. Each bay will be equipped with a battery charger and power for block heaters. This facility not only extends equipment life but also improves readiness, especially in inclement weather. In conjunction with this new facility, the staff is performing a detailed inspection and correcting any deficiencies of the District's trailer mounted generators.

The construction of new disinfection facilities has already been discussed above.

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.

Collection System

During the last 20 years, new technologies and larger equipment have continually improved the District's ability to maintain its collection system. The acquisition of the Bountiful collection system in 2004 doubled the amount of equipment to house and maintain. As the collection system ages the amount of repairs and other maintenance activities in addition to cleaning and inspecting have increased. The collection system operations outgrew existing facilities. None of our existing buildings was suitable for housing today's large jet/washer units, now were existing facilities adequate to service the increased equipment inventory. For several years, the District evaluated whether to build a new building on some of the property adjacent to the North Plant, build on property more centrally located in the District, or to purchase an existing building at some suitable location.

For several years, the District rented the old Utah Department of Transportation (UDOT) maintenance shop in the Centerville Industrial Park. It was used to house and maintain collection system equipment and materials. The rent was very reasonable and the location proved convenient for operations. UDOT offered to sell the District this property. In 2011, the District purchased this property from UDOT. The purchase included an 8,000 square foot clear-span shop building and a 2,250 square foot storage building. The site contains 3.3518 acres. The purchase price was $600,125.00.

An architect was retained to assist the District in the design of the site plan and the proposed operations center structures. In 2012 and continuing into 2013, the District remodeled the two existing structures into garage space for the District's sewer cleaning trucks, closed circuit TV inspection van and other equipment. The existing shop building was remodeled with the addition of a number of overhead doors, new radiant heating system, electrical system improvements and insulation. The exterior has been upgraded with new masonry walls and a new sheet metal roof.

The existing open-faced shed was enlarged and enclosed to provide garage space for vehicles, pumps, and other equipment. A new building of about 2,219 square feet to house change room, shower, break/training room, office, and parts storage was completed. A new two-bay, 3,300 square foot shop was constructed for the fabrication, maintenance, and repair of collection system equipment.

Finally, a 5-compartment bunker has been constructed to store aggregate for off-hour and bad weather excavation projects. Landscaping, planting, and irrigation system were completed by collection system personnel. The site provides outside storage for miscellaneous equipment and hardware such as manhole rings and covers, pipe, and manhole sections.

Construction of all structures except the aggregate storage bunkers was completed in the late fall of 2013. Finish work on electrical, HVAC, compressed air, shelving, and other utilities has continued through the winter with District forces doing most of this work. The total cost of these improvements was budgeted at $1,834,000. Total cost to date is $1,743,035 with the project approximately 98% complete. These improvements have been financed with reserves accumulated for this purpose.

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.

Governance

One of the District's elected board members passed away. Dean Mortensen, who had served on the Board for 20 years died on November 4, 2013. Dean was a professional land surveyor with a great deal of knowledge, experience, and interest in construction, development, and public works. His cheerful, friendly manner and sound council will be missed by both the Board and staff of the District.

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

The Utah Legislature has extensively updated the State's procurement statute. Public entities, including local districts, have until January 31, 2014 to adopt policies and procedures in compliance with the new statute or they will be governed entirely by the State statute. The District's attorney, Mr. Mark Anderson, was a member of the task force that drafted the new statute; he is also on the State Procurement Board established by the statute. Mr. Anderson and the staff have been authorized by the Board to begin revising the District's procurement policies and procedures.

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

Major Activities - Future

Accounting

The District has retained Zions Public Finance to perform a rate study. District sewer rates have not been changed since 1988. Despite having extremely low rates, the District has a comfortable positive cash flow. 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.

Collection System

Work will continue on the collection system operations center. Currently all of the buildings are complete. There is a small amount of plumbing, electrical, and HVAC to complete construction. There is still a lot of cleanup and organizing to do both in the buildings and in the outside storage area. An open house and dedication will be held later in the year.

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

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

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

The District participated in the development of this regulation. We do not expect any unusual difficulties in complying with the regulation developed by the State since we already follow most of the principals and practices outlined in the original CMOM regulation except for some written documentation and reporting. The District has developed a basic written operations plan that should comply with any new regulation. We do not expect any significant new long-term expense as the District's collection system is in excellent condition.

Treatment Plants

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.

Several major resource recovery facilities in the U.S. have become net energy exporters in addition to providing all of their own energy requirements. Compost from biosolids and green waste has long been a valuable community resource. Technologies for recovering phosphorus in a useable form for marketing to agriculture have been developed. The first direct reuse of reclaimed wastewater as a raw water supply for a drinking water plant went online in Big Spring, Texas, several months ago.

Three major facilities in Utah are currently studying the potential for increasing energy production. The major areas to exploit are:

- 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
- Sale of methane to the natural gas utility grid rather than generating electricity
- Public/Private Partnerships to capture investment credits and tax credits

The District has budgeted funds to study these issues and develop a proposal for implementation if they appear to be economically and operationally feasible.

Both Plants are at or slightly beyond the 20-year design life of the current rehabilitation/expansion cycle. In 2014, the District will update its facilities plan for both plants. This will involve a detailed inventory and condition assessment of all plant structures, equipment, systems, and appurtenances. Plant performance will be reviewed and assessed. Demographics will be updated and wastewater flow and strength projections prepared. Plans to update and expand the plants will be proposed along with a financial plan to support needed maintenance and upgrades.

Safety

Most of 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 on page 117, in the Statistical Section lists the safety & health programs for which the District is responsible.

Part of 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.

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: The following table on page 117, in the Statistical Section summarizes the reportable injuries for 2007 through 2013.

All of these activities combine to reduce safety to what it should be—a manageable series of tasks. The program creates a base from which a safety culture can thrive. As employees develop an attitude of working with safety in mind, accident risk goes down, and, as a result, there are fewer on the job incidents. Lower accident rates reduce insurance and workers compensation rates.

In 2014, The District will be performing five-year reviews of its emergency plan and its health and safety plans.

Security

Following the tragic events of September 11, 2001, the wastewater industry has directed significant energy to the issue of security. Immediately after September 11, the District took several steps to secure the several tons of liquid chlorine and sulfur dioxide that are stored at each of our plants. 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 several Internet sources of real time security information. We are watching the literature and will again be participating in several training sessions this year to ensure that we are addressing this issue adequately.

The District just completed the installation of 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.

Underground Utilities Location

The District, as a local governmental entity responsible for a utility, is required to participate in a "central locating agency", this is, Blue Stakes. They notify us of all location requests in the District and we are required to mark the location of our sewer lines. This is straightforward when the sewer mains owned by the District that are involved. There is a problem, however, when the privately owned building sewers or laterals are involved. The public entity is not required to mark their laterals.

This has become a national problem in recent years because of the proliferation of horizontal directional drilling (HDD) projects, particularly for fiber optics. Laterals are often hit and broken in these projects as this drilling is done parallel to the street. This can leave a home without sewer service and facing an expensive repair. The damage can be apparent immediately or not become a problem for years.

The 2010 Legislature passed legislation requiring utilities to keep records on all new service laterals. The utility must make these records available to contractors but, as of yet, are not required to mark the service laterals. The District has always kept these records and made them available to business and homeowners. Implementation of this requirement has been uneventful.

The District has approached directional boring contractors working in our area with a proposal to work together. If the contractor will notify the District when they think they may have damaged a lateral we will immediately perform a CCTV inspection of the lateral. When the lateral is damaged, if the contractor will expose the damage with equipment that is on-site, the District will provide the materials and labor to make the repair. This cooperative approach seems to be working well.

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 recently 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 three years of operating OU2 has been successful and well within budget. This year we performed the first change out of the activated carbon media. This is the most challenging task that we will have to perform at this facility. Both Woods Cross City and North Salt Lake City are in the engineering phase of constructing PCE scrubbing facilities for their drinking water wells. The District has been able to host the Cities' engineering consultants and staff at tours of this facility and to answer operations and maintenance questions.

Risk Management

For 2012 and 2013, the District's liability insurance has been 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 2012 and 2013 is provided by Utah Workmen's Compensation Fund. 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, 2012. This was the fifteenth 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 Water Environment Association of Utah. This year he is up for election as an officer of the Association.

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

Conclusion

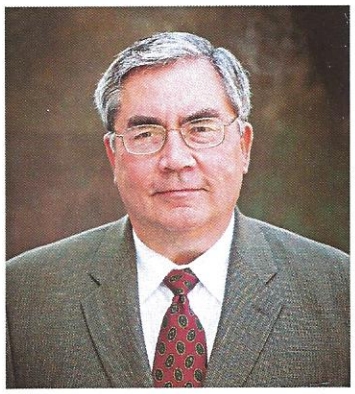
This report has been prepared to provide meaningful data and commentary to anyone interested in understanding the financial activity of the South Davis Sewer District. The Auditor's Report, Management's Discussion and Analysis, Notes to the Financial Statements, supplemental information and the Statistical Section can provide the user of this CAFR with valuable information about the financial position of the District. It 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.

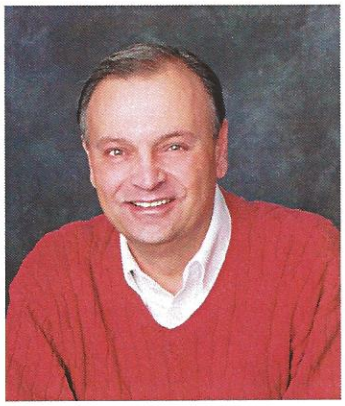
We would also like to express our appreciation to the District's Board of Trustees for providing their continued support in maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully submitted,

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

Mark R. Katter
Accounting Manager/Clerk



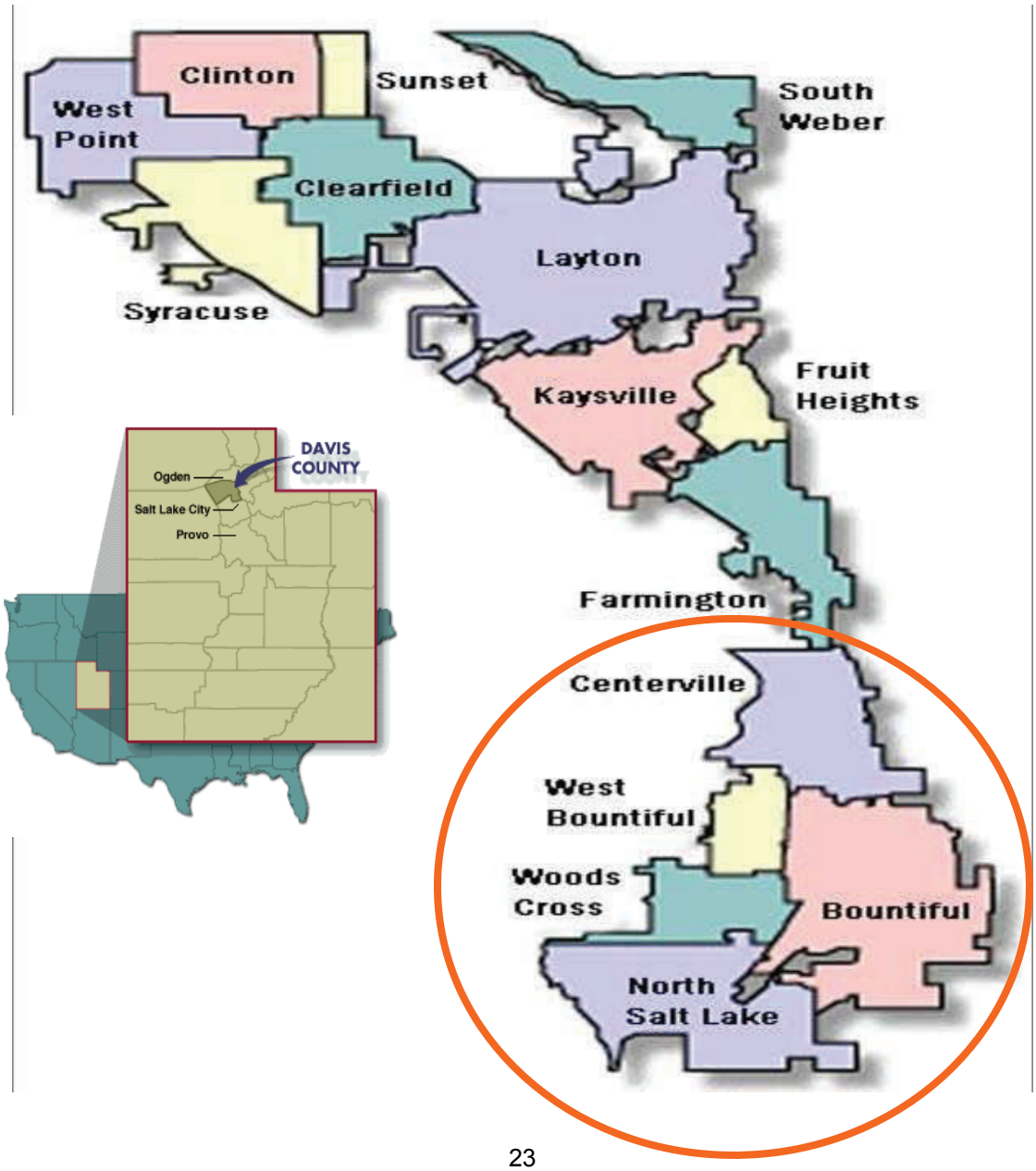


SOUTH DAVIS SEWER DISTRICT
Davis County Map
For the Year Ending December 31, 2013

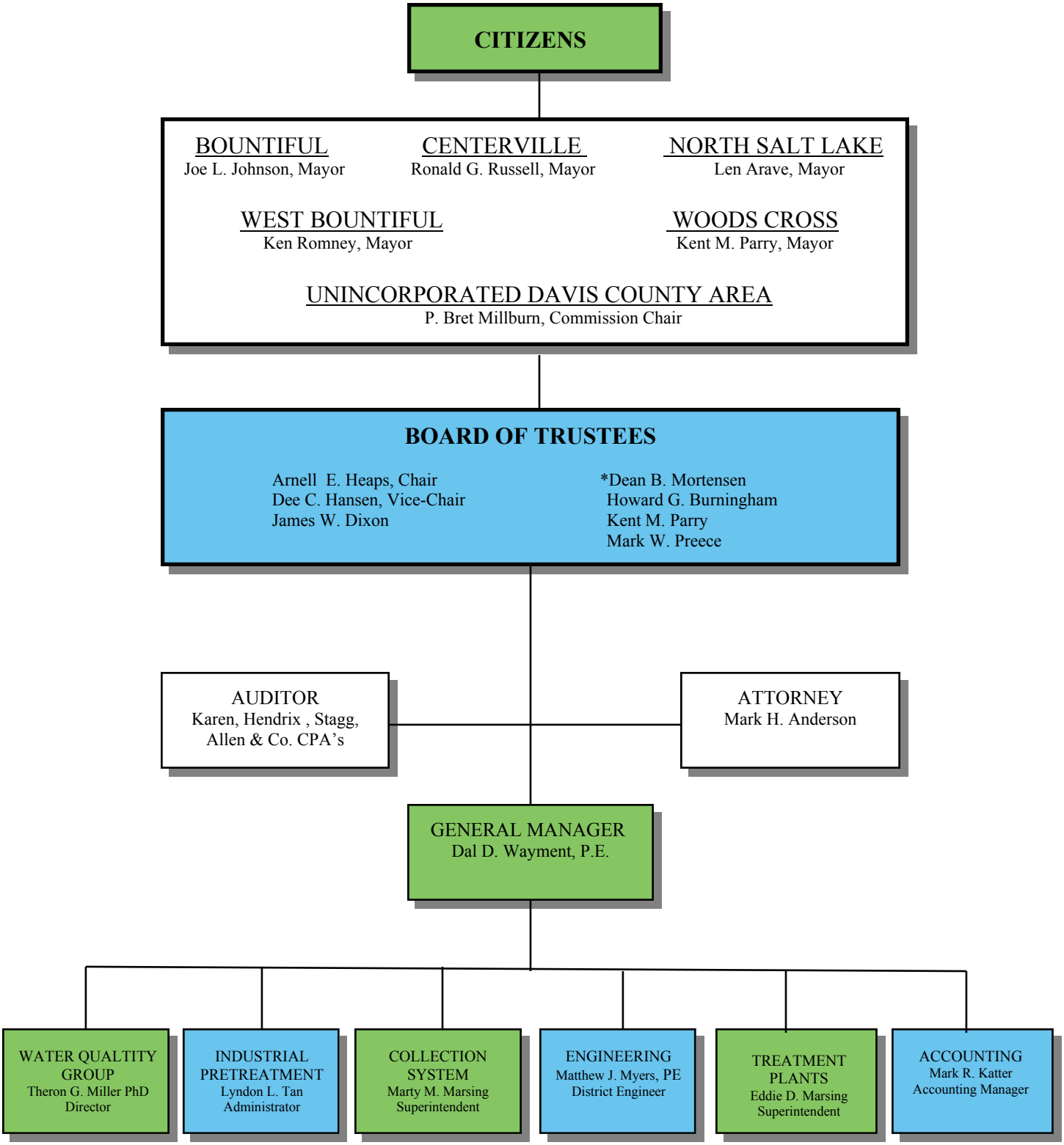
Cities Serviced by South Davis Sewer District

City	Approximate Population (2013)	Square Miles	Date Incorporated
Centerville	17,500	5.99	May 5, 1915
West Bountiful	5,421	2.96	Dec. 31, 1948
Bountiful	44,477	13.22	Dec. 5, 1892
Woods Cross	10,682	3.76	Sep. 4, 1930
North Salt Lake	16,177	8.45	Sep. 3, 1946
Totals	94,257	34.38	

Source: City Offices, Davis County, State of Utah



SOUTH DAVIS SEWER DISTRICT
Organizational Chart
For the Year Ending December 31, 2013



Note: *Dean Mortensen passed away 11/04/13

SOUTH DAVIS SEWER DISTRICT
Board of Trustees
As of December 31, 2013

Name	Title	Representing	Term Expires
Dee C. Hansen (Appointed)	Vice-Chair	Centerville City	12/31/2015
Arnell E. Heaps (Appointed)	Chair	Bountiful City	12/31/2016
Front Row (Left to Right)			
Dean B. Mortensen (Elected)	Trustee	District At Large	12/31/2013
Howard G. Burningham (Elected)	Trustee	District At Large	12/31/2013
Kent M. Parry (Appointed)	Trustee	Woods Cross City	12/31/2016
Mark W. Preece (Appointed)	Trustee	West Bountiful City	12/31/2016
James W. Dixon (Appointed)	Trustee	North Salt Lake City	12/31/2013
Back Row (Left to Right)			

Note: Dean Mortensen passed away on 11/04/13.
He served on the South Davis Sewer District's Board of Trustees for 18 years. He will be greatly missed.

SOUTH DAVIS SEWER DISTRICT
Board of Trustee 2014 Meeting Schedule
For the Year Ended December 31, 2013

The regular meeting of the Board of Trustees for the South Davis Sewer District is held on the third Thursday of each month at 4:00 PM, except in December which shall be the first Thursday at 6:00 PM, to provide for adoption of the Budget in compliance with State Statute, at the District Office, located at 1800 West 1200 North, West Bountiful, Utah.

Meeting agendas are posted 3 days in advance at the location of the meeting (1800 West 1200 North, West Bountiful, Utah).

Should circumstances require the regularly scheduled meeting to be changed or the holding of a special meeting be required, notice of such meetings shall be made in accordance with applicable state statutes.

2014 MEETING CALENDAR

January	16th	Thursday	
February	20th	Thursday	
March	20th	Thursday	
April	17th	Thursday	
May	15th	Thursday	
June	19th	Thursday	Adopt 2014 Tax Rate
July	17th	Thursday	
August	21st	Thursday	
September	18th	Thursday	
October	16th	Thursday	Review and Approve Tentative 2015 Budget
November	20th	Thursday	
December	4th	Thursday	Budget Hearing - Adopt Final 2015 Budget

OPEN AND PUBLIC MEETINGS

In adopting the policy, the District recognizes the application of the open and public meeting act, Utah Code 52-4-1. Any inconsistency or conflict between this policy and applicable provisions of the act shall be governed by the act, as amended from time to time.

Every meeting is open to the public unless closed pursuant to Sections 52-4-4 and 52-4-5 of the Utah Code.

SOUTH DAVIS SEWER DISTRICT
Full-Time Employees
For the Fiscal Year Ending December 31, 2013

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

Source: District Personnel Records

SOUTH DAVIS SEWER DISTRICT
AWARDS

1974 Outstanding Wastewater Plant Under 5 MGD Design Capacity*
South Plant

1976 Outstanding Wastewater Plant Over 5 MGD Design Capacity*
North Plant

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, 2012

Executive Director/CEO

Administration & Office Staff

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

Collection System Operators

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

Maintenance
& Operations Superintendent

Mike Bradshaw, Zane Young, & Ed Marsing

Industrial Pretreatment Administrator

Lyndon Tan

South Treatment Plant Operators

Eric Nemcek, Brent Maxwell, & Tim Munden

North Plant Treatment Operators

Corry King, Steve Rix & Earl Seely

Dr. Theron Miller
Research Scientist

Answering Questions for a Field Trip

CPR & First Aid Training

North Treatment Plant

North Treatment Plant
Operation Control Panel

District Office

Industrial Pre-Treatment Van

Maintenance & Rehabilitation Work North Treatment Plant

North Plant—Secondary Clarifiers & Chlorine Contact Basins

Land Application of Biosolids

Construction of the Collection System Operations Facility, Centerville

EPA OU2 Ground Water Facility West Bountiful

Field Trip North Treatment Plant

SOUTH HAVEN

City unsure why the sewer smells

By KRISTIN HAY
H-P Correspondent

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

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

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

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

Heavy industries pre-treat waste

www.innocentenglish.com

Sewage spill kills fish, but water safe to drink

BY JAY ASHLEY
Staff Writer

About 5,000 gallons of untreated sewage spilled into Otter Creek from Green Level sewer lines Sunday, but county water plant officials say there was no hazard to users of the Graham-Mehaffy reservoir, although the "sewer" spill created a fish kill at a pond close to the pump station.

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

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

Danny Barnett of Wyatt Road in

FINANCIAL SECTION

KARREN | HENDRIX | STAGG | ALLEN
& COMPANY
A Professional Corporation

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

INDEPENDENT AUDITORS' REPORT

Board of Trustees
South Davis Sewer District
West Bountiful, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of South Davis Sewer District as of and for the years ended December 31, 2013 and 2012, 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, 2013 and 2012, 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 and Modified Approach for Eligible Infrastructure Assets on pages 40–48 and 64–72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting

for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2014 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.

Karren, Hendrix, Slagg, Allen & Company

June 23, 2014

SOUTH DAVIS SEWER DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2013 and 2012
(Unauditied)

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, 2013 and December 31, 2012, with comparative totals for December 31, 2011. It is presented as a narrative overview and analysis of the financial activities of the District. Please read it in conjunction with the Letter of Transmittal in the Introductory Section (Pgs.1-23), and the financial statements and notes (Pgs. 54-63), and the other information which are presented in the Financial and Statistical sections of this Comprehensive Annual Financial Report.

Financial Highlights

- The assets of the District exceeded its liabilities (net assets) at the end of fiscal year 2013 by $73,892,610, $69,820,595 in 2012 and $67,885,854 in 2011. The majority of the District's assets are invested in capital assets (land, buildings and facilities, sewer lines, and equipment).

- The District's total net assets increased by $1,934,741 (3%) from 2011 to 2012, and increased $4,072,015 (6%) from 2012 to 2013.

- At the end of the fiscal year 2013, the District's cash, cash equivalents and investments, reported combined ending balances of $14,601,123; 2012 and 2011 ending balances were $14,511,792 and $14,462,364 respectively.

- The District had no outstanding debt during the fiscal year 2013.

- 2013 Impact fee revenue was $1,029,824, an 8% increase from 2012. Impact fee revenue in 2012 was $957,351 and for 2011, $712,087. The increase in the 2013 impact fee revenue was primarily the result of four major construction developments (Renaissance Apts., Eaglewood Estates, Foxboro North and Hampton Place Apts.) as well as an overall increase in smaller construction projects.

- Interest Income in 2013, from cash, cash equivalents, and investments totaled $81,659, a 62% decrease from 2012. This decrease was the result of liquidating and reinvesting $5 million of corporate bond investments to the Utah Public Treasurers Fund (PTIF). Interest Income in 2012 and 2011 was $213,508 and $158,551 respectively, a 35% increase.

- Operating revenues for 2013 and 2012 were $2,831,258 and $2,651,008, respectively, (7% increase), and $2,501,381 for 2011 (6% increase from 2011 to 2012). 2013 operating expenses (less depreciation) decreased by 3%, or $165,659 from 2012. From 2011 to 2012 operating expenses decreased 8%

Overview of the Financial Statements

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

The financial statements of the District are designed to provide readers with a broad overview of the District's finances in a manner similar to the private sector business. The basic financial statements and notes can be found on pages 49-63 of this report. 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 external users for goods or services.

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 assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 54-63 of this report.

The *other information* is additional to the basic financial statements and accompanying notes. These reports present certain *required* and *non-required supplementary information* of the District. The required supplementary and other supplementary information can be found on pages 64-72, and pages 73-80, respectfully.

The *statistical section* provides statistical data on financial trends, revenue and debt capacity, demographic and economic data, and operating information. The statistical section can be found on pages 81-117.

Financial Analysis of the District

Net assets 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 $73,892,610 at the end of the 2013 fiscal year; $68,820,595 at the end of the 2012 fiscal year; and $67,885,554 at the end of the 2011 fiscal year.

The largest portion of the District's net assets (74% in 2013, 78% in 2012 and 77% in 2011) reflects its investment in capital assets (e.g. sewer lines, land, buildings and facilities, machinery, and equipment); less any related debt used to acquire those assets that is outstanding. The District uses these capital assets to provide wastewater services to its customers (citizens). The District's investment in capital assets is reported net of related debt. It should be noted that resources needed to repay debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The District had no outstanding debt for fiscal year 2013.

In 2013, the District's operating revenues increased by 7%, from $2,651,008 in 2012 to $2,831,258 in 2013, and were $2,501,381 for 2011 (increase of 6% from 2011 to 2012).Operating expenses (less depreciation) increased by 3% or $165,659 from 2012 to 2013, and decreased by $462,316 or 8% from 2011 to 2012. Key factors driving these results include:

- Sewer service revenue for 2013 increased 2% compared with year 2012. This primarily resulted from continued growth in the new construction of homes and businesses in 2013. The District has not increased sewer service rates since 1988 and did not increase rates in 2013.

- Actual property tax revenue exceeded budget projections by approximately $289,222, due to District growth and from an increase in assessed property valuations and property tax collections.

- Fiscal year 2013 contribution to capital revenue was $2,871,442, an increase of 454% from 2012 ($518,250). 2012 contribution to capital revenue increased 286% or $383,838 from 2011. 2011 contribution to capital revenue was $134,412. 94% ($2,709,935) of the 2013 capital revenue came from deeded sewer lines from developers.

- Impact fee revenue was $1,029,824 for 2013, and $957,351 in 2012, an increase of 8%, and from 2011 to 2012 increased 34% (see supplementary information for details, pages 75-80). These increases reflect economic recovery for the construction industry.

- With the implementation of the *Modified Approach to Accounting for Infrastructure* in 2004, depreciation expense for 2013 and 2012 was $360,330 and $327,082 respectively. Depreciation expense for 2011 was $295,412. The *Modified Approach* will be discussed in greater detail in this report (see required supplemental information section pages 66-72).

- In 2013 and 2012 salaries and benefit expenses increased 7% and decreased 2% respectively, due a combination of health care costs and cost of living adjustments.

- The 2013 increase in operating expenses was 3% (less depreciation) compared to 2012. This essentially was the result of higher costs from fuel, utilities, chemicals, health care coverage, and an increase in retirement funding.

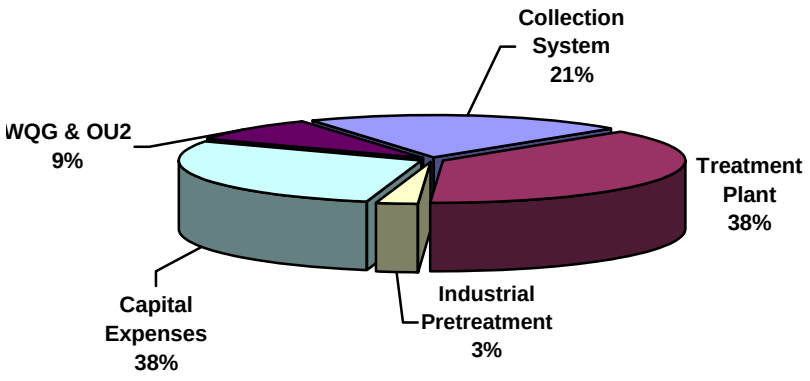
South Davis Sewer District
Consolidated Statement of Net Position
2013-2012

	Fiscal Year 2013	Fiscal Year 2012	Dollar Change	Percent Change
Current and Other Assets	$ 15,524,487	$ 15,281,822	$ 242,665	2%
Restricted Assets	0	0	-	
Capital Assets	59,235,406	55,347,168	3,888,238	7%
Total Assets	74,759,893	70,628,990	$ 4,130,903	6%
Current Liabilities	486,103	434,771	51,332	12%
Long Term Liabilities	381,180	373,624	7,556	2%
Total Liabilities	867,283	808,395	58,888	7%
Net Assets:				
Invested in capital assets, (net of related debt)	59,235,406	55,347,168	3,888,238	7%
Restricted	0	0	-	
Unrestricted	14,657,204	14,473,427	183,777	1%
Total Net Assets	$ 73,892,610	$ 69,820,595	$ 4,072,015	6%

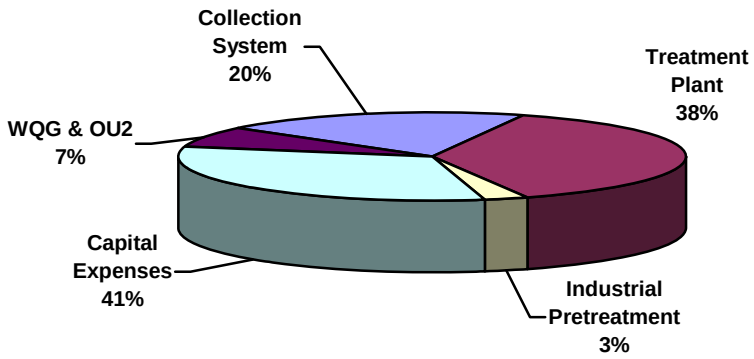
South Davis Sewer District
Consolidated Statement of Net Position
2012-2011

	2012	2011	Change	Change
Current and Other Assets	$ 15,281,822	$ 15,482,994	$ (201,172)	-1%
Restricted Assets	0	0		
Capital Assets	55,347,168	53,226,384	2,120,784	4%
Total Assets	70,628,990	68,709,378	$ 1,919,612	3%
Current Liabilities	434,771	453,497	(18,726)	-4%
Long Term Liabilities	373,624	370,027	3,597	1%
Total Liabilities	808,395	823,524	(15,129)	-2%
Net Assets:				
Invested in capital assets, (net of related debt)	55,347,168	53,226,384	2,120,784	4%
Restricted	0	0		
Unrestricted	14,473,427	14,659,470	(186,043)	-1%
Total Net Assets	$ 69,820,595	$ 67,885,854	$ 1,934,741	3%

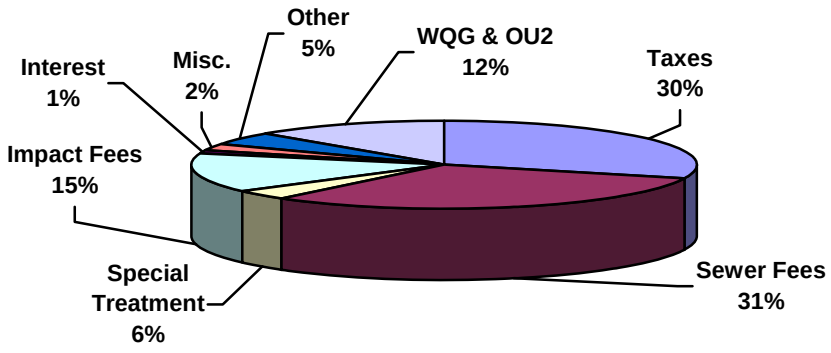
Expenses by Department 2013



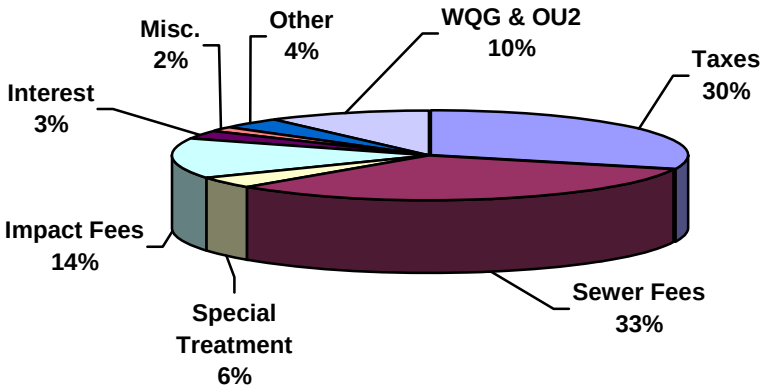
Expenses by Department 2012



Revenue by Source 2013



Revenues by Source 2012



SOUTH DAVIS SEWER DISTRICT
Revenues, Expenses, and Changes in Net Position
2013-2012

	Fiscal Year 2013	Fiscal Year 2012	Dollar Change	Percent Change
Operating Revenues:				
Sewer Service Fees	$ 2,188,651	$ 2,145,429	$ 43,222	2%
Special Treatment Fees	255,804	180,475	75,329	42%
Inspection & Project Fees	52,460	77,980	(25,520)	-33%
Other	334,343	247,124	87,219	35%
Total Operating Revenues	2,831,258	2,651,008	180,250	7%
Operating Expenses:			-	
Operating Expenses	2,292,602	2,370,612	(78,010)	-3%
Salaries & Benefits	3,114,848	2,871,179	243,669	8%
Depreciation	360,330	327,082	33,248	10%
Total Operating Expenses	5,767,780	5,568,873	198,907	4%
Non-Operating Revenue (Expense)				
General Property Tax	2,119,222	1,989,427	129,795	7%
Impact Fees	1,029,824	957,351	72,473	8%
Miscellaneous	175,989	109,002	66,987	61%
Interest Income	81,659	213,508	(131,849)	-62%
WQG Contributions & EPA Grant	619,418	528,113	91,305	17%
Gain (Loss) on Disposal of Property	43,625	29,866	13,759	46%
Unrealized gain (loss) on investments	(6,336)	507,089	(513,425)	100%
Total Non-Operating Revenue (Expense)	4,063,401	4,334,356	(270,955)	-6%
Increase in Net Assets Before Capital Contributions	1,126,879	1,416,491	(289,612)	-20%
Contributed Capital	2,871,442	518,250	2,353,192	454%
Increase in Net Assets	3,998,321	1,934,741	2,063,580	107%
Net Assets at Beginning of Year	69,820,595	67,885,854	1,934,741	3%
Prior Period Adjustment	73,694	-	73,694	
Net Assets at End of Year	$ 73,892,610	$ 69,820,595	$ 4,072,015	6%

SOUTH DAVIS SEWER DISTRICT
Revenues, Expenses, and Changes in Net Position
2012-2011

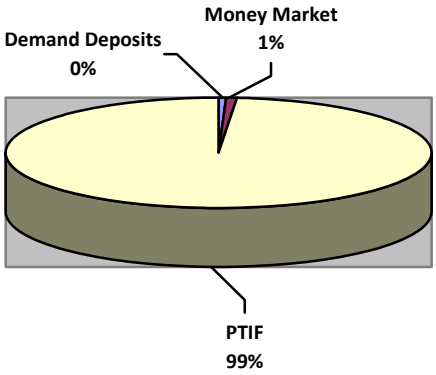
	Fiscal Year 2012	Fiscal Year 2011	Dollar Change	Percent Change
Operating Revenues:				
Sewer Service Fees	$ 2,145,429	$ 2,127,602	$ 17,827	1%
Special Treatment Fees	180,475	168,374	12,101	7%
Inspection & Project Fees	77,980	27,210	50,770	187%
Other	247,124	178,195	68,929	39%
Total Operating Revenues	2,651,008	2,501,381	149,627	6%
Operating Expenses:			-	
Operating Expenses	2,370,612	2,759,726	(389,114)	-14%
Salaries & Benefits	2,871,179	2,944,381	(73,202)	-2%
Depreciation	327,082	295,415	31,667	11%
Total Operating Expenses	5,568,873	5,999,522	(430,649)	-7%
Non-Operating Revenue (Expense)				
General Property Tax	1,989,427	2,024,811	(35,384)	-2%
Impact Fees	957,351	712,027	245,324	34%
Miscellaneous	109,002	98,692	10,310	10%
Interest Income	213,508	158,551	54,957	35%
WQG Contributions & EPA Grant	528,113	355,400	172,713	100%
Gain (Loss) on Disposal of Property	29,866	198,630	(168,764)	-85%
Unrealized gain (loss) on investments	507,089	(437,754)	944,843	
Total Non-Operating Revenue (Expense)	4,334,356	3,110,357	1,223,999	39%
Increase in Net Assets Before Capital Contributions	1,416,491	(387,784)	1,804,275	-465%
Contributed Capital	518,250	134,412	383,838	286%
Increase in Net Assets	1,934,741	(253,372)	2,188,113	-864%
Net Assets at Beginning of Year	67,885,854	68,139,226	(253,372)	0%
Net Assets at End of Year	$ 69,820,595	$ 67,885,854	$ 1,934,741	3%

Cash, Cash Equivalents, and Investments

The District's cash and cash equivalents that are temporarily idle during the year are invested with the Utah Public Treasurer's Investment Fund (PTIF). The District feels the safety, liquidity, and yield provided by the PTIF is a prudent strategy for the investment and management of its cash assets in the short-term. The average interest rate paid by the PTIF for 2013 and 2012 was .535 % and .768%, respectfully (30% decrease). Interest rates have been at historic lows since the beginning of 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 2013



The net interest (the difference between interest income and interest expense) earned for 2013 was $81,471 a 62% decrease compared to $213,508 in 2012. This decline was the result of record low interest rates and the liquidation of higher interest investments that were transferred to the PTIF, a less risk–lower interest rate investment.

The Utah State Money Management Act sets forth investment limitations and standards for proper cash management for local government agencies. The Act also defines the type of securities the District is allowed to invest in. The District always follows the requirements of the Money Management Act.

Capital Assets

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

As of December 31, 2013, the District had $75,376,824 (historical cost) in capital assets. This represents a net increase of 6% over 2012 and a 3% increase from 2011 to 2012 as shown in the tables below:

Property and Equipment (excluding depreciation)
2013-2012 and 2012-2011

	Fiscal Year 2013	Fiscal Year 2012	Dollar Change	Percent Change
Land	$ 2,641,532	$ 2,060,200	$ 581,332	28%
Buildings & Facilities	23,223,160	21,792,046	1,431,114	7%
Outfall/Sewer Lines	43,781,677	41,579,380	2,202,297	5%
Equipment	5,071,231	4,486,618	584,613	13%
Construction in Progress	659,224	1,259,088	(599,864)	-48%
Total	$ 75,376,824	$ 71,177,332	$ 4,199,492	6%

	Fiscal Year 2012	Fiscal Year 2011	Dollar Change	Percent Change
Land	$ 2,060,200	$ 2,343,606	$ (283,406)	-12%
Buildings & Facilities	21,792,046	21,048,322	743,724	4%
Outfall/Sewer Lines	41,579,380	41,213,427	365,953	1%
Equipment	4,486,618	3,894,345	592,273	15%
Contruction in Progress	1,259,088	768,568	490,520	64%
Total	$ 71,177,332	$ 69,268,268	$ 1,909,064	3%

The most significant addition for 2013 was the construction of the Collection System Operations Facility in Centerville.

The District spent $653,441 on the maintenance and rehabilitation of the collection system and treatment plant assets in 2013. Studies have shown for every dollar of preventative maintenance spent in the first 10 years of an asset, you save $4-5 over the second 10 years (Iowa Department of Transportation). The District has an aggressive asset management program to prolong the useful life of its assets.

2013 capital asset additions included:

Sewer Lines		$2,709,935
Buildings, Facilities & Lines		521,231
Equipment		813,383
Construction -In-Progress		310,019
	Total	**$4,354,568**

Additional information on the District's capital assets can be found in note 5 on page 58, in the required supplemental information on pages 64-72, and on pages 107-112 in the statistical section of this report.

Debt Administration

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

Modified Approach to Accounting for Infrastructure

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

The target levels of service are a rating between 1 and 3. Funds totaling $2,830,000 were budgeted in 2013 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 64-72 of this report.

Economic Factors, Next Year's Budgets, and Rates

- The operating and maintenance costs (O&M) of the District are currently being covered by the existing user fees and property taxes. No rate increase, tax increase, or debt issuance are projected for 2014. $2,758,000 has been budgeted in 2014 for the construction, acquisition and rehabilitation/preservation of capital assets. This will be primarily paid for from the cash reserves of the District.

- 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.

- The formula for calculating the certified tax rate on real and personal property was modified to be based on the prior years *budgeted* revenues instead of *actual* revenues by the State Tax Commission. This change took effect for the 2004 fiscal year. Davis County assessment values for 2014 are projected to increase 3% according to the Davis County Assessor's office. $1,898,000 has been budgeted for property tax revenue for 2014.

- Short-term interest rates have been significantly trending downward since the 1st quarter of 2009 and have slightly decreased in 2013. Interest rates are projected to remain at record lows for 2014. The District has budgeted $70,000 for interest income in 2014.

- $527,000 has been budgeted for sewer line rehabilitations and spot repairs. $1,800,000 has been budgeted for both treatment plant preservation and rehabilitation, and $200,000 is budgeted for biosolids operation and land application.

- No sewer service rate increase or property tax increase is projected for 2014**.**

Requests for Information

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

SOUTH DAVIS SEWER DISTRICT

ESTABLISHED 1959

SOUTH DAVIS SEWER DISTRICT

Basic Financial Statements

For The Fiscal Year Ended December 31, 2013 and 2012

SOUTH DAVIS SEWER DISTRICT

Statements of Net Position
December 31, 2013 and 2012

	2013	2012
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS:		
Cash and cash equivalents	$ 14,601,123	$ 14,511,792
Accounts receivable:		
Sewer service charges	114,373	158,608
Sewer service charges certified to county treasurer	67,393	59,547
Special treatment charges	8,744	9,928
Other	133,283	55,383
Accrued property taxes receivable	453,811	342,630
Accrued interest	1,352	1,390
Inventory of construction and maintenance materials	15,269	13,452
Prepaid expenses	43,612	31,851
TOTAL CURRENT ASSETS	15,438,960	15,184,581
NONCURRENT ASSETS:		
Capital assets:		
Nondepreciable capital assets	57,176,244	53,561,365
Depreciable capital assets, net	2,059,162	1,785,803
Reimbursable costs	85,527	97,241
TOTAL NONCURRENT ASSETS	59,320,933	55,444,409
TOTAL ASSETS	74,759,893	70,628,990
DEFERRED OUTFLOWS OF RESOURCES:	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 74,759,893	$ 70,628,990

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

SOUTH DAVIS SEWER DISTRICT

Statements of Net Position
December 31, 2013 and 2012

	2013	2012
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable	$ 319,702	$ 279,485
Accrued salaries & wages	50,577	40,382
Accrued payroll taxes	13,419	9,099
Performance deposits and retainage	86,405	89,805
Current portion of accrued compensated absences	16,000	16,000
TOTAL CURRENT LIABILITIES	486,103	434,771
NONCURRENT LIABILITIES:		
Accured compensated absences	381,180	373,624
TOTAL NONCURRENT LIABILITIES	381,180	373,624
TOTAL LIABILITIES	867,283	808,395
DEFERRED INFLOWS OF RESOURCES:	-	-
TOTAL LIBILITIES AND DEFERRED INFLOWS OF RESOURCES	$ 867,283	$ 808,395
NET POSITION:		
Net investment in capital assets	$ 59,235,406	$ 55,347,168
Restricted	-	-
Unrestricted	14,657,204	14,473,427
Total net assets	$ 73,892,610	$ 69,820,595

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 Year Ended December 31, 2013 and 2012

	2013	2012
OPERATING REVENUES:		
Sewer service charges	$ 2,188,651	$ 2,145,429
Sewer special treatment charges	255,804	180,475
Inspection, and project fees	52,460	77,980
Other operating revenues	334,343	247,124
TOTAL OPERATING REVENUES	2,831,258	2,651,008
OPERATING EXPENSES:		
Personal services	3,114,848	2,871,179
Contractual services	393,249	310,461
Utilities	315,222	288,561
Repairs and maintenance	1,072,510	1,189,623
Other supplies and expenses	419,680	458,515
Insurance claims and expenses	91,941	123,452
Depreciation	360,330	327,082
TOTAL OPERATING EXPENSES	5,767,780	5,568,873
OPERATING LOSS	(2,936,522)	(2,917,865)
NONOPERATING REVENUES AND (EXPENSES):		
General property tax	2,119,222	1,989,427
Intergovernmental contributions	550,000	350,000
Impact fees	1,029,824	957,351
Miscellaneous revenue	175,989	109,002
Grant Revenue	69,418	178,113
Interest income	81,659	213,508
Realized gain (loss) on investments	-	507,089
Unrealized gain (loss) on investments	(6,336)	-
Gain (loss) on sale of plant equipment	43,625	29,866
TOTAL NONOPERATING REVENUES AND (EXPENSES)	4,063,401	4,334,356
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,126,879	1,416,491
DEVELOPER CONTRIBUTED SEWER LINES	2,871,442	518,250
CHANGE IN NET POSITION	$ 3,998,321	$ 1,934,741
NET POSITION - BEGINNING OF THE YEAR	69,820,595	67,885,854
Prior period adjustment	73,694	
NET POSITION - END OF THE YEAR	$ 73,892,610	$ 69,820,595

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

SOUTH DAVIS SEWER DISTRICT

Statements of Cash Flows
For the Year Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	$ 2,415,842	$ 2,393,663
Payments to suppliers of goods and services	(2,265,963)	(2,446,832)
Payments to employees for services	(3,092,777)	(2,865,431)
Other receipts	386,803	325,104
NET CASH USED IN OPERATING ACTIVITIES	(2,556,095)	(2,593,496)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes collected	2,008,041	2,082,845
Intergovermental contributions	795,407	637,115
Impact fees collected	1,029,824	957,351
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	3,833,272	3,677,311
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the sale of capital assets	223,320	217,983
Purchase of capital assets	(1,483,127)	(2,117,733)
Net collection (refund) of performance deposits and retainages	(3,400)	42,700
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(1,263,207)	(1,857,050)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale or maturity of investments	-	5,480,402
Interest income received	75,361	315,574
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	75,361	5,795,976
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	89,331	5,022,741
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	14,511,792	9,489,051
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 14,601,123	$ 14,511,792

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

SOUTH DAVIS SEWER DISTRICT

Statements of Cash Flows, Continued
For the Year Ended December 31, 2013 and 2012

	2013	2012
RECONCILIATION OF OPERATING LOSS TO NET CASH USEED BY OPERATING ACTIVITIES		
Net loss from operations	$ (2,936,522)	$ (2,917,865)
Adjustments to reconcile net loss from operations to net cash provided by operating activities:		
Depreciation	360,330	327,082
(Increase) decrease in:		
Accounts receivable:		
Sewer service charges	44,235	(44,653)
Sewer service charges certified to county treasurer	(7,846)	7,361
Special treatment charges	1,184	2,816
Other	(77,900)	90,164
Inventory of construction and maintenance materials	(1,817)	12,635
Prepaid expenses	(11,761)	(25,278)
Reimbursed costs	11,714	12,071
Increase (decrease) in:		
Accounts payable	40,217	(63,577)
Accrued payroll	10,195	6,165
Accrued payroll taxes	4,320	(4,014)
Accrued compensated absences	7,556	3,597
NET CASH USED IN OPERATING ACTIVITIES	$ (2,556,095)	$ (2,593,496)

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

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements
For the Years Ended December 31, 2013 and 2012

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. Reporting Entity

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

B. Measurement Focus and Basis of Accounting

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

C. Operating and Non-operating Revenue and Expenses

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

- *Operating revenues and expenses* include activities that result from exchange transactions in providing services in connection with a proprietary fund's ongoing operations. The principal operating revenues of the District are sewer service charges, sewer special treatment charges and inspection, and plan review fees. Operating expenses for District include labor, supplies, professional services, utilities, administrative expenses, and depreciation on capital assets

- *Non-operating revenues and expenses* include activities that have the characteristics of non-exchange transactions. Examples of non-operating revenues and expenses would be property tax revenues, impact fees, penalties income, contributed capital, interest income, interest expense, unrealized gains or losses on investments, amortization, and gain or loss on sale of assets.

D. Net Position

The District's net position is classified as follows:

- *Investment in capital assets* - This component of net position consists of the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding balance of bonds that are attributable to the acquisition, constriction or improvement of those assets.

- *Restricted* -This component of net position consists of constraints imposed by creditors (such as debt covenants and/or sinking fund requirements).

- *Unrestricted* -This component of net position consists of net position that do not meet the definition of "invested in capital assets, net of related debt" or "restricted.

E. Restricted and Unrestricted resources

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

F. Statement of Cash Flows

For purposes of the statement of cash flows, all investment instruments purchased with an original maturity of three months or less are considered 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 73 to 74.

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.

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, 2013 and 2012, 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.

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.

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

	2013	2012
Cash on deposit	$ 289,568	$ 273,160
Cash on hand	725	725
TOTAL	$ 290,293	$ 273,885

***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. 2013 and 2012, none of the District's bank balances uninsured and uncollateralized were as follows:

	2013	2012
Carrying amount (book balance)	$ 289,568	$ 273,160
Bank balance:		
Covered by FDIC insurance	$ 250,000	$ 250,000
Uninsured and uncollateralized	71,297	101,624
TOTAL BANK BALANCE	$ 321,297	$ 351,624

B. Investments

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

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial 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, 2013 and 2012 the District had the following investments and maturities:

December 31, 2013

Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Utah Public Treasurer's Investment Fund (PTIF)	14,237,776	14,237,776	-	-	-
Total investments	$ 14,237,776	$ 14,237,776	$ -	$ -	$ -

December 31, 2012

Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Utah Public Treasurer's Investment Fund (PTIF)	14,237,907	14,237,907	-	-	-
Total investments	$ 14,237,907	$ 14,237,907	$ -	$ -	$ -

***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.

***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, 2013 and 2012:

December 31, 2013

Investment Type	Fair Value	"A"	"B"	Unrated
Utah Public Treasurer's Investment Fund (PTIF)	14,237,776			14,237,776
Total investments	$ 14,237,776	$ -	$ -	$ 14,237,776

December 31, 2012

Investment Type	Fair Value	"A"	"B"	Unrated
Utah Public Treasurer's Investment Fund (PTIF)	14,237,907			14,237,907
Total investments	$ 14,237,907	$ -	$ -	$ 14,237,907

***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 and 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, 2013 and 2012 are $397,180 and $389,624, respectively. The estimated current portion of accrued compensated absences as of December 31, 2013 and 2012 are $16,000, respectively.

December 31, 2013

	Beginning Balance	Increase	Decrease	Ending Balance
Compensated Absences	$ 389,624	$ 215,543	$ (207,987)	$ 397,180

December 31, 2012

	Beginning Balance	Increase	Decrease	Ending Balance
Compensated Absences	$ 386,027	$ 209,596	$ (205,999)	$ 389,624

6. CAPITAL ASSETS

The changes in capital assets for the year ended December 31, 2013, are as follows:

	12/31/2012	Increase	Decreases	12/31/2013
Nondepreciable capital assets:				
Land	$ 2,567,531	$ 581,332	$ -	$ 3,148,863
Construction in progress	1,259,089	310,018	(909,883)	659,224
Infrastructure:				
Sewer treatment facility and collection system	63,371,426	3,633,412	-	67,004,838
Accumulated depreciation on infrastructure assets prior to January 1, 2005	(13,636,681)	-	-	(13,636,681)
Total nondepreciable capital assets	53,561,365	4,524,762	(909,883)	57,176,244
Depreciable capital assets:				
Machinery and equipment	1,441,398	164,419	(202,346)	1,403,471
Mobile equipment	2,526,109	1,111,864	(228,770)	3,409,203
Office furniture and equipment	519,110	-	(260,553)	258,557
Total depreciable capital assets at historical cost	4,486,617	1,276,283	(691,669)	5,071,231
Less accumulated depreciation for:				
Machinery and equipment	(893,070)	(114,432)	-	(1,007,502)
Mobile equipment	(1,386,448)	(227,855)	49,075	(1,565,228)
Office furniture and equipment	(421,296)	(18,043)	-	(439,339)
Total accumulated depreciation	(2,700,814)	(360,330)	49,075	(3,012,069)
Depreciable capital assets, net	1,785,803	915,953	(642,594)	2,059,162
Total capital assets, net	$ 55,347,168	$ 5,440,715	$ (1,552,477)	$ 59,235,406

The changes in capital assets for the year ended December 31, 2012, are as follows:

	12/31/2011	Increase	Decreases	12/31/2012
Nondepreciable capital assets:				
Land	$ 2,343,606	$ 223,925	$ -	$ 2,567,531
Construction in progress	768,569	490,520	-	1,259,089
Infrastructure:				
Sewer treatment facility and collection system	62,261,750	1,109,676	-	63,371,426
Accumulated depreciation on infrastructure assets prior to January 1, 2005	(13,636,181)	(500)	-	(13,636,681)
Total nondepreciable capital assets	51,737,744	1,823,621	-	53,561,365
Depreciable capital assets:				
Machinery and equipment	1,182,162	259,236	-	1,441,398
Mobile equipment	2,202,772	543,425	(220,088)	2,526,109
Office furniture and equipment	509,409	9,701	-	519,110
Total depreciable capital assets at historical cost	3,894,343	812,362	(220,088)	4,486,617
Less accumulated depreciation for:				
Machinery and equipment	(805,857)	(87,213)	-	(893,070)
Mobile equipment	(1,196,635)	(221,784)	31,971	(1,386,448)
Office furniture and equipment	(403,211)	(18,085)	-	(421,296)
Total accumulated depreciation	(2,405,703)	(327,082)	31,971	(2,700,814)
Depreciable capital assets, net	1,488,640	485,280	(188,117)	1,785,803
Total capital assets, net	$ 53,226,384	$ 2,308,901	$ (188,117)	$ 55,347,168

7. PENSION PLAN

Plan Description

The District contributes to the Local Governmental Contributory Retirement System (Contributory System) and the Local Governmental Noncontributory Retirement System (Noncontributory System) of the Utah Retirement Systems, both of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits, and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

The District also participates in the 401(k) plan administered by the Systems. The plan is available to all employees who meet certain age and length-of-service eligibility requirements. Mandatory contributions to the plan were required by Board resolution for certain employees who were employed as of December 31, 1986. Voluntary salary deferred contributions may be made by all eligible employees.

Funding Policy

The contribution rates are actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board. 100% of required contributions were made for 2013, 2012 and 2011.

Contribution Rates

The contribution rates in effect for calendar 2013 were as follows:

Utah Retirement Systems	Paid by Employee	Paid by Employer for Employee	Employer Contribution Rates
January 2013 - June 2013			
Contributory System:			
Local Government Division Tier 1	N/A	6.0000%	12.030%
Local Government Division Tier 2	N/A	N/A	14.050%
Noncontributory System:			
Local Government Division Tier 1	N/A	N/A	16.040%
July 2013 - December 2013			
Contributory System:			
Local Government Division Tier 1	N/A	6.0000%	13.280%
Local Government Division Tier 2	N/A	N/A	13.990%
Noncontributory System:			
Local Government Division Tier 1	N/A	N/A	17.290%

The contribution rates in effect for calendar 2012 were as follows:

Utah Retirement Systems	Paid by Employee	Paid by Employer for Employee	Employer Contribution Rates
January 2012 - June 2012			
Contributory System:			
Local Government Division Tier 1	N/A	6.0000%	9.760%
Local Government Division Tier 2	N/A	N/A	11.920%
Noncontributory System:			
Local Government Division Tier 1	N/A	N/A	13.770%
July 2012 - December 2012			
Contributory System:			
Local Government Division Tier 1	N/A	6.0000%	12.030%
Local Government Division Tier 2	N/A	N/A	12.740%
Noncontributory System:			
Local Government Division Tier 1	N/A	N/A	16.040%

Required Contributions

The District's contributions to the various systems for the year ended December 31, 2013 and the two previous years were as follows:

System	Year Ended 12/31	Employee Paid Contributions	Employer Paid for Employee Contributions	Employer Contributions	Salary Subject to Retirement Contributions
Contributory System:					
Local Government Division Tier 1 and Tier 2					
	2013	$ -	$ 16,706	$ 38,515	$ 316,563
	2012	-	16,659	32,285	299,927
	2011	-	15,137	24,154	252,284
Noncontributory System:					
Local Government Division Tier 1					
	2013	$ -	$ -	$ 244,278	$ 1,459,695
	2012	-	$ -	$ 217,211	$ 1,460,989
	2011	-	-	185,383	1,376,636
Defined Contribution System:					
457 Plan					
	2013	$ 10,400	$ -		
	2012	27,750	-		
	2011	10,400	-		
401(k) Plan					
	2013	$ 100,520	$ 28,472		
	2012	113,820	24,984		
	2011	89,255	21,672		
Roth IRA Plan					
	2013	$ 7,540	$ -		
	2012	7,540	-		
	2011	6,490	-		

8. IMPACT FEES

The District collects connection fees that are defined as impact fees. The District must expend these impact fees on capital expenditures relating to the infrastructure of the District. The District had impact fee reserves of $-0- at December 31, 2013 and 2012, respectively. Revenues from impact fees were $1,029,824 and $957,351 for the year ended December 31, 2013 and 2012, respectively.

SOUTH DAVIS SEWER DISTRICT

ESTABLISHED 1959

REQUIRED SUPPLEMENTAL INFORMATION

SOUTH DAVIS SEWER DISTRICT

Modified Approach for Eligible Infrastructure Assets
For the Year Ended December 31, 2013

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

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

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

2. The District documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

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

The District commissioned a physical condition assessment of its collection system and treatment plant facilities beginning January 1, 2004. The District's objective is to complete an assessment annually (or at least once every three years) of all infrastructure assets covered by its asset management system in accordance with GASB Statement No.34. The District's condition assessments will be performed using statistical samples that are representative of infrastructure assets. The latest condition assessment was performed in 2012 according to GASB Statement No. 34. This allows the District to ensure that assets are maintained at a prescribed condition and analyze future funding needs. The District's collection system and treatment plant facilities are composed of approximately 368 miles (1,942,942 feet) of sewer lines, 8,629 sections of line, 8,326 manholes, 9 lift stations, and 2 treatment plant facilities, which collect and treat up to 16 million gallons per day (MGD) of wastewater.

The collection system had the following work orders for 2013, 2012, and 2011:

	2013		2012		2011	
	Issued	Completed	Issued	Completed	Issued	Completed
District Operators	314	313	281	162	381	254
Outside Contractors	84	56	67	37	67	58
Total	398	369	348	199	448	312

Here are the results from the work orders for 2013 and 2012:

	2013	2012	Variance	Percent Change
Inspections Performed	2,885	2,983	(98)	-3.3%
Cleaning				
Sections	1,888	2,451	(563)	-23.0%
Footage	452,014	576,556	(124,542)	-21.6%
TV Work				
Sections	1,115	857	258	30.1%
Footage	240,220	192,721	47,499	24.6%

Approximately 23% of the District's collection system was cleaned and 12% was inspected by closed circuit television (CCTV) in 2013. (See Collection System GIS, TV and Cleaning Maps at the end of this section).

The District expended $639,754 on rehabilitation and replacement of the collection system, lift stations, and treatment plant facilities for the year ended December 31, 2013. These expenses add service life to the capital assets. A study by the Iowa Department of Transportation reported that for every dollar of preventative maintenance spent in the first 10 years of an asset, you save $4-5 over the second 10 years. The District has an aggressive asset management program to prolong the useful life of its capital assets.

The District is using trenchless technology or cured in place pipe (CIPP) as a means of being more efficient in repairing and maintaining the sewer collection system. CIPP equipment, resin, and liners, are used to complete rehabilitation projects of the collection system. The collection system operators performed 28 CIPP on sewer lateral lines, for a total cost of $28,522.

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.

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

In 2012, the District performed 1115 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, 2885 manholes and 9 lift stations. The condition assessment of the 1115 line segments identified 48 deficiencies in line segments and 31 deficiencies in manholes resulting in a condition level lower than established by the District. 100% of the deficiencies identified in the line segments and manholes were corrected in the year 2012. One deficiency at both treatment plants were identified in the Cogeneration systems. The Cogeneration systems are still being evaluated for a cost effective solution. All nine 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:

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
Evergreen Lift Station			1
Birnam Woods Lift Station			1
Porter Lane Lift Station			1
North Pointe Lift Station			1
Pages Lane Meadow 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
Manholes			1-2

The Cogeneration (Cogen) systems have been taken out of service due to problems with Siloxane and digester gas, and will remain out of service until a cost effective solution is found. The condition of the Cogen facility itself is excellent (1).

The next condition assessment sample is scheduled for 2013

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

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

The budget required to maintain and preserve the current overall condition through the year ended December 31, 2030, is estimated to be $706,472 per year. This figure was arrived at by taking the average expenditures from 2004 to 2013 and adding 1.5% for inflation ($696,032*1.015).

Funds totaling $2,758,000 are budgeted for fiscal year 2014 for the continued preservation and rehabilitation of the District's infrastructure assets and are allocated as follows:

$793,000	Collection System
$1,965,000	Plant & Equipment Building

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

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

SOUTH DAVIS SEWER DISTRICT

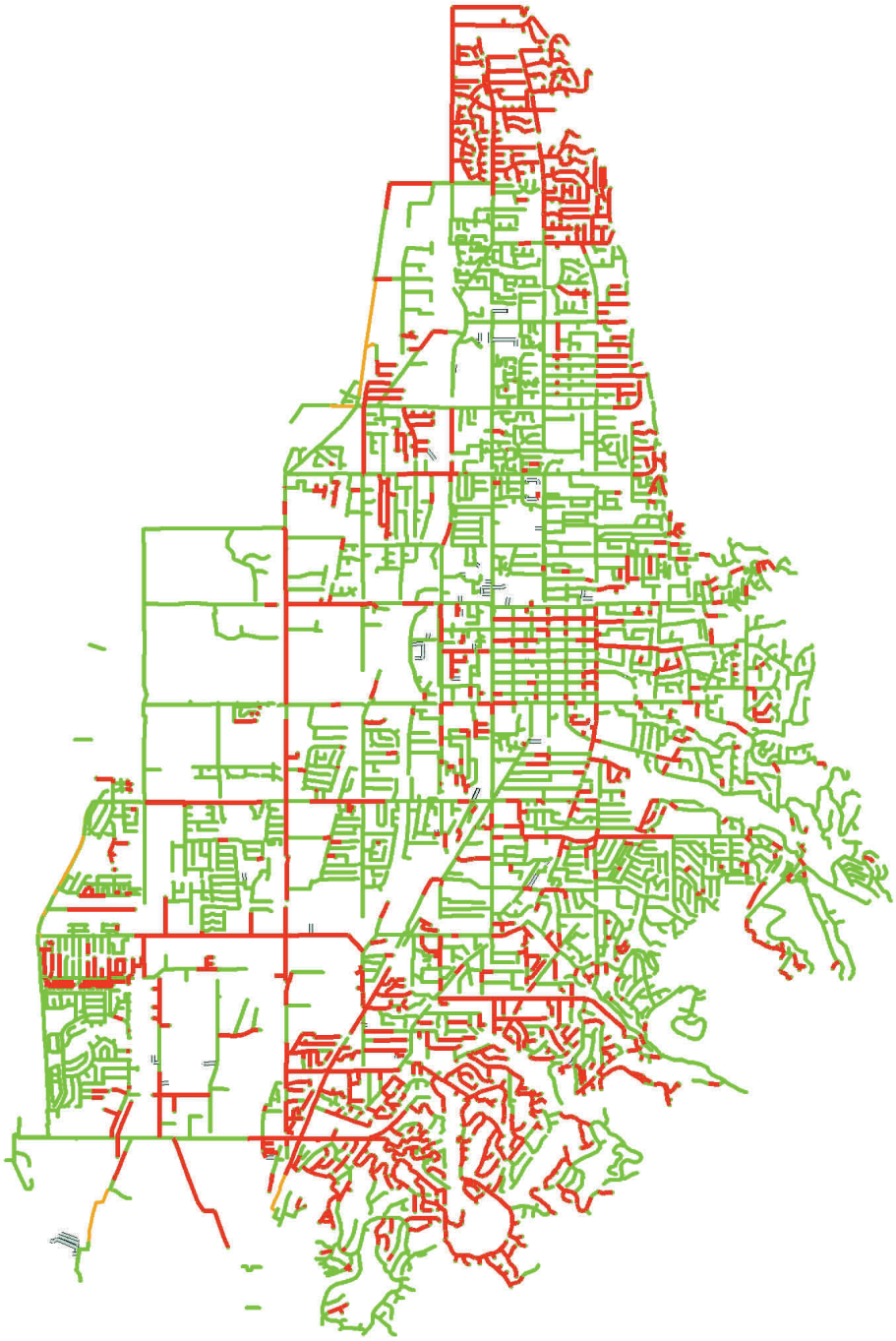
Sewer Line Summary by Size

For the Year Ending December 31, 2013

Diameter	Sections	Footage	Mileage
1.25	1	393	0
4	4	552	0
6	37	9,873	2
8	7,625	1,662,687	315
10	280	75,310	14
12	241	62,455	12
14	21	7,112	1
15	100	27,170	5
18	104	30,214	6
21	57	15,544	3
24	75	23,848	5
27	29	7,728	1
30	13	4,204	1
36	27	8,975	2
42	5	1,950	0
48	10	4,927	1
Total	**8,629**	**1,942,942**	**368**

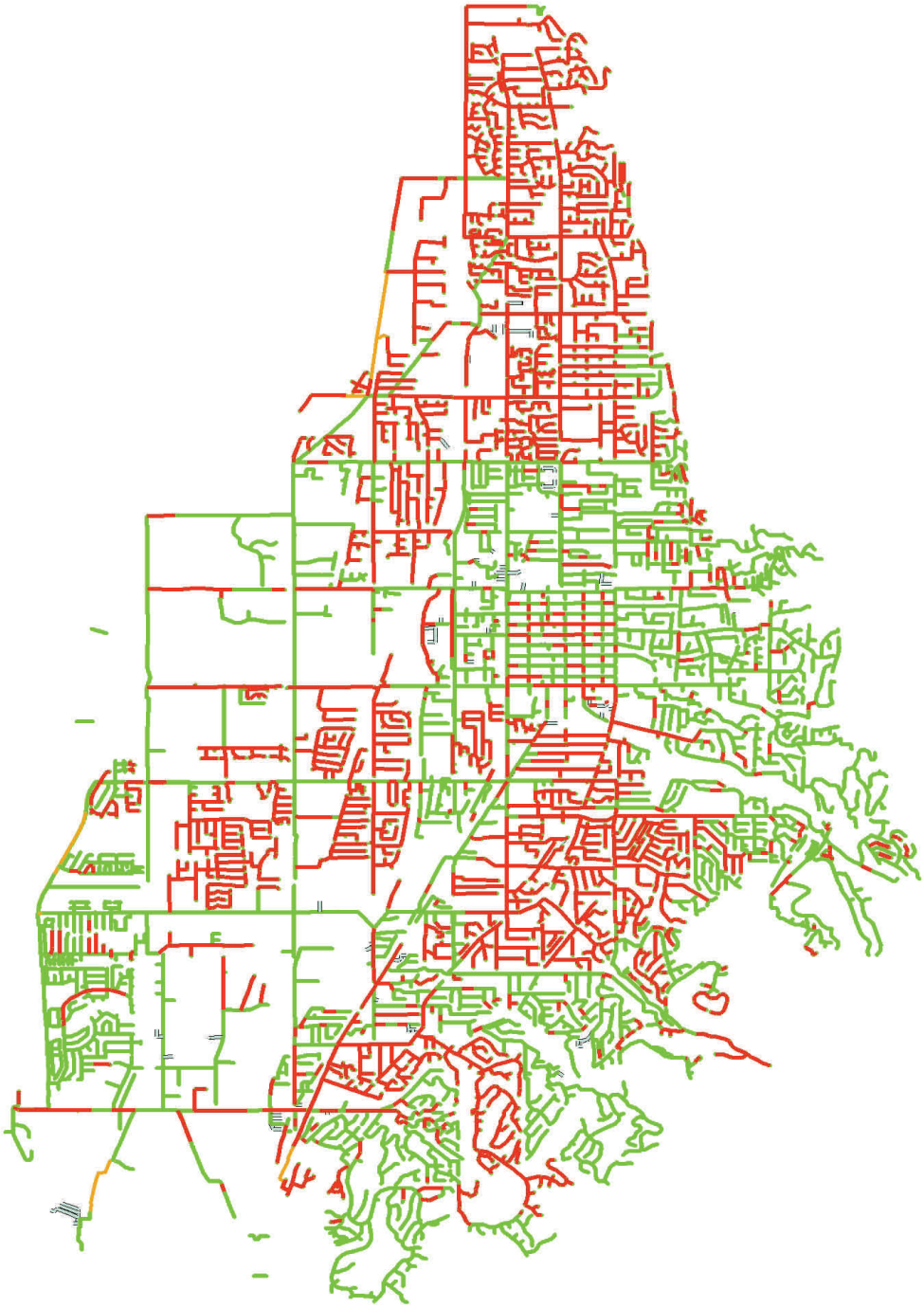
Source: District Geographical Information System Records (GIS).

SOUTH DAVIS SEWER DISTRICT
Sewer Main Lines TV Inspections
(red)
2011 - 2013



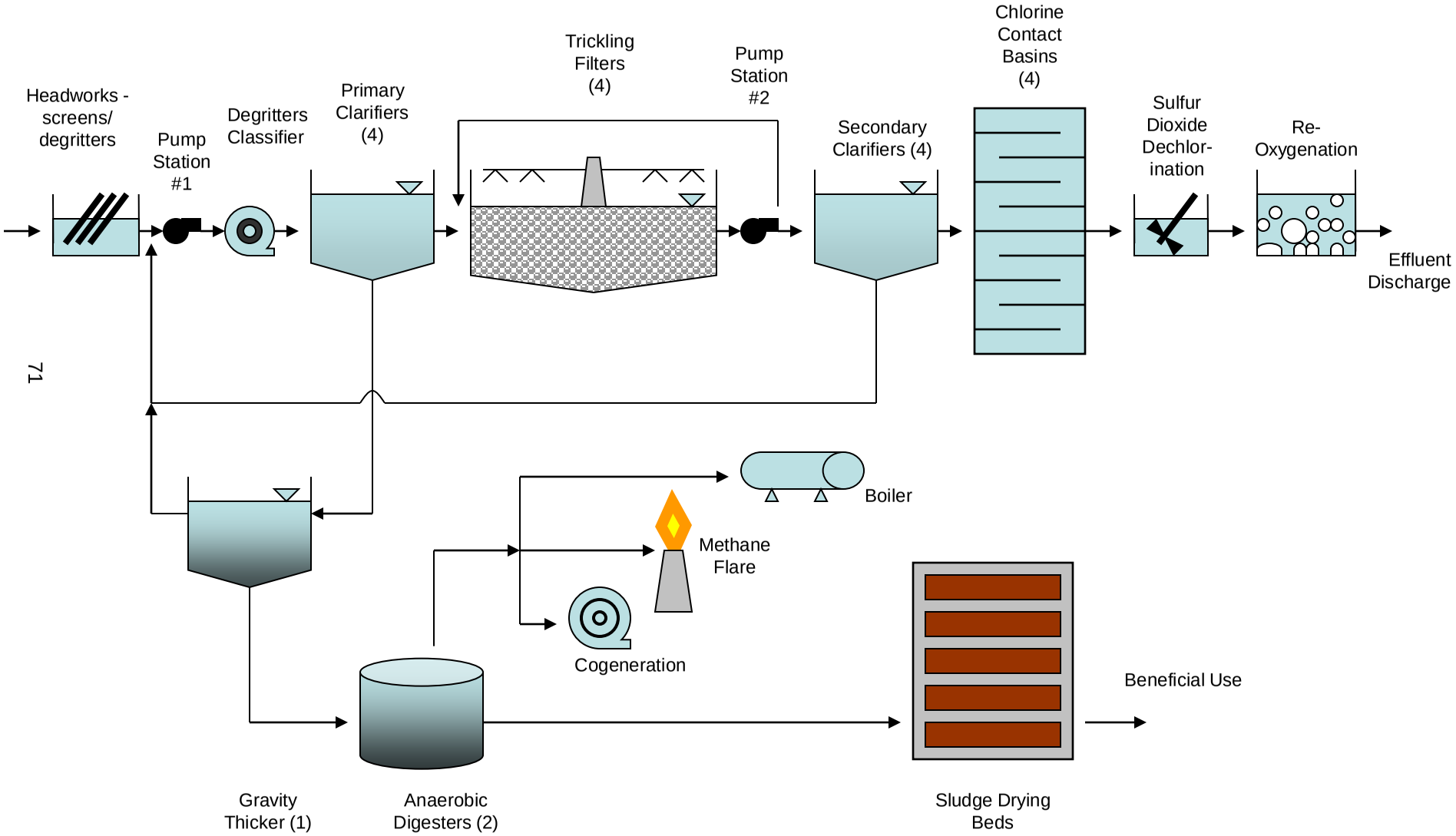
Source: District Geographical Information System (GIS)

SOUTH DAVIS SEWER DISTRICT
Sewer Main Lines Cleaned
(red)
2011 - 2013

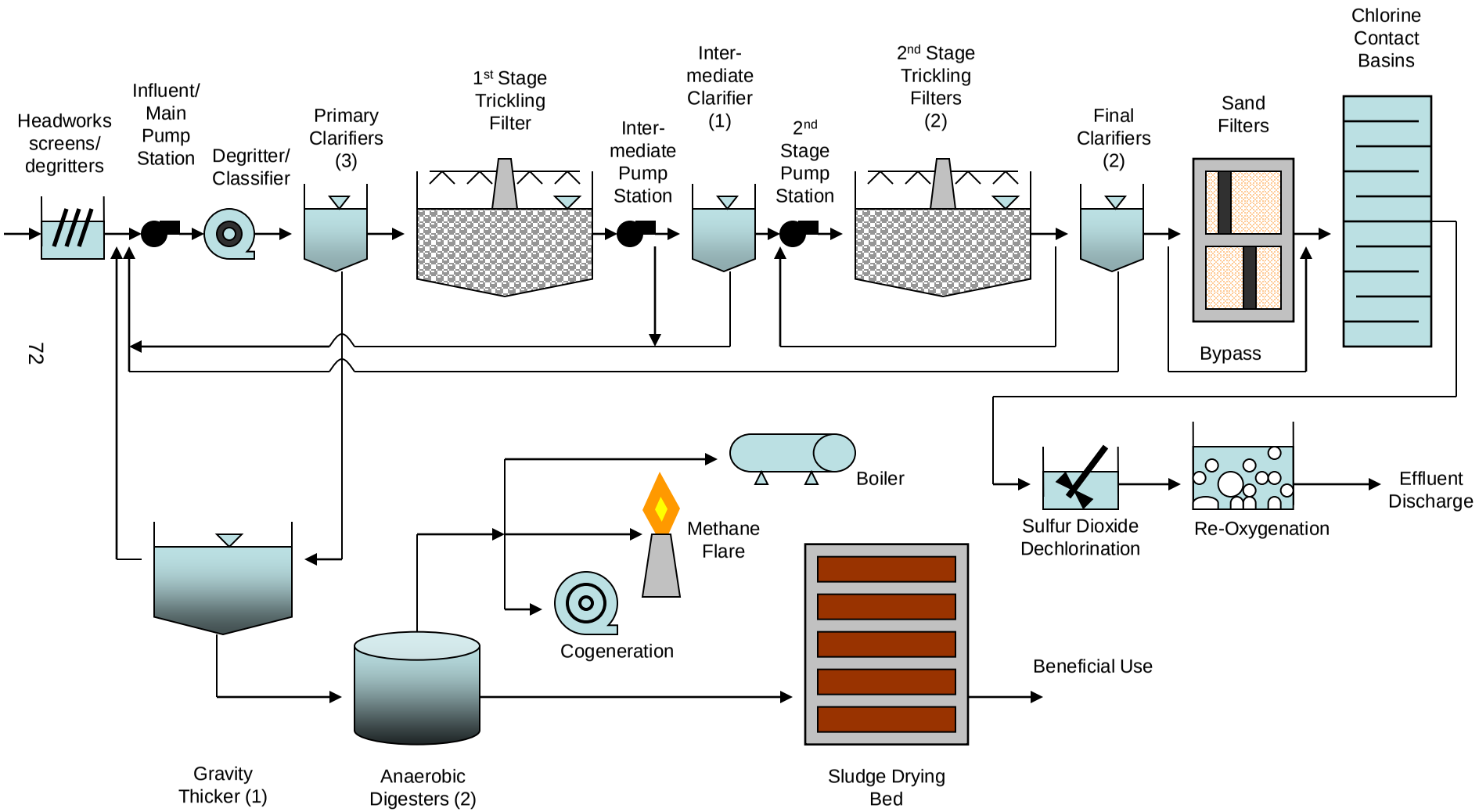


Source: District Geographical Information System (GIS)

SDSD North Plant Process Flow Diagram – 12 MGD



SDSD South Plant Process Flow Diagram – 4 MGD



SOUTH DAVIS SEWER DISTRICT

ESTABLISHED 1959

SUPPLEMENTAL INFORMATION

SOUTH DAVIS SEWER DISTRICT
Schedule of Revenues and Expenses Budget to Actual
(Non-GAAP Budgetary Basis)
For the Year Ended, December 31, 2013

	Original Budget	Final Budget	2013 Actual	Variance Favorable (Unfavorable)
REVENUES				
Operating Revenues				
Sewer Service Fees	$ 2,130,000	$ 2,130,000	$ 2,188,651	$ 58,651
Sewer Special Treatment	100,000	100,000	255,804	155,804
Inspection Fees	6,000	6,000	14,760	8,760
Project Fees	20,000	20,000	37,700	17,700
Permit Fees	7,000	7,000	6,500	(500)
Sampling Fees	6,000	6,000	6,800	800
Lab Testing Fees	50,000	50,000	33,615	(16,385)
Taxable Sales	1,000	1,000	3,117	2,117
Misc Income	236,000	236,000	284,311	48,311
Refund and Allowances	(5,000)	(5,000)	(2,403)	2,597
Total	$ 2,551,000	$ 2,551,000	$ 2,828,855	$ 277,855
Nonoperating Revenues				-
Property Taxes	$ 1,830,000	$ 1,831,000	$ 2,119,222	$ 288,222
Impact Fees	500,000	500,000	1,029,824	529,824
State & Federal Grants	42,000	249,000	69,418	(179,582)
Penalties	80,000	80,000	175,989	95,989
Interest	100,000	100,000	81,659	(18,341)
Surplus Property Sales	225,000	205,000	228,481	23,481
WQG Contributions	600,000	600,000	550,000	(50,000)
Reserves	4,957,000	2,270,000	-	(2,270,000)
Total	$ 8,334,000	$ 5,835,000	$ 4,254,593	$ (1,580,407)
Total Revenue	$ 10,885,000	$ 8,386,000	$ 7,083,448	$ (1,302,552)
EXPENDITURES				-
Operating Expenses				-
Operating Expenses	$ 524,000	$ 524,000	$ 373,927	150,073
Utilities	301,000	301,000	475,345	(174,345)
Payroll and Benefits	3,050,000	3,100,000	3,114,848	(14,848)
Biosolid Disposal	15,000	15,000	9,957	5,043
No-Fault Sewer Back-up	25,000	25,000	15,000	10,000
Outside Services	566,000	395,000	378,249	16,751
Chemicals	300,000	300,000	191,543	108,457
Lab Testing	206,000	206,000	154,497	51,503
Transportation	66,000	66,000	82,196	(16,196)
Buildings & Grounds	94,000	94,000	63,336	30,664
Office & Computer	93,000	94,000	67,633	26,367
Insurance	77,000	77,000	78,544	(1,544)
Self Insurance Casualty	2,000	2,000	1,537	463
Audit	21,000	21,000	15,000	6,000
Education & Training	43,000	43,000	36,829	6,171
Operating Reserves	-	121,000	-	121,000
Total	$ 5,383,000	$ 5,384,000	$ 5,058,443	$ 54,484

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, 2013

	Original Budget	Final Budget	2013 Actual	Variance Favorable (Unfavorable)
Non Operating Expenses				-
Capital Expenses				-
Outfall/Sewer Lines	$ 793,000	$ 267,000	$ 278,755	(11,755)
Operating Equipment	1,903,000	694,000	303,160	390,840
Building and Facilities	2,045,000	1,198,000	811,539	386,461
Mobile Equipment	475,000	575,000	631,664	(56,664)
Major Equipment & Engineering	200,000	200,000	246	199,754
Office Equipment	86,000	68,000	73,245	(5,245)
Other				
Debt Service Principle	-	-	-	-
Debt Service Interest	-	-	-	-
Total	$ 5,502,000	$ 3,002,000	$ 2,098,609	$ 903,391
				-
Total Expenses	$ 10,885,000	$ 8,386,000	$ 7,157,052	$ 957,875.46
				$ -
				$ -
Excess of Revenue over Expenses	**$ -**	**$ -**	**$ (73,603)**	**$ (73,603)**
				-

RECONCILIATION OF BUDGET BASIS ACTUAL TO GAAP BASIS ACTUAL

Excess (Deficit) of Revenues over Expenses "Budget Basis"	**$ (73,603)**
Add Back:	
Contributed Capital	2,871,442
Revenue Accruals	583,396
Capitalized Capital Expenses	1,215,964
Gain on Sale of Assets	43,625
Net Change in Fair Value of Investments	6,336
Deduct:	
Expense Accruals	(761,230)
Basis in Capital Assets Sold or Disposed	(174,245)
Depreciation Expense	360,330
Increase in Net Position, "GAAP Basis"	**$ 4,072,015**

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

SOUTH DAVIS SEWER DISTRCT

Schedule of Impact Fees

For the Year Ending December 31, 2013

Project/Development	Lot/Building	Date Received	Amount	Monthly Subtotal
Villas @ Belleveda	Lot 1	1/7/2013	$ 1,596.00	
Pinae Village PUD	Lots 155-205 A, B, C, D, E & F	1/9/2013	9,576.00	
Kensington Ct	Lot 3	1/25/2013	1,596.00	
Eaglewood Est	Lot 1517	1/23/2013	1,596.00	
Eaglepoint Est	Lot 1411	1/28/2013	1,596.00	
Valentine Est	Lot 304	1/28/2013	1,596.00	
Foxboro South	Lot 605	1/28/2013	1,596.00	
Crestpointe	Lot 2005	1/29/2013	1,596.00	
Silver Oaks	Lot 25	1/30/2013	1,596.00	
				$ 22,344.00
Orchard Pines	Lots 11, 12, & 13	2/1/2013	4,788.00	
Foxboro North	Lots 1058, 1059, 1161, 1165, 1106-1121	2/4/2013	14,364.00	
Silver Oaks	Lot 26	2/5/2013	1,596.00	
Mountain View	Lot 416	2/5/2013	1,596.00	
Eaglepoint Est	Lot 1504	2/6/2013	1,596.00	
Foxboro North	Lots 5, 6, & 7	2/6/2013	4,788.00	
Foxboro South	Lot 601	2/7/2013	1,596.00	
Wasatch Meadows	Lot 7	2/7/2013	1,596.00	
Heritage Point	Lot 4	2/11/2013	1,596.00	
Moss Farms Est B	Lot 21	2/11/2013	1,596.00	
Renaissance Apts	Bldg A-E	2/11/2013	104,832.00	
Renaissance Apts	Clubhouse	2/11/2013	1,528.80	
Foxboro North	Lots 15-22	2/12/2013	12,768.00	
Silver Oaks	Lot 28	2/19/2013	1,596.00	
Valentine Est	Lot 201-204	2/20/2013	3,192.00	
North Canyon Heights	Lot 18	2/20/2013	1,596.00	
Bountiful Hollow	Lot 106	2/20/2013	1,596.00	
Foxboro South	Lot 616	2/20/2013	1,596.00	
Foxboro North	Lots 1111,1116 & 1118	2/25/2013	4,788.00	
Crestpointe	Lot 2014	2/27/2013	1,596.00	
Silver Oaks	Lot 27	2/26/2013	1,596.00	
Orchard Pines	Lots 14 - 17	2/27/2013	6,384.00	
				178,180.80
Foxboro North	Lots 1049, 1053 & 1054	3/1/2013	4,788.00	
Mountain View	Lot 409	3/4/2013	1,596.00	
Orchard Pines	Lots 32 - 34	3/12/2013	4,788.00	
Foxboro North	Lots 1051 & 1064	3/13/2013	3,192.00	
Eaglepoint Est	Lot 1503	3/13/2013	1,596.00	
1060 N 400 E	NSL	3/15/2013	1,596.00	
985 Pages Lan	W Bountiful	3/15/2013	1,596.00	
Foxboro South	Lot 606	3/18/2013	1,596.00	
Orchard Pines	Lot 1	3/21/2013	2,154.60	
Mountain View	Lot 413	3/21/2013	1,596.00	
Foxboro North	Lots 937, 937, 922, 1112, 1056, & 1055	3/22/2013	9,576.00	
Orchard Pines	Lots 29-31	3/27/2013	4,788.00	
Edgewood Est Ph 2	Lots 31 B & A	3/27/2013	3,192.00	
22 S 1400 W	Centerville	3/27/2013	1,995.00	
				44,049.60
Eaglepoint Est	Lots 1403 - 1501	3/28/2013	3,192.00	
SDCKP East	Refund overpayment	4/2/2014	(79.80)	
Eaglepoint Est	Lot 1401	4/2/2013	1,596.00	
Bountiful Hollow	Lot 104	4/4/2013	1,596.00	
Eaglepoint Est	Lot 1406	4/8/2013	1,596.00	
Madison Square	Lots 1-4	4/8/2013	6,384.00	
Crestpointe	Lot 2229	4/10/2013	1,596.00	
Foxboro North	Lots 924 & 1114	4/11/2013	3,192.00	
Vallas Bella Vida	Lot 914	4/15/2013	1,596.00	
Orchard Pines	Lot 2159, 2167, 2175, 2183, 2728, & 2526	4/15/2013	6,384.00	
Pineae Village PUD	Lots 155-204 A-F	4/17/2013	9,576.00	
50 S Hwy 89	NSL	4/17/2013	1,675.80	
Orchard Hills	Lot 102	4/17/2013	1,596.00	
Mountain View	Lots 304-307 Continued next page	4/18/2013	6,384.00	

Foxboro North	Lots 1050, 1052, & 1062	4/18/2013	4,788.00	
Market Place	Lot 302B	4/22/2013	1,755.60	
Eaglepoint Est	Lot 1310	4/24/2013	1,596.00	
Eaglepoint Est	Lot 1406	4/26/2013	1,596.00	
Pages Lane Meadows	Lot 14	4/29/2013	1,596.00	
			-	57,615.60
Foxboro North		5/2/2013	3,192.00	
Island View B	Lot 2	5/2/2012	1,596.00	
Outdoor Rec	Lot 3	5/3/2013	5,506.20	
Foxboro South	Lot 617	5/7/2013	1,596.00	
Villas Bella Vida	Lots 12 & 13	5/7/2013	3,192.00	
Foxboro South	Lots 600 & 604	5/7/2013	3,192.00	
Foxboro North	Lot 1103	5/9/2013	1,596.00	
New Lab Building	Big West Oil	5/13/2013	13,087.20	
Orchard Pines	Lot 2	5/16/2013	6,384.00	
Orchard Pines	Lots 2 common	5/16/2012	3,802.47	
Foxboro South	Lots 612 & 613	5/16/2013	3,192.00	
Eaglepoint Est	Lot 1321	5/17/2013	1,596.00	
Foxboro North	Lots 931 & 934	5/22/2013	3,192.00	
Foxboro North	Lot A	5/24/2013	1,596.00	
Foxboro South	Lot 1596	5/28/2013	1,596.00	
Foxboro North	Lots 23-28	5/29/2013	9,576.00	
Moss Farms Est B	Lot 22	5/30/2013	1,596.00	
Foxboro North	Lots 1538,1530,1532,1505,1529, 1517,& 933	5/30/2012	11,172.00	
331 N 750 W	Greenhouse Cir Lot 4	5/30/2013	1,596.00	
Valentine Est	Lots , 201,203,204,329,334,338	5/30/2013	9,576.00	
Eaglepoint Est	Lot 1505	5/30/2013	1,596.00	
Fairway Oaks	Lot 6	5/30/2013	1,596.00	
				91,023.87
Eaglewood Village	Lots 11&15	6/3/2013	3,192.00	
Mountain View	Lot 602	6/3/2013	1,596.00	
Edgewood Est Ph 2	Lots 32 A & B	6/6/2013	3,192.00	
Wasatch Meadows	Lot 3	6/6/2013	1,596.00	
Eaglepoint Est	Lot 1402	6/13/2013	1,596.00	
Pages Lane Meadows	Lots 6 &15	6/18/2013	3,192.00	
Mountain View	Lots 312 & 313	6/18/2013	3,192.00	
Millcreek	Lot 3	6/18/2013	1,596.00	
668 E 350 N	Kensington Ct 11	6/20/2013	1,596.00	
Valentine Est	Lot 301	6/19/2013	1,596.00	
Foxboro North	Lot 1408	6/20/2013	1,596.00	
Hughs Industrial Park	Lot 7	6/20/2013	3,192.00	
Fairway Oaks	Lot 48	6/20/2013	1,596.00	
Eaglewood Cove	Lot 822	6/25/2013	1,596.00	
Star Height Sub	Lot 6	6/24/2013	1,596.00	
Eaglepoint Est	Lot 1511	6/25/2013	1,596.00	
Foxboro North	Lots 1527, 1531, 936, 923,932, & 918	6/27/2013	9,576.00	
Views Eaglewood Village	Lot 23	6/27/2013	1,596.00	
				44,688.00
Foxboro North	Lot 1407	7/1/2013	1,596.00	
Cannonwood Ind Park	Lot F-1	7/1/2013	4,628.40	
Foxboro North	Lots 1535,1534,1537,1539,919,935,1525,1526, 1504,& 1506	7/5/2013	15,960.00	
Pineae Village PUD	Lots 202 A-F	7/8/2013	9,576.00	
Foxboro North	Lots 1401, 1403, & 1405	7/9/2013	4,788.00	
235 S 400 E	TMJ Dental Office Bountul	7/10/2013	3,970.40	
Eaglepoint Est	Lot 1614	7/11/2013	1,596.00	
Foxboro South	Lots 610 & 611	7/12/2013	3,192.00	
311 N 750 W	Greenhouse Cir Lot 3	7/17/2013	1,596.00	
1311 W 400 N	West Bountiful	7/15/2013	1,596.00	
Valentine Estates	Lots 701-710	7/18/2013	15,960.00	
Eaglewood Village	Lot 24	7/19/2013	1,596.00	
Crestpointe	Lots 2006 & 2002	7/19/2013	3,192.00	
Mountain View	Lot 324	7/23/2013	1,596.00	
Crestpointe	Lots 2101 & 2105	7/23/2013	3,192.00	
Mountain View	Lots 325-328	7/23/2013	6,384.00	
Eaglepoint Est	Lot 1514	7/22/2013	1,596.00	
Heritage Point	Lot 23	7/23/2013	1,596.00	
Foxboro North	Lots 1516 & 1536	7/29/2013	3,192.00	
	Continued next page			86,802.80

Heritage Point	Lot 3	8/1/2013	1,596.00	
Centerville Park Corp	Lot 201	8/2/2013	12,289.20	
Fordham Commercial	Lots 7&8	8/2/2013	1,675.80	
Crestpointe	Lot 2109	8/5/2013	1,596.00	
Foxboro North	Lot 1402	8/5/2013	1,596.00	
Eaglewood Village	Lots 12 & 13	8/6/2013	3,192.00	
Crestpointe	Lots 2120 & 2121	8/8/2013	3,192.00	
Eaglepoint Est	Lot 1609	8/8/2013	1,596.00	
Foxboro North	Lots 1519 & 930	8/9/2013	3,192.00	
Fairway Oaks	Lot 536	8/8/2013	1,596.00	
Scenic Hills	Lot 20	8/9/2013	1,596.00	
Crestpointe	Lot 2180	8/13/2013	1,596.00	
Hidden Acres	Lot 4	8/13/2013	1,596.00	
Mountain View	Lots 215, 316,214, 317, & 318	8/12/2013	7,980.00	
Eaglepoint Est	Lot 1413	8/12/2013	1,596.00	
Pineae Village PUD	Lots 203C, & D	8/13/2013	3,192.00	
Pineae Village PUD	Lots 203A & B	8/13/2013	3,192.00	
Eaglepoint Est	Lot 1522	8/14/2013	1,596.00	
373 N Davis Blvd	Lot 2	8/14/2013	1,596.00	
Chapel Ridge Cove	Lot 2	8/14/2013	1,596.00	
Madison Square	Lots 11-16	8/14/2013	9,576.00	
Pineae Village PUD	Lot 307 A-L	8/15/2013	19,152.00	
Eaglepoint Est	Lot 1613	8/15/2013	1,596.00	
Foxboro North	Lots 928, 1541, 1533, 1501, & 1523	8/19/2013	7,980.00	
Hidden Lake	Lot 509	8/20/2013	1,596.00	
56 W 300 W	Bountiful PUD Lot 2	8/20/2013	19,152.00	
The Pines at North Canyon	Lot 616	8/23/2013	1,596.00	
422 W 5005 S	Bountiful	8/23/2013	2,553.60	
1388 W 5005 W	Chad Salmon WX	8/26/2013	4,468.80	
Crestpointe	Lot 2104	8/26/2013	1,596.00	
Hampton Place Apt	Lot 1 Bldg 7	8/28/2013	17,472.00	
Williamburg Place	Lot 18	8/27/2013	1,596.00	
Foxboro North	Lots 32,33,36, 1406, 29,30,31,34,35, & 1502	8/28/2013	15,960.00	
Hampton Place Apt	Clubhouse	8/28/2013	4,368.00	
Valentine Estates	Lot 307 & 227	8/29/2013	3,192.00	
Villas Bella Vida	Lot 2	8/30/2013	1,596.00	
The Pines at North Canyon	Lot 15	8/29/2013	1,596.00	
				172,103.40
Villas at Stonecreek	Lot 1	9/4/2013	1,596.00	
Foxboro North	Lots 1540, 1512, 1404, & 1508	9/6/2013	6,384.00	
Chapel Ridge Cove	Lot 3	9/6/2013	1,596.00	
Hidden Hollow	Lot 708	9/6/2013	1,596.00	
Crestpointe	Lot 2118	9/9/2013	1,596.00	
Eaglepoint Est	Lot 1705	9/11/2013	1,596.00	
Ford Canyon Est	Lot 419	9/10/2013	1,596.00	
Eaglepoint Est	Lot 1513	9/10/2013	1,596.00	
Foxboro North	Lots 37, 38, 39 , 40, 41, 42, 1511, 1503	9/11/2013	12,768.00	
Eaglepoint Est	Lot 1211	9/11/2013	1,596.00	
Foxboro South	Lot 330	9/13/2013	1,596.00	
Val Verda	381 W 3100 S Bountiful	9/13/2013	1,596.00	
Northwood Business Park	925 W 100 N NSL	9/16/2013	3,500.00	
The Pines at North Canyon	Lots 2,4,5,9, 11,13,& 17	9/16/2013	11,172.00	
Eaglepoint Est	Lots 1704 & 1412	9/17/2013	3,192.00	
Tesoro Office Bldg	621 S Redwood Rd NSL	9/19/2013	1,596.00	
Centerville Park Corp	Lort 202	9/18/2013	6,144.60	
Scenic Hills	Lot 14	9/23/2013	1,596.00	
One Utah Homes	321 N 1100 W WX	9/20/2013	1,596.00	
Crestpointe	Lot 2116	9/23/2013	1,596.00	
Ranches at Lakeside	Lot 5	9/23/2013	1,596.00	
Crestpointe	Lot 2102	9/23/2013	1,596.00	
Foxboro North	Lots 1510, 1528, & 1207B	9/25/2013	4,788.00	
Villas at Stonecreek	Lots 5. 9 12,13,15, 19,	9/25/2013	9,576.00	
Valentine Estates	Lot 310	9/26/2013	1,596.00	
Villas at Stonecreek	Lots 4, 10,, 18, 20, 21, & 24	9/26/2013	9,576.00	
Northwood Business Park	Lot 7 Unit 3	9/26/2013	1,320.80	
Foxboro North	Lots 1205 & 1210	9/26/2013	3,192.00	
Foxboro North	Lots 43 to 50	9/30/2013	12,768.00	
	Continued next page			111,513.40

Foxboro North	Lots 926, 1211, 1202, 1223	10/3/2013		6,384.00	
Valentine Estates	Lots 309 & 320	10/4/2013		3,192.00	
William Goldberg	1390 W 1200 N West Bountiful	10/7/2013		1,596.00	
Heritage Point	Lot 22	10/11/2013		1,596.00	
Foxboro North	Lot 1522	10/10/2013		1,596.00	
Crestpointe	Lot 2119	10/15/2013		1,596.00	
Eaglewood Village	Lot 22	10/15/2013		1,596.00	
Eaglewood Cove	Lot 906	10/15/2013		1,596.00	
Foxboro South	Lots 602 & 704	10/15/2013		3,192.00	
Chapel Ridge Cove	Lot 1	10/11/2013		1,596.00	
Foxboro North	Lot 51, 52, 53, 54, 55, 56,	10/15/2013		9,576.00	
Wasatch Meadows	Lot 6	10/17/2013		1,596.00	
Wilson Sub	Lot 330	10/17/2013		1,596.00	
Orchard Pines	Lots 6 Units	10/22/2013		9,576.00	
Foxboro North	Lot 1509	10/22/2013		1,596.00	
Eaglepoint Est	Lot 1320 & 1319	10/23/2013		3,192.00	
Foxboro North	Lot 929	10/22/2013		1,596.00	
Eaglepoint Est	Lot 1214	10/23/2013		1,596.00	
Foxboro South	Lot 602, 609, & 701	10/25/2013		4,788.00	
Foxboro North	36 Units Lot 1	10/25/2013		52,416.00	
Eaglepoint Est	Lot 1715	10/28/2013		1,596.00	
Valentine Estates	Lot 316	10/30/2013		1,596.00	
Foxboro North	Lots 1203 & 1507	10/31/2013		3,192.00	
					$ 117,852.00
Apple Orchard	Lot 1	11/4/2014	$	1,596.00	
Stone Ridge	Lot 208	11/5/2014	$	1,596.00	
Davis Blvd Sub	Lot 1 387 N Davis Blvd	11/5/2014	$	1,596.00	
Eaglewood Village	Lot 9	11/6/2014	$	1,596.00	
Foxboro North	Lot 1218	11/6/2014	$	1,596.00	
Chapel Ridge Cove	Lot 4	11/7/2014	$	1,596.00	
Eaglepoint Est	Lot 1710	11/13/2014	$	1,596.00	
Crestpointe	Lot 2107	11/13/2014	$	1,596.00	
Legacy Crossing	Lot 405	11/13/2014	$	18,992.40	
Larry Duparx	151 W and 157 W 300 S Bountiful	11/19/2014	$	3,192.00	
Foxboro North	Lots 1514, 1524, 1204, 1206	11/21/2014	$	6,384.00	
Eaglepoint Est	Lot 1703	11/22/2014	$	1,596.00	
Eaglepoint Est	Lot 802	11/21/2014	$	1,596.00	
Eaglepoint Est	Lot 1031	11/26/2014	$	1,596.00	
					$ 46,124.40
Crestpointe	Lot 2020	11/26/2014	$	1,596.00	
Foxboro North	Lot 1216	11/27/2014	$	1,596.00	
Heritage Point	Lot 27	12/2/2014	$	1,596.00	
Crestpointe	Lot 2112	12/3/2014	$	1,596.00	
Hampton Place Apt	Building 4	12/3/2014	$	17,472.00	
The Pines at North Canyon	Lot 16	12/5/2014	$	1,596.00	
Eaglewood Est	Lot 11	12/5/2014	$	1,596.00	
The Views at Eaglewood	Lot 10	12/6/2014	$	1,596.00	
Eaglepoint Est	Lot 1329	12/9/2014	$	1,596.00	
Eaglepoint Est	Lot 1711	12/16/2014	$	1,596.00	
Foxboro North	Lots 1209, 1212	12/17/2014	$	3,192.00	
Chitose Johnson Sub	Lots 1, 2	12/20/2014	$	3,192.00	
Eaglepoint Est	Lot 1302	12/23/2014	$	1,596.00	
Villas @ Stonecreek	Lot 11	12/23/2014	$	1,596.00	
Chapel Ridge Cove	Lot 7	12/23/2014	$	1,596.00	
Orchard Pines	Lots 41-47	12/26/2014	$	11,172.00	
DGS Investment	386 N Redwood Road	12/31/2014	$	3,346.13	
					$ 57,526.13
		Grand Total			**$ 1,029,824.00**

Source: District accounting records, 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 submitt 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 equilvalent (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
2004	1,177,623	20,508	1,198,131
2005	1,639,086	53,374	1,692,460
2006	1,078,167	52,967	1,131,134
2007	1,189,019	62,135	1,251,154
2008	1,113,553	36,052	1,149,605
2009	605,482	6,340	611,822
2010	285,462	1,425	286,887
2011	712,027	4,054	716,081
2012	957,351	4,756	962,107
2013	1,029,824	5,149	1,034,973
Total	**$ 9,787,594**	**$ 246,760**	**$ 10,034,354**

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

Certification of Impact Fee Report

Basic Form Instructions

Impact Fee Reporting

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

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

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

Certification

Name of Entity: South Davis Sewer District

Fiscal year ended: December 31, 2013

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

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

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

Mark R. Katter Chief Financial Officer	April 22, 2014 Date
mkatter@sdsd.us Email Address	801-295-3469 Phone Number

STATISTICAL SECTION

STATISTICAL SECTION

(UNAUDITED)

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

Effective January 1, 2006, the District adopted the Governmental Accounting Standards Board Statement No. 44, *Economic Condition Reporting: The Statistical Section, An Amendment of NCGA Statement1,* GASB 44 provides the requirements for the schedules contained in this section of the District's CAFR.

Contents **Page**

Financial Trends **81**

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity **83**

These schedules contain information to help the reader assess the District's most significant local revenue sources.

Debt Capacity **91**

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.

Demographic and Economic Information **96**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Information **101**

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.

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

Schedule 1

SOUTH DAVIS SEWER DISTRICT

Statement of Net Position
Last Ten Fiscal Years
(Accrual basis of accounting)
(Unaudited)

	2013	2012[5]	2011	2010	2009[4]	2008	2007	2006[2]	2005	2004[1]
Assets										
Current & Other Assets	$ 15,524,487	$ 15,281,822	$ 15,482,994	$ 16,953,319	$ 18,890,833	$ 18,335,962	$ 17,346,849	$ 16,263,153	$ 14,588,236	$ 13,261,791
Restricted Assets	-	-	-	-	-	-	793,500	793,500	793,500	793,500
Capital Assets - (Net of related debt)	59,235,406	55,347,168	53,226,384	51,825,817	49,820,787	48,590,268	42,712,900	39,731,240	37,352,886	34,090,325
Total Assets	$ 74,759,893	$ 70,628,990	$ 68,709,378	$ 68,779,136	$ 68,711,620	$ 66,926,230	$ 60,853,249	$ 56,787,893	$ 52,734,622	$ 48,145,616
Liabilities										
Current Liabilities	$ 486,103	$ 434,771	$ 453,497	$ 328,292	$ 354,546	$ 182,958	$ 615,576	$ 1,079,645	$ 1,147,394	$ 1,309,818
Noncurrent Liabilities	381,180	373,624	370,027	311,618	304,622	273,862	274,584	575,227	1,451,034	2,079,637
Total Liabilities	$ 867,283	$ 808,395	$ 823,524	$ 639,910	$ 659,168	$ 456,820	$ 890,160	$ 1,654,872	$ 2,598,428	$ 3,389,455
Net Position:										
Net Investment in Capital Assets (Net of related debt)	$ 59,235,406	$ 55,347,168	$ 53,226,384	$ 51,825,817	$ 49,820,787	$ 48,590,268	$ 42,412,695	$ 38,560,177	$ 35,285,993	$ 31,182,688
Restricted							793,500	793,500	793,500	793,500
Unrestricted (deficit)	14,657,204	14,473,427	14,659,470	16,313,409	18,231,665	17,879,142	16,756,894	15,779,344	14,056,701	12,779,973
Total Net Position	$ 73,892,610	$ 69,820,595	$ 67,885,854	$ 68,139,226	$ 68,052,452	$ 66,469,410	$ 59,963,089	$ 55,133,021	$ 50,136,194	$ 44,756,161

Source: District accounting and financial records.

Notes:

[1]GASB Statement No 34 implemented.

[1]On 1/1/04 Bountiful City transferred it's sewer system to the District resulting in $3,368,405 contributed capital.

[2]GASB Statement No. 44 Implemented

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

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

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

The District had no aggregated debt since 2008

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

Schedule 2

SOUTH DAVIS SEWER DISTRICT

Statement of Revenues, Expenses and Changes in Net Position
Last Ten Fiscal Years
(Accrual basis of accounting)
(Unaudited)

	2013	2012[5]	2011	2010	2009[4]	2008[3]	2007	2006[2]	2005	2004[1]
Operating Revenues										
Sewer Service User Fees	$ 2,188,651	$ 2,145,429	$ 2,127,602	$ 2,110,247	$ 2,090,754	$ 2,049,525	$ 2,006,078	$ 1,960,948	$ 1,908,752	$ 1,685,230
Sewer Special Treatment Fees	255,804	180,475	168,374	144,771	204,535	216,773	260,670	199,011	195,397	208,120
Inspection & Project Fees	52,460	77,980	27,210	8,145	27,889	43,106	106,976	97,790	90,337	87,447
Other	334,343	247,124	178,195	146,055	80,574	105,614	105,438	73,782	78,428	99,175
Total Operating Revenue	$ 2,831,258	$ 2,651,008	$ 2,501,381	$ 2,409,218	$ 2,403,752	$ 2,415,018	$ 2,479,162	$ 2,331,531	$ 2,272,914	$ 2,079,972
Operating Expenses										
Operating & Maintenance	$ 5,407,450	$ 5,241,791	$ 5,704,107	$ 5,515,868	$ 4,645,897	$ 4,498,408	$ 3,424,604	$ 3,048,918	$ 3,291,423	$ 3,125,208
Depreciation	360,330	327,082	295,415	265,475	215,435	180,487	174,174	247,992	277,159	212,581
Total Operating Expenses	$ 5,767,780	$ 5,568,873	$ 5,999,522	$ 5,781,343	$ 4,861,332	$ 4,678,895	$ 3,598,778	$ 3,296,910	$ 3,568,582	$ 3,337,789
Operating Income (Loss)	$ (2,936,522)	$ (2,917,865)	$ (3,498,141)	$ (3,372,125)	$ (2,457,580)	$ (2,263,877)	$ (1,119,616)	$ (965,379)	$ (1,295,668)	$ (1,257,817)
Nonoperating Revenue (Expenses)										
General Property Tax	$ 2,119,222	$ 1,989,427	$ 2,024,811	$ 1,970,947	$ 1,880,189	$ 1,835,054	$ 1,816,294	$ 1,713,428	$ 1,510,748	$ 1,654,738
Impact Fees	1,029,824	957,351	712,027	285,462	605,482	1,113,553	1,189,019	1,078,167	1,639,086	1,177,624
Penalties	175,989	109,002	98,692	94,955	91,182	74,035	55,844	57,441	56,682	20,090
Intergovernmental Contributions	550,000	350,000	355,400	350,000	367,161					
Operating Grant Revenue	69,418	178,113								
Interest Income	81,659	213,508	158,551	105,190	255,888	642,770	833,564	825,929	437,700	277,984
Gain (Loss) on Disposal of Property	43,625	29,866	198,630	38,559	25,727	1,197	55,742	24,005	11,779	(16,841)
Interest & Bond Expenses	-	-	-	-	-	(9,095)	(32,067)	(55,432)	(74,084)	(97,881)
Net Change in Fair Value of Investments	(6,336)	507,089	(437,754)	21,396	131,103	(15,198)	(7,801)	64,016	(44,687)	(42,797)
Total Non-Operating Revenue (Expense)	$ 4,063,401	$ 4,334,356	$ 3,110,357	$ 2,866,509	$ 3,356,732	$ 3,642,316	$ 3,910,595	$ 3,707,554	$ 3,537,224	$ 2,972,917
Income (Loss) Before Contributions	$ 1,126,879	$ 1,416,491	$ (387,784)	$ (505,616)	$ 899,152	$ 1,378,439	$ 2,790,979	$ 2,742,175	$ 2,241,556	$ 1,715,100
Capital Contributions - Assets	2,871,442	518,250	134,412	592,390	683,890	5,127,882	2,039,089	2,254,652	3,138,477	5,467,846
Increase in Net Assets	$ 3,998,321	$ 1,934,741	$ (253,372)	$ 86,774	$ 1,583,042	$ 6,506,321	$ 4,830,068	$ 4,996,827	$ 5,380,033	$ 7,182,946
Total Net Position at Beginning of Year	69,820,595	67,885,854	68,139,226	68,052,452	66,469,410	59,963,089	55,133,021	50,136,194	44,756,161	37,573,215
Prior Period Adjustment	73,694									
Total Net Positon at End of Year	$ 73,892,610	$ 69,820,595	$ 67,885,854	$ 68,139,226	$ 68,052,452	$ 66,469,410	$ 59,963,089	$ 55,133,021	$ 50,136,194	$ 44,756,161

Source: District accounting and financial records

Notes:

[1]GASB Statement No 34 implemented

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

[2]GASB Statement No. 44 implemented

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

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

[5]Contracted with the EPA to operate a superfund site (OU2) in West Bountiful

The District had no aggregated debt since 2008

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

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

2013 Prior Period Adjustment resulted from land reconciliation error from 1999

Schedule 3

SOUTH DAVIS SEWER DISTRICT

Schedule of Net Revenue and Aggregate Debt Service
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2013	2012[5]	2011	2010	2009[4]	2008[3]	2007	2006[2]	2005	2004[1]
Net Revenues										
Operating Revenues	$ 2,831,258	$ 2,651,008	$ 2,501,381	$ 2,409,218	$ 2,770,913	$ 2,415,018	$ 2,479,162	$ 2,331,531	$ 2,272,914	$ 2,079,972
Operating Expenses (excluding depreciation)	(5,407,450)	(5,241,791)	(5,840,971)	(5,515,868)	(4,645,897)	(4,498,408)	(3,424,604)	(3,544,902)	(3,305,691)	(3,125,208)
General Property Tax	2,119,222	1,989,427	2,024,811	1,970,947	1,880,189	1,835,054	1,816,294	1,713,428	1,510,748	1,654,738
Impact Fees	1,029,824	957,351	712,027	285,462	605,482	1,113,553	1,189,019	1,078,167	1,639,086	1,177,624
Intergovernmental Contributions	550,000	350,000	355,400	350,000	367,161					
Operating Grant	69,418	178,113								
Penalties	175,989	109,002	98,692	94,955	74,035	74,035	55,844	57,441	55,921	20,090
Interest Income	69,418	213,508	158,551	105,190	255,888	642,770	833,564	825,929	437,700	277,984
Total Net Revenues	$ 1,437,679	$ 1,206,618	$ 9,891	$ (300,096)	$ 1,307,771	$ 1,582,022	$ 2,949,279	$ 2,461,594	$ 2,610,678	$ 2,085,200
Net Revenues Excluding Impact Fees										
Net Revenues	1,437,679	1,206,618	9,891	(300,096)	1,307,771	1,582,022	2,949,279	2,461,594	2,610,678	2,085,200
Impact Fees	(1,029,824)	(957,351)	(712,027)	(285,462)	(605,482)	(1,113,553)	(1,189,019)	(1,078,167)	(1,639,086)	(1,177,624)
Net Revenues Excluding Impact Fees	$ 407,855	$ 249,267	$ (702,136)	$ (585,558)	$ 702,289	$ 468,469	$ 1,760,260	$ 1,383,427	$ 971,592	$ 907,576
Aggregate Debt Service*	$ -	$ -	$ -	$ -	$ -	$ 309,300	$ 902,925	$ 904,176	$ 899,800	$ 908,747
Ratio of Net Revenues to Aggregate Debt Service	0	0	0	0	0	5.11	3.27	2.72	2.90	2.29
Ratio of Net Revenues to Aggregate Debt Service (Excluding Impact Fees)	0	0	0	0	0	1.51	1.95	1.53	1.08	1.00
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:

[1]GASB Statement No 34 implemented.

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

[2]GASB Statement No. 44 implemented.

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

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

[5]Contracted with the EPA to operate a superfund site (OU2) in West Bountiful

The District had no aggregated debt since 2008

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

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

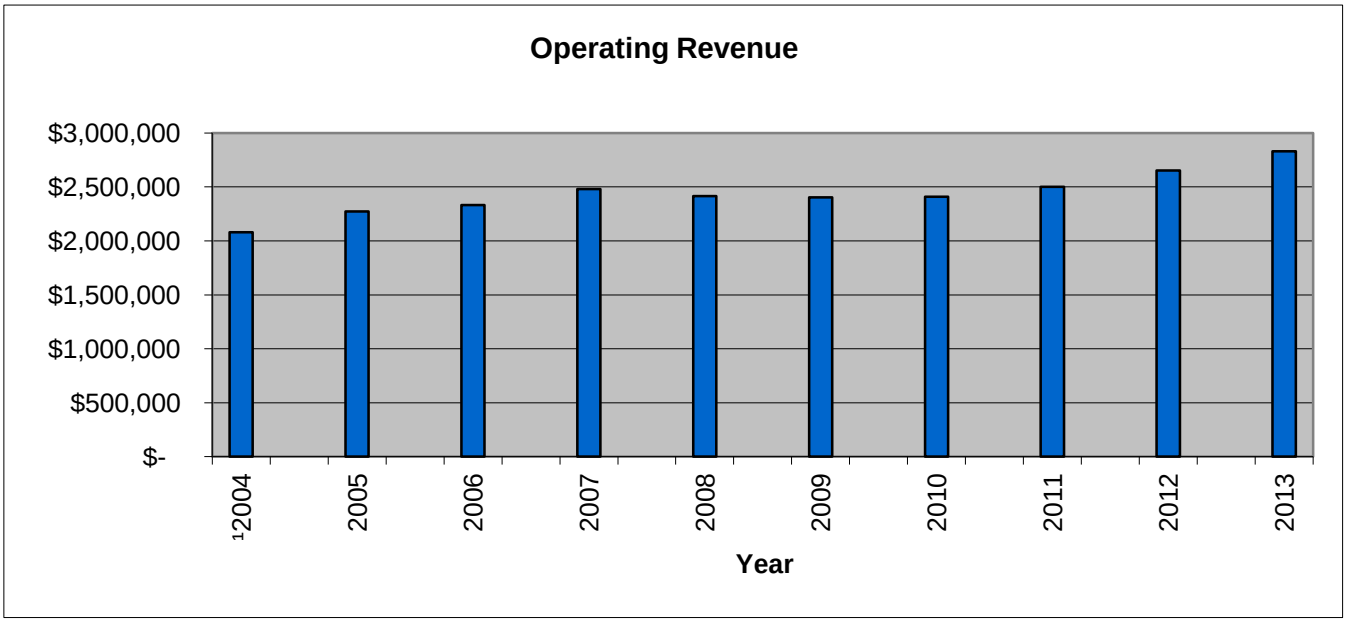
As of 12/31/12 the District had no outstanding debt.

Schedule 4

SOUTH DAVIS SEWER DISTRICT

Operating Revenues (Unaudited)
Last Ten Fiscal Years

Year	Sewer Fees	Special Treatment Project & Inspection Fees	Other	Total
[1]2004	$ 1,685,229	$ 295,567	$ 99,175	$ 2,079,971
2005	$ 1,908,752	$ 285,734	$ 78,428	$ 2,272,914
2006	$ 1,960,948	$ 296,801	$ 73,782	$ 2,331,531
2007	$ 2,006,078	$ 367,646	$ 105,438	$ 2,479,162
2008	$ 2,049,525	$ 259,879	$ 105,614	$ 2,415,018
2009	$ 2,090,754	$ 232,424	$ 80,574	$ 2,403,752
2010	$ 2,110,247	$ 152,916	$ 146,055	$ 2,409,218
2011	$ 2,127,602	$ 195,584	$ 178,195	$ 2,501,381
2012	$ 2,145,429	$ 258,455	$ 247,124	$ 2,651,008
2013	$ 2,188,651	$ 308,264	$ 334,343	$ 2,831,258



Source: District accounting records

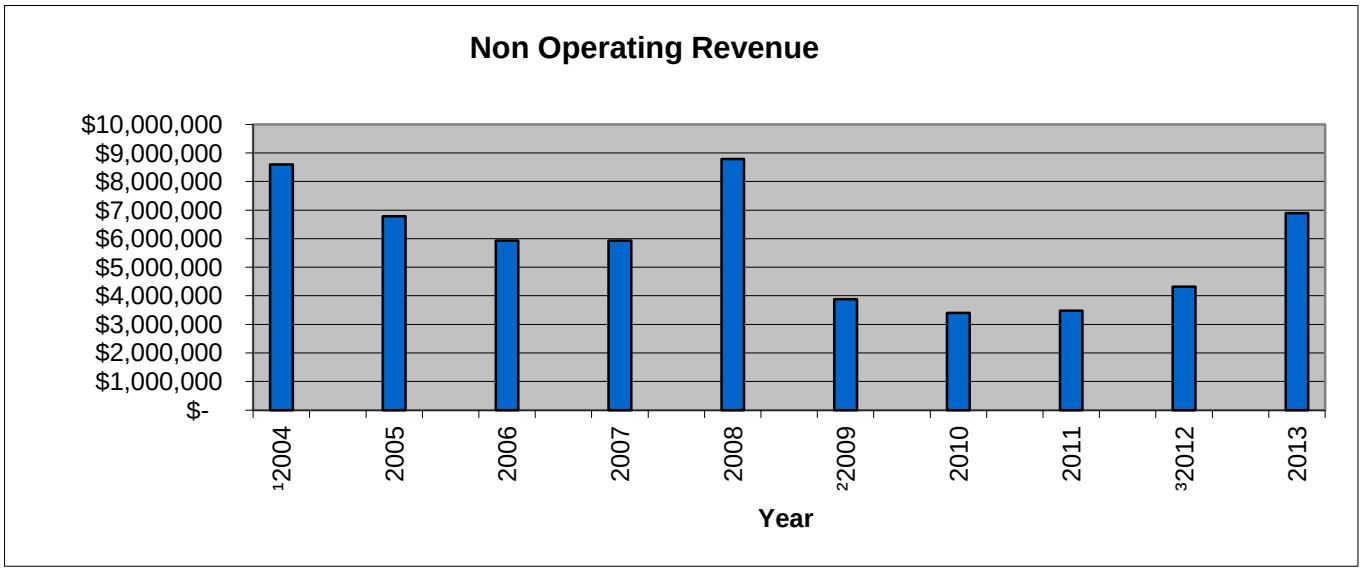
Notes: [1]Bountiful City Sewer System was transferred on 1/1/04 to the South Davis Sewer District This added approximately 9000 new customers to the District. The first billing to the new Bountiful City customers began 7/01/04 (1/2 year). 2005 was the first full year billing for these new customers.

Schedule 5

SOUTH DAVIS SEWER DISTRICT

Non Operating Revenue (Unaudited)
Last Ten Fiscal Years

Year	Taxes	Capital Contributions	Impact Fees	Interest	Penalties	Grant & Inter Govt Contributions	Total
[1]2004	$ 1,654,738	$ 5,467,846	$ 1,177,624	$ 274,607	$ 20,090		$ 8,594,905
2005	$ 1,510,748	$ 3,138,477	$ 1,639,086	$ 437,700	$ 55,921		$ 6,781,932
2006	$ 1,713,428	$ 2,254,652	$ 1,078,167	$ 825,929	$ 57,441		$ 5,929,617
2007	$ 1,816,294	$ 2,039,089	$ 1,189,019	$ 833,564	$ 55,844		$ 5,933,810
2008	$ 1,835,054	$ 5,127,882	$ 1,113,553	$ 642,770	$ 74,035		$ 8,793,294
[2]2009	$ 1,880,189	$ 683,890	$ 605,482	$ 255,888	$ 91,182	$ 367,161	$ 3,883,792
2010	$ 1,970,947	$ 592,390	$ 285,462	$ 105,190	$ 94,955	$ 350,000	$ 3,398,944
2011	$ 2,024,811	$ 134,412	$ 712,027	$ 158,551	$ 98,692	$ 355,400	$ 3,483,893
[3]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



Source: District financial and accounting records

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

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

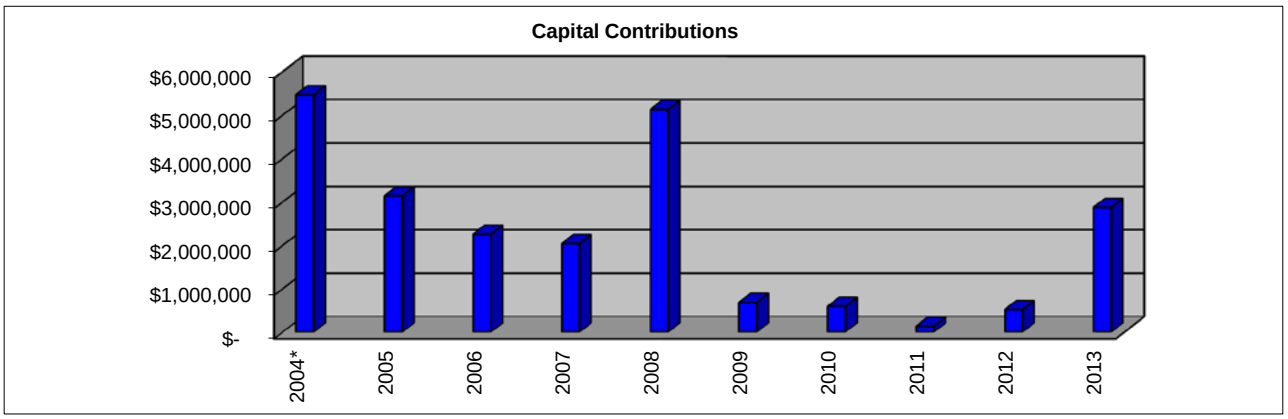
Table & Chart does not include realized, unrealized, gain or loss from investments and/or sale of equipment.

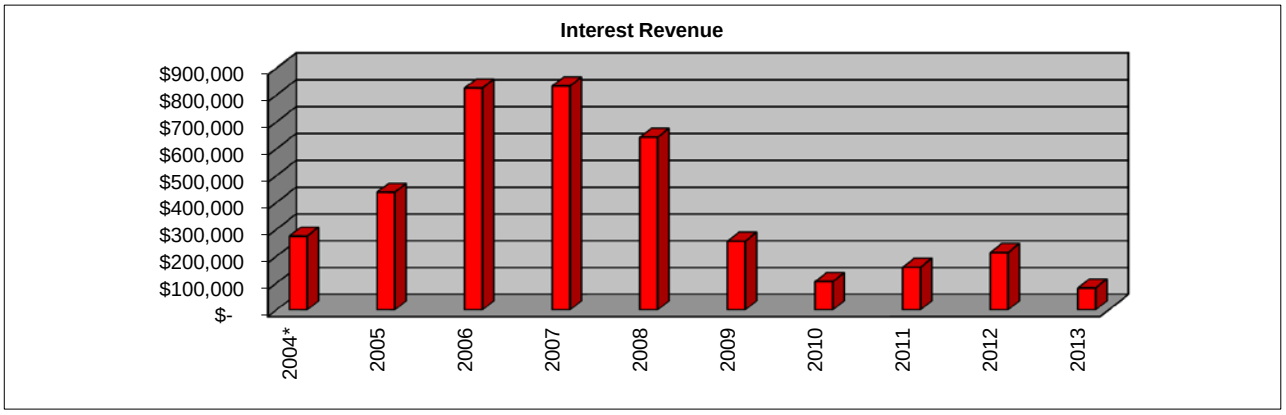
SOUTH DAVIS SEWER DISTRICT

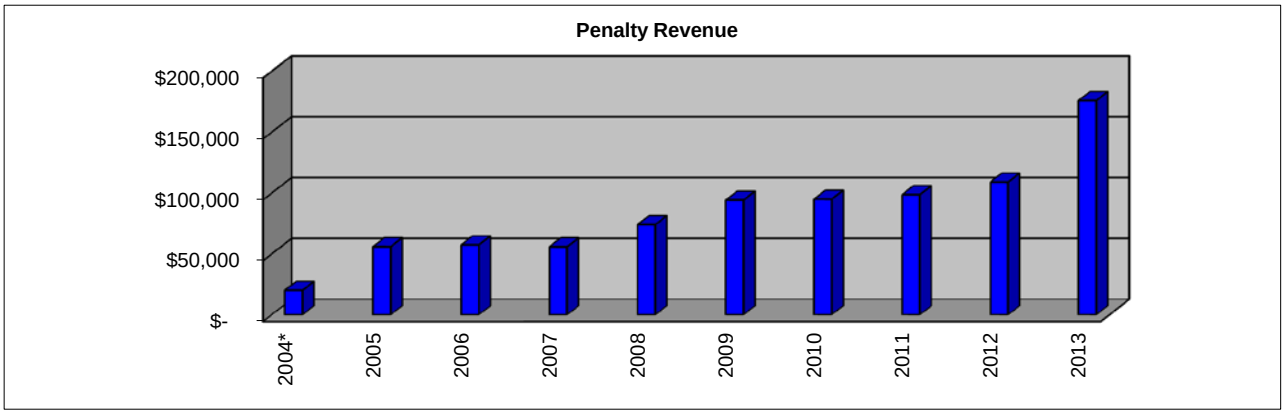
Schedule 6

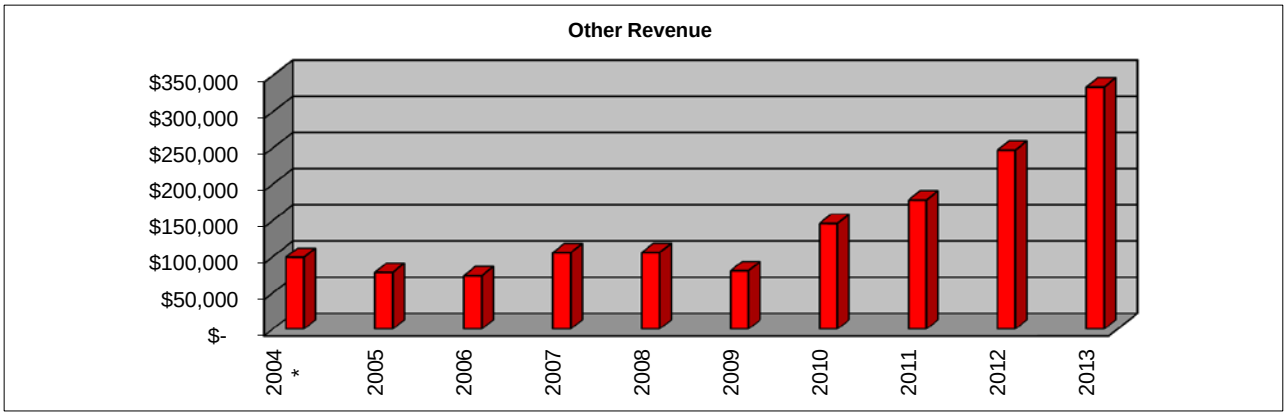
Revenues by Source (Unaudited)

Last Ten Fiscal Years









Source: District financial and accounting records.

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

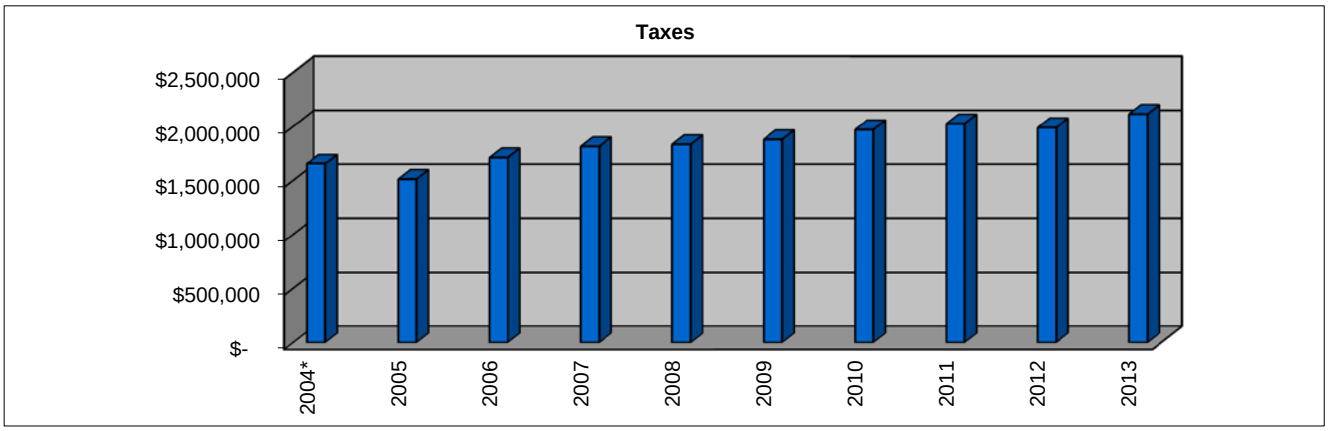
In 2008 the economic downturn started

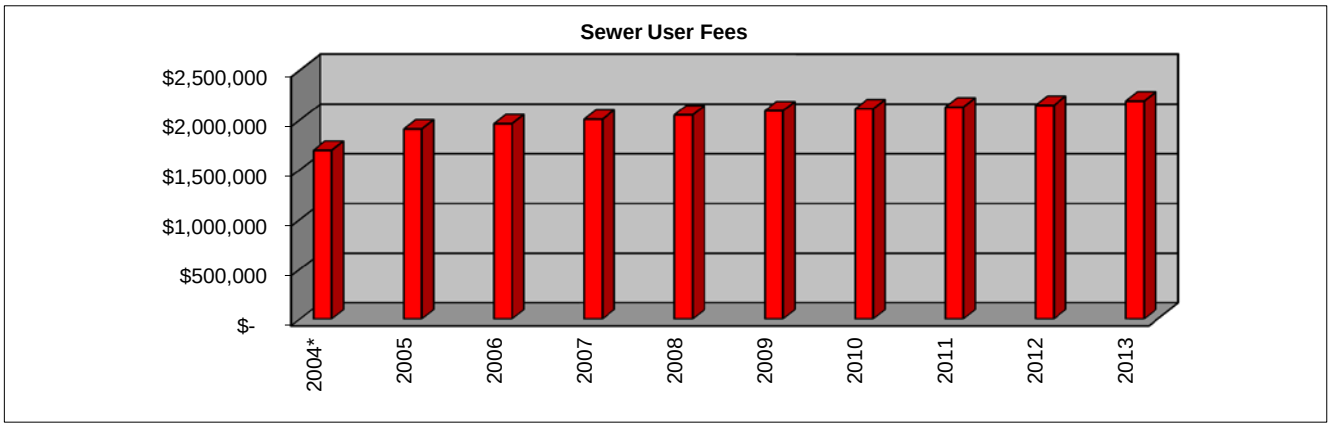
SOUTH DAVIS SEWER DISTRICT

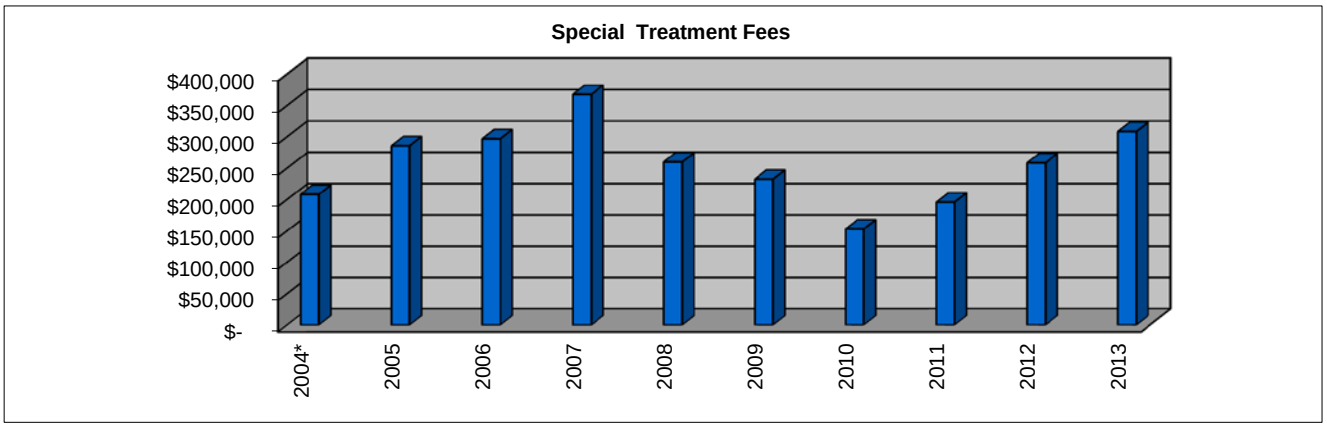
Schedule 7

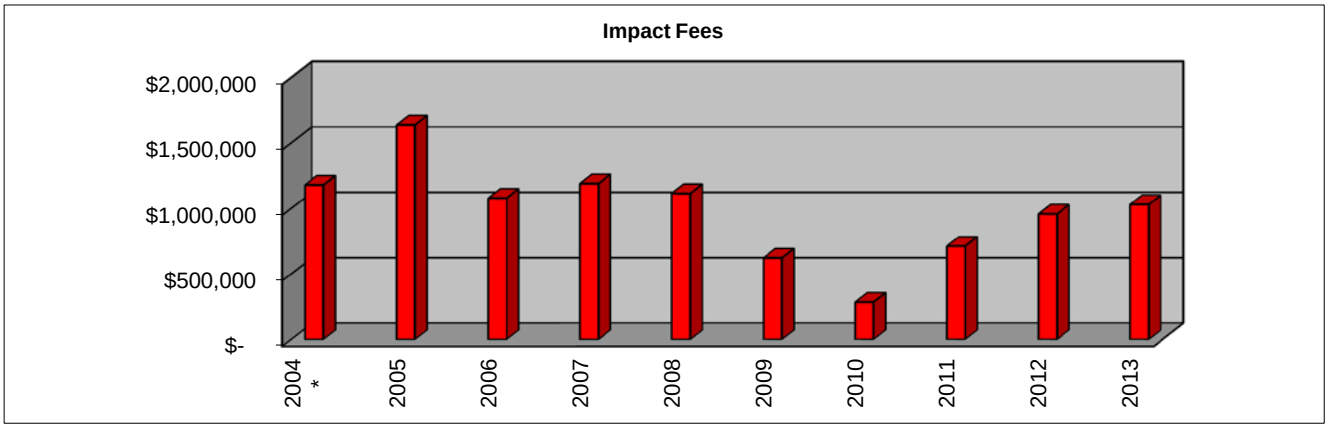
Revenues by Source (Unaudited)

Last Ten Fiscal Years









Source: District financial and accounting records

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

SOUTH DAVIS SEWER DISTRICT

Schedule 8

Property Tax Levies and Collections (Unaudited)

Last Ten Fiscal Years

		Collected within the Fiscal Year of Levy			Total Collections to Date	
Year	Taxes Levied	Amount	Percentage of Levy	Collection of Previous Years Taxes	Amount	Percentage of Levy
2004	1,539,537	1,457,910	94.7%	64,588	1,522,498	98.9%
2005	1,597,265	1,525,503	95.5%	49,527	1,575,030	98.6%
2006	1,691,469	1,623,735	96.0%	62,513	1,686,248	99.7%
2007	1,858,308	1,757,469	94.6%	82,753	1,840,222	99.0%
2008	1,898,820	1,779,029	93.7%	60,324	1,839,353	96.9%
2009	1,917,575	1,803,654	94.1%	84,611	1,888,265	98.5%
2010	1,998,333	1,884,992	94.3%	90,230	1,975,222	98.8%
2011	1,841,535	1,705,846	92.6%	157,462	1,863,308	101.2%
2012	1,877,465	1,762,712	93.9%	72,263	1,834,975	97.7%
2013	1,942,033	1,826,818	94.1%	142,612	1,969,430	101.4%

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

Schedule 9

SOUTH DAVIS SEWER DISTRICT

User and Impact Fee Rates (Unaudited)
Last Ten Fiscal Years

Year	Annual Sewer Service Fee (Single Residential Home)	Annual Sewer Service Fee (Single Mobile Home)	Impact Fee
2004	$60.00	$48.00	$1,456.00
2005	$60.00	$48.00	$1,456.00
2006	$60.00	$48.00	$1,456.00
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
[1]2012	$60.00	$48.00	$1,596.00
2013	$60.00	$48.00	$1,596.00

Source: District financial and accounting records, and Resolution 110-5.
Notes: In 1997 the District did an analytical review on impact fee costs based upon changes in the State Code, Sections 11-36-100 to 11-36-300. The impact fee changed from $600 to $1,456.
In 2011 a consulting firm was engaged to conduct a impact fee rate study.
[1]The results of the 2011 impact fee study was a change in the impact fee to $1,596 in Sept 2012
Annual sewer services fees have not changed since 1988.

SOUTH DAVIS SEWER DISTRICT Schedule 10

Principle Wastewater Contributors

For the Year Ending December 31, 2013

Business	Location	Annual Discharged (Gallons)
Holly Refinery*	West Bountiful	374,047,000
Big West Oil LLC*	North Salt Lake	162,577,000
Silver Eagle Refinery*	Woods Cross	67,405,000
Restaurants	District	54,245,000
Pilot Travel	North Salt Lake	52,250,000
Car Wash/Service Stations/Dealers	District	36,825,000
Large Retail Stores	District	29,518,000
Medical Centers/Retirement Homes	District	25,839,000
Schools	District	24,440,000
Churches	District	18,863,000
Hotels	District	18,447,000
Health Clubs/ Bountiful Rec. Center	District	17,824,000
IHC Laundry	Woods Cross	15,934,000
Lakeview Hospital	Bountiful	14,526,000
Albertson's Distribution Center	North Salt Lake	8,851,000
Zero Manufacturing Inc.*	North Salt Lake	6,736,000
South Davis Hospital	Bountiful	5,811,000
Air Products Manufacturing Corp	Bountiful	3,382,000
Advanced Drainage Systems	North Salt Lake	3,271,000
Chevron Products	North Salt Lake	3,112,000
THB Inc	North Salt Lake	3,036,000
Pipe Fab	Woods Cross	2,605,000
Benchmark Hospital	Woods Cross	2,491,000
Manuel's Fine Foods	Woods Cross	2,112,000
Aero Tech*	North Salt Lake	2,070,000
Windriver Petroleum	Centerville	2,028,000
Pioneer Pipe Line	North Salt Lake	1,916,000
Quala Systems*	North Salt Lake	1,909,000
Biotron Laboratories	Centerville	1,830,000
Cowboy Oil	Woods Cross	1,721,000
Legacy Megaplex Theater	Centerville	1,709,000
General Electric	North Salt Lake	1,639,000
Stericycle Inc.	North Salt Lake	1,521,000
Dry Cleaners/Laundry	District	1,155,000
Dura-Line	North Salt Lake	953,000
Quality Plating*	Woods Cross	519,000
Orbit Sprinklers	North Salt Lake	329,000

Source: District accounting records and city water records

Note: *EPA categorical industry

SOUTH DAVIS SEWER DISTRICT

Schedule 11

Principle Rate Payers (Unaudited)
For the Current Year (2013) and Nine Years Prior

			Annual User Fee Amount	
Account #	**Rate Payer**	**Type of Service**	**2013**	**2004**
00200	Holly Refinery	Refinery	$ 180,028	$ 63,680
03792 & 11076	Big West Oil	Refinery	$ 50,431	$ 48,124
05020	Silver Eagle Oil	Refinery	$ 27,238	$ 29,116
08644	Zero Mfg	Manufacturing	$ 8,394	$ 9,824
30985	Lakeview Hospital	Health Care	$ 5,706	$ 7,603
07287	Intermountain Health Care	Health Care	$ 5,573	$ 8,902
00345	Pioneer Pipeline	Manufacturing	$ 4,717	$ 282
35963	South Davis Recreation Center	Recreation	$ 4,715	n/a
05746	Albertsons Distribution Center	Warehouse	$ 4,232	$ 3,888
7288	Ore Desigins	Manufacturing	$ 3,339	$ 3,125
08195	TDJ Finishing	Manufacturing	$ 2,948	$ 2,624
00282	General Electric	Manufacturing	$ 2,438	$ 2,825
00716	Advanced Metal Finishing	Manufacturing	$ 2,322	$ 3,607
07868	Aero Tech	Manufacturing	$ 2,267	$ 3,966
00262 & 08714	Cowboy Asphalt Terminal	Manufacturing	$ 1,669	$ 5,281

Source: District accounting records

Note: South Davis Recreation Center opened in 2007

Schedule 12

SOUTH DAVIS SEWER DISTRICT

Revenue Bond Coverage (Unaudited)
Last Ten Fiscal Years

Year	1989 Bond (3% Interest)	1990 Bond (5% Interest)	1992 Bond (4% Interest)	2003 Refunding Bond (2.7% Interest)	Total Bonds
2004	$ -	$ -	$ -	$ 3,635,000	$ 3,635,000
2005	$ -	$ -	$ -	$ 2,845,000	$ 2,845,000
2006	$ -	$ -	$ -	$ 2,020,000	$ 2,020,000
2007	$ -	$ -	$ -	$ 1,170,000	$ 1,170,000
2008	$ -	$ -	$ -	$ 300,000	$ 300,000
2009	$ -	$ -	$ -	$ -	$ -
2010	$ -	$ -	$ -	$ -	$ -
2011	$ -	$ -	$ -	$ -	$ -
2012	$ -	$ -	$ -	$ -	$ -
2013	$ -	$ -	$ -	$ -	$ -

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

Schedule 13

SOUTH DAVIS SEWER DISTRICT

Ratios of Outstanding Debt (unaudited)

Last Ten Fiscal Years

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.
2004	$ 2,845,000	78,700	$ 36.15	n/a	n/a	$ 3,445,331,496	4.53%
2005	$ 2,020,000	79,000	$ 25.57	n/a	n/a	$ 3,652,455,679	3.03%
2006	$ 1,170,000	79,700	$ 14.68	n/a	n/a	$ 4,072,525,835	1.65%
2007	$ 300,000	86,200	$ 3.48	n/a	n/a	$ 4,973,841,630	0.40%
2008[2]	$ -	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%

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

Notes: [1]Refunded revenue bonds. [2]Revenue bonds matured 12/15/08

Personal income informatiion for the Distict is not available.

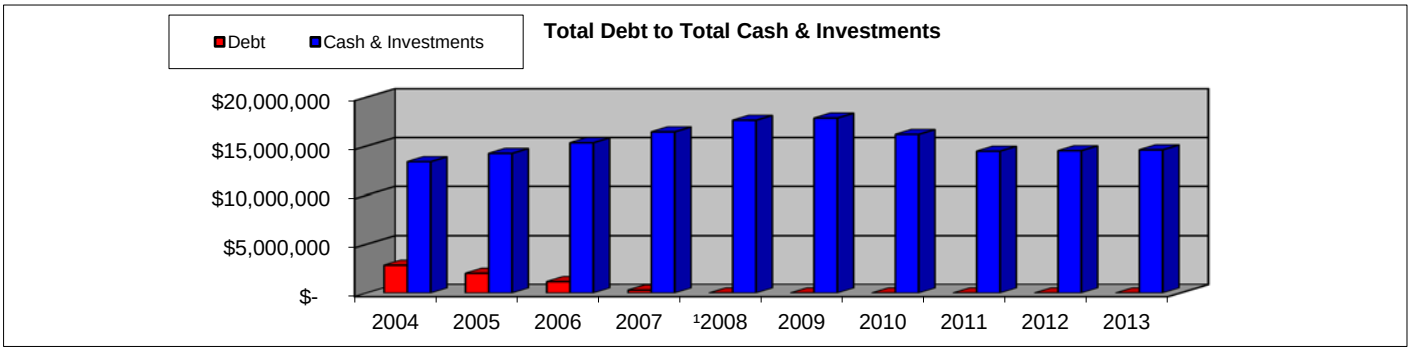
SOUTH DAVIS SEWER DISTRICT

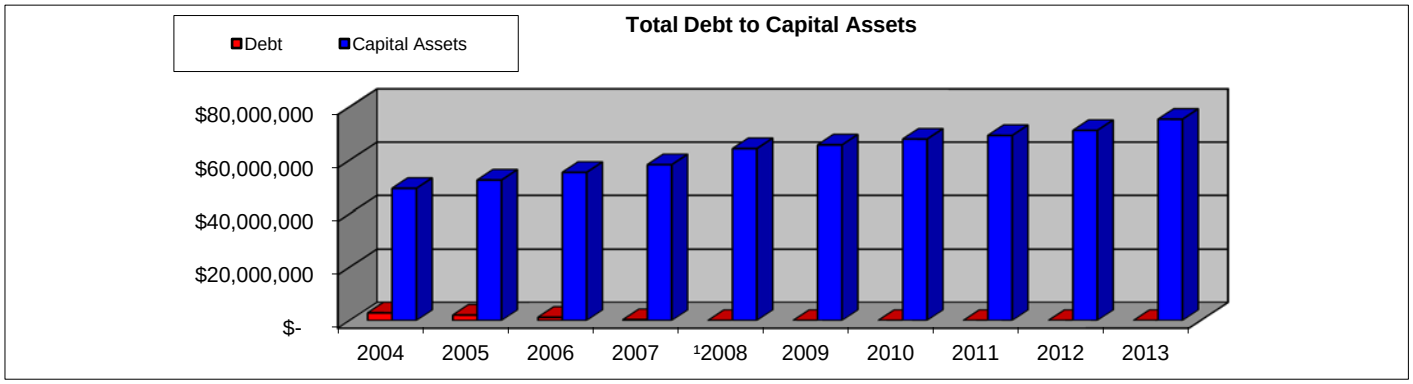
Debt to Asset Ratios (Unaudited)

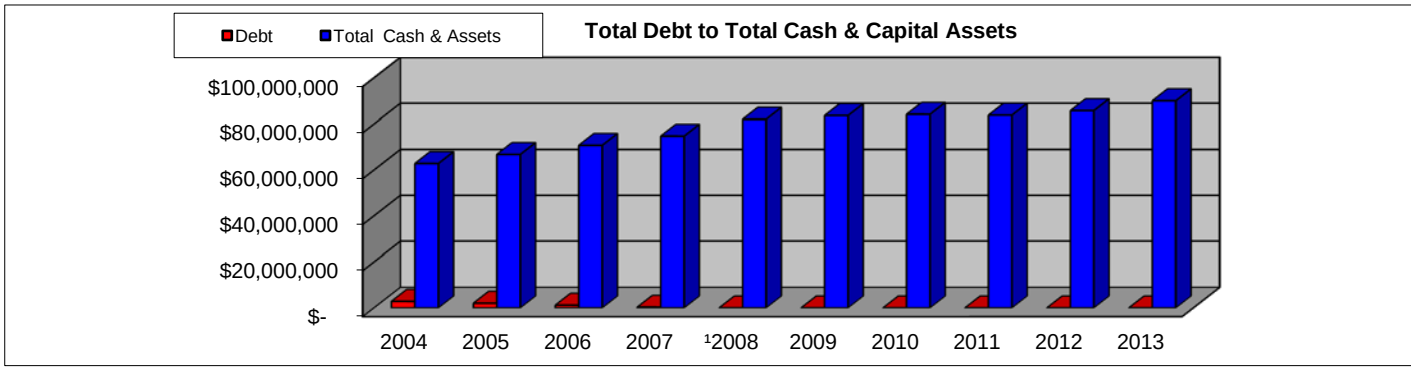
Last Ten Fiscal Years

Schedule 14

Year	Total Debt	Cash & Investments	% of Debt : Cash	[2]Total Capital Assets	% of Debt : Asset	Total Cash & Assets	% of Debt to Cash & Assets
2004	$ 2,845,000	$ 13,390,570	21.25%	$ 49,408,751	5.76%	$ 62,799,321	4.53%
2005	$ 2,020,000	$ 14,234,036	14.19%	$ 52,526,840	3.85%	$ 66,760,876	3.03%
2006	$ 1,170,000	$ 15,327,614	7.63%	$ 55,405,968	2.11%	$ 70,733,582	1.65%
2007	$ 300,000	$ 16,444,616	1.82%	$ 58,292,600	0.51%	$ 74,737,216	0.40%
[1]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%	$ 75,376,824	0.00%	$ 89,977,947	0.00%







Source: District accounting records.

Note: [1]2003 Revenue Bond matured 12/15/08.

[2]Captal assets are at historical cost (excluding depreciation).

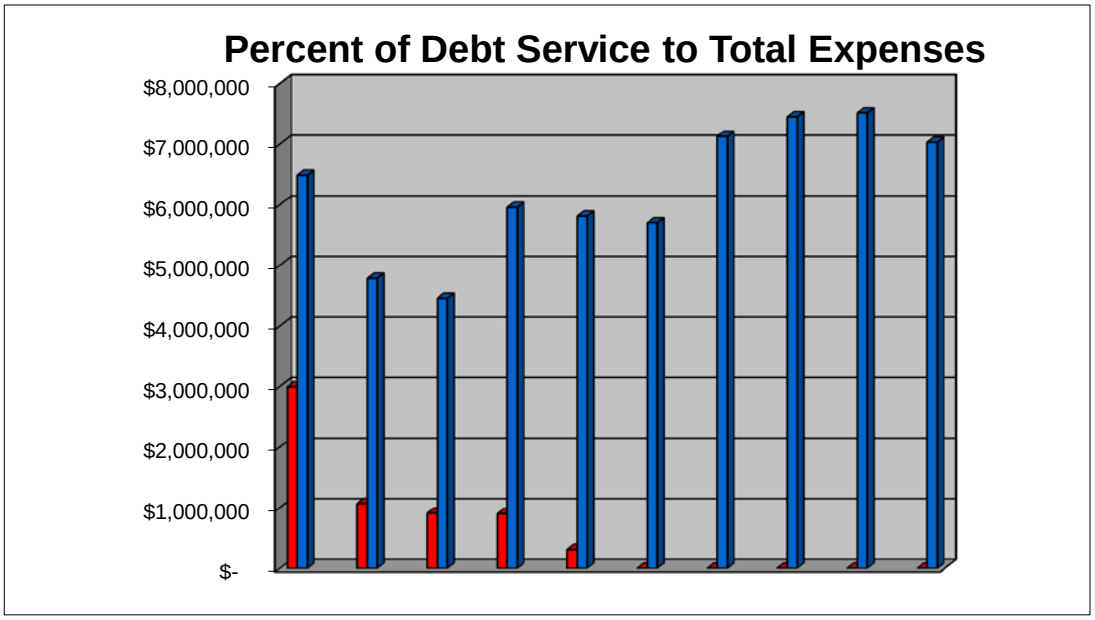
Schedule 15

SOUTH DAVIS SEWER DISTRICT

Percent of Debt Service to Total Expenses (Unaudited)

Last Ten Fiscal Years

Year	Debt Service	Total Expenses	% of Debt Service to Expenses
2004	$ 2,991,100	$ 6,488,137	46.10%
2005	$ 1,064,280	$ 4,786,105	22.24%
2006	$ 908,747	$ 4,451,265	20.42%
2007	$ 899,800	$ 5,954,878	15.11%
2008	$ 309,300	$ 5,812,846	5.32%
2009	$ -	$ 5,699,282	0.00%
2010	$ -	$ 7,125,947	0.00%
2011	$ -	$ 7,443,546	0.00%
2012	$ -	$ 7,512,322	0.00%
2013	$ -	$ 7,027,863	0.00%



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

Schedule 16

Davis County Demographic and Economic Statistics (Unaudited)
Last Ten Fiscal Years

Fiscal Year	Population	Births	Deaths	Per Capita Income	Personal Income	Annualized % Unemployment Rate	Total Public School Enrollment
2004	269,000	5,591	1,206	$27,632	$7,433,008,000	4.70%	60,614
2005	281,000	5,665	1,267	$29,109	$8,179,629,000	4.00%	62,349
2006	283,000	6,037	1,284	$31,451	$9,010,711,500	2.90%	62,832
2007	296,029	6,148	1,357	$33,100	$9,798,559,900	2.60%	64,553
2008	301,915	6,203	1,359	$33,283	$10,048,636,945	3.30%	65,014
2009	306,479	6,069	1,339	$33,104	$10,184,644,224	5.90%	65,452
2010	307,657	5,799	1,329	$33,671	$10,364,200,343	6.70%	66,019
2011	311,811	5,704	1,514	$34,309	$10,697,797,530	6.20%	71,232
2012	315,781	5,844	1,544	$37,127	$11,724,122,000	5.30%	68,342
2013	322,094	5,720	1,612	[1]$38,165	[1]$12,292,741,914	4.20%	68,571

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

Note: [1] 2013 personal income and per capita personal income information was not available at the time of release, therefore they were estimated based upon the prior three years.

This information represents all of Davis County. The District takes in part of Davis County.

SOUTH DAVIS SEWER DISTRICT

Schedule 17

Principle Employers Davis County
For the Current Year 2013 & Nine Years Prior
(Unaudited)

	2013		2004	
Employer	**Employees**	**Rank**	**Employees**	**Rank**
Hill Airforce Base	10000-14999	1	15000-25000	1
Davis County School District	7000-9999	2	5000-7000	2
Wal-Mart	1000-1999	3	250-499	14
Lifetime Products	1000-1999	4	1000-1999	3
Lagoon Corporation	1000-1999	5	500-999	6
Smiths Marketplace	500-999	6	1000-1999	5
ATK Space Systems	500-999	7	250-499	8
Davis County	500-999	8	500-999	4
Utility Trailer Manufacturing	500-999	9	500-999	7
Davis Hospital and Medical	500-999	10	500-999	10
Amusement Services	500-999	11	250-499	13
Lakeview Hospital	500-999	12	500-999	11
South Davis Community Hospital	500-999	13	500-999	9
Layton City	250-499	14	250-499	20
Northrop Grumman	250-499	15	250-499	15
Management & Training Corp - Job Corp	250-499	16	250-499	16
YES	250-499	17	250-499	17
Davis Applied Technology Center	250-499	18	250-499	18
FedEx Ground	250-499	19	250-499	19
State of Utah	250-499	20	250-499	12

Source: Department of Workforce Service, State of Utah and Davis County Auditor's office.

Note: The District comprises part of Davis County, (see Davis County Map pg. 24).

Schedule 18

SOUTH DAVIS SEWER DISTRICT

Property Tax Rates - Direct and Overlapping Governments (Unaudited)

Last Ten Fiscal Years

		Overlapping Rates												
Fiscal Year	**South Davis Sewer District**	**Bountiful City**	**Centerville City**	**West Bountiful City**	**Woods Cross City**	**North Salt Lake**	**Davis County**	**Davis County Library**	**Weber Basin Water**	**South Davis Water**	**Bountiful Water**	**Mosquito Abatement**	**[1]South Davis Recreation District**	**Total Direct & Overlapping Rates**
2004	0.000366	0.001231	0.001459	0.001475	0.000949	0.001652	0.009769	0.000432	0.000198	0.000318	0.000153	0.000093	n/a	0.018095
2005	0.000357	0.001194	0.001436	0.001482	0.000923	0.001645	0.009605	0.000426	0.000193	0.000316	0.000147	0.000091	n/a	0.017815
2006	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
2007	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
2008	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
2009	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
2010	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
2011	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
2012	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
2013	0.000324	0.001063	0.001141	0.001946	0.001007	0.001613	0.011041	0.000389	0.000210	0.000264	0.000128	0.000103	0.000374	0.019603

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.

[1]South Davis Recreation District was created in 2007.

Davis County includes Davis County School District.

SOUTH DAVIS SEWER DISTRICT

Schedule 19

Davis County Tax Factors (Unaudited)
For the Year Ending December 31, 2013

1	Davis County Mosquito Abatement	0.000103
2	Davis County Assess & Collect	0.000112
3	Davis County Jail Bond	0.000126
4	Bountiful Water	0.000128
5	Utah Assess & Collect	0.000158
6	Weber Basin Water	0.000210
7	Central Davis Sewer District	0.000237
8	South Davis Water District	0.000264
9	**South Davis Sewer District**	**0.000324**
10	South Davis Recreation Center	0.000374
11	Davis County Library	0.000389
12	Hooper Water Improvement	0.000446
13	Benchland Water District	0.000475
14	Central Weber Sewer District	0.000866
15	Kaysville City	0.000999
16	Woods Cross City	0.001007
17	North Davis Sewer District	0.001025
18	Bountiful City	0.001063
19	West Point City	0.001111
20	Centerville City	0.001141
21	North Davis Fire District	0.001444
22	Utah Statewide School Rate	0.001535
23	North Salt Lake City	0.001613
24	Syracuse City	0.001787
25	Clearfield City	0.001800
26	Clinton City	0.001831
27	Davis County	0.001935
28	West Bountiful City	0.001946
29	Layton City	0.002046
30	Fruit Heights City	0.002290
31	Farmington City	0.002290
32	Sunset City	0.002357
33	Davis County School District	0.007175

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

SOUTH DAVIS SEWER DISTRICT

Schedule 20

Principle Tax Payers (Unaudited)

For the Current Year 2013 and Nine Years Prior

			Assessed Taxable Value			
	Tax Payer	City	Personal Property	Real Property	2013 Total	2004 Total
1	Chevron USA Inc.	County/NSL	$ 404,389,319	$ 14,505,048	$ 418,894,367	$ 350,089,458
2	Holly Refinery	Woods Cross	$ 186,002,383	$ 13,692,181	$ 199,694,564	$ 80,908,244
3	Big West Oil	North Salt Lake	$ 71,362,141	$ 7,547,741	$ 78,909,882	$ 59,356,628
4	MEBEK Co.	Bountiful	$ 2,245,255	$ 16,488,774	$ 18,734,029	$ 16,506,580
5	Pacificorp	North Salt Lake	n/a	$ 64,287,193	$ 64,287,193	$ 66,054,691
6	Qwest Corp	Bountiful	n/a	$ 45,539,527	$ 45,539,527	$ 102,832,888
7	WBC Partners/West	West Bountiful	$ 1,564,159	$ 37,057,456	$ 38,621,615	$ 21,683,758
8	Albertsons (ABS UT LLC)	North Salt Lake	$ 4,746,152	$ 29,763,528	$ 34,509,680	$ 32,132,235
9	Legacy Crossing LLC	Centerville	$ 4,795,991	$ 24,626,367	$ 29,422,358	n/a
10	Hospital Corp of Utah	Bountiful	$ 11,749,979	$ 16,879,688	$ 28,629,667	$ 25,763,854
11	Wal-Mart	Centerville	$ 1,761,550	$ 16,475,000	$ 18,236,550	$ 17,018,951
12	Security Investment Ltd	Woods Cross	$ 965,896	$ 17,153,813	$ 18,119,709	$ 19,081,051
13	Bountiful Corner	Bountiful	$ 569,697	$ 16,650,401	$ 17,220,098	n/a
14	G & E Healthcare	Woods Cross	$ 1,689,112	$ 15,376,000	$ 17,065,112	$ 18,760,000

Source: Davis County Clerk/Auditor's Office

Notes: 2013 Certified Tax Rate = 0.0003240 . Year end property values for the District were:

Real property $5,051,357,4544 Personal property $1,010,259,523 & Centrally assessed $161,781,328

Less: Redevelopement values $247,432,863 Total adjusted property values were $5,975,965,442

Schedule 21

SOUTH DAVIS SEWER DISTRICT

Operator Certification Program (Unaudited)
For the Year Ending December 31, 2013

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

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

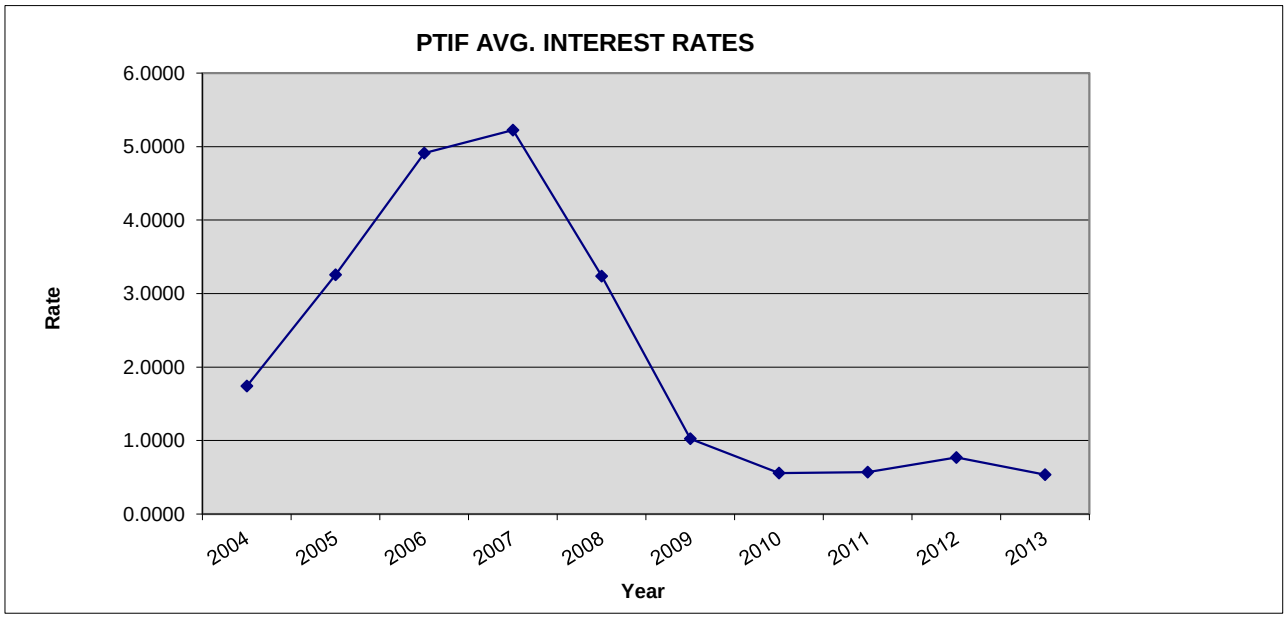
SOUTH DAVIS SEWER DISTRICT

Public Treasurer Investment Fund Interest Rates (Unaudited)

Last Ten Fiscal Years

Schedule 22

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Jan	1.5015	2.4147	4.2616	5.2238	4.7787	1.8558	0.5955	0.4812	0.7496	0.6499
Feb	1.4919	2.5621	4.4190	5.2342	4.2164	1.3798	0.5518	0.4900	0.7949	0.6120
Mar	1.4708	2.7275	4.5551	5.2384	3.6482	1.2600	0.5605	0.5102	0.7937	0.5739
Apr	1.4233	2.8961	4.7734	5.2424	3.2426	1.1700	0.5649	0.5362	0.7941	0.5295
May	1.4544	3.0110	4.8567	5.2463	3.0435	1.1170	0.5833	0.5374	0.7917	0.4902
Jun	1.5245	3.1816	5.0079	5.2510	3.0185	1.0107	0.5965	0.5463	0.7894	0.5046
Jul	1.7032	3.2684	5.0921	5.2554	3.0504	0.9296	0.5959	0.5455	0.7877	0.5115
Aug	1.8114	3.4505	5.1723	5.2629	3.0128	0.8489	0.5851	0.5577	0.7791	0.4962
Sep	1.9166	3.6000	5.1827	5.2672	2.8922	0.7592	0.5622	0.5961	0.7784	0.5126
Oct	2.0555	3.8029	5.2072	5.2677	2.8959	0.6968	0.5167	0.6336	0.7484	0.5143
Nov	2.2321	4.0118	5.2083	5.2074	2.7780	0.6396	0.4878	0.6790	0.7235	0.5150
Dec	2.3126	4.1486	5.2160	5.0112	2.2742	0.6255	0.4813	0.7190	0.6908	0.5103
Avg	**1.7415**	**3.2563**	**4.9127**	**5.2257**	**3.2376**	**1.0244**	**0.5568**	**0.5694**	**0.7684**	**0.5350**



Source: Utah State Treasurer's Office

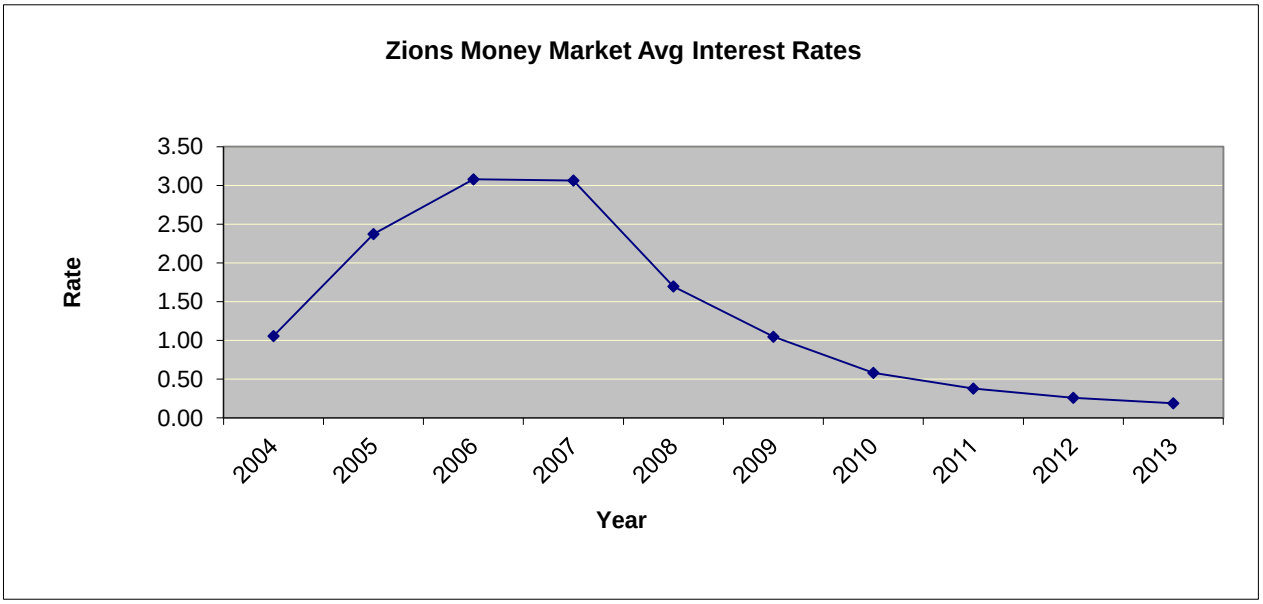
Note: Interest calculated based on the 365 day rate

SOUTH DAVIS SEWER DISTRICT Schedule 23

Zions Money Market Interest Rate History (Unaudited)

Last Ten Fiscal Years

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Jan	1.05	1.50	2.90	2.75	2.50	1.50	0.90	0.60	0.30	0.20
Feb	0.90	1.90	3.32	2.75	1.75	1.35	0.70	0.40	0.30	0.20
Mar	1.00	2.10	2.95	3.40	1.30	1.20	0.50	0.47	0.25	0.20
Apr	0.90	1.50	2.97	3.40	1.30	1.00	0.50	0.38	0.20	0.20
May	0.90	2.35	3.25	2.75	1.30	0.85	0.65	0.37	0.20	0.15
Jun	1.00	2.50	3.04	3.40	1.50	1.00	0.50	0.36	0.20	0.20
Jul	1.00	2.50	3.30	3.40	1.80	1.15	0.65	0.50	0.30	0.20
Aug	0.90	2.78	3.65	3.40	1.80	1.00	0.65	0.35	0.25	0.20
Sep	1.21	2.53	2.75	3.40	1.80	1.00	0.57	0.30	0.50	0.15
Oct	1.30	2.90	3.30	3.00	2.00	1.00	0.50	0.30	0.20	0.15
Nov	1.25	2.95	2.75	2.60	2.05	1.00	0.44	0.25	0.20	0.20
Dec	1.25	2.95	2.75	2.50	1.25	0.50	0.40	0.25	0.20	0.20
Avg	**1.06**	**2.37**	**3.08**	**3.06**	**1.70**	**1.05**	**0.58**	**0.38**	**0.26**	**0.19**



Source: Zions Bank

Schedule 24

SOUTH DAVIS SEWER DISTRICT

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

Year	Number of New Dwelling Units	Residential Construction Value	Nonresidential Construction Value	Value of Additions, Alterations and Repairs		Total Construction Value
				Residential	Nonresidential	
2004	3,179	532,595	73,030	15,507	18,518	639,651
2005	3,160	590,265	104,146	13,332	19,356	727,099
2006	2,765	571,227	106,851	15,581	24,545	718,203
2007	1,919	393,723	129,439	18,678	29,544	571,384
2008	1,027	199,928	121,106	16,212	23,189	360,437
2009	1,061	189,750	71,933	18,220	20,802	300,706
2010	993	205,706	66,277	17,868	29,131	318,982
2011	1,334	239,784	56,404	17,981	44,765	358,934
2012	2,033	332,625	48,848	20,712	24,552	426,743
2013	632	122,334	27,274	4,498	15,155	169,263
10-year Avg.	1,810	337,794	80,531	15,859	24,956	459,140

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

SOUTH DAVIS SEWER DISTRICT

Schedule 25

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

	Function/Department						
Fiscal Year	**Treatment Plants**	**Collection System**	**Maintenance**	**Engineering/ Admin.**	**Industrial Pretreatment**	**Water Quality Group**	**Total**
2004	6	5	3	7	1		22
2005	6	5	2	7	1		21
2006	6	6	2	5	1		20
2007	6	6	2	6	1		21
2008	7	6	2	5	1		21
2009	7	6	2	7	1	1	24
2010	7	6	2	7	1	1	24
2011	7	7	2	7	1	1	25
2012	7	8	2	6	1	1	25
2013	7	8	2	6	1	1	25
Average	**6.6**	**6.3**	**2.1**	**6.3**	**1**	**0.5**	**22.8**

Source: District employment records

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

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

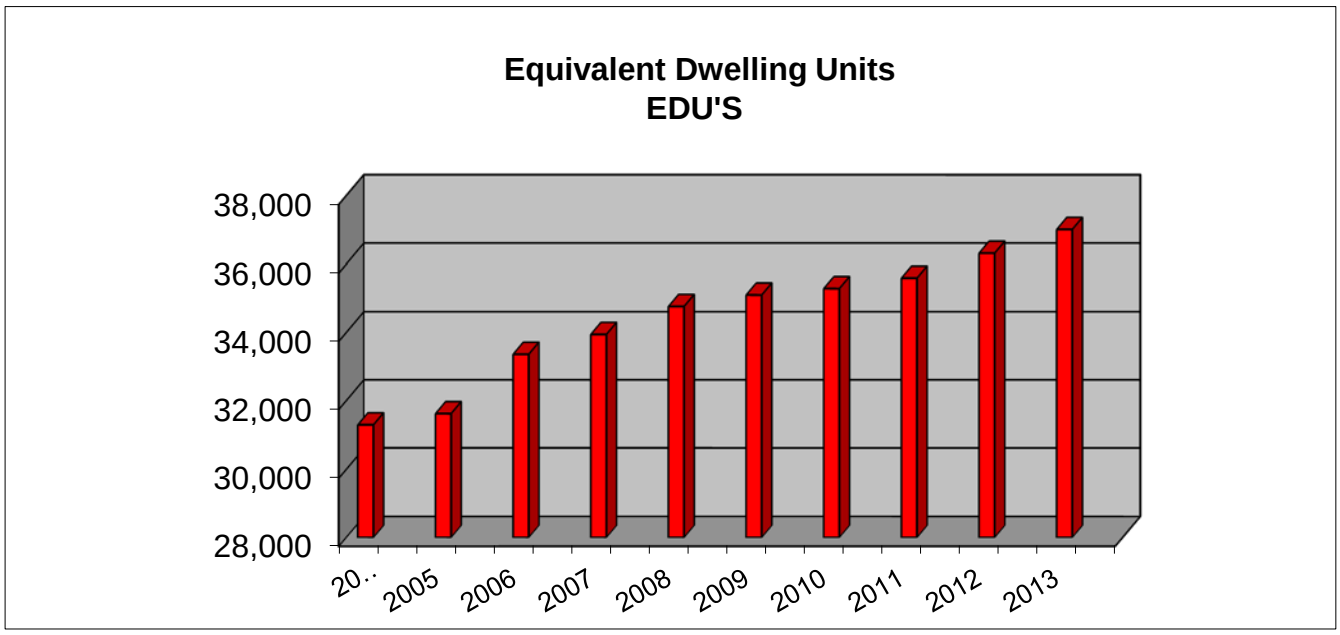
2009 a Research Scientist was employed to assist the Water Quality Group TMDL project

Schedule 26

SOUTH DAVIS SEWER DISTRICT

Equivalent Dwelling Units (EDU'S) - (Unaudited)
Last Ten Fiscal Years

YEAR	EDU'S
2004[1]	31,285
2005	31,613
2006	33,357
2007	33,939
2008	34,761
2009	35,096
2010	35,284
2011	35,591
2012	36,309
2013	37,005



Source: District accounting and engineering records.

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

[1]Bountiful City Sewer System was transferred to the District in 2004.

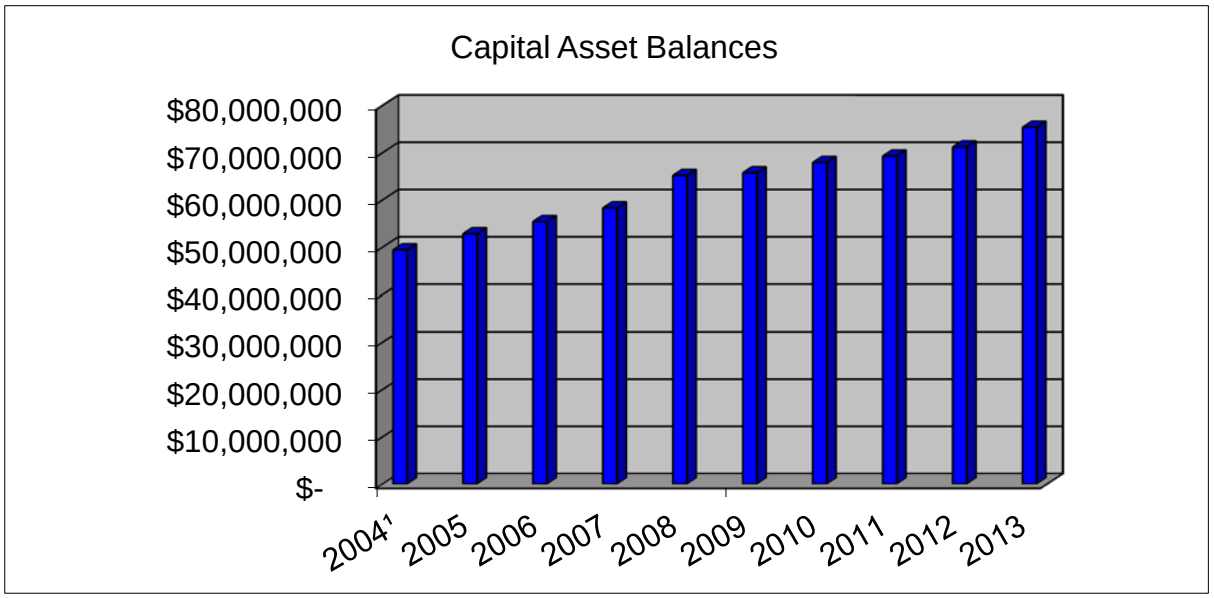
The District has approximately 26,000 customer accounts as of 12/31/13

Schedule 27

SOUTH DAVIS SEWER DISTRICT

Capital Asset Balances (Unaudited)
Last Ten Fiscal Years

Year	Collection System	Treatment Plants	Land	Total
2004[1]	$ 22,266,526	$ 27,068,531	$ 73,694	$ 49,408,751
2005	$ 25,466,865	$ 27,286,281	$ 73,694	$ 52,826,840
2006	$ 27,993,485	$ 27,338,789	$ 73,694	$ 55,405,968
2007	$ 29,963,284	$ 27,837,403	$ 491,912	$ 58,292,599
2008	$ 35,742,140	$ 28,505,243	$ 919,427	$ 65,166,810
2009	$ 36,880,697	$ 27,892,944	$ 949,426	$ 65,723,067
2010	$ 37,984,953	$ 27,957,217	$ 1,968,606	$ 67,910,776
2011	$ 38,283,687	$ 28,640,975	$ 2,343,606	$ 69,268,268
2012	$ 40,029,561	$ 29,087,571	$ 2,060,200	$ 71,177,332
2013	$ 43,353,252	$ 29,382,040	$ 2,641,532	$ 75,376,824



Source: District capital asset records.
Notes: [1]Bountiful City Sewer System was transferred to the District in 2004.
Balances exclude depreciation (historical cost), include 2013 prior period adjustment of land $73,693.80.

Schedule 28

SOUTH DAVIS SEWER DISTRICT

Capital Asset Summary (Unaudited)

For the Year Ended December 31, 2013

			COST								ACCUMULATED DEPRECIATION				
Acct #		Description	Balances *12/31/12*	Additions	Deletions	Transfers	Adjust	Balances *12/31/13*	Acct #		Balances *12/31/12*	Depreciation Expense	Deletions	Transfers	Balances *12/31/12*
								-0-							
182000	0.01	Building & Facilities	854,462.93	521,230.50	-0-	909,883.34	-0-	2,285,576.77	182100	0.01	(88,070.67)	-0-	-0-	-0-	(88,070.67)
182000	0.02	Building & Facilities	20,937,583.51	-0-	-0-	-0-	-0-	20,937,583.51	182100	0.02	(8,582,486.41)	-0-	-0-	-0-	(8,582,486.41)
188000	0.04	Construction in Progress	1,259,088.53	310,018.83	-0-	(909,883.34)	-0-	659,224.02				-0-	-0-	-0-	
189000	0.01	Outfall/Sewer Lines	35,323,621.00	2,709,935.00	-0-	-0-	-0-	38,033,556.00	189110	0.01	(3,675,563.97)	-0-	-0-	-0-	(3,675,563.97)
189000	0.02	Outfall/Sewer Lines	6,255,758.56	-0-	-0-	-0-	(507,637.51)	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-	
189200	0.01	Operation & Sup Equip.	307,106.11	49,910.77	-0-	-0-	40,484.88	397,501.76	189210	0.01	(163,026.33)	(30,924.95)	-0-	-0-	(193,951.28)
189200	0.02	Operation & Sup Equip.	235,572.24	-0-	-0-	-0-	45,000.00	280,572.24	189210	0.02	(65,573.99)	(18,933.46)	-0-	-0-	(84,507.45)
189300	0.01	Tools & Test Equip.	412,289.70	-0-	-0-	-0-	(202,345.82)	209,943.88	189310	0.01	(388,773.76)	(4,919.85)	-0-	-0-	(393,693.61)
189300	0.02	Tools & Test Equip.	204,186.25	-0-	-0-	-0-	(45,000.00)	159,186.25	189310	0.02	(161,633.63)	(13,797.72)	-0-	-0-	(175,431.35)
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.	173,507.82	74,023.03	-0-	-0-	-0-	247,530.85	189310	0.05	(3,422.62)	(45,855.71)	-0-	-0-	(49,278.33)
189400	0.01	Mobile Equipment	1,631,160.75	439,369.13	(46,949.00)	-0-	292,414.18	2,315,995.06	189410	0.01	(710,037.26)	(178,963.46)	10,084.42	-0-	(878,916.30)
189400	0.02	Mobile Equipment	869,838.07	250,080.80	(181,821.24)	-0-	130,000.00	1,068,097.63	189410	0.02	(662,835.44)	(48,891.92)	38,991.00	-0-	(672,736.36)
189400	0.03	Mobile Equipment	25,109.96	-0-	-0-	-0-	-0-	25,109.96	189410	0.03	(13,575.16)	-0-	-0-	-0-	(13,575.16)
189500	0.01	Office Furn. & Equip.	241,231.42	-0-	-0-	-0-	(130,553.24)	110,678.18	189510	0.01	(185,336.38)	(3,437.64)	-0-	-0-	(188,774.02)
189500	0.02	Office Furn. & Equip.	273,029.70	-0-	-0-	-0-	(130,000.00)	143,029.70	189510	0.02	(231,259.77)	(14,605.38)	-0-	-0-	(245,865.15)
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	417,866.89	-0-	-0-	-0-	3,766.00	421,632.89							
189600	0.02	Land & Right-Of-Ways	1,642,333.60	-0-	-0-	-0-	577,565.31	2,219,898.91							
189600	0.04	Land & Right-Of-Ways	-	-0-	-0-	-0-	-0-	-0-							
			71,177,332.64	4,354,568.06	(228,770.24)	-0-	73,693.80	75,376,824.26			(16,337,495.20)	(360,330.09)	49,075.42	-0-	(16,648,749.87)

Source: District capital asset records

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

$73,693.80 prior period adjustment for land purchase TP $69,927.80 & CS $3,766.00

SOUTH DAVIS SEWER DISTRICT

Schedule 29

Capital Asset Additions (Unaudited)

For the Year Ended December 31, 2013

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	WQG (.05)	Total
BUILDINGS AND FACILITIES (182000)							
CS Facility Construction - 2013			521,230.50				521,230.50
SUBTOTAL		-0-	521,230.50	-0-	-0-	-0-	521,230.50
CONSTRUCTION WORK IN PROGRESS (188000)							
Generator Building SP	6080		65,215.63				65,215.63
East Property Improvements/Parking NP	6079		172,011.92				172,011.92
Disinfection System SP	6078		31,800.44				31,800.44
Disinfection System SP	6078		40,990.84				40,990.84
SUBTOTAL		-0-	310,018.83	-0-	-0-	-0-	310,018.83
OUTFALL/SEWER LINES (189000)							
Contributed Deeded Lines	6073	2,709,935.00					2,709,935.00
SUBTOTAL		2,709,935.00	-0-	-0-	-0-	-0-	2,709,935.00
OPERATION & SUPPORT EQUIPMENT (189200)							
Wilton Drill Press CS	5928	8,126.00					8,126.00
Topoon Tp-L4g Pipe Laser CS	5929	6,995.00					6,995.00
Ingersoll Rand 185 CFM Compressor	5930	6,500.00					6,500.00
Six Shooter Manhole Saw	5931	20,678.25					20,678.25
Diamond MH Cut Down Saw	5932	7,611.52					7,611.52
SUBTOTAL		49,910.77	-0-	-0-	-0-	-0-	49,910.77
TOOLS AND TEST EQUIPMENT (189300)							-0-
Sondes - Probes (2)	5901					74,023.03	74,023.03
SUBTOTAL		-0-	-0-	-0-	-0-	74,023.03	74,023.03
MOBILE EQUIPMENT (189400)							
2014 GapVac jet washer CS	3531	355,367.81					355,367.81
2014 Ford F350 CS	3526	47,606.16					47,606.16
2014 Ford F150 CS	3529	36,395.16					36,395.16
2014 Ford F350 TP	3528		47,606.16				47,606.16
2014 Ford F350 TP	3527		47,606.16				47,606.16
2013 Ford Expedition TP	3524		42,720.00				42,720.00
2014 Ford Expedition TP	3525		43,442.16				43,442.16
2004 3/4 Ton Service Truck TP	3530		10,411.00				10,411.00
2013 Ford Escape TP	3522		28,724.16				28,724.16
2014 Ford Escape TP	3523		29,571.16				29,571.16
SUBTOTAL		439,369.13	250,080.80	-0-	-0-	-0-	689,449.93
OFFICE FURNITURE & EQUIPMENT (189500)							
							-0-
SUBTOTAL		-0-	-0-	-0-	-0-	-0-	-0-
LAND & RIGHT OF WAYS (189600)							-0-
							-0-
SUBTOTAL		-0-	-0-	-0-	-0-	-0-	-0-
GRAND TOTAL		**$ 3,199,214.90**	**$ 1,081,330.13**	**$ -**	**$ -**	**$ 74,023.03**	**$ 4,354,568.06**

Source: District captial asset records

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

SOUTH DAVIS SEWER DISTRICT

Schedule 30

Capital Asset Deletions (Unaudited)

For the Year Ended December 31, 2013

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	Total
BUILDINGS AND FACILITIES (182000)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
CONSTRUCTION WORK IN PROGRESS (188000)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
OUTFALL/SEWER LINES (189000)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
OPERATION & SUPPORT EQUIPMENT (189200)						
	673					
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
TOOLS AND TEST EQUIPMENT (189300)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
MOBILE EQUIPMENT (189400)						
2013 Ford F350 Truck	3519	46,949.00				46,949.00
2012 Ford F350 Truck	3509		49,533.12			49,533.12
2012 Ford Expedition	3510		38,450.12			38,450.12
2013 Ford F350 Truck	3518		46,919.00			46,919.00
2013 Ford F350 Truck	3517		46,919.00			46,919.00
SUBTOTAL		46,949.00	181,821.24	-0-	-0-	228,770.24
OFFICE FURNITURE & EQUIPMENT (189500)						
						-0-
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
LAND & RIGHT OF WAYS (188000)						
		-0-	-0-			-0-
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
GRAND TOTAL		**$ 46,949.00**	**$ 181,821.24**	**$ -**	**$ -**	**$ 228,770.24**

Source: District captial asset records

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

SOUTH DAVIS SEWER DISTRICT

Schedule 31

Capital Asset Transfers (Unaudited)
For the Year Ended December 31, 2013

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	Total
BUILDINGS AND FACILITIES (182000)						-0-
CS Facility		909,883.34				909,883.34
						-0-
						-0-
SUBTOTAL		909,883.34	-0-	-0-	-0-	909,883.34
CONSTRUCTION WORK IN PROGRESS (188000)						
CS Facility Construction - 2011		(94,367.17)				(94,367.17)
CS Facility Construction - 2012		(815,516.17)				(815,516.17)
SUBTOTAL		(909,883.34)	-0-	-0-	-0-	(909,883.34)
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)						
						-0-
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
OFFICE FURNITURE & EQUIPMENT (189500)						
						-0-
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
LAND & RIGHT OF WAYS (188000)						
		-0-	-0-			-0-
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
GRAND TOTAL		**$ (0.00)**	**$ -**	**$ -**	**$ -**	**$ (0.00)**

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

SOUTH DAVIS SEWER DISTRICT

Schedule 32

Construction in Progress (CIP) (Unaudited)
For the Year Ended December 31, 2013

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	Total
BUILDINGS AND FACILITIES (182000)						
CS Facility Construction - 2011	6077	94,367.17				94,367.17
CS Facility Construction - 2012	6478	1,105,179.31				1,105,179.31
CS Facility Construction - 2011 to 2012		(1,199,546.48)				(1,199,546.48)
CS Facility Construction Bunker Bldg	6477	289,663.14				289,663.14
Bed & Screen Material NP East - 2008	6075		10,172.50			10,172.50
Property Improvements NP East - 2011	6074		20,669.29			20,669.29
Property Improvements NP East - 2012	6076		28,700.26			28,700.26
Property Improvements NP East - 2013	6079		172,011.92			172,011.92
Disinfection Project SP - 2013	6078		31,800.44			31,800.44
Disinfection Project SP - 2013	6078		40,990.84			40,990.84
Generator Building SP - 2013	6080		65,215.63			65,215.63
SUBTOTAL		289,663.14	369,560.88	-0-	-0-	659,224.02
CONSTRUCTION WORK IN PROGRESS (188000)						
		-0-	-0-	-0-	-0-	-0-
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
OUTFALL/SEWER LINES (189000)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
OPERATION & SUPPORT EQUIPMENT (189200)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
TOOLS AND TEST EQUIPMENT (189300)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
MOBILE EQUIPMENT (189400)						
						-0-
						-0-
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
OFFICE FURNITURE & EQUIPMENT (189500)						
						-0-
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
LAND & RIGHT OF WAYS (188000)						
		-0-	-0-			-0-
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
GRAND TOTAL		**$ 289,663.14**	**$ 369,560.88**	**$ -**	**$ -**	**$ 659,224.02**

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

SOUTH DAVIS SEWER DISTRICT

Schedule 33

Expenses by Function (Unaudited)
Last Ten Fiscal Years

Year	Collection System O & M	Treatment Plants O & M	Capital Expenses	Debt Service	Total Expenses
[1]2004	$ 649,461	$ 2,107,083	$ 740,493	$ 2,991,100	$ 6,488,137
2005	$ 798,533	$ 2,071,010	$ 852,282	$ 1,064,280	$ 4,786,105
2006	$ 761,449	$ 2,396,746	$ 384,323	$ 908,747	$ 4,451,265
2007	$ 956,432	$ 2,209,643	$ 1,889,003	$ 899,800	$ 5,954,878
2008	$ 1,062,787	$ 2,398,117	$ 2,042,642	$ 309,300	$ 5,812,846
2009	$ 1,193,312	$ 2,848,451	$ 1,657,519	$ -	$ 5,699,282
2010	$ 1,141,213	$ 2,766,897	$ 3,217,837	$ -	$ 7,125,947
2011	$ 1,301,539	$ 2,791,597	$ 3,350,410	$ -	$ 7,443,546
2012	$ 1,230,974	$ 3,459,306	$ 2,822,042	$ -	$ 7,512,322
2013	$ 1,358,286	$ 4,049,164	$ 2,127,162	$ -	$ 7,534,612

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

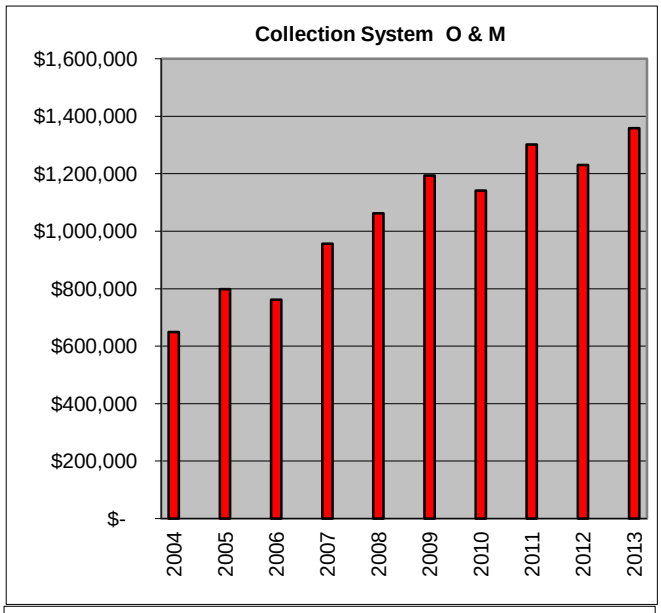
Total expenses excluded depreciation

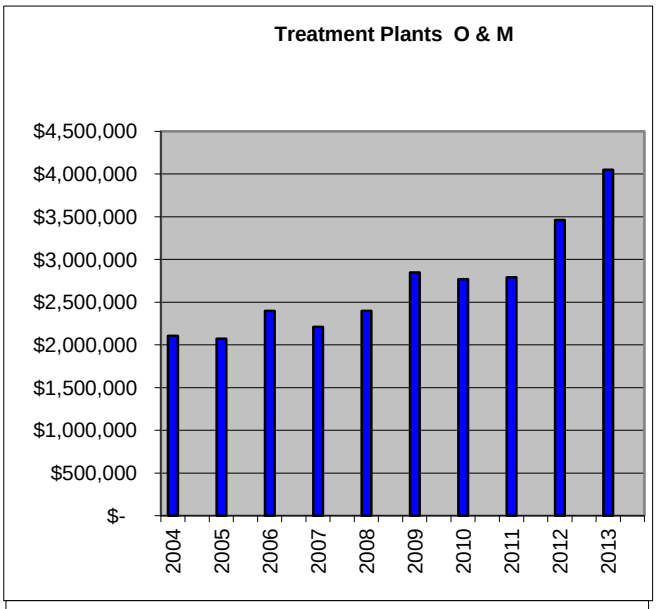
SOUTH DAVIS SEWER DISTRICT

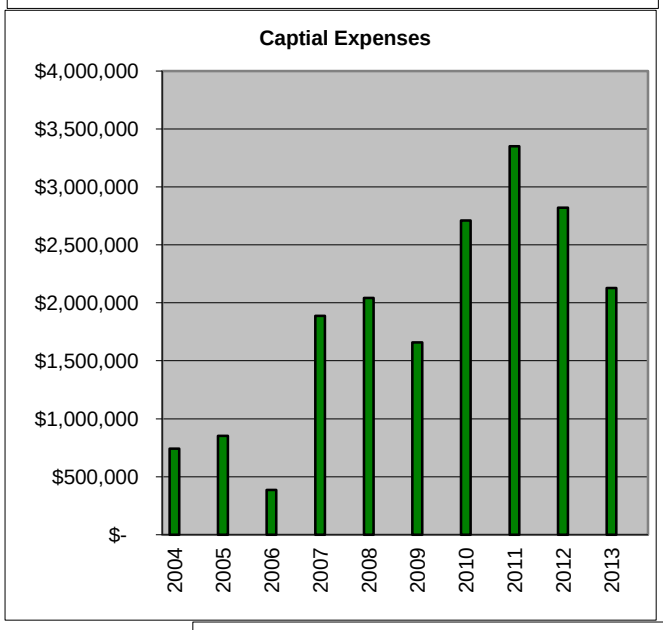
Schedule 34

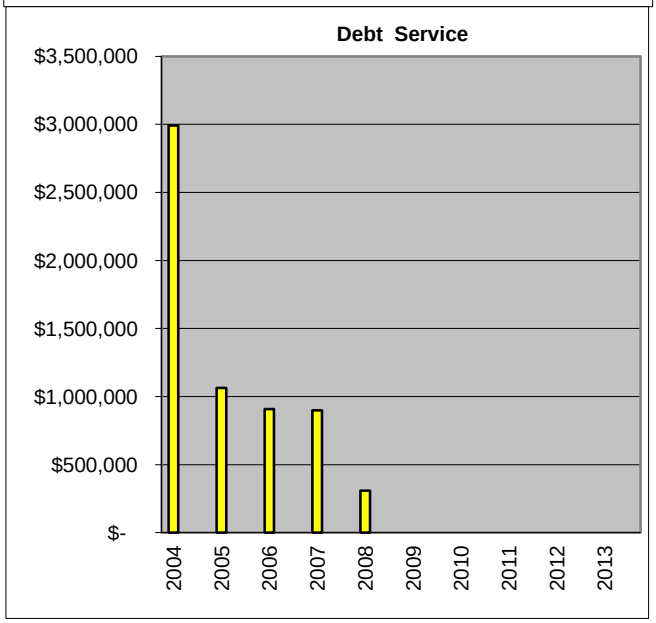
Expenses by Function (Unaudited)

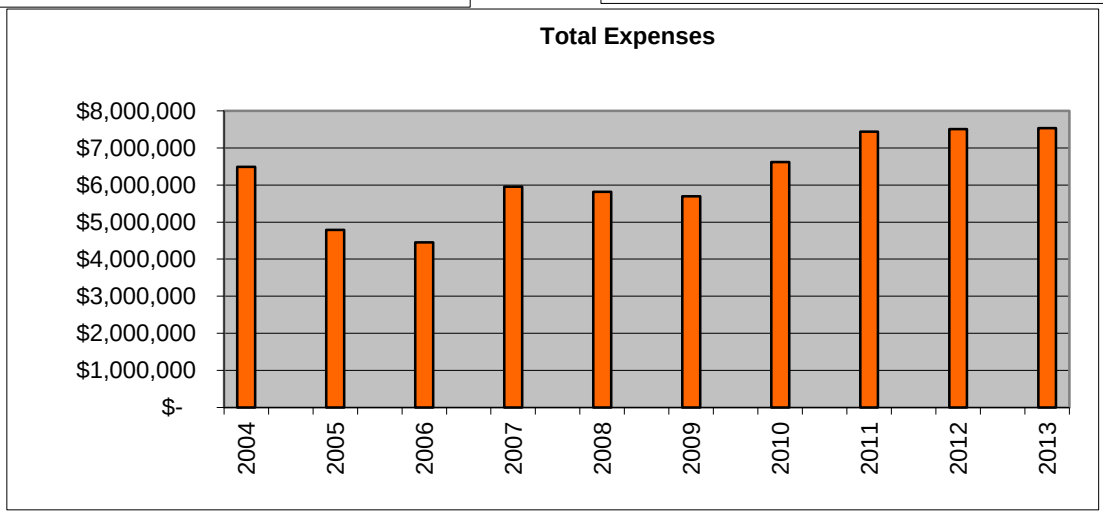
Last Ten Fiscal Years











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, 2013

Schedule 35

Carrier	Policy No.	Coverage	Policy Period
Olympus Insurance Agency	GWUFP0154301 Arch	General Liability ($3,000,000) Bodily Injury Personal Injury Property Damage Public Officials Errors/Omissions	1/1/13 to 1/1/14
Olympus Insurance Agency	GWUFP0154301 Arch	Excess Liability ($10,000,000)	1/1/13 to 1/1/14
Olympus Insurance Agency	GWPKG0154301 Arch	Property ($50,058,989)	1/1/13 to 1/1/14
Olympus Insurance Agency	GWPKG0154301 Arch	*Fidelity Bond ($750,000) Treasurer	1/1/13 to 1/1/14
Olympus Insurance Agency	GWPKG0154301 Arch	Crime ($25,000) Employees Computer Fraud Employee Dishonesty	1/1/13 to 1/1/14
Worker Compensation Fund	1494897	Workers Compensation	1/1/13 to 1/1/14

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 previous years budget (i.e. 2012 Amended).
Settled claims have not exceeded commercial excess coverage in any of the past three years.

SOUTH DAVIS SEWER DISTRICT

Wastewater System

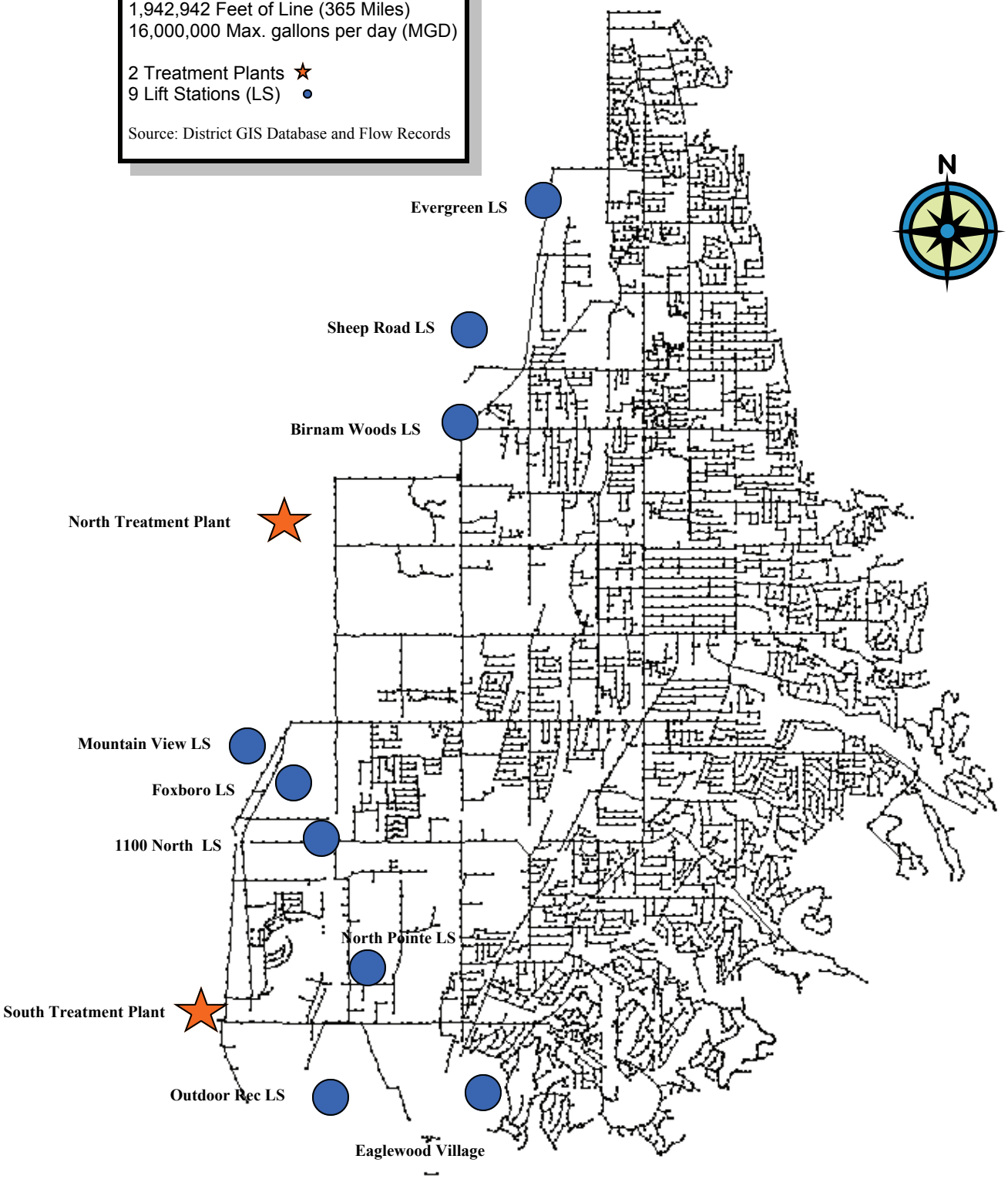
For The Year Ending December 31, 2013

Statistics

34.38 Square Miles
8,326 Manholes
8,629 Sections of Line
1,942,942 Feet of Line (365 Miles)
16,000,000 Max. gallons per day (MGD)

2 Treatment Plants
9 Lift Stations (LS)

Source: District GIS Database and Flow Records



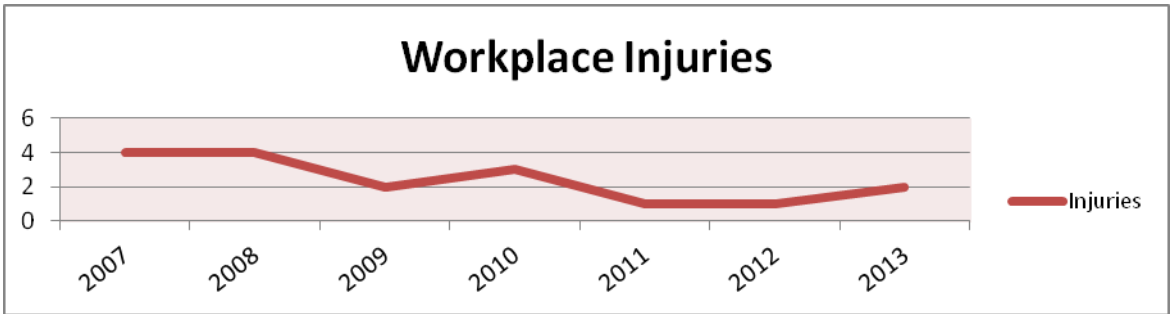
SOUTH DAVIS SEWER DISTRICT **Schedule 37**

Safety and Health Summary

For the Year Ended December 31, 2013

The following tables list the safety and health programs and workplace injuries of the District:

Item	Regulation(s)	Written Program	Training	Documentation
Process Safety Management	Federal OSHA 1910.119	XXX	X	X
Bloodborne 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
EPA Risk Management	SARA Title III	XXX		X
Powered Industrial Truck Operation	Federal OSHA 1910.78		X	X
Accident Reporting	Federal OSHA 1904		X	X
Flammable Liquids Storage & Handling	Federal OSHA 1910.106	X	X	X
Fire Extinguishers	Federal OSHA 1910.157		X	X
Control of Hazardous Energy (LOTO)	Federal OSHA 1910.147	XX	X	X
Air Contaminant Exposure	Federal OSHA 1910.1000			X
On-site Contractor Briefing	Various			X
Welding, Cutting, & Brazing	Federal OSHA 1910.252	X	X	X
Emergency Response HAZMAT	Federal OSHA 1910.120	X	X	X
Traffic Control	Utah DOT Manual on Uniform TC Devices		X	X
Heavy Equipment	Federal OSHA 1910.180(b)(3)		X	X
Crane operator licensing	Utah Code Section 58-55-102			X



Source: District safety and health program manuals and Workers Compensation Fund of Utah records.

COMPLIANCE SECTION

KHSA
KARREN | HENDRIX | STAGG | ALLEN
& COMPANY
A Professional Corporation

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

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

Board of Trustees
South Davis Sewer District
West Bountiful, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of South Davis Sewer District (the "District") as of and for the year ended December 31, 2013, 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 14, 2014.

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 identity 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.

Karren, Hendrix, Stagg, Allen & Company

Karren, Hendrix, Stagg, Allen & Company

Salt Lake City, Utah
June 23, 2014

KHSA
KARREN | HENDRIX | STAGG | ALLEN & COMPANY
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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, 2013.

General state compliance requirements were tested for the year ended December 31, 2013 in the following areas:

Budgetary Compliance
Fund Balance
Utah Retirement Systems
Cash Management
Impact Fees
Government Records Access Management Act (GRAMA)
Conflicts of Interest
Nepotism
Utah Public Finance Website
Open and Public Meetings Act
Retirement systems
Special and Local Service District Board Members
Budget Notice and Format

The District did not receive any major State grants during the year ended December 31, 2013.

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, 2013.

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, 2013.

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.

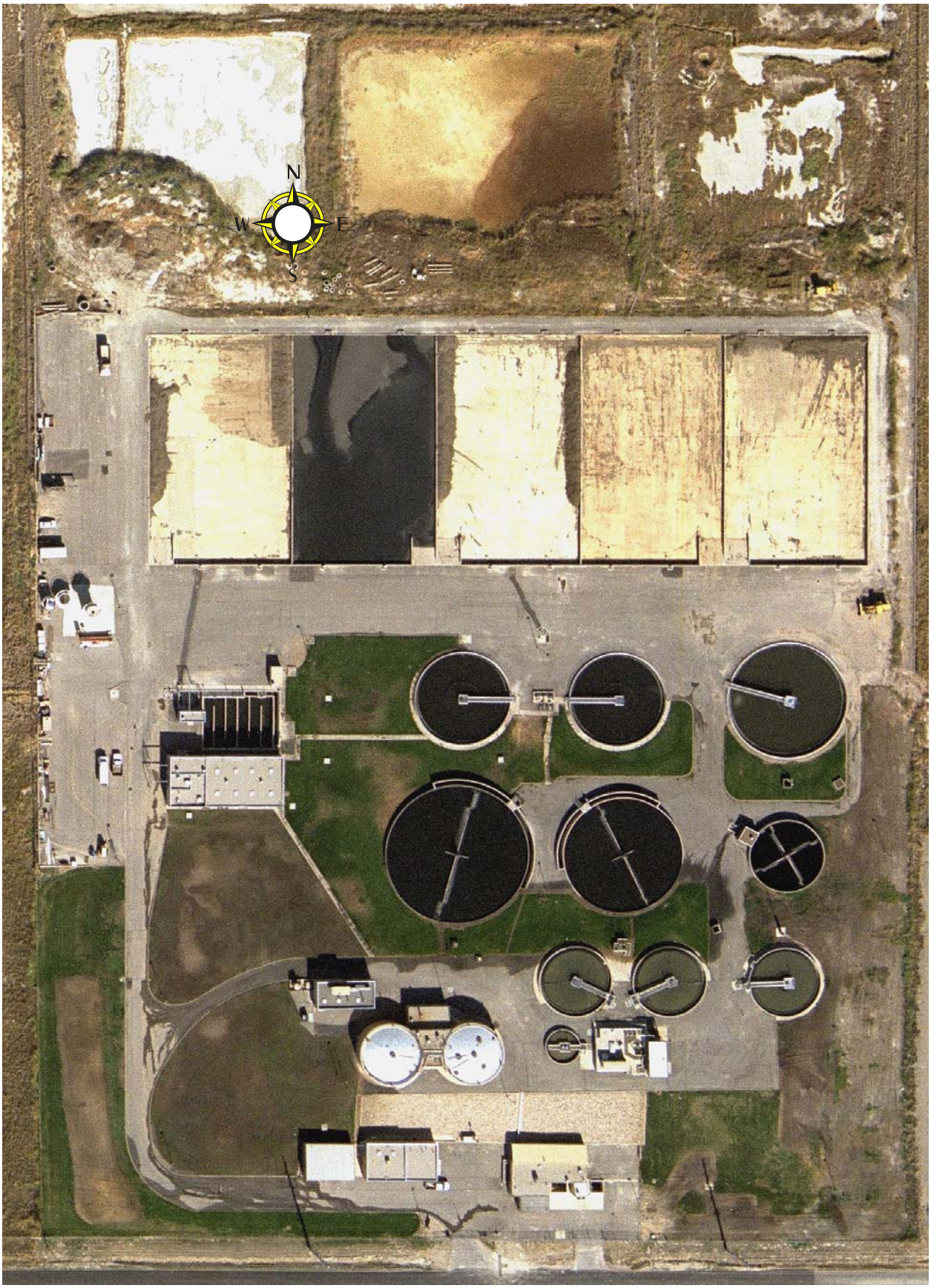
Karren, Hendrix, Stagg, Allen & Company

Karren, Hendrix, Stagg, Allen & Company
June 23, 2014

SOUTH DAVIS SEWER DISTRICT

South Treatment Plant

North Salt Lake, Utah



SOUTH DAVIS SEWER DISTRICT

ESTABLISHED 1959