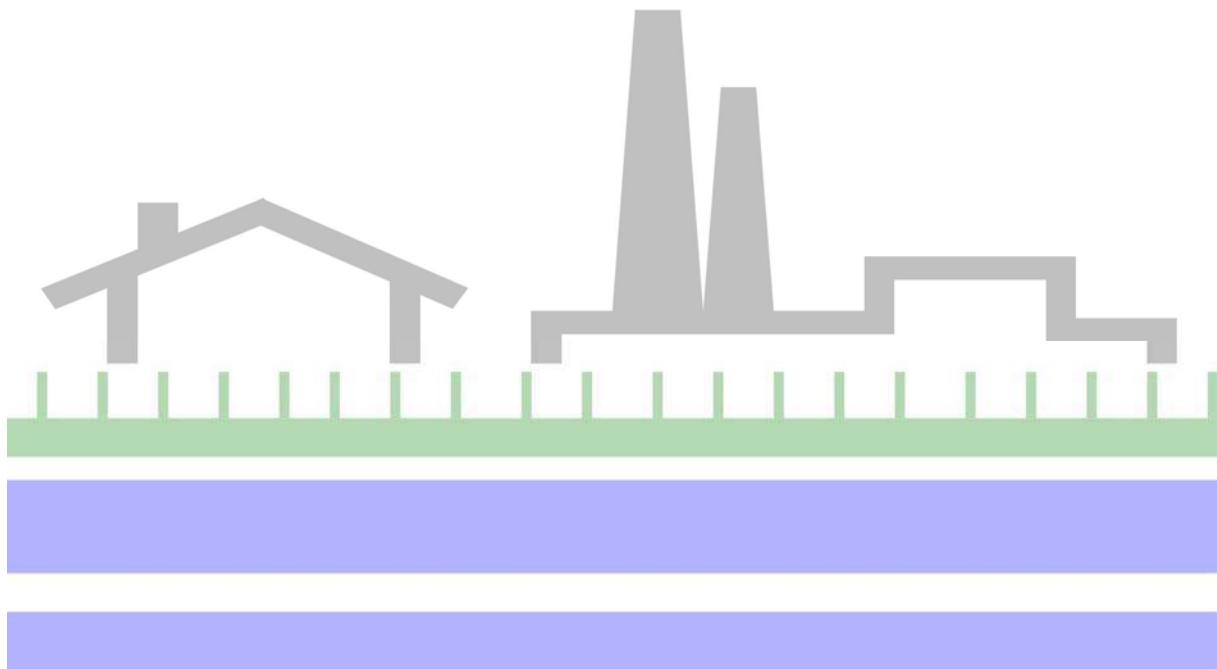


SOUTH DAVIS SEWER DISTRICT

West Bountiful, Utah

Comprehensive Annual Financial Report

For the Fiscal Year Ended December 31, 2014 and 2013



SOUTH DAVIS SEWER DISTRICT

North Treatment Plant

West Bountiful ,Utah



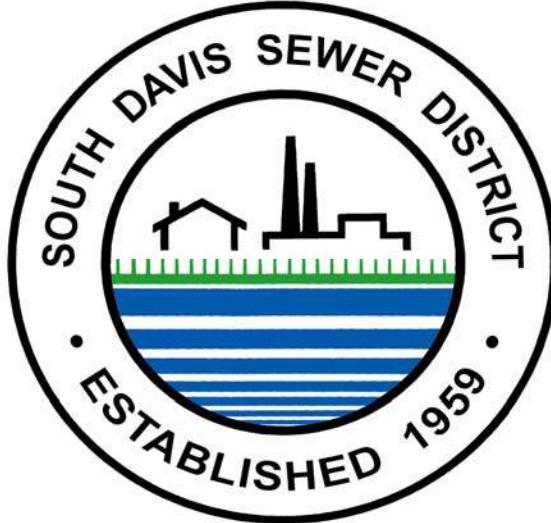
Comprehensive Annual Financial Report

South Davis Sewer District West Bountiful, Utah

For the Fiscal Year Ended December 31, 2014 and 2013

Office Location: 1800 West 1200 North
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SOUTH DAVIS SEWER DISTRICT
Comprehensive Annual Financial Report
For the Years Ended December 31, 2014 and 2013

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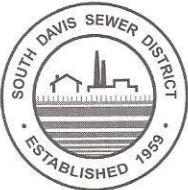
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INTRODUCTORY SECTION





South Davis Sewer District

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June 18, 2015

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, 2014, 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, 2014, 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, 2014, fairly represent conformity with GAAP. The first component of the financial section of this report beginning on pages 38-39 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 (LOT) 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 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 92,794 (2014 estimate). The 1990s plant expansion project designed the combined treatment plants to serve a population of 100,000 with a reasonable allowance for commercial and industrial users. Since the last Plant upgrades in the 1990s the per capita flows have decreased. The Plants are only operating at approximately 60% capacity. At current per capital flows, plant design capacity would support a population of approximately 150,000.

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

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

The District is empowered to levy a property tax on both real and personal property. It has the power of eminent domain and may extend its boundaries by annexation. The District has annexed all property within its natural limits of growth, except for several very small parcels that have been annexed by Bountiful and Centerville. The District is currently preparing documentation for annexing these parcels

Governance

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

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

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

The District is required to adopt a budget in December of each year. The approved budget must be submitted to the State Auditor by December 31st. 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.

On December 31, 2012, Mr. Charles L. Payne, our Board Chairman, completed 45 years of service on the Board of Trustees. He has served for over 27 years as Vice Chairman and 18 years as Chairman. This completed Chairman Payne's current term and he asked not to be reappointed. The District and the South Davis communities have been well served by Chairman Payne's dedicated service and unstinting contribution of his time to the District. The Board of Trustees and the District's Staff are grateful to Woods Cross City for their support in reappointing Chairman Payne. The continuity and quality of his service have had a major impact on the performance of the District in providing consistent regulatory compliance and high quality service at the least possible cost.

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 31 years. He recently completed 12 years service as a member of the Executive Board of the Utah Association of Special Districts. Utah code requires annual training for Board Members. The Association of Special Districts represents districts at the Legislature and provides training for special district board members and management.

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

The District has not raised user fees since 1988 when they were raised from the then current fee of \$2 to \$5 per month per residence and residential equivalent. Since 1988, the District's tax rate has decreased 68% from 0.000940 to 0.000301. The median house value is currently \$250,000 and would pay an annual tax of \$37.63 (at an assessed valuation of 50%). This is a total sewer user cost of \$8.13 per month.

In 2012, the District with the assistance of Zions Bank Public Finance completed a review of its impact fees in accordance with State Statute. The impact fee was increased from \$1,456 for a single-family residence to \$1,596. This impact fee represents the value of the infrastructure provided to a new home that has been built and financed by existing District users. District revenues are adequate for debt service, operations, and maintenance. They also contribute to reserves for anticipated capital projects. The District, again assisted by Zions Bank Public Finance, is currently performing a review of its sewer rates, which will be completed in 2015 to ensure that they remain adequate for these purposes.

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	\$7,000
Subtotal	\$1,907,000
Reserve for renewal and replacement	\$1,200,000
Near term capital improvements budget	\$2,500,000
Long term capital improvements budget	\$4,373,015
Sludge disposal (compost, land application)	\$2,000,000
Subtotal	\$10,073,015
Collection system renewal & replacement	\$2,400,000
Collection system equip. (jet washer, CCTV repl.)	\$500,000
Subtotal	\$2,900,000
TOTAL	\$14,880,015

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

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

Local Economy

Construction

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

The majority of construction in the District has always been and continues to be residential as seen in 2014 total values for construction of \$85,681,000 for residential construction and remodeling versus \$46,514,000 for commercial. The District saw a significant drop in the number and value of residential units, which decreased 16% and 41% respectively from 2013 to 2014. This continues a trend from last year where the number and value of residential construction decreased 58% and 56% respectively.

From 2011 to 2012 the number and value of residential units increased by 62% and 44% respectively. From 2010 to 2011, the number and value of residential construction increased 107% and 55% respectively. From 2010 to 2012, we see a strong recovery from the recession. The decreases in the last two years are probably more of a reflection on the decreasing space available for development rather than influences from the overall economy.

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

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

City	New Dwelling Units			New Residential Value			New Nonresidential Value		
	2013	2014	% change	2013	2014	% change	2013	2014	% change
	Number	Number		\$1,000	\$1,000		\$1,000	\$1,000	
Bountiful	79	55	-30.4%	\$ 23,984	\$ 14,630	-39.0%	\$ 2,200	\$ 5,495	149.8%
Centerville	50	7	-86.0%	\$ 10,880	\$ 1,806	-83.4%	\$ 16,204	\$ 7,940	-51.0%
North Salt Lake	402	400	-0.5%	\$ 75,945	\$ 42,833	-43.6%	\$ 7,029	\$ 7,099	1.0%
West Bountiful	21	13	-38.1%	\$ 5,659	\$ 3,984	-29.6%	\$ 533	\$ 484	-9.2%
Woods Cross	68	44	-35.3%	\$ 12,327	\$ 9,233	-25.1%	\$ 7,452	\$ 5,492	-26.3%
Totals	620	519	-16.3%	\$ 128,794	\$ 75,500	-41%	\$ 33,417	\$ 29,524	-12%
Additions & Repairs									
City	Residential			Nonresidential			Total Construction Value		
	2013	2014		2013	2014		2013	2014	
	\$1,000	\$1,000	% change	\$1,000	\$1,000	% change	\$1,000	\$1,000	% change
Bountiful	\$ 2,178	\$ 3,280	50.6%	\$ 3,324	\$ 1,496	-55%	\$ 31,681	\$ 24,901	-21%
Centerville	\$ 977	\$ 1,773	81.5%	\$ 787	\$ 3,532	349%	\$ 28,839	\$ 15,054	-48%
North Salt Lake	\$ 470	\$ 1,207	156.8%	\$ 5,509	\$ 10,666	94%	\$ 88,931	\$ 61,807	-31%
West Bountiful	\$ 251	\$ 527	110.3%	\$ 211	\$ 320	52%	\$ 6,532	\$ 5,226	-20%
Woods Cross	\$ 391	\$ 380	-2.7%	\$ 193	\$ 976	407%	\$ 20,384	\$ 16,083	-21%
Totals	\$ 4,266	\$ 10,181	138.7%	\$ 10,024	\$ 16,990	69%	\$ 176,367	\$ 126,085	-29%

Total nonresidential construction in the District was unchanged from 2013 to 2014. This follows decreases of 60%, 15%, 39%, 16%, 69%, and 2% in years 2008 through 2013. 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. Nonresidential construction does not significantly affect District revenue or operations.

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, job growth was 2.9% compared to 1.8% for the U.S. For 2014, Utah's job growth was 3.0%, which is far above the U.S. rate of 1.8%. Utah's job growth is expected to be 2.5% in 2015, while the national rate is estimated at 1.8%.

Monthly unemployment rates for Utah dropped during 2014 to 3.6%. Unemployment levels are expected to remain steady at 3.6% for 2015. 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 62.6%.

Utah's personal income increased by 5.1% in 2014 to an estimated \$112.9 billion, higher growth compared to the 3.7% increase in 2013. This was 11th in the Nation. National change in personal income was 4.5%. Utah's average annual pay grew 3.6% to reach \$4,529 in 2014. Annual pay is forecast to increase 1.9% to \$42,529 in 2015. Average annual pay for the nation was \$53,846 in 2014 and is forecast to be \$55,437 in 2015, an increase of 3.0%.

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.

Property tax revenue was down 1.7% from 2013 to 2014. The certified tax rate decreased by 7.1%, while the assessed valuation increased by 13.2%. The reduction in tax revenue would be a concern if it were not for the anomalous large revenue in 2013. The strong growth in assessed valuation is also reassuring.

Impact fees decreased from \$1,113,553 in 2008 to \$605,482 in 2009 and to \$285,462 in 2010. In 2011, however, we saw a substantial recovery in housing activity, which resulted in impact fee revenue of \$712,026. Impact fees were \$957,351 for 2012 and \$1,029,824 in 2013. We did not expect impact fee revenues to be at this level in 2014. New construction project fee and inspection fee revenues decreased 15.7% to \$868,201 for 2014. We have a number of significant projects in the planning or application phase and most of these sewer connections will be made in 2015. We expect to exceed 2014's impact fees (see pages 72-76 in the Other Supplementary Information Section).

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

Reduction in interest income has been significant, but we do not rely on interest income to fund basic operations and maintenance budgets, so this has not been a problem (see pages 102-103 in the Statistical Section).

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 was completed in 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 were laid off. Operations at Kennecott continue to contract.

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.

There is a \$2.3 billion Terminal Redevelopment Program at the Salt Lake City International Airport. By the latter part of 2015, expenditures for this project will reach \$20,000,000 per month. This project will not only strengthen short-term employment, but also enhance the long-term economy for Northern Utah.

Current Major Activities - Accounting

Comprehensive Annual Financial Report (CAFR)

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

Governmental Accounting Standards Board

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

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

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

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

Investments

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

The District recently published a Request for Qualifications for an investment advisor. Two of the five firms certified by the State of Utah Money Management Council to offer investment advisory services to local governments submitted proposals. The submittals were evaluated and both firms made presentations to the Board. Moreton Asset Management, LLC was selected to provide these services.

Billing

The District is receiving an increasing number of electronic "bill pay" payments. The District currently bills 26,752 accounts. Of these 1,591 are "bill pay" accounts. These payments are posted directly via computer. This process was introduced in December 2012.

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 1,655 accounts are billed electronically.

Because of the high transaction costs, the District has resisted accepting credit card payments. We have occasional complaints but most residents are understanding when we explain the costs involved.

Impact Fees

The 2012 Utah Legislature adopted changes to the statute governing impact fees. Zions Capital Finance was retained to assist the District in updating its impact fee in compliance with the new statute. The statute outlines a detailed methodology for calculating the impact fee. The intent of the statute is to ensure that the impact fee represents an equitable assessment of the cost of providing service to new customers. The District's impact fee of \$1,456 was adopted in 1995. The current impact fee study recommended that the impact fee be raised to \$1,596, an increase of 10% after 17 years. Lengthy notice periods were adopted to allow for public comment and to permit developers and other impacted users time to consider the impact fee increase in their budgeting. No changes to this Statute were adopted in 2014.

Current Major Activities – Human Resources

A retirement in late 2013 has given us the opportunity for a further reduction in personnel. Duties were reshuffled. The District Engineer assumed responsibility for reviewing development plans 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 (See page 27 and page 105 for more information).

Retirement Benefits

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

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

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

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

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

There are no post employment benefits.

Medical Insurance

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

For several years, we have been following the development of high deductible health plans (HDHP). In these plans, a high deductible is combined with a Health Savings Account (HSA). Funds are contributed to the HSA before taxes. Contributions can be made by both the employer and the employee. As long as funds in the account are used for qualifying medical expenses, they are not taxed. 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 TMDL is nutrient, nitrogen and phosphorus, removal. Locally, there seems to be considerable sentiment, especially from DWQ staff that nutrient removal for treatment plants discharging to the Jordan River and/or the Great Salt Lake is inevitable.

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

Technology-Based Nutrient Limits

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

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

The POTWs were supportive of this initiative, if for no other reason than to be able to proceed with overdue and needed planning and construction of treatment plant upgrades and expansion.

Treatment plant designs and construction are intended to provide for 20+ years of service. At that time, the condition and performance of the existing facilities are reviewed along with population and wastewater flow projections and regulatory requirements to determine rehabilitation and expansion needs for the next 20+ years. The District's two plants were last rehabilitated and expanded in the early 90s. Having the nutrient issue settled for at least 10-years would allow the District to proceed with much needed planning for treatment plant rehabilitation and upgrades.

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

Emerging Constituents of Concern

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

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

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

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

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

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

The District has adopted a policy of minimizing treatment plant upgrades and improvements until the outcome of these issues becomes clearer.

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 2014/2015 season, the Water Quality Group budgeted \$600,000 in studies of the Jordan River and Farmington Bay. Most of these funds are to support university researchers and laboratory work for these researchers. 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. 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.

Orem City and The Timpanogos Special Service District have joined the group. They are facing much the same issues in Utah Lake. This will expand our research activities to their receiving streams and Utah Lake. This addition to the group improves both our economic and political strength.

Treatment Plants – Compliance

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

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

North Plant

In January, The North Plant slightly exceeded its maximum weekly average (159 vs. 157) for *E. coli*. No problems were experienced with disinfection equipment or residuals. The problem was not repeated.

In December, the North Plant exceeded its 7-day average for ammonia (11.5 vs. 10.0). All other plant effluent parameters were normal. It is likely that we experience some cold weather effect.

No biomonitoring exceedences were experienced.

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

South Plant

In March, April, and May of 2014 the South Plant experience numerous BOD exceedences. The District reviewed all plant operations, particularly sampling and testing. All other effluent parameters were completely normal. In consultation with our contract lab, we ran a number of special tests. We also split samples with a second contract lab. Eventually the lab determined that they were having a problem with glassware contamination. They purchased new cleaning equipment and the problem was resolved.

No biomonitoring exceedences were experienced.

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.

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.

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 have been a safety concern due to our disinfection process. The District has historically utilized one-ton cylinders of liquid chlorine and sulfur dioxide for disinfection and de-chlorination. The District decided to change disinfection methods. It was determined that it was 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, and an evaluation of available alternatives, 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.

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 de-chlorination 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 de-chlorination system.

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 bisulfite. 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.

The new bulk chemical chlorination/de-chlorination facilities were completed and placed in service in 2014. All systems are working well at both plants. We are currently working to simplify the instrumentation and controls for these systems at both plants.

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. The District's only cost has been some site grading. On the east side of the Legacy Parkway, this is all of the fill material that we can use until we resolve wetland delineation and mitigation issues. The wetlands issues on property adjacent to the North Plant have been cleared by the US Corps of Engineers and we are proceeding with fill on these two parcels.

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 demand charges. A 90-hp. pump for pump station #2 is budgeted for 2015.

The remaining capital budget items for 2015 are all maintenance related projects. These items are intended to maintain plant assets in good condition.

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 (See pages 64-99 in the Required Supplementary Section).

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.

The remaining capital budget items for 2015 are all maintenance related projects. These items are intended to maintain plant assets in good condition (See pages 64-99 in the Required Supplementary Section). This plant is in all respects in clean, orderly, and workmanlike condition. .

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 routine cleaning and inspecting have increased. The collection system operations outgrew existing facilities at the North Plant. 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 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. 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.

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 and site work was completed in 2015. 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 is \$1,743,035. These improvements have been financed with reserves accumulated for this purpose. The total cost of the project including the purchase of the property is \$2,343,160.

The District has nine lift stations (see page 116) to move sewage from low-lying areas to trunk lines where it can flow by gravity to the treatment plants. The lift station that serves the area along 1250 West, south of Parrish Lane in Centerville has been a maintenance problem. Because of the Legacy Parkway, it has been difficult to access. It is a pre-engineered, package system that has not performed well. The development of the Legacy Trails mixed-use project has given the District the opportunity to build a new lift station and to move the lift station to where it will be more accessible. This work was done in conjunction with the construction of the sewer for this development.

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 (See pages 64-69 in the Required Supplementary Information).

Major Activities - Future

Accounting

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

Collection System

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

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

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

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

Over the last 6 years, the District has installed 32,800 linear feet of CIPP from 8-inches diameter through 27-inches diameter. As part of an ongoing program to maintain the life and serviceability of its sewers, this year the District has budgeted \$400,000 for lining projects. We will be lining the 12-inch sewer along 1100 West from about 1700 South to 500 South, along with some smaller projects.

The District has its own equipment for lining 4-inch diameter laterals. We line approximately 50 laterals per year, saving the District and homeowners many thousands of dollars.

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.

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

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 began an update of its facilities plan for both plants. This involves a detailed inventory and condition assessment of all plant structures, equipment, systems, and appurtenances. Plant performance will be reviewed and assessed. Plans to update and expand the plants will be proposed along with a financial plan to support needed maintenance and upgrades (See pages 64-69 in the Required Supplementary Information Section).

Safety

District facilities are periodically assessed to identify potential safety hazards. The purpose of these evaluations is to provide the information necessary to improve the working environment and reduce the potential for injuries. The major safety and health related regulations have required written program components, some of which are extensive. The District must develop, write and implement programs specific to our facilities. The following table lists the safety & health programs for which the District is responsible.

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

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

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

Security

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 installed surveillance cameras at the South Plant, the North Plant, and the Collection System Operations Facility. Each installation includes three fixed and one pan and tilt camera. All cameras are backed up on a self-contained hard drive that maintains the most recent 30-days of activity. All cameras can be accessed from any workstation in the District. These 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. 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 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.

Risk Management

For 2014 and 2015, the District's liability insurance is being provided by the Arch Insurance Group. The local agent, Olympus Insurance Agency, specializes in insuring local government agencies and provides extensive risk management support including audits, training, and consultation.

Worker's Compensation insurance for 2014 and 2015 is being 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.

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, 2013 (See page 29). This was the sixteenth consecutive year that the District has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

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

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

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

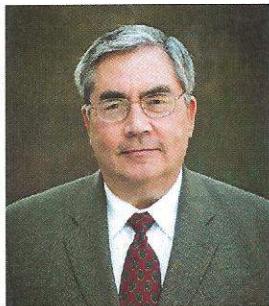
We would also like to express our appreciation to the District's Board of Trustees for providing their continued support in maintaining the highest standards of professionalism in the management of the District's finances.

Respectfully submitted,



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

Mark R. Katter
Accounting Manager/Clerk

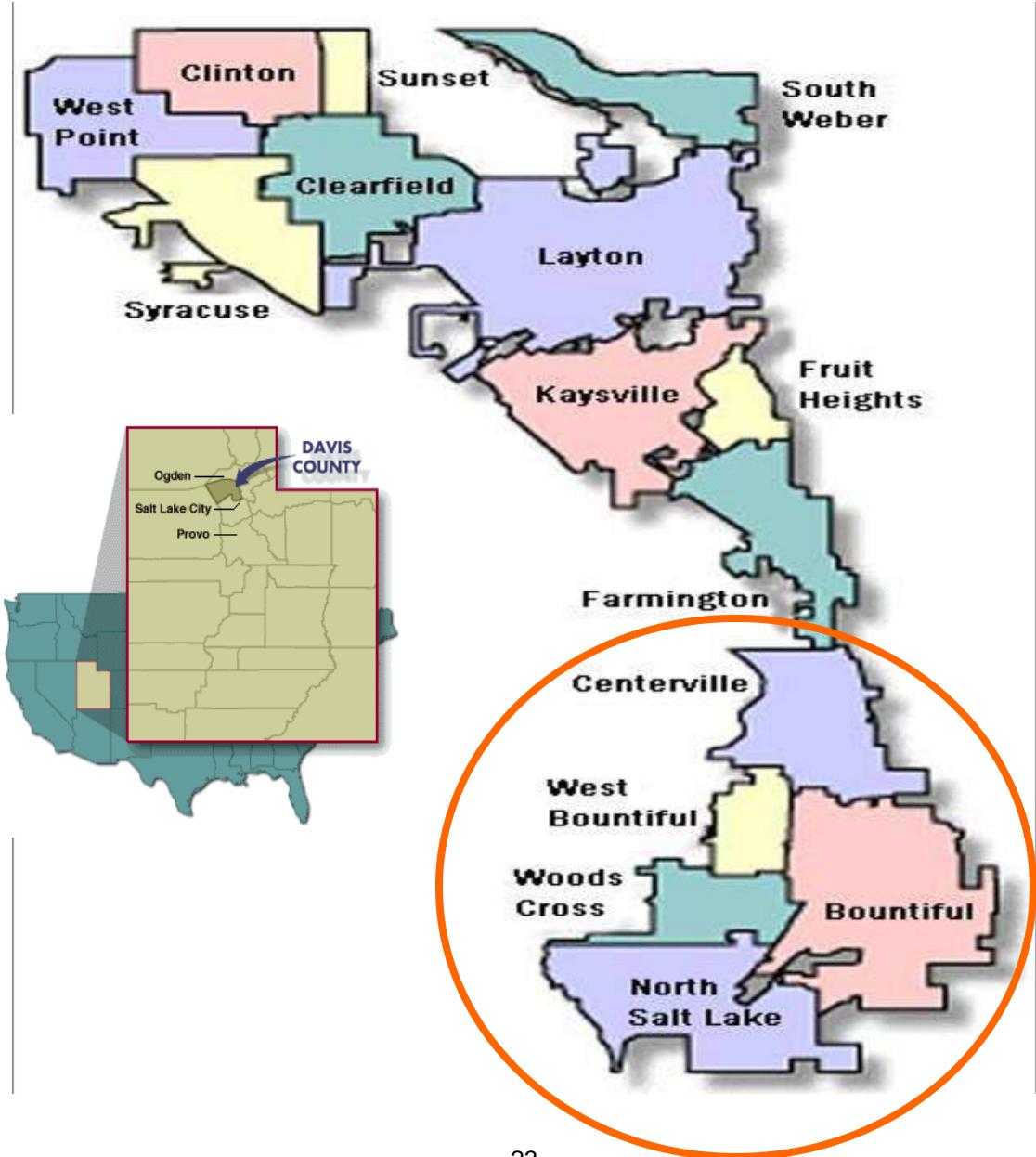


SOUTH DAVIS SEWER DISTRICT
Davis County Map
For the Year Ending December 31, 2014

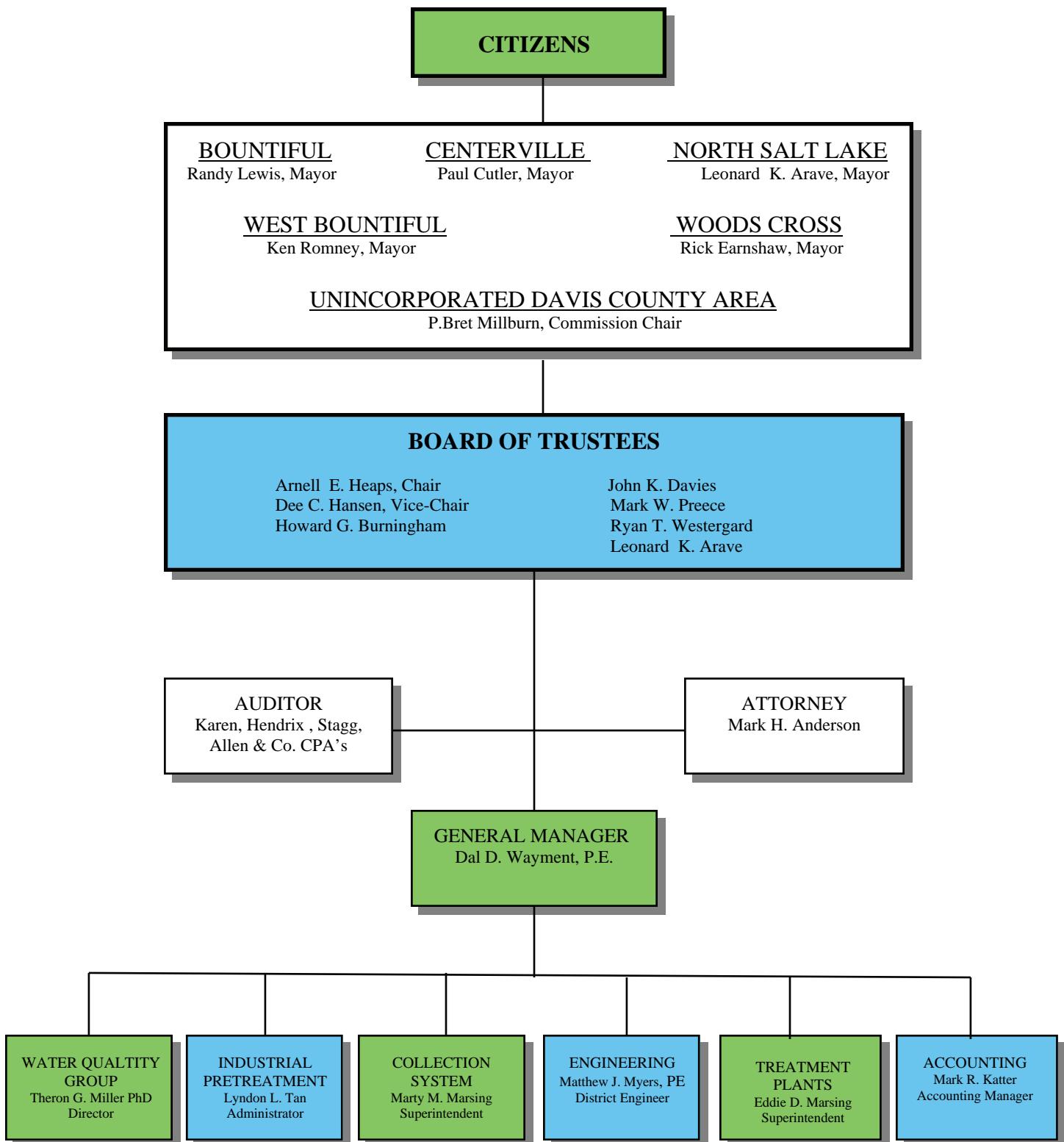
Cities Serviced by South Davis Sewer District

City	Approximate Population (2014)	Square Miles	Date Incorporated
Centerville	16,624	5.99	May 5, 1915
West Bountiful	5,374	2.96	Dec. 31, 1948
Bountiful	43,023	13.22	Dec. 5, 1892
Woods Cross	10,756	3.76	Sep. 4, 1930
North Salt Lake	17,017	8.45	Sep. 3, 1946
Totals	92,794	34.38	

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



SOUTH DAVIS SEWER DISTRICT
Organizational Chart
For the Year Ending December 31, 2014



SOUTH DAVIS SEWER DISTRICT

Board of Trustees
As of December 31, 2014



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
Howard G. Burningham (Elected)	Trustee	District At Large	12/31/2017
<i>Front Row (Left to Right)</i>			
John K. Davies (Elected)	Trustee	District At Large	12/31/2017
Ryan T. Westergard (Appointed)	Trustee	Woods Cross City	12/31/2016
Leonard K. Arave (Appointed)	Trustee	North Salt Lake City	12/31/2017
Mark W. Preece (Appointed)	Trustee	West Bountiful City	12/31/2016
<i>Back Row (Left to Right)</i>			

Source: District human resource and election records

SOUTH DAVIS SEWER DISTRICT
Board of Trustee 2015 Meeting Schedule
For the Year Ended December 31, 2014

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 5:00 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.

2015 MEETING CALENDAR

January	15th	Thursday	
February	19th	Thursday	
March	19th	Thursday	
April	16th	Thursday	
May	21st	Thursday	
June	18th	Thursday	Adopt 2015 Tax Rate
July	16th	Thursday	
August	20th	Thursday	
September	17th	Thursday	
October	15th	Thursday	Review and Approve Tentative 2016 Budget
November	19th	Thursday	
December	3rd	Thursday	Budget Hearing - Adopt Final 2016 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 Year Ending December 31, 2014

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, 2013

A handwritten signature in black ink, appearing to read "Jeffrey L. Evans".

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, Jayson 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 G. Miller
Research Scientist

New Industrial Pre-treatment Van



**Reviewing Site
Plans**



North Treatment Plant

North Treatment Plant
Operation Control Panel



District Office

Cutting weeds with overhauled new tractor



**Maintenance & Rehabilitation Work
North Treatment Plant**

Sewer Line Television Van





Land Application of Biosolids

Safety Training on Distractive Driving





EPA OU2 Ground
Water Facility
West Bountiful



New Disinfection Building
North Treatment
Plant



"FLUSHABLE" WIPES ARE NOT SO FLUSHABLE....

Did you know that baby wipes may specify they are flushable, but they should not be put in our wastewater system? This also includes adult wipes, cleaning wipes (Clorox, Lysol), medical wipes, etc.

In fact, the only paper product that should be "flushed" is toilet paper. It is the only paper designed to break down as it travels through the wastewater treatment process.

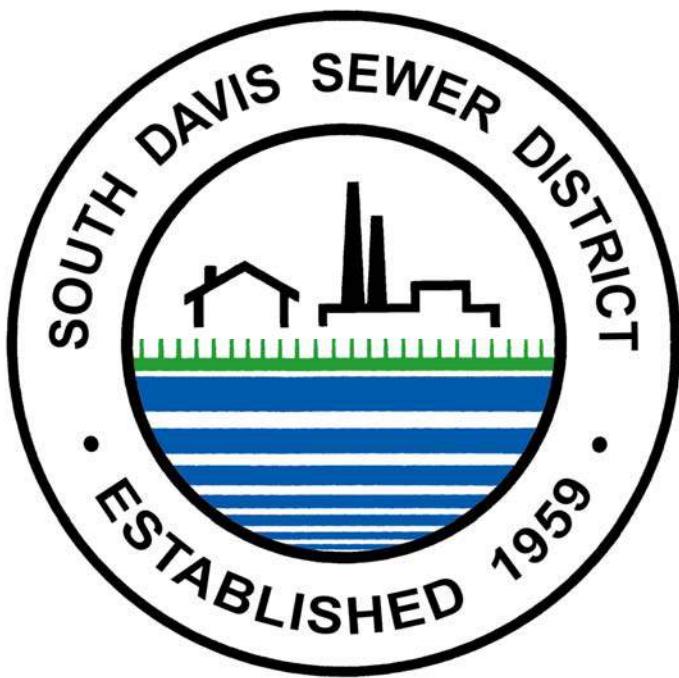


Trashcan



NOT a Trashcan

FINANCIAL SECTION





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, 2014 and 2013, 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, 2014 and 2013, 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 64–69 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 5, 2015 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.

A handwritten signature in blue ink that reads "Karen Hendrix, Stagg, Allen & Company". The signature is cursive and fluid, with "Karen Hendrix" on top, followed by "Stagg, Allen & Company" below it.

June 5, 2015

SOUTH DAVIS SEWER DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2014 and 2013
(Unaudited)

This section presents management's discussion and analysis of the financial position and performance of the South Davis Sewer District (District) for the year ended December 31, 2014 and December 31, 2013, with comparative totals for December 31, 2012. 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.1-22), and the financial statements and notes (Pgs. 49-63), 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 2014 by \$75,924,807, \$73,892,610 in 2013 and \$69,820,595 in 2012. 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 \$4,072,015 (6%) from 2012 to 2013, and increased \$2,032,197 (3%) from 2013 to 2014.
- At the end of the fiscal year 2014, the District's cash, cash equivalents and investments, reported combined ending balances of \$14,950,344; 2013 and 2012 ending balances were \$14,601,123 and \$14,511,792 respectively.
- The District had no outstanding debt during the fiscal year 2014.
- 2014 Impact fee revenue was \$868,201, a 16% decrease from 2013. Impact fee revenue in 2013 was \$1,029,824 and for 2012, \$957,351. The 2014 impact fee revenue was primarily the result of two major construction developments; Foxboro North and Foxboro South in North Salt Lake. You can read more about the District's impact fees revenue in the Supplemental Section (Pgs 75-80)
- Interest Income in 2014 came from cash, cash equivalents, and investments totaling \$75,657, a 7% decrease from 2013. Interest Income in 2013 and 2012 was \$81,659 and \$213,508 respectively, a 62% decrease. This decrease was the result of liquidating and reinvesting \$5 million of corporate bond investments to the Utah Public Treasurers.
- Operating revenues for 2014 and 2013 were \$2,742,784 and \$2,831,258, respectively, (3% decrease), and \$2,651,008 for 2012 (7% increase from 2012 to 2013). 2014 operating expenses (less depreciation) increased by 2%, or \$124,950 from 2013. From 2012 to 2013 operating expenses increased 3%

Overview of the Financial Statements

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

The financial statements of the District are designed to provide readers with a broad overview of the District's finances in a manner similar to the private sector business. The basic financial statements and notes can be found on pages 49-63. The District uses an enterprise fund to account for the fiscal activities relating to the collection and treatment of wastewater in South Davis County. An enterprise fund is a proprietary type fund (business type) used by governments to report an activity for which a fee is charged to users for goods or services provided..

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net 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, respectively.

The *statistical section* provides statistical data on financial trends, revenue and debt capacity, demographic and economic data, and operating information. The statistical section can be found on pages 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 \$75,924,807 at the end of the 2014 fiscal year; \$73,892,610 at the end of the 2013 fiscal year; and \$68,820,595 at the end of the 2012 fiscal year.

The largest portion of the District's net assets (80% in 2014, 80% in 2013 and 79% in 2012) 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 2014.

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

- Sewer service revenue for 2014 increased 2% compared with year 2013. This primarily resulted from continued growth in the new construction of homes and businesses within the District in 2014. The District has not increased sewer service rates since 1988 and did not increase rates in 2014.
- Actual property tax revenue exceeded budget projections by approximately \$197,256, due to District growth and from an increase in assessed property valuations and a property tax collection rate of 96%.
- Fiscal year 2014 contribution to capital revenue was \$1,327,057, a decrease of 54% from 2013 (\$2,871,442). 2013 contribution to capital revenue increased 454% or \$2,353,192 from 2012. 2012 contribution to capital revenue was \$518,250. 98% (\$1,327,057) of the 2014 contribution to capital revenue came from deeded sewer lines from developers and 2% from reimbursement for District sewer line construction.
- Impact fee revenue was \$868,201 for 2014, and \$1,029,824 in 2013, a decrease of 16% and from 2012 to 2013 increased 8% (See supplementary information for details, pages 72-77). These impact fees reflect economic recovery for the construction industry. In 2010 impact fee revenue was \$285,462 when the economic recession was in full swing.
- With the implementation of the *Modified Approach to Accounting for Infrastructure* in 2004, depreciation expense for 2014 and 2013 was \$342,111 and \$360,330 respectively. Depreciation expense for 201 was \$327,082. The *Modified Approach* will be discussed in greater detail in this report (see required supplemental information section pages 64-68).
- In 2014 and 2013 salaries and benefit expenses increased 4% and increased 8% respectively, due to a combination of health care costs and cost of living adjustments.

- The 2014 increase in operating expenses was 2% (less depreciation) compared to 2013. This essentially was the result of higher costs from outside services, utilities, chemicals, health care coverage, and an increase in retirement funding.

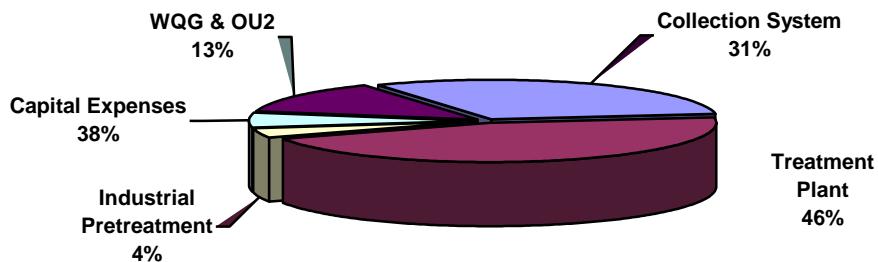
**South Davis Sewer District
Consolidated Statement of Net Position
2014-2013**

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

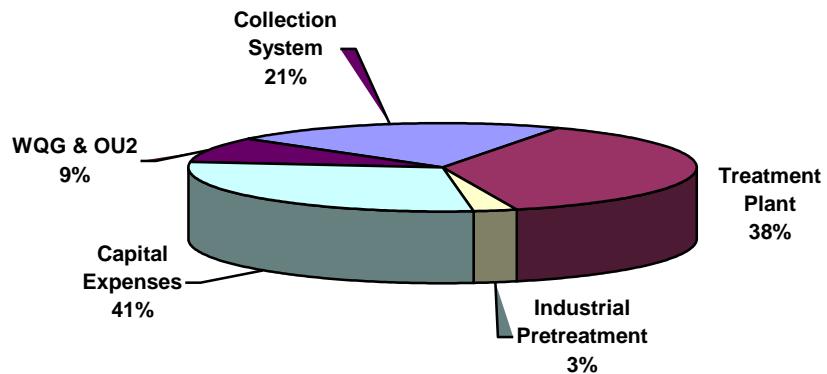
**South Davis Sewer District
Consolidated Statement of Net Position
2013-2012**

	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%

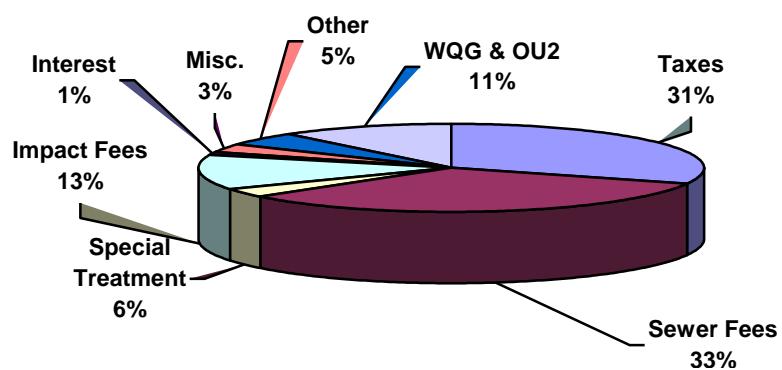
Expenses by Department 2014



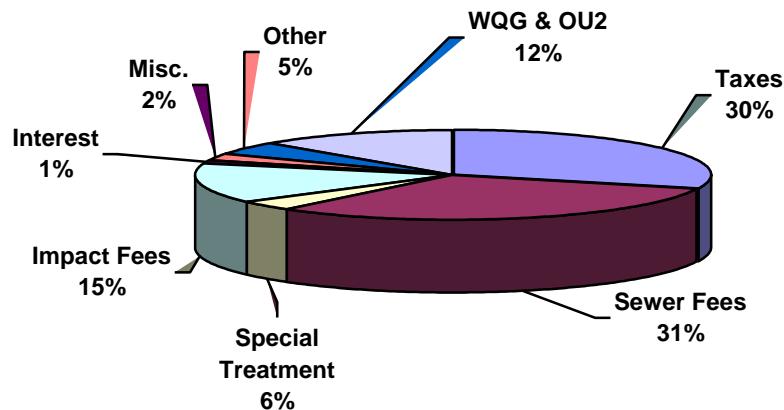
Expenses by Department 2013



Revenue by Source 2014



Revenues by Source 2013



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

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

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

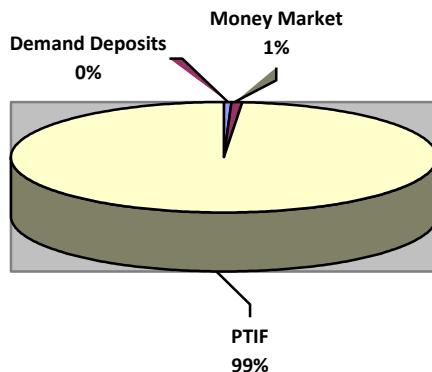
	Fiscal Year 2013	Fiscal Year 2012	Dollar Change	Percent Change
Operating Revenues:				
Sewer Service Fees	\$ 2,188,651	\$ 2,145,429	\$ 43,222	2%
Special Treatment Fees	255,804	180,475	75,329	42%
Inspection & Project Fees	52,460	77,980	(25,520)	-33%
Other	334,343	247,124	87,219	35%
Total Operating Revenues	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	100%
Gain (Loss) on Disposal of Property	43,625	29,866	13,759	46%
Unrealized gain (loss) on investments	(6,336)	507,089	(513,425)	
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			
Net Assets at End of Year	\$ 73,892,610	\$ 69,820,595	\$ 4,072,015	6%

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 2014 and 2013 was .492 % and .535%, respectfully (8% decrease). Interest rates have been at historic lows since the Great Recession beginning in 2009. A ten year history of the PTIF interest rates is found in the statistical section on page 102.

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

Cash & Cash Equivalents 2014



The net interest (the difference between interest income and interest expense) earned for 2014 was \$75,845, a 7% decrease compared to the 2013 net interest earned of \$81,471. 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, and a list of State certified investment advisors and brokers. The District acts in accordance with 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, 2014, the District had \$75,565,784 (historical cost) in capital assets. This represents a net increase of 3% over 2013 and a 6% increase from 2012 to 2013 as shown in the tables below:

Property and Equipment (excluding depreciation) 2014-2013 and 2013-2012

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

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

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

- Contributed sewer lines from developers at a cost of \$1,294,137.
- Completion of the North Treatment Plant disinfection building at a cost of \$302,128
- Completion of the Collection System Facility bunker at a cost of \$400,536
- Completion of the South Treatment Plant disinfection building at a cost of \$84,348
- Completion of the North Treatment Plant parking structure and improvements at a cost of \$232,257.
- Completion of the South Treatment Plant generator storage building at a cost of \$105,500.

The District spent \$313,447 on the maintenance and rehabilitation of the collection system and treatment plant assets in 2015. Studies have shown for every dollar of preventative maintenance spent in the first 10 years of an asset, you save \$4-5 over the second 10 years (Iowa Department of Transportation). The District has an aggressive asset management program to prolong the useful life of its assets.

2014 capital asset additions included:

Sewer Lines	\$1,294,137
Buildings, Facilities & Lines	468,910
Equipment	394,898
Construction -In-Progress	43,231
Total	<u>\$2,201,176</u>

Additional information on the District's capital assets can be found in note 6 on page 60, in the required supplemental information on pages 64-69, 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 \$646,000 were budgeted in 2014 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 64-69 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 2015. \$2,539,000 has been budgeted in 2015 for the construction, acquisition and rehabilitation/preservation of capital assets.
- One financial indicator of the District's financial health is the debt to asset ratio. This can be found on page 94 in the statistical section. The District has no debt and has sufficient cash reserves for capital improvements and/or small scale emergencies.
- Davis County property assessment values for 2015 are projected to increase 5% according to the Davis County Assessor's office. \$1,893,000 has been budgeted for property tax revenue for 2015.
- Sewer service revenue of \$2,972,000 has been budgeted for 2015.

- Short-term interest rates have been significantly trending downward since the 1st quarter of 2009 and have slightly decreased and have leveled off in 2015. Interest rates are projected to remain at record lows for 2015. The District has engaged a State certified financial advisor to invest a portion of its cash reserves in higher yielding and liquid State approved financial instruments.
- \$1,027,000 has been budgeted for sewer line rehabilitations and spot repairs including \$600,000 for cured in place pipe (CIPP) projects. \$1,432,000 has been budgeted for both treatment plant preservation and rehabilitation, and \$325,000 is budgeted for the green energy project (heat and power).
- Start and complete feasibility study for resource recovery project.
- No sewer service rate increase or property tax increase is projected for 2015.

Audit Committee

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

Requests for Information

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

SOUTH DAVIS SEWER DISTRICT

Basic Financial Statements

For The Fiscal Year Ended December 31, 2014 and 2013



SOUTH DAVIS SEWER DISTRICT

Statements of Net Position December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 14,950,344	\$ 14,601,123
Accounts receivable:		
Sewer service charges	103,627	114,373
Sewer service charges certified to county treasurer	61,373	67,393
Special treatment charges	9,662	8,744
Other	108,423	133,283
Accrued property taxes receivable	449,870	453,811
Accrued interest	1,282	1,352
Inventory of construction and maintenance materials	12,924	15,269
Prepaid expenses	41,672	43,612
TOTAL CURRENT ASSETS	15,739,177	15,438,960
NONCURRENT ASSETS:		
Capital assets:		
Nondepreciable capital assets	58,979,315	57,176,244
Depreciable capital assets, net	1,859,162	2,059,162
Investments	-	-
Reimbursable costs	81,215	85,527
TOTAL NONCURRENT ASSETS	60,919,692	59,320,933
TOTAL ASSETS	76,658,869	74,759,893
DEFERRED OUTFLOWS OF RESOURCES:		
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 76,658,869	\$ 74,759,893

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

SOUTH DAVIS SEWER DISTRICT

Statements of Net Position December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 175,144	\$ 319,702
Accrued salaries & wages	57,197	50,577
Accrued payroll taxes	15,161	13,419
Performance deposits and retainage	63,005	86,405
Current portion of accrued compensated absences	20,000	16,000
TOTAL CURRENT LIABILITIES	<u>330,507</u>	<u>486,103</u>
NONCURRENT LIABILITIES:		
Accrued compensated absences	403,555	381,180
TOTAL NONCURRENT LIABILITIES	<u>403,555</u>	<u>381,180</u>
TOTAL LIABILITIES	<u>734,062</u>	<u>867,283</u>
DEFERRED INFLOWS OF RESOURCES:		
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCE:	<u>\$ 734,062</u>	<u>\$ 867,283</u>
NET POSITION:		
Investment in capital assets	\$ 60,838,477	\$ 59,235,406
Restricted	-	-
Unrestricted	15,086,330	14,657,204
Total net assets	<u>\$ 75,924,807</u>	<u>\$ 73,892,610</u>

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

SOUTH DAVIS SEWER DISTRICT

Statements of Revenues, Expenses and Changes in Fund Net Position For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES:		
Sewer service charges	\$ 2,235,118	\$ 2,188,651
Sewer special treatment charges	213,554	255,804
Inspection, and project fees	40,200	52,460
Other operating revenues	253,912	334,343
TOTAL OPERATING REVENUES	<u>2,742,784</u>	<u>2,831,258</u>
OPERATING EXPENSES:		
Personal services	3,225,839	3,114,848
Contractual services	506,850	393,249
Utilities	315,598	315,222
Repairs and maintenance	964,814	1,072,510
Other supplies and expenses	408,753	419,680
Insurance claims and expenses	110,546	91,941
Depreciation	342,111	360,330
TOTAL OPERATING EXPENSES	<u>5,874,511</u>	<u>5,767,780</u>
OPERATING LOSS	<u>(3,131,727)</u>	<u>(2,936,522)</u>
NONOPERATING REVENUES AND (EXPENSES):		
General property tax	2,078,046	2,119,222
Intergovernmental contributions	600,000	550,000
Impact fees	868,201	1,029,824
Miscellaneous revenue	113,190	175,989
Grant Revenue	-	69,418
Interest income	75,657	81,659
Unrealized gain (loss) on investments	(2,552)	(6,336)
Gain (loss) on sale of plant equipment	104,325	43,625
TOTAL NONOPERATING REVENUES AND (EXPENSES)	<u>3,836,867</u>	<u>4,063,401</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>705,140</u>	<u>1,126,879</u>
DEVELOPER CONTRIBUTED SEWER LINES	<u>1,327,057</u>	<u>2,871,442</u>
CHANGE IN NET POSITION	<u>\$ 2,032,197</u>	<u>\$ 3,998,321</u>
NET POSITION - BEGINNING OF THE YEAR	<u>73,892,610</u>	<u>69,820,595</u>
Prior period adjustment	-	73,694
NET POSITION - END OF THE YEAR	<u>\$ 75,924,807</u>	<u>\$ 73,892,610</u>

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

SOUTH DAVIS SEWER DISTRICT

Statements of Cash Flows For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 2,493,692	\$ 2,415,842
Payments to suppliers of goods and services	(2,446,834)	(2,265,963)
Payments to employees for services	(3,191,102)	(3,092,777)
Other receipts	294,112	386,803
NET CASH USED IN OPERATING ACTIVITIES	<u>(2,850,132)</u>	<u>(2,556,095)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes collected	2,081,987	2,008,041
Intergovernmental contributions	713,190	795,407
Impact fees collected	868,201	1,029,824
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>3,663,378</u>	<u>3,833,272</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from the sale of capital assets	360,318	223,320
Purchase of capital assets	(874,118)	(1,483,127)
Receipt of performance deposits and retainages	30,900	100,800
Refund of performance deposits and retainages	(54,300)	(104,200)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(537,200)</u>	<u>(1,263,207)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income received	73,175	75,361
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES	<u>73,175</u>	<u>75,361</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	349,221	89,331
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	14,601,123	14,511,792
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 14,950,344	\$ 14,601,123

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

SOUTH DAVIS SEWER DISTRICT

Statements of Cash Flows, Continued For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Net loss from operations	\$ (3,131,727)	\$ (2,936,522)
Adjustments to reconcile net loss from operations to net cash provided by operating activities:		
Depreciation	342,111	360,330
(Increase) decrease in:		
Accounts receivable:		
Sewer service charges	10,746	44,235
Sewer service charges certified to county treasurer	6,020	(7,846)
Special treatment charges	(918)	1,184
Other	24,860	(77,900)
Inventory of construction and maintenance materials	2,345	(1,817)
Prepaid expenses	1,940	(11,761)
Reimbursed costs	4,312	11,714
Increase (decrease) in:		
Accounts payable	(144,558)	40,217
Accrued payroll	6,620	10,195
Accrued payroll taxes	1,742	4,320
Accrued compensated absences	26,375	7,556
NET CASH USED IN OPERATING ACTIVITIES	\$ (2,850,132)	\$ (2,556,095)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

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

\$ 1,327,057 \$ 2,871,442

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2014 and 2013

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.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2014 and 2013

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 70 to 71. 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, 2014 and 2013, no interest was capitalized.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2014 and 2013

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.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2014 and 2013

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

	2014	2013
Cash on deposit	\$ 223,844	\$ 289,568
Cash on hand	725	725
TOTAL	\$ 224,569	\$ 290,293

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, 2014 and 2013, the District's insured and uninsured and uncollateralized bank balances were as follows:

	2014	2013
Carrying amount (book balance)	<u><u>\$ 223,844</u></u>	<u><u>\$ 289,568</u></u>
Bank balance:		
Covered by FDIC insurance	\$ 250,000	\$ 250,000
Uninsured and uncollateralized	26,702	71,297
TOTAL BANK BALANCE	<u>\$ 276,702</u>	<u>\$ 321,297</u>

B. Investments

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

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

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2014 and 2013

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, 2014 and 2013 the District had the following investments and maturities:

December 31, 2014

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

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	\$ -	\$ -	\$ -

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

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2014 and 2013

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, 2014 and 2013:

Investment Type	<u>December 31, 2014</u>			
	Fair Value	"A"	"B"	Unrated
Utah Public Treasurer's Investment Fund (PTIF)	14,685,774			14,685,774
Total investments	\$ 14,685,774	\$ -	\$ -	\$ 14,685,774

Investment Type	<u>December 31, 2013</u>			
	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

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

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

5. COMPENSATED ABSENCES

The District's employee benefits policy allows employees to accumulate benefits for unused compensated, vacation, and sick leave time to be paid upon termination or retirement. The total accrued compensated absences as of December 31, 2014 and 2013 are \$423,555 and \$397,180, respectively. The estimated current portion of accrued compensated absences as of December 31, 2014 and 2013 are \$20,000 and \$16,000, respectively.

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

	<u>December 31, 2013</u>			
	Beginning Balance	Increase	Decrease	Ending Balance
Compensated Absences	\$ 389,624	\$ 215,543	\$ (207,987)	\$ 397,180

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2014 and 2013

6. CAPITAL ASSETS

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

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

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

	<u>12/31/2012</u>	<u>Increase</u>	<u>Decreases</u>	<u>12/31/2013</u>
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	<u>53,561,365</u>	<u>4,524,762</u>	<u>(909,883)</u>	<u>57,176,244</u>
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	<u>4,486,617</u>	<u>1,276,283</u>	<u>(691,669)</u>	<u>5,071,231</u>
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	<u>(2,700,814)</u>	<u>(360,330)</u>	<u>49,075</u>	<u>(3,012,069)</u>
Depreciable capital assets, net	<u>1,785,803</u>	<u>915,953</u>	<u>(642,594)</u>	<u>2,059,162</u>
Total capital assets, net	<u><u>\$ 55,347,168</u></u>	<u><u>\$ 5,440,715</u></u>	<u><u>\$ (1,552,477)</u></u>	<u><u>\$ 59,235,406</u></u>

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2014 and 2013

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 2014, 2013 and 2012.

Contribution Rates

The contribution rates in effect for calendar 2014 were as follows:

Utah Retirement Systems	Paid by Employee	Paid by Employer for Employee	Employer Contribution Rates
<u>January 2014 - June 2014</u>			
Contributory System:			
Local Government Division Tier 1	N/A	6.0000%	13.280%
Local Government Division Tier 2	N/A	N/A	15.110%
Noncontributory System:			
Local Government Division Tier 1	N/A	N/A	17.290%
<u>July 2014 - December 2014</u>			
Contributory System:			
Local Government Division Tier 1	N/A	6.0000%	14.460%
Local Government Division Tier 2	N/A	N/A	14.940%
Noncontributory System:			
Local Government Division Tier 1	N/A	N/A	18.470%

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2014 and 2013

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
<u>January 2013 - June 2013</u>			
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%
<u>July 2013 - December 2013</u>			
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%

Required Contributions

The District's contributions to the various systems for the year ended December 31, 2014 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
<u>Contributory System:</u>					
Local Government Division Tier 1 and Tier 2					
2014	\$ -	\$ 16,554	\$ 41,603	\$ 315,127	
2013	-	16,706	38,515	316,563	
2012	-	16,659	32,285	299,927	
<u>Noncontributory System:</u>					
Local Government Division Tier 1					
2014	\$ -	\$ -	\$ 269,524	\$ 1,504,734	
2013	-	-	244,278	1,459,695	
2012	-	-	217,211	1,460,989	
<u>Defined Contribution System:</u>					
457 Plan					
2014	\$ 12,000	\$ -	-		
2013	10,400	-	-		
2012	27,750	-	-		
401(k) Plan					
2014	\$ 102,560	\$ 29,379	-		
2013	100,520	28,472	-		
2012	113,820	24,984	-		
Roth IRA Plan					
2014	\$ 15,035	\$ -	-		
2013	7,540	-	-		
2012	7,540	-	-		

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2014 and 2013

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, 2014 and 2013, respectively. Revenues from impact fees were \$868,201 and \$1,029,824 for the year ended December 31, 2014 and 2013, respectively.

REQUIRED SUPPLEMENTAL INFORMATION



SOUTH DAVIS SEWER DISTRICT
Modified Approach for Eligible Infrastructure Assets
For the Year Ended December 31, 2014

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 make use of a physical condition assessment of its collection system and treatment plant facilities beginning January 1, 2004. The District's objective is to complete an assessment annually (or at least once every three years) of all infrastructure assets covered by its asset management system in accordance with GASB Statement No.34. The District's condition assessments will be performed using statistical samples that are representative of infrastructure assets. The latest condition assessment was performed in 2012 according to GASB Statement No. 34. This allows the District to ensure that assets are maintained at a prescribed condition and analyze future funding needs. The District's collection system and treatment plant facilities are composed of approximately 368.81 miles (1,947,291 feet) of sewer lines, 8,643 sections of line, 8,565 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 2014, 2013, and 2012:

	2014 Completed	2013 Completed	2012 Completed
District Operators	229	313	162
Outside Contractors	18	56	37
Total	247	369	199

Here are the results from the work orders for 2014 and 2013:

	2014	2013	Variance	Percent Change
Inspections Performed	2,404	2,885	(481)	-16.7%
Cleaning				
Sections	1,718	1,888	(170)	-9.0%
Footage	417,638	452,014	(34,376)	-7.6%
TV Work				
Sections	660	1,115	(455)	-40.8%
Footage	150,027	240,220	(90,193)	-37.5%

Approximately 19% of the District's collection system was cleaned and 7% was inspected by closed circuit television (CCTV) in 2014. (See Collection System GIS, TV and Cleaning Maps at the end of this section).

The District expended \$313,447 on rehabilitation and replacement of the collection system, lift stations, and treatment plant facilities for the year ended December 31, 2014. 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 54 CIPP on sewer lateral lines, for a total cost of \$23,869.

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 2014, the District performed 660 condition assessments of line segments for the collection system, calculated in accordance with GASB Statement No. 34 guideline. The District also performed an assessment of both treatment plant facilities, 2,404 manholes and 9 lift stations. The condition assessment of the 660 line segments identified 7 deficiencies in line segments and 41 deficiencies in manholes resulting in a condition level lower than established by the District. 100% of the deficiencies identified in the line segments and manholes were corrected in the year 2014. One deficiency at both treatment plants were identified in the Cogeneration systems. The Cogeneration systems are still being evaluated for a cost effective solution. All 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
North Pointe Lift Station			1
Eaglewood Village 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 2015

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

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

The budget required to maintain and preserve the current overall condition through the year ended December 31, 2030, is estimated to be \$671,170 per year. This figure was arrived at by taking the average expenditures from 2004 to 2014 and adding 1.5% for inflation (\$661,251*1.015).

Funds totaling \$2,459,000 are budgeted for fiscal year 2014 for the continued preservation and rehabilitation of the District's infrastructure assets and are allocated as follows:

\$1,027,000 Collection System
\$1,432,000 Plant & Equipment Building

The District expended \$313,447 on repairs, maintenance, rehabilitation and other preservation cost of the collection system, lift stations, and treatment plant facilities (infrastructure assets) for the year ended December 31, 2014

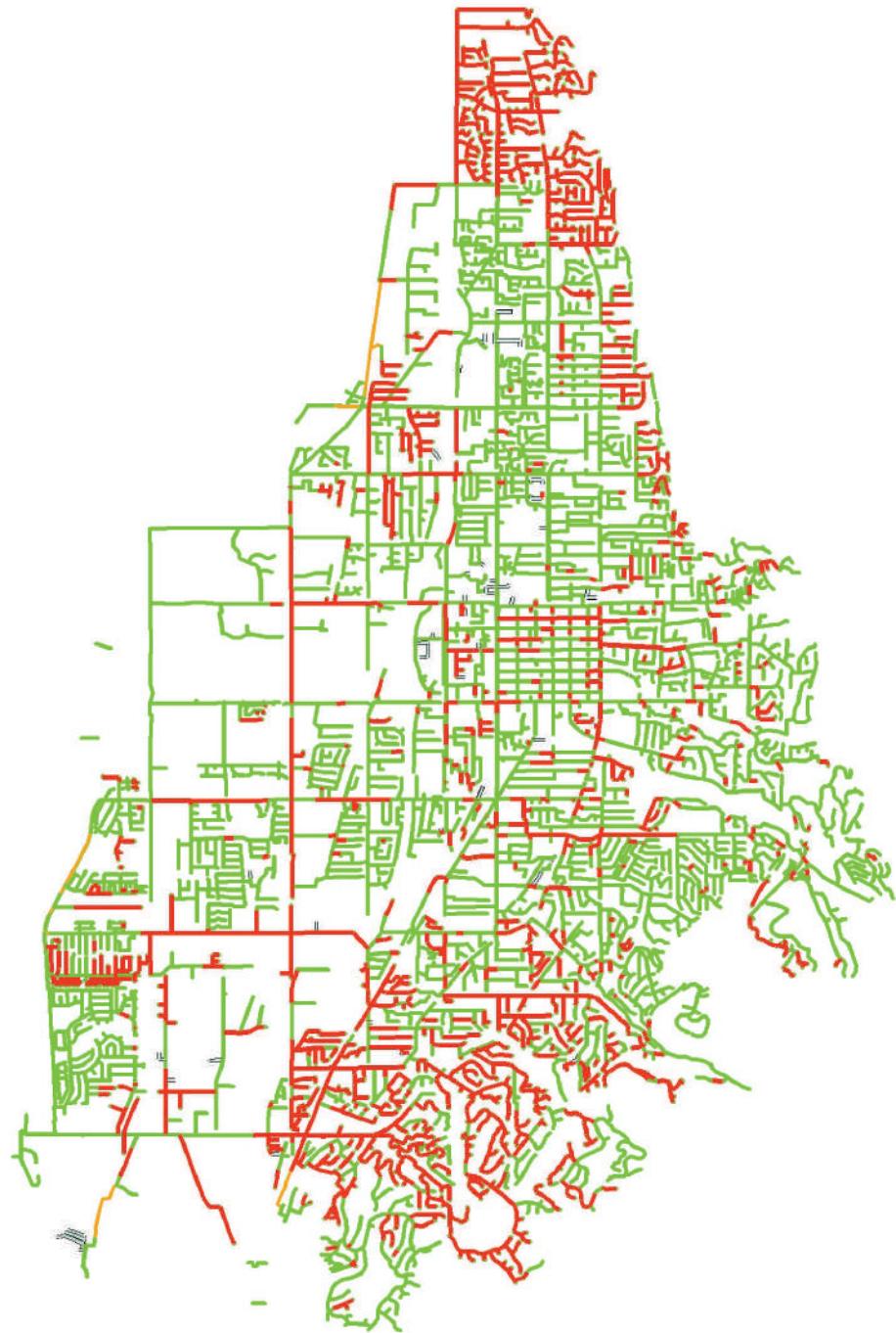
The budget set by the District to cover such expenses was \$2,459,000 for 2014. The District sets this budget high to restrict funds to cover any emergencies or material unexpected expenses (worst case scenario).

The amount estimated to achieve the minimal target conditional assessment was \$671,170 for 2014. There are two reasons why the amount expended (\$313,447) is significantly lower for 2014 than the budgeted amount compared to the previous nine years: 1) The District employees perform most of the work to maintain and preserve infrastructure assets, therefore saving the District outsourcing costs. 2) In 2014 the addition of five new buildings and facilities (collection building and facility, South Plant disinfection facility and generator building, and the North Plant disinfection facility and parking structure). Again, District employees performed a significant amount of the work on these new capital assets reducing contract out expenses.

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

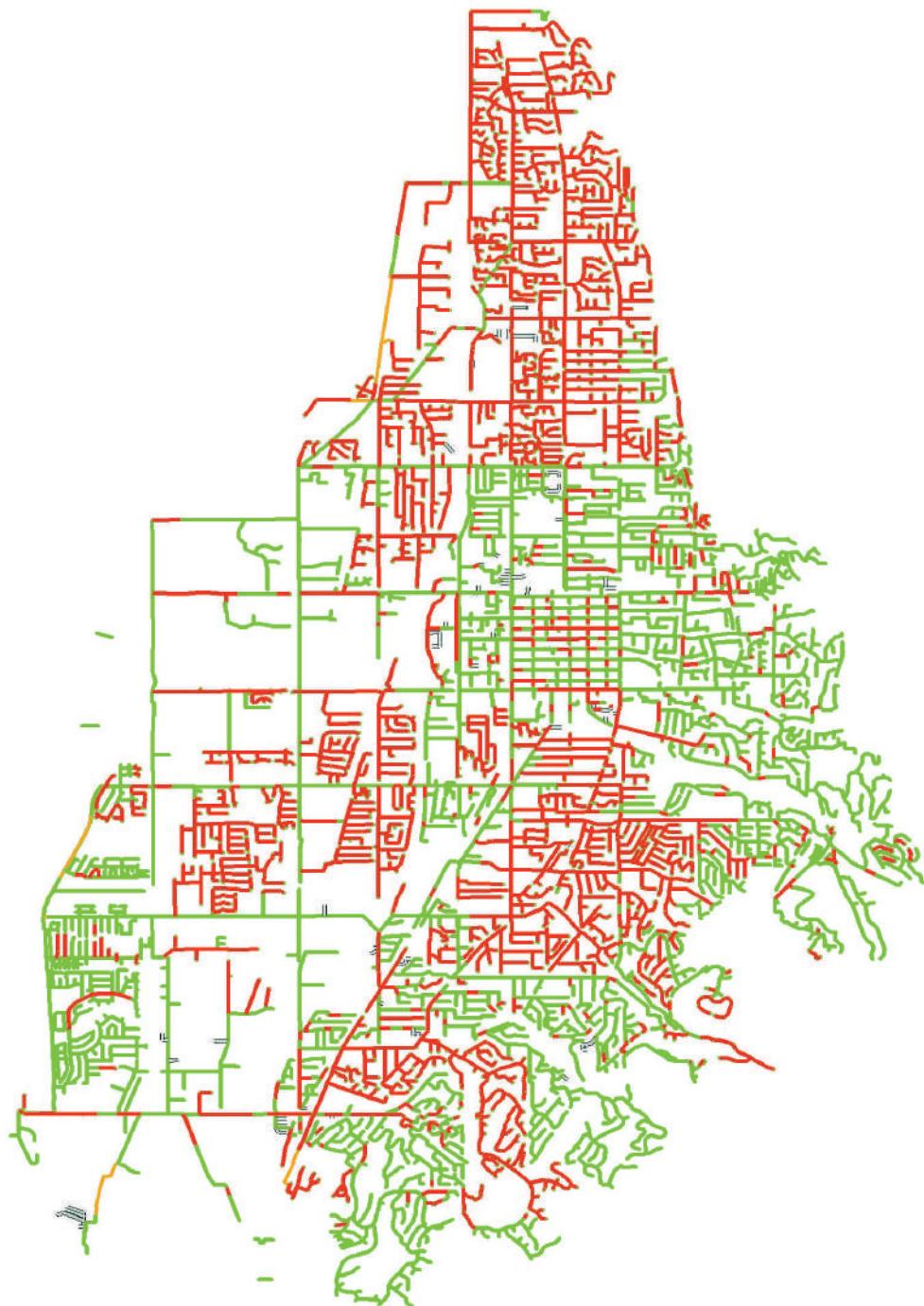
Maintenance and preservations costs allow an asset to continue and extend its useful life beyond the original estimated useful life, and provide service indefinitely.

SOUTH DAVIS SEWER DISTRICT
Sewer Main Lines TV Inspections
(red)
2012 - 2014



Source: District Geographical Information System (GIS)

SOUTH DAVIS SEWER DISTRICT
Sewer Main Lines Cleaned
(red)
2013 - 2014



Source: District Geographical Information System (GIS)

SUPPLEMENTAL INFORMATION



SOUTH DAVIS SEWER DISTRICT
Schedule of Revenues and Expenses Budget to Actual
(Non-GAAP Budgetary Basis)
For the Year Ended, December 31, 2014

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
<i>Operating Revenues</i>				
Sewer Service Fees	\$ 2,311,000	\$ 2,270,000	\$ 2,236,798	\$ (33,202)
Sewer Special Treatment	100,000	100,000	213,554	113,554
Inspection Fees	6,000	10,000	11,700	1,700
Project Fees	20,000	30,000	28,500	(1,500)
Permit Fees	7,000	7,000	6,050	(950)
Sampling Fees	6,000	6,000	6,800	800
Lab Testing Fees	50,000	50,000	36,317	(13,683)
Taxable Sales	1,000	1,000	1,097	97
Misc Income	250,000	250,000	155,440	(94,560)
Refund and Allowances	(5,000)	(3,000)	(1,678)	1,322
Total	\$ 2,746,000	\$ 2,721,000	\$ 2,694,577	\$ (26,423)
<i>Nonoperating Revenues</i>				
Property Taxes	\$ 1,898,000	\$ 1,885,000	\$ 1,890,284	\$ 5,284
Impact Fees	500,000	750,000	868,201	118,201
Penalties	80,000	60,000	113,190	53,190
Interest	70,000	70,000	75,539	5,539
Surplus Property Sales	190,000	280,000	360,318	80,318
WQG Contributions	600,000	600,000	600,000	-
Reserve Transfer	2,629,000	1,080,000	-	(1,080,000)
Total	\$ 5,967,000	\$ 4,725,000	\$ 3,907,532	\$ (817,468)
Total Revenue	\$ 8,713,000	\$ 7,446,000	\$ 6,602,109	\$ (843,891)
EXPENSES				
<i>Operating Expenses</i>				
Operating Expenses	\$ 524,000	\$ 527,000	\$ 445,965	\$ 81,035
Utilities	342,000	342,000	343,315	(1,315)
Payroll and Benefits	3,240,000	3,068,000	3,191,102	(123,102)
Biosolid Disposal	20,000	20,000	9,558	10,442
No-Fault Sewer Back-up	25,000	25,000	23,784	1,216
Outside Services	545,000	601,000	491,850	109,150
Chemicals	300,000	300,000	225,344	74,656
Lab Testing	215,000	207,000	151,531	55,469
Transportation	71,000	74,000	69,635	4,365
Buildings & Grounds	94,000	96,000	77,572	18,428
Office & Computer	94,000	94,000	69,276	24,724
Insurance	85,000	85,000	86,762	(1,762)
Self Insurance Casualty	2,000	2,000	-	2,000
Audit	24,000	24,000	15,000	9,000
Education & Training	72,000	73,000	39,972	33,028
Operating Reserves	54,000	195,000	-	195,000
Total	\$ 5,707,000	\$ 5,733,000	\$ 5,240,666	\$ 492,334

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, 2014

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
Non Operating Expenses				
Capital Expenses				-
Outfall/Sewer Lines	\$ 527,000	\$ 527,000	\$ 224,986	302,014
Operating Equipment	1,715,000	516,000	369,932	146,068
Building and Facilities	229,000	157,000	296,138	(139,138)
Mobile Equipment	245,000	238,000	258,215	(20,215)
Major Equipment & Engineering	200,000	200,000	-	200,000
Office Equipment	90,000	75,000	5,928	69,073
Other				-
Debt Service Principle	-	-	-	-
Debt Service Interest	-	-	-	-
Total	\$ 3,006,000	\$ 1,713,000	\$ 1,155,198	\$ 557,802
Total Expenses	\$ 8,713,000	\$ 7,446,000	\$ 6,395,865	\$ 1,050,135.37
Excess of Revenue over Expenses	\$ -	\$ -	\$ 206,244	\$ 206,244

RECONCILIATION OF BUDGET BASIS
ACTUAL TO GAAP BASIS ACTUAL

Excess (Deficit) of Revenues over Expenses "Budget Basis"	\$ 206,244
Add Back:	
Contributed Capital	1,327,057
Revenue Accruals	451,152
Capitalized Capital Expenses	879,576
Gain on Sale of Assets	104,325
Net Change in Fair Value of Investments	2,552
Deduct:	
Inventory Adjustment	(119)
Expense Accruals	(236,161)
Depreciation Expense	(342,111)
Surplus Property Sales	(360,318)
Increase in Net Position, "GAAP Basis"	\$ 2,032,197

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

SOUTH DAVIS SEWER DISTRICT

Schedule of Impact Fees
For the Year Ending December 31, 2014

Project/Development	Lot/Building	Date Received	Amount	Monthly Subtotal
Valentine Est Town Homes	Lots 801-810 314, & 327	1/2/2014	\$ 19,152.00	
Foxboro North	PI16 Lot 1 Bldg 1 12 units	1/6/2014	17,472.00	
Ranches at Lakeside	Lot 6	1/6/2014	1,596.00	
Foxboro South	Lot 702	1/7/2014	1,596.00	
Foxboro North	Lots 1515 & 1217	1/9/2014	3,192.00	
Eaglepoint Est	Lot 1708	1/8/2014	1,596.00	
Foxboro North	Clubhouse	1/10/2014	1,087.20	
Crestpointe	Lots 2201&2203	1/15/2014	3,192.00	
Stonehaven	Lots 57-64	1/20/2014	12,768.00	
Greenhouse Circle	Lot 2	1/22/2014	1,596.00	
Villas Stone Creek	Lot 16	1/20/2014	1,596.00	
Eaglewood Views	Lots 204,212,219,214 & 227	1/23/2014	7,980.00	
Eaglewood Est	Lots 1706 & 1702	1/23/2014	3,192.00	
Foxboro North	PI16 Lot 1 Bldg 3 12 units	1/24/2014	17,472.00	
Foxboro North	Lots 1310 & 1513	1/24/2014	3,192.00	
Wilson Sub	Lot 34	1/24/2014	1,596.00	
Davis Blvd Sub	Lot 6	1/27/2014	1,596.00	
				\$ 99,871.20
Valentine Est	Lots 214 & 230	2/3/2014	\$ 3,192.00	
Crestpointe	Lot 2111	2/4/2014	1,596.00	
WX Industrial Park	Lot 9	2/6/2014	3,077.10	
Corner Bakery	175 W 500 S Btfl	2/10/2014	2,713.20	
Heritage Point	Lot 20	2/10/2014	1,596.00	
Stone Creek	Lot 29	2/10/2014	1,596.00	
Cannonwood Ind Park	Lot 2	2/11/2014	8,379.00	
Foxboro North	Lots 1343, 1225, 1201, 1520,1521,1518	2/13/2014	9,576.00	
NSL Industrial Park D	Lot 56	2/20/2014	10,932.60	
Eaglepoint Est	Lot 1515 & 1404	2/20/2014	3,192.00	
Tony Burger	88 W 400 N #142 Centerville	2/21/2014	646.80	
Valentine Est	Lot 212	2/21/2014	1,596.00	
Foxboro North	Lot 1215	2/21/2014	1,596.00	
Stone Creek	Lot 26	2/24/2014	1,596.00	
				\$ 51,284.70
Hughs Industrial Park	Lot 2	3/5/2014	\$ 13,725.60	
Edgewood Est Ph 2	Lots 38a & 38b	3/5/2014	3,192.00	
SkyPark Industrial Park	Lot 50	3/5/2014	1,596.00	
Villas at Stonecreek	Lot 17	3/7/2014	1,596.00	
Eaglewood Views	Lots 201 & 211	3/10/2014	3,192.00	
Foxboro North	PI 16 Lot 1 Bldg 2 (24 units)	3/11/2014	34,944.00	
Mt View	Lot A	3/12/2014	2,074.80	
Mt View	Lots 319-323	3/14/2014	7,980.00	
Foxboro North	Lots 1213, 1309, 1335, 1329	3/18/2014	6,384.00	
Foxboro Stonehaven	Lots 65-70	3/18/2014	9,576.00	
Valentine Est	Lots 324, 323, 316	3/20/2014	4,788.00	
Eaglewood Est	Lot 10	3/25/2014	1,596.00	
Villas at Stonecreek	Lot 8	3/25/2014	1,596.00	
Tunnel Springs Park	Restrooms	3/28/2014	1,456.00	
				\$ 93,696.40
Foxboro North	Lots 1222 & 1328	4/1/2014	\$ 3,192.00	
Foxboro North	Stonehaven Lots 78 & 81	4/3/2014	3,192.00	
Foxboro North	Lots 1334, 1341, 1311, 1224, 1208	4/4/2014	7,980.00	
Valentine Est	Lot 312	4/7/2014	1,596.00	
Villas at Stonecreek	Lot 6	4/8/2014	1,596.00	
Eaglewood Views	Lots 226 & 208	4/9/2014	3,192.00	
Riverbend Industrial Park	Lots 15&16	4/9/2014	5,665.80	
1426 W 1710 S	M&B WX	4/9/2014	1,596.00	
NSL Industrial Park D	Lot 15F	4/11/2014	478.80	
Villas at Stonecreek	Lot 14	4/11/2014	1,596.00	
Foxboro North	PI 16 Lot 1 Bldg 8 (24 units)	4/14/2014	34,944.00	
530 E 100 S	M&B Centerville	4/15/2014	1,596.00	
Foxboro South	Lots 711 & 811	4/17/2014	3,192.00	
Villas at Stonecreek	Lots 22 & 28	4/17/2014	3,192.00	
Valentine Cottage	Lot 306	4/21/2014	1,596.00	
Villas at Stonecreek	Lot 2	4/24/2014	1,596.00	

Foxboro North	Lots 1333, 87, 1344	4/24/2014	4,788.00
Guard Shack	393 S 800 W WBif	4/24/2014	2,553.60
Fairway Oaks	Lot 35	4/28/2014	1,596.00
Foxboro South	Lot 708	4/29/2014	1,596.00
		-	\$ 86,734.20
Foxboro North	Pl 16 Lot 1 Bldg 10	5/5/2014	\$ 17,472.00
Views Eaglewood Village	Lots 210 & 223	5/7/2014	3,192.00
Tierra Vista PUD	Lots 10 & 11	5/12/2014	3,192.00
Foxboro South	Lots 810 & 812	5/13/2014	3,192.00
Views Eaglewood Village	Lot 218&213	5/13/2014	3,192.00
Foxboro North	Lot 925	5/15/2014	1,596.00
Foxboro North	Lots 1221 & 1315	5/15/2014	3,192.00
Foxboro North	Lots 1320 & 1330	5/15/2014	3,192.00
Madison Square	Lots 5-10 (6)	5/15/2014	9,576.00
Valentine Cottage	Lots 311 & 325	5/16/2014	3,192.00
Doug Coons	82 Walton Ln Centerville M&B	5/16/2014	1,596.00
Foxboro North	Lots 1348, 79,1317, 1327, 80,1219	5/22/2014	9,576.00
Primrose Sub	Lot 2	2/27/2014	1,596.00
Eaglepoint Est	Lot 1818	5/22/2013	1,596.00
			\$ 65,352.00
Foxboro North	PL16 Lot 1 Bldg 9 (24)	6/2/2014	\$ 34,944.00
Village at Stonecreek	Lot 27	6/2/2014	1,596.00
Bountiful Hills	Lot 405	6/4/2014	1,596.00
Foxboro North	Lots 1316, 1326, 1332, & 1338	6/5/2014	6,384.00
Foxboro South	PH 3 Lot 329 Davis Co Schools	6/6/2014	1,596.00
Foxboro South	1997 S 1992 W WX Elementary #60	6/6/2014	34,393.80
Wasatch Meadows	Lot 1	6/9/2014	1,596.00
Highland Oak	Lot 205	6/9/2014	1,596.00
Valentine Est	Lots 208 308, & 326	6/6/2014	4,788.00
Maple Hills	Lot 8	6/6/2014	1,596.00
Views Eaglewood Village	Lot 206	6/11/2014	1,596.00
Villas at Stonecreek	Lot 3	6/11/2014	1,596.00
Foxboro North	Lot 1334	6/10/2014	1,596.00
Legacy Crossing	Lot 404	6/10/2014	2,633.40
Foxboro North	Lot 1331	6/10/2014	1,596.00
NSL Industrial Park D	Lot 56	6/16/2014	4,149.60
Legacy Crossing	Lot 403	6/17/2014	1,755.60
Fairway Oaks	Lot 18	6/18/2014	1,596.00
Eaglewood Cove	Lot 701	6/19/2014	1,596.00
SkyPark Industrial Park	Lot 54	6/20/2014	2,713.20
Crestpointe	Lot 2106	6/20/2014	1,596.00
Parish Park	258 W Parish Ln Centerville Sonic Restaurant Lot 4	6/24/2014	2,713.20
Crestpointe	Lot 2202	6/24/2014	1,596.00
Edgewood Est Ph 2	Lot 37A & 37B	6/26/2014	3,192.00
Maple Hills	Lot 8	6/30/2014	1,596.00
Foxboro North	Lots 71-77 (7)	6/30/2014	11,172.00
			\$ 132,778.80
Ranches at Lakeside	Lot 13	7/7/2014	\$ 1,596.00
Eaglewood Cove	Lot 312	7/9/2014	1,596.00
Foxboro North	Lots 1325, 1339, 1337, 1351	7/9/2014	6,384.00
Valentines Estates	Lots 202 & 303	7/10/2014	3,192.00
Foxboro North	Lots 1214 & 1314	7/11/2014	3,192.00
Ranches at Lakeside	Lot 11	7/11/2014	1,596.00
Eaglepoint Est	Lot 1611 & 1804	7/11/2014	3,192.00
1842 N Main St Centerville	Lot 4	7/21/2014	1,596.00
Valentine Estates	Lot 209	7/21/2014	1,596.00
Views Eaglewood Village	Lots 23, 17 & 18	7/23/2014	4,788.00
Eggett Sub	Lot 502	7/23/2014	1,596.00
Ranches at Lakeside	Lot 1	7/25/2014	1,596.00
Northwood Business Park	Lot 7a-5-9	7/25/2014	478.80
The Pines at North Canyon	Lot 3	7/29/2014	1,596.00
Foxboro North	Lots 86 & 85	7/29/2014	3,192.00
			\$ 37,186.80
Foxboro North	Lots 1220, 1321, 303, 1319, & 1350	8/1/2014	\$ 7,980.00
Foxboro South	Lots 813 & 705	8/7/2014	3,192.00
3000 W 450 S WX	M&B New State Duck Club	8/6/2014	1,596.00
Foxboro North	Lots 1318, 1301, 1340, & 1349	8/11/2014	6,384.00
Hurdman Sub	Lot 2	8/11/2014	1,596.00
FedEx Ground	720 N 400 W NSL	8/12/2014	11,970.00
NSL Industrial Park D	Lot 29F	8/12/2014	1,596.00
Oak Hallow Est	Lot 22	8/13/2014	1,596.00
Foxboro North	Pl 16 Lot 1 Bldg 11 (24)	8/14/2014	34,944.00
Foxboro North	Lots 1323, 1346, 1226, 83, 84	8/14/2014	7,980.00
Foxboro South	Lots 703 & 805	8/20/2014	3,192.00
Foxboro North	Lot 9 & 10	8/29/2014	3,192.00
			\$ 85,218.00

Moss Farms	Lot 210	9/2/2014	\$ 1,596.00
Foxboro North	Lots 14, 13, 11, & 12	9/4/2014	6,384.00
Village on Main	Lot 5	9/4/2014	3,910.20
Valentine Estates	Lots 207, 231, & 305	9/9/2014	4,788.00
Foxboro North	Pl 16 Lot 1 Bldg 12 (18)	9/10/2014	26,208.00
2142 N Main St Centerville	M&B	9/10/2014	1,596.00
Foxboro North	Lot 1313, 1312, 1352, & 1322	9/10/2013	6,384.00
RCW Skypark	Lot 1-6	9/11/2014	3,351.60
Mark Hatch Est	Lot 3	9/11/2014	1,596.00
Riverbend Industrial Park	Lot 12	9/11/2014	2,793.00
Brad Hutchings	Lot 1	9/12/2014	1,596.00
Hidden Acres	Lot2	9/15/2014	1,596.00
Foxboro North	Lots 1302, 1305, 1308 & 1347	9/14/2014	6,384.00
Steel Sub	Lot 1261	9/22/2014	1,596.00
Smoot Commercial	4 Plex	9/24/2014	6,384.00
Foxboro South	Lot 804	9/26/2014	1,596.00
Ranches at Lakeside	Lot 12	9/29/2014	1,596.00
			\$ 79,354.80
Valentine Estates	Lots 321, 231, & 234	10/1/2014	\$ 4,788.00
The Views at Eaglewood	Lots 217 & 225	10/1/2014	3,192.00
The Pines at North Canyon	Lots 7 & 10	10/1/2014	3,192.00
Lewis Park	Lot 614	10/2/2014	1,596.00
Foxboro North	Lots 1303 & 1304	10/7/2014	3,192.00
Crestpointe	Lot 2113	10/7/2014	1,596.00
Eaglepoint Est	Lot 1802	10/7/2014	1,596.00
Evergreen Bus Park	Lots 2 & 3	10/8/2014	3,670.80
Foxboro South	Lot 709	10/14/2014	1,596.00
Pine Hills	Lot 2 & 3	10/14/2014	3,192.00
Foxboro North	Lot 1306	10/17/2014	1,596.00
Villas at Stonecreek	Lot 7	10/21/2014	1,596.00
Views Eaglewood Village	Lot 205	10/21/2014	1,596.00
Foxboro North	Lot 180 Foxhollow Park restrooms	10/22/2014	1,456.00
2774 S 625 W Bnt	Bountiful Mazda	10/24/2014	4,229.40
Foxboro North	Lot 82	10/30/2014	1,596.00
			\$ 39,680.20
Wasatch Front Industrial Park	Lot 4	11/1/2014	\$ 3,670.80
Foxboro North	Lots 101 to 106	11/5/2014	9,576.00
Tumblewood	1310 W 233 N lot 7	11/5/2014	4,788.00
Woods Cross Industrial Park	Lot 5	11/6/2014	8,778.00
Foxboro South	Lot 710	11/6/2014	1,596.00
Villa at Bela Vida	Lots 14, 3, & 8	11/13/2014	4,788.00
Foxboro South	Lot 706	11/14/2014	1,596.00
The Pasture	Bldg 1	11/14/2014	1,675.80
Hoffman PUD	Lots 2,3 & 4	11/14/2014	4,788.00
Olsen Farm Estates	Lot 502	11/14/2014	1,596.00
Stake N Shake	1011 Main st Centerville	11/17/2014	2,739.60
Ranches at Lakeside	Lot 2	11/17/2014	1,596.00
South Legacy Sub	Lot 3B	11/21/2014	2,394.00
			\$ 49,582.20
NSL City	Refund double payment R-26309 10/22/14 Foxhollow Park	12/31/2014	\$ (1,456.00)
Eaglepoint Est	Lot 1318	12/4/2014	1,596.00
Villa at Bela Vida	Lots 4, 5, & 15	12/4/2014	4,788.00
Crestpointe	Lot 2115	12/4/2014	1,596.00
NSL Industrial Park D	Lot 34	12/5/2014	2,314.20
Foxboro North	Lots 1342 & 1336	12/17/2014	3,192.00
Stone Springs PUD	Lots 1 & 2	12/18/2014	3,192.00
Riley Court Apts	517 S 100 E Bountiful	12/22/2014	11,491.20
Foxboro South	Lots 707 & 712	12/23/2014	3,192.00
Woods Park Sub	Lots 6 & 7	12/23/2014	3,192.00
Madison Square	Lots 3, 17 to 22	12/26/2014	11,172.00
The Pines at North Canyon	Lot 12	12/29/2014	1,596.00
Howhill Home	2502 S 150 E Bountiful M&B	12/31/2014	1,596.00
0			\$ 47,461.40
		Grand Total	\$ 868,200.70

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

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

The District's impact fee was \$1,456 per residence or residential equivalent (EDU) from January 1, 2012 to September 20, 2012. This impact fee was increased to \$1,596 per EDU beginning September 20, 2012.

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

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

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

The effective date for Resolution 136-2012 was September 21, 2012. **74**

SOUTH DAVIS SEWER DISTRICT

Schedule of Impact Fees

Treatment Plant

Last Ten Years

Year Collected	Impact Fee	Interest	Total
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
2014	868,201	4,341	872,542
Total	\$ 9,478,172	\$ 230,593	\$ 9,708,765

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, 2014

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

May 7, 2015

Date

mkatter@sdsd.us
Email Address

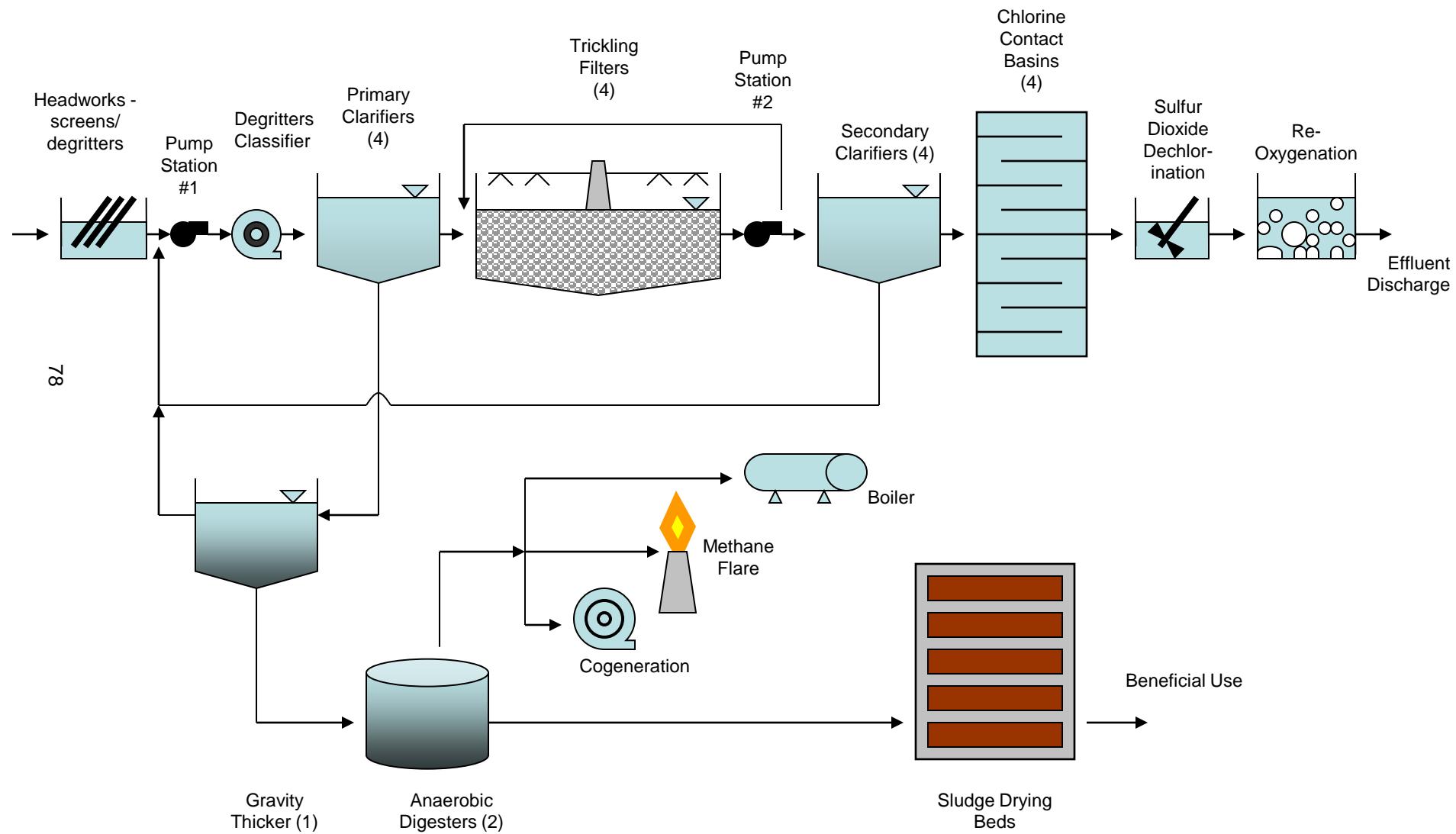
801-295-3469
Phone Number

SOUTH DAVIS SEWER DISTRICT
 Sewer Line Summary by Size
 For the Year Ending December 31, 2014

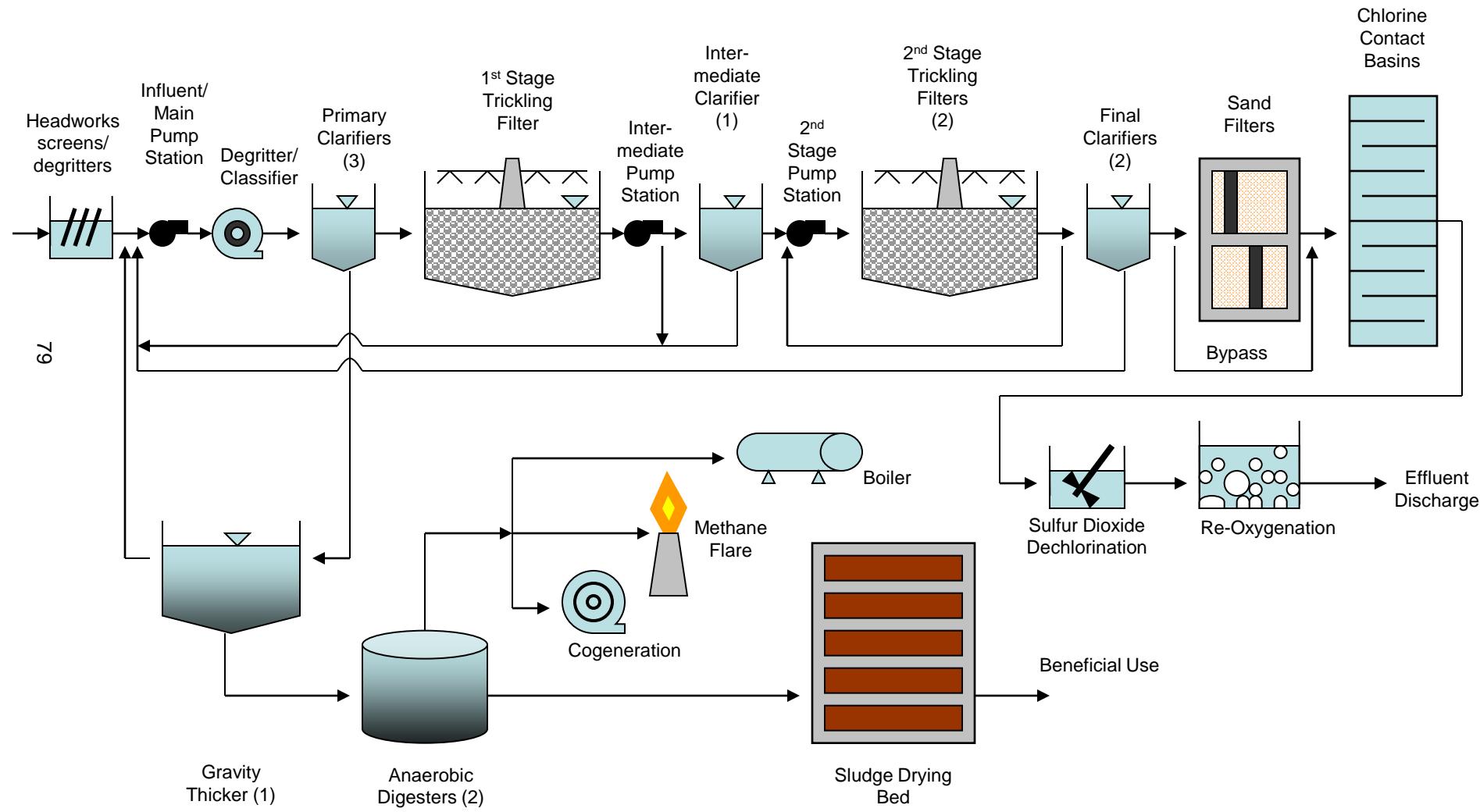
Diameter	Sections	Footage	Mileage
1.25	1	393	0
4	4	549	0
6	34	9,568	2
8	7,634	1,659,849	315
10	297	79,275	14
12	239	62,106	12
14	2	7,112	1
15	108	30,177	5
18	108	30,998	6
21	58	15,648	3
24	66	22,259	5
27	38	9,317	1
30	13	4,204	1
36	26	8,960	2
42	5	1,950	0
48	10	4,927	1
Total	8,643	1,947,292	368

Source: District Geographical Information System Records (GIS).

SDSD North Plant Process Flow Diagram – 12 MGD



SDSD South Plant Process Flow Diagram – 4 MGD



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 <i>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</i>	81
Revenue Capacity <i>These schedules contain information to help the reader assess the District's most significant local revenue sources.</i>	83
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the ability to issue additional debt in the future.</i>	92
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.</i>	96
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides and the activities it performs.</i>	105

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

SOUTH DAVIS SEWER DISTRICT

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

Schedule 1

	2014	2013	2012 ⁴	2011	2010	2009 ³	2008 ²	2007	2006 ¹	2005
Assets										
Current & Other Assets	\$ 15,739,177	\$ 15,524,487	\$ 15,281,822	\$ 15,482,994	\$ 16,953,319	\$ 18,890,833	\$ 18,335,962	\$ 17,346,849	\$ 16,263,153	\$ 14,588,236
Restricted Assets	-	-	-	-	-	-	-	793,500	793,500	793,500
Capital Assets - (Net of related debt)	60,919,692	59,235,406	55,347,168	53,226,384	51,825,817	49,820,787	48,590,268	42,712,900	39,731,240	37,352,886
Total Assets	\$ 76,658,869	\$ 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
Liabilities										
Current Liabilities	\$ 330,507	\$ 486,103	\$ 434,771	\$ 453,497	\$ 328,292	\$ 354,546	\$ 182,958	\$ 615,576	\$ 1,079,645	\$ 1,147,394
Noncurrent Liabilities	403,555	381,180	373,624	370,027	311,618	304,622	273,862	274,584	575,227	1,451,034
Total Liabilities	\$ 734,062	\$ 867,283	\$ 808,395	\$ 823,524	\$ 639,910	\$ 659,168	\$ 456,820	\$ 890,160	\$ 1,654,872	\$ 2,598,428
Net Position:										
Net Investment in Capital Assets (Net of related debt)	\$ 60,838,477	\$ 59,235,406	\$ 55,347,168	\$ 53,226,384	\$ 51,825,817	\$ 49,820,787	\$ 48,590,268	\$ 42,412,695	\$ 38,560,177	\$ 35,285,993
Restricted								793,500	793,500	793,500
Unrestricted (deficit)	15,086,330	14,657,204	14,473,427	14,659,470	16,313,409	18,231,665	17,879,142	16,756,894	15,779,344	14,056,701
Total Net Position	\$ 75,924,807	\$ 73,892,610	\$ 69,820,595	\$ 67,885,854	\$ 68,139,226	\$ 68,052,452	\$ 66,469,410	\$ 59,963,089	\$ 55,133,021	\$ 50,136,194

Source: District accounting and financial records.

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

¹GASB Statement No. 44 Implemented in 2006

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

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

⁴Contracted 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.

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

Schedule 2

	2014	2013	2012 ^a	2011	2010	2009 ^b	2008 ^c	2007	2006 ^d	2005
Operating Revenues										
Sewer Service User Fees	\$ 2,235,118	\$ 2,188,651	\$ 2,145,429	\$ 2,127,602	\$ 2,110,247	\$ 2,090,754	\$ 2,049,525	\$ 2,006,078	\$ 1,960,948	\$ 1,908,752
Sewer Special Treatment Fees	213,554	255,804	180,475	168,374	144,771	204,535	216,773	260,670	199,011	195,397
Inspection & Project Fees	40,200	52,460	77,980	27,210	8,145	27,889	43,106	106,976	97,790	90,337
Other	253,912	334,343	247,124	178,195	146,055	80,574	105,614	105,438	73,782	78,428
Total Operating Revenue	\$ 2,742,784	\$ 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
Operating Expenses										
Operating & Maintenance	\$ 5,532,400	\$ 5,407,450	\$ 5,241,791	\$ 5,704,107	\$ 5,515,868	\$ 4,645,897	\$ 4,498,408	\$ 3,424,604	\$ 3,048,918	\$ 3,291,423
Depreciation	342,111	360,330	327,082	295,415	265,475	215,435	180,487	174,174	247,992	277,159
Total Operating Expenses	\$ 5,874,511	\$ 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
Operating Income (Loss)	\$ (3,131,727)	\$ (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)
Nonoperating Revenue (Expenses)										
General Property Tax	\$ 2,078,046	\$ 2,119,222	\$ 1,989,427	\$ 2,024,811	\$ 1,970,947	\$ 1,880,189	\$ 1,835,054	\$ 1,816,294	\$ 1,713,428	\$ 1,510,748
Impact Fees	868,201	1,029,824	957,351	712,027	285,462	605,482	1,113,553	1,189,019	1,078,167	1,639,086
Miscellaneous Revenue	113,190	175,989	109,002	98,692	94,955	91,182	74,035	55,844	57,441	56,682
Intergovernmental Contributions	600,000	550,000	350,000	355,400	350,000	367,161				
Project Grant	69,418	178,113								
Interest Income	75,657	81,659	213,508	158,551	105,190	255,888	642,770	833,564	825,929	437,700
Gain (Loss) on Disposal of Property	104,325	43,625	29,866	198,630	38,559	25,727	1,197	55,742	24,005	11,779
Interest & Bond Expenses	-	-	-	-	-	-	(9,095)	(32,067)	(55,432)	(74,084)
Net Change in Fair Value of Investments	(2,552)	(6,336)	507,089	(437,754)	21,396	131,103	(15,198)	(7,801)	64,016	(44,687)
Total Non-Operating Revenue (Expense)	\$ 3,836,867	\$ 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
Income (Loss) Before Contributions	\$ 705,140	\$ 1,126,879	\$ 1,416,491	\$ (387,784)	\$ (505,616)	\$ 899,152	\$ 1,378,439	\$ 2,790,979	\$ 2,742,175	\$ 2,241,556
Capital Contributions - Assets	1,327,057	2,871,442	518,250	134,412	592,390	683,890	5,127,882	2,039,089	2,254,652	3,138,477
Increase in Net Assets	\$ 2,032,197	\$ 3,998,321	\$ 1,934,741	\$ (253,372)	\$ 86,774	\$ 1,583,042	\$ 6,506,321	\$ 4,830,068	\$ 4,996,827	\$ 5,380,033
Total Net Position at Beginning 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
Prior Period Adjustment	-	73,694								
Total Net Position at End of Year	\$ 75,924,807	\$ 73,892,610	\$ 69,820,595	\$ 67,885,854	\$ 68,139,226	\$ 68,052,452	\$ 66,469,410	\$ 59,963,089	\$ 55,133,021	\$ 50,136,194

Source: District accounting and financial records

Notes: GASB Statement No 34 implemented in 2004

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

^aGASB Statement No. 44 implemented in 2006

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

^cSDSD became the agent entity for a interlocal agreement for the Water Quality Research Group (WQG)

^dContracted with the EPA to operate a superfund site (OU2) in West Bountiful

The District had no aggregated debt since 2008

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

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

2014 Prior period adjustment resulted from a journal entry error.

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

	2014	2013	2012 ⁴	2011	2010	2009 ⁴	2008 ²	2007	2006 ¹	2005
Net Revenues										
Operating Revenues	\$ 2,742,784	\$ 2,831,258	\$ 2,651,008	\$ 2,501,381	\$ 2,409,218	\$ 2,770,913	\$ 2,415,018	\$ 2,479,162	\$ 2,331,531	\$ 2,272,914
Operating Expenses (excluding depreciation)	(5,532,400)	(5,407,450)	(5,241,791)	(5,840,971)	(5,515,868)	(4,645,897)	(4,498,408)	(3,424,604)	(3,544,902)	(3,305,691)
General Property Tax	2,082,256	2,119,222	1,989,427	2,024,811	1,970,947	1,880,189	1,835,054	1,816,294	1,713,428	1,510,748
Impact Fees	868,201	1,029,824	957,351	712,027	285,462	605,482	1,113,553	1,189,019	1,078,167	1,639,086
Intergovernmental Contributions	600,000	550,000	350,000	355,400	350,000	367,161				
Project Grant Revenue	-	69,418	178,113							
Misc. Revenue	113,190	175,989	109,002	98,692	94,955	74,035	74,035	55,844	57,441	55,921
Interest Income	75,657	81,659	213,508	158,551	105,190	255,888	642,770	833,564	825,929	437,700
Total Net Revenues	\$ 949,688	\$ 1,449,920	\$ 1,206,618	\$ 9,891	\$ (300,096)	\$ 1,307,771	\$ 1,582,022	\$ 2,949,279	\$ 2,461,594	\$ 2,610,678
Net Revenues Excluding Impact Fees										
Net Revenues	949,688	1,449,920	1,206,618	9,891	(300,096)	1,307,771	1,582,022	2,949,279	2,461,594	2,610,678
Impact Fees	(868,201)	(1,029,824)	(957,351)	(712,027)	(285,462)	(605,482)	(1,113,553)	(1,189,019)	(1,078,167)	(1,639,086)
Net Revenues Excluding Impact Fees	\$ 81,487	\$ 420,096	\$ 249,267	\$ (702,136)	\$ (585,558)	\$ 702,289	\$ 468,469	\$ 1,760,260	\$ 1,383,427	\$ 971,592
Aggregate Debt Service*										
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 309,300	\$ 902,925	\$ 904,176
Ratio of Net Revenues to Aggregate Debt Service	0	0	0	0	0	0	5.11	3.27	2.72	2.90
Ratio of Net Revenues to Aggregate Debt Service (Excluding Impact Fees)	0	0	0	0	0	0	1.51	1.95	1.53	1.08
Minimum Ratio	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Source: District accounting and financial records.

Notes: GASB Statement No 34 implemented in 2004

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

¹GASB Statement No. 44 implemented.

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

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

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

The District had no aggregated debt since 2008

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

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

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

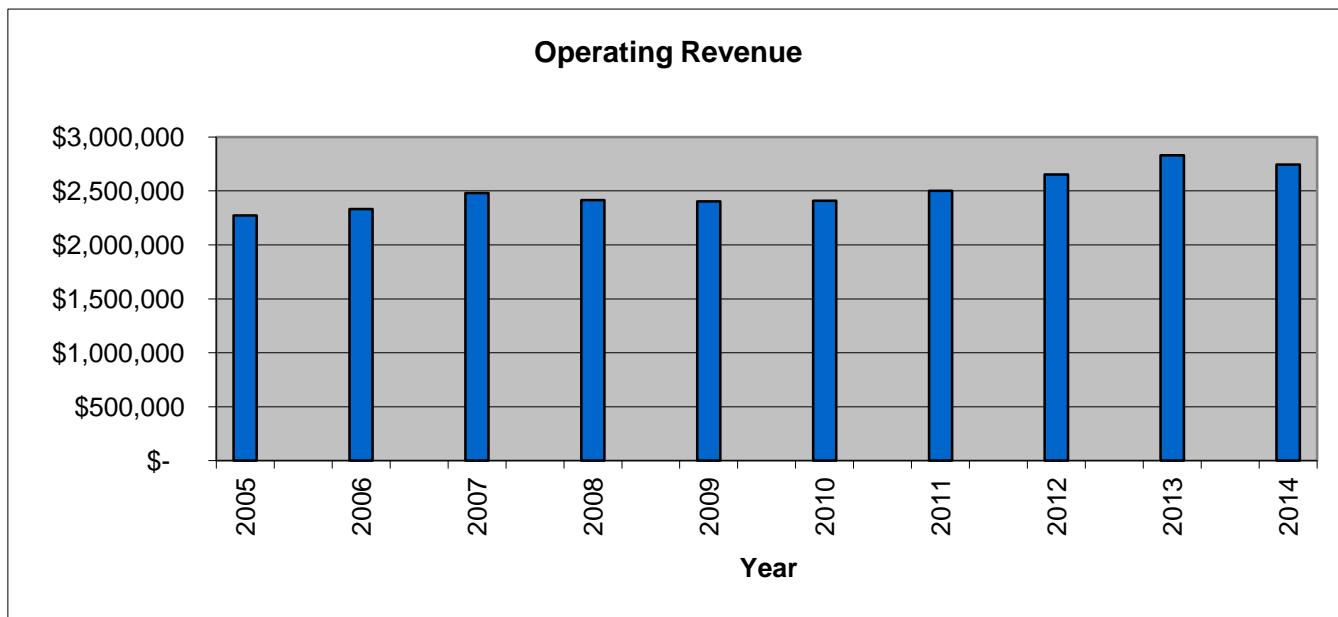
SOUTH DAVIS SEWER DISTRICT

Operating Revenues (Unaudited)

Last Ten Fiscal Years

Schedule 4

Year	Sewer Fees	Special Treatment Project & Inspection Fees	Other	Total
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
2014	\$ 2,235,118	\$ 253,754	\$ 253,912	\$ 2,742,784



Source: District accounting records

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

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

SOUTH DAVIS SEWER DISTRICT

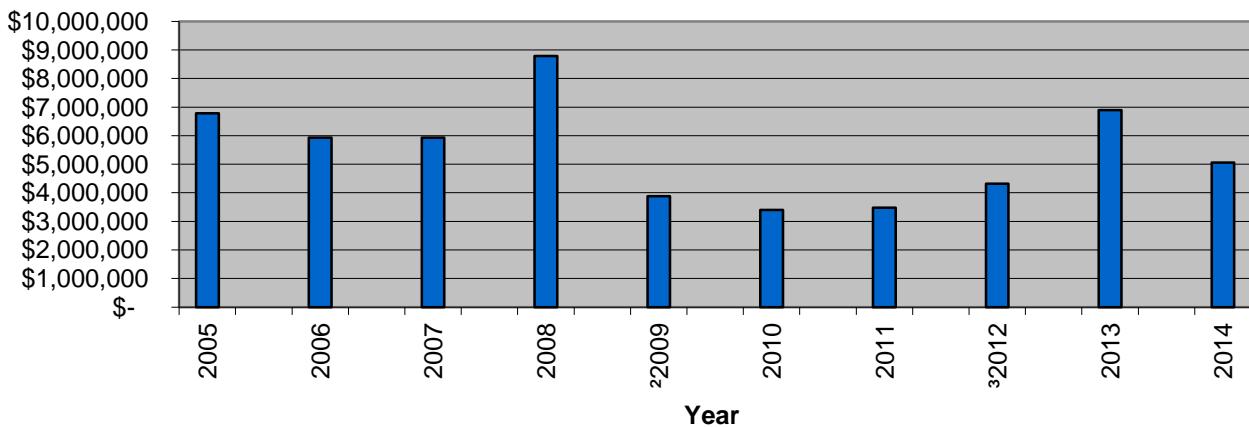
Non Operating Revenue (Unaudited)

Last Ten Fiscal Years

Schedule 5

Year	Taxes	Capital Contributions	Impact Fees	Interest	Misc Revenue	Grant & Inter Govt Contributions	Total
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
2014	\$ 2,078,046	\$ 1,327,057	\$ 868,201	\$ 75,657	\$ 113,190	\$ 600,000	\$ 5,062,151

Non Operating Revenue



Source: District financial and accounting records

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

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

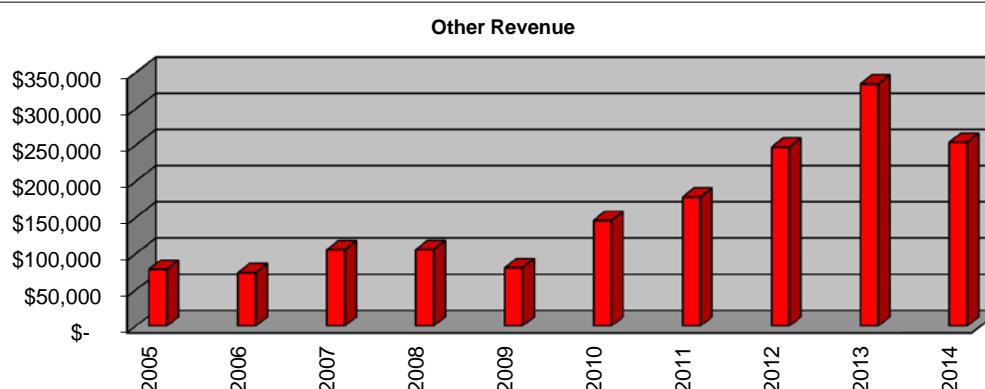
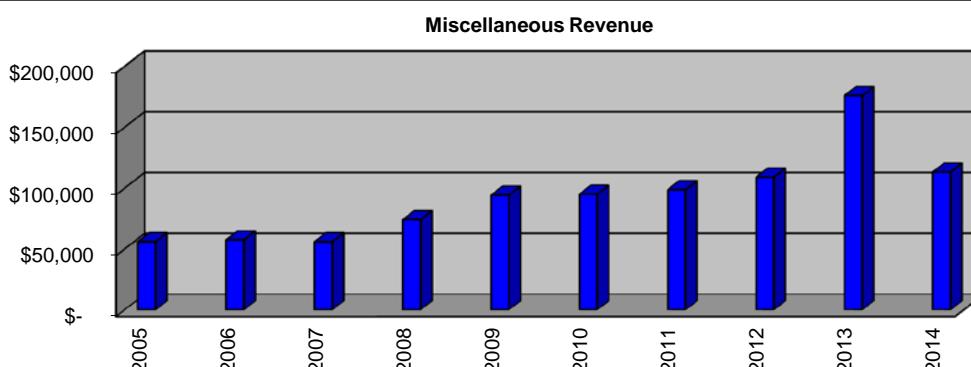
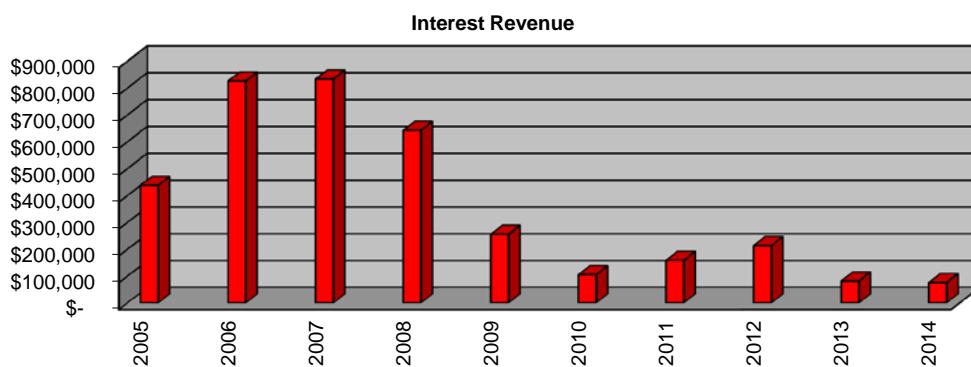
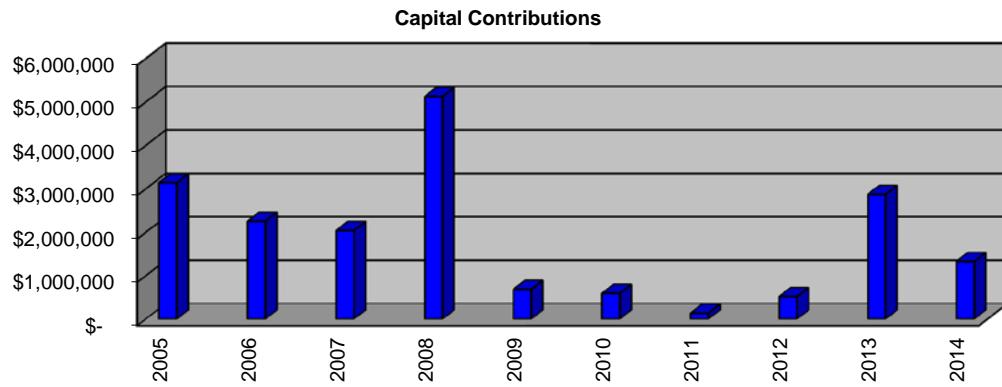
Table & Chart does not include realized, unrealized, gain or loss from investments and/or sale of equipment.

SOUTH DAVIS SEWER DISTRICT

Revenues by Source (Unaudited)

Last Ten Fiscal Years

Schedule 6



Source: District financial and accounting records.

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

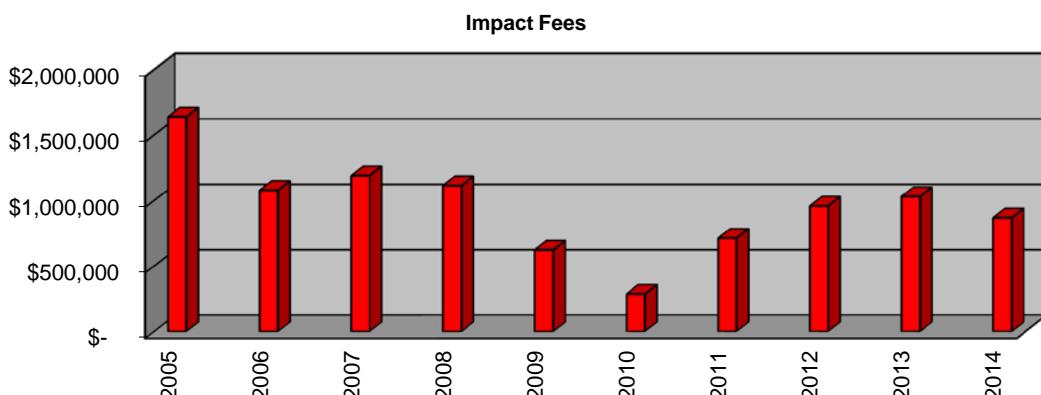
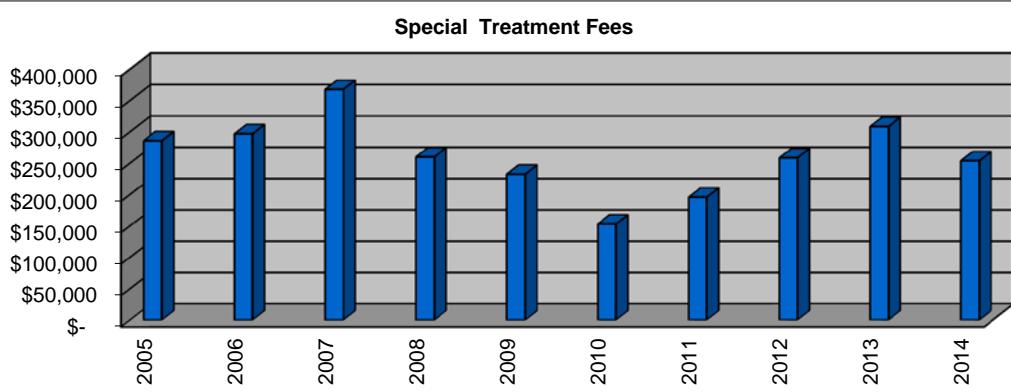
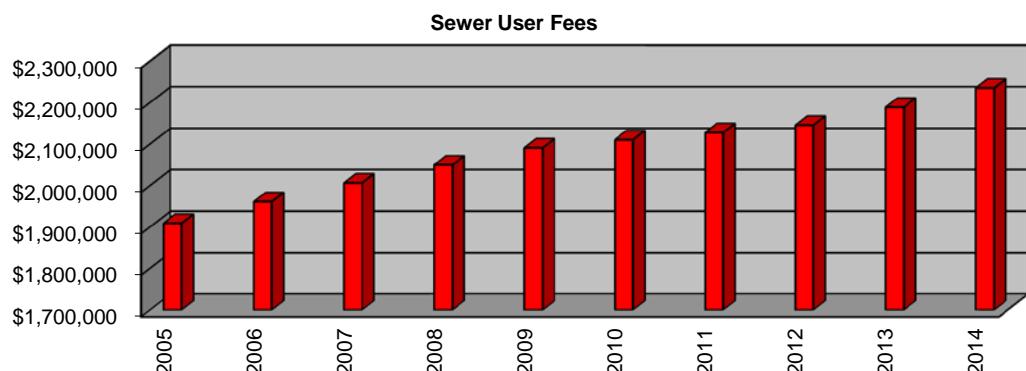
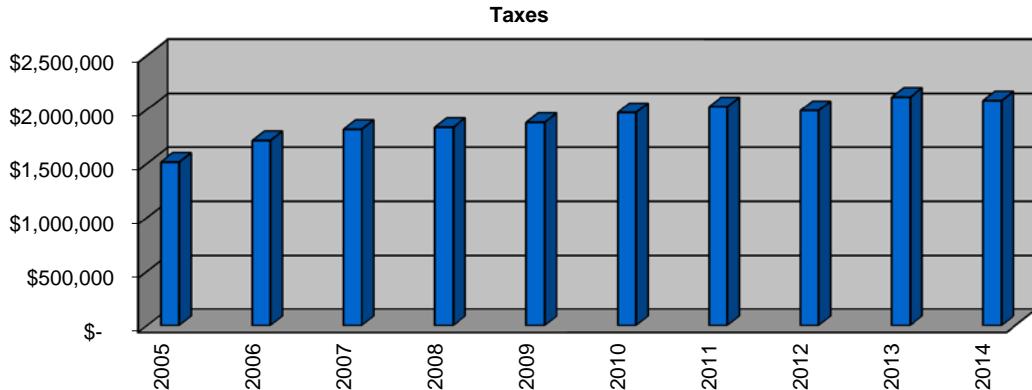
In 2008 the economic downturn started

SOUTH DAVIS SEWER DISTRICT

Schedule 7

Revenues by Source (Unaudited)

Last Ten Fiscal Years



Source: District financial and accounting records

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

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

Schedule 8

Year	Total Tax Levy for Fiscal Year	Collected in First Period		Collection in Subsequent Periods	Total Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2014	2,059,448	1,959,317	95.1%	64,576	2,023,893	98.3%

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

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

Schedule 9

Year	Annual Sewer Service Fee (Single Residential Home)	Annual Sewer Service Fee (Single Mobile Home)	Impact Fee
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
'2012	\$60.00	\$48.00	\$1,596.00
2013	\$60.00	\$48.00	\$1,596.00
2014	\$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.

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

Annual sewer services fees have not changed since 1988.

SOUTH DAVIS SEWER DISTRICT

Schedule 10

Principle Wastewater Contributors
 For the Year Ending December 31, 2014

Business	Location	Annual Discharged (Gallons)
Big West Oil LLC*	North Salt Lake	152,948,000
Silver Eagle Refinery*	Woods Cross	57,627,000
Restaurants	District	52,472,000
Holly Refinery*	West Bountiful	34,896,000
Car Wash/Service Stations/Dealers	District	34,119,000
Medical Centers/Retirement Homes	District	27,267,000
Large Retail Stores	District	26,335,000
Schools	District	22,214,000
IHC Laundry	Woods Cross	20,844,000
Health Clubs/ Bountiful Rec. Center	District	20,137,000
Lakeview Hospital	Bountiful	18,548,000
Churches	District	15,480,000
Hotels	District	14,314,000
Albertson's Distribution Center	North Salt Lake	13,013,000
Zero Manufacturing Inc.*	North Salt Lake	6,736,000
Stericycle Inc.	North Salt Lake	6,519,000
Air Products Manufacturing Corp	Bountiful	5,411,000
South Davis Hospital	Bountiful	4,911,000
Pilot Travel	North Salt Lake	4,509,000
Advanced Drainage Systems	North Salt Lake	4,402,000
Orbit Sprinklers	North Salt Lake	4,393,000
Dry Cleaners/Laundry	District	4,343,000
General Electric	North Salt Lake	3,609,000
Chevron Products	North Salt Lake	3,112,000
Benchmark Hospital	Woods Cross	2,564,000
Pipe Fab	Woods Cross	2,403,000
Pioneer Pipe Line	North Salt Lake	2,403,000
Manuel's Fine Foods	Woods Cross	2,267,000
Quala Systems*	North Salt Lake	1,909,000
Aero Tech*	North Salt Lake	1,875,000
THB Inc	North Salt Lake	1,869,000
Cowboy Oil	Woods Cross	1,849,000
Windriver Petroleum	Centerville	1,786,000
Legacy Megaplex Theater	Centerville	1,709,000
Dura-Line	North Salt Lake	1,077,000
Biotron Laboratories	Centerville	1,009,000
Quality Plating*	Woods Cross	716,000

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 (2014) and Nine Years Prior

Annual User Fee Amount

Account #	Rate Payer	Type of Service	2014	2005
00200	Holly Refinery	Refinery	\$ 109,349	\$ 75,595
03792 & 11076	Big West Oil	Refinery	\$ 57,438	\$ 81,070
05020	Silver Eagle Oil	Refinery	\$ 51,234	\$ 28,900
07287	Intermountain Health Care	Health Care	\$ 6,625	\$ 8,902
30985	Lakeview Hospital	Health Care	\$ 5,583	\$ 6,995
35963	South Davis Recreation Center	Recreation	\$ 5,390	n/a
08644	Zero Mfg	Manufacturing	\$ 5,166	\$ 9,735
05746	Albertsons Distribution Center	Warehouse	\$ 5,145	\$ 5,513
00345	Pioneer Pipeline	Manufacturing	\$ 4,840	\$ 5,355
00262 & 08714	Cowboy Asphalt Terminal	Manufacturing	\$ 3,486	\$ 2,818
7288	Ore Designs	Manufacturing	\$ 3,339	\$ 3,125
08195	TDJ Finishing	Manufacturing	\$ 2,948	\$ 2,374
00282	General Electric	Manufacturing	\$ 2,438	\$ 2,704
00716	Advanced Metal Finishing	Manufacturing	\$ 2,322	\$ 2,647
07868	Aero Tech	Manufacturing	\$ 2,267	\$ 2,896

Source: District accounting records

Note: South Davis Recreation Center opened in 2007

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

Schedule 12

Year	1989 Bond (3% Interest)	1990 Bond (5% Interest)	1992 Bond (4% Interest)	2003 Refunding Bond (2.7% Interest)	Total Bonds
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	\$ -	\$ -	\$ -	\$ -	\$ -
2014	\$ -	\$ -	\$ -	\$ -	\$ -

Source: Zions Bank Trust Department and District Accounting Records

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

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

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

Schedule 13

Year	Revenue		Debt		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.
	Bonds	Population	Per Capita					
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%
2014	\$ -	92,794	\$ -	n/a	n/a	\$ 5,871,813,450		0.00%

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

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

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

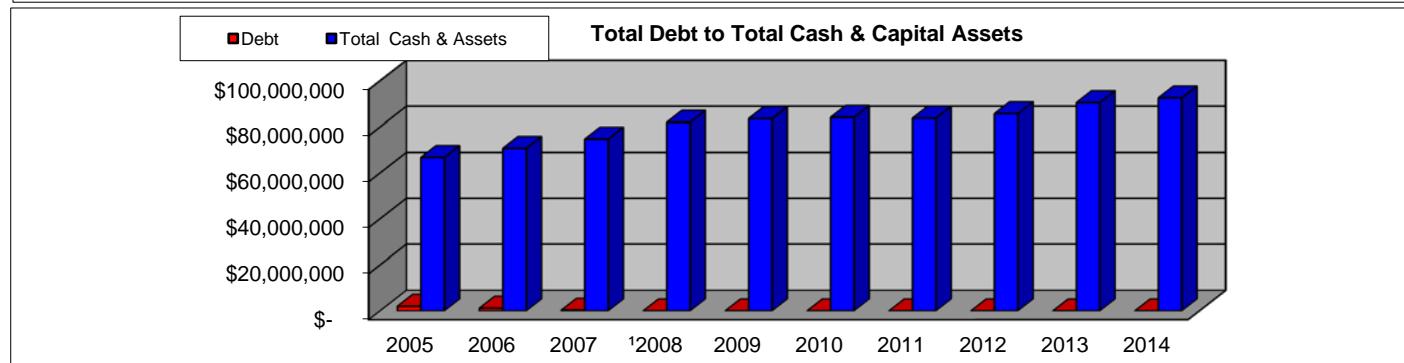
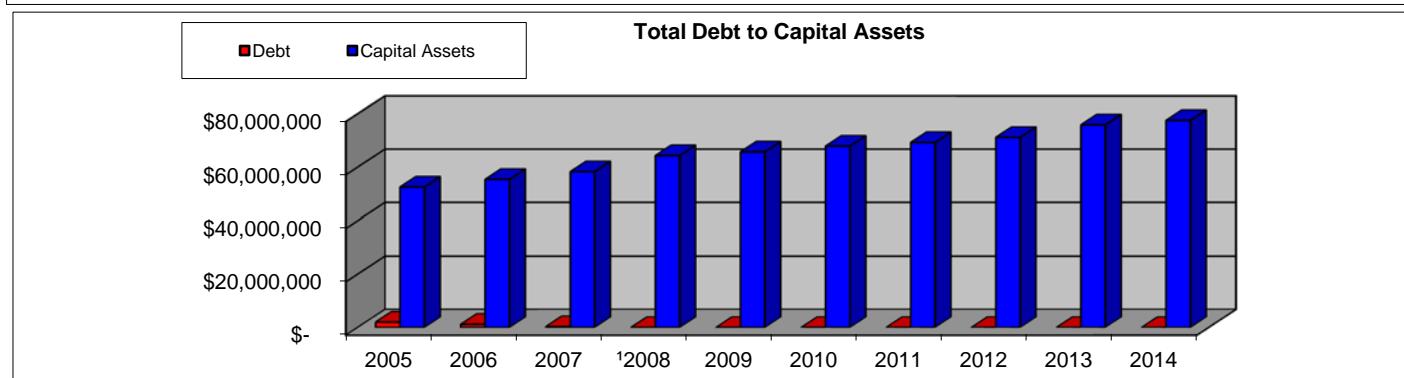
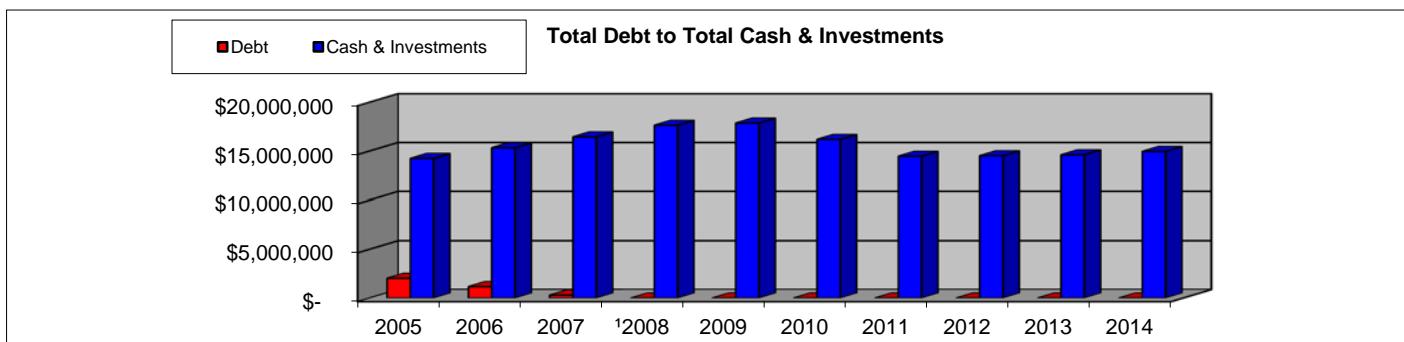
SOUTH DAVIS SEWER DISTRICT

Debt to Asset Ratios (Unaudited)

Last Ten Fiscal Years

Schedule 14

Year	Total Debt	Cash & Investments	% of Debt : Cash	² Total Capital Assets	% of Debt : Asset	Total Cash & Assets	% of Debt to Cash & Assets
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%
'2008	\$ -	\$ 17,631,263	0.00%	\$ 64,339,310	0.00%	\$ 81,970,573	0.00%
2009	\$ -	\$ 17,852,729	0.00%	\$ 65,723,067	0.00%	\$ 83,575,796	0.00%
2010	\$ -	\$ 16,185,317	0.00%	\$ 67,910,776	0.00%	\$ 84,096,093	0.00%
2011	\$ -	\$ 14,462,364	0.00%	\$ 69,268,268	0.00%	\$ 83,730,632	0.00%
2012	\$ -	\$ 14,511,792	0.00%	\$ 71,177,332	0.00%	\$ 85,689,124	0.00%
2013	\$ -	\$ 14,601,123	0.00%	\$ 75,884,155	0.00%	\$ 90,485,278	0.00%
2014	\$ -	\$ 14,950,344	0.00%	\$ 77,565,784	0.00%	\$ 92,516,128	0.00%



Source: District accounting records.

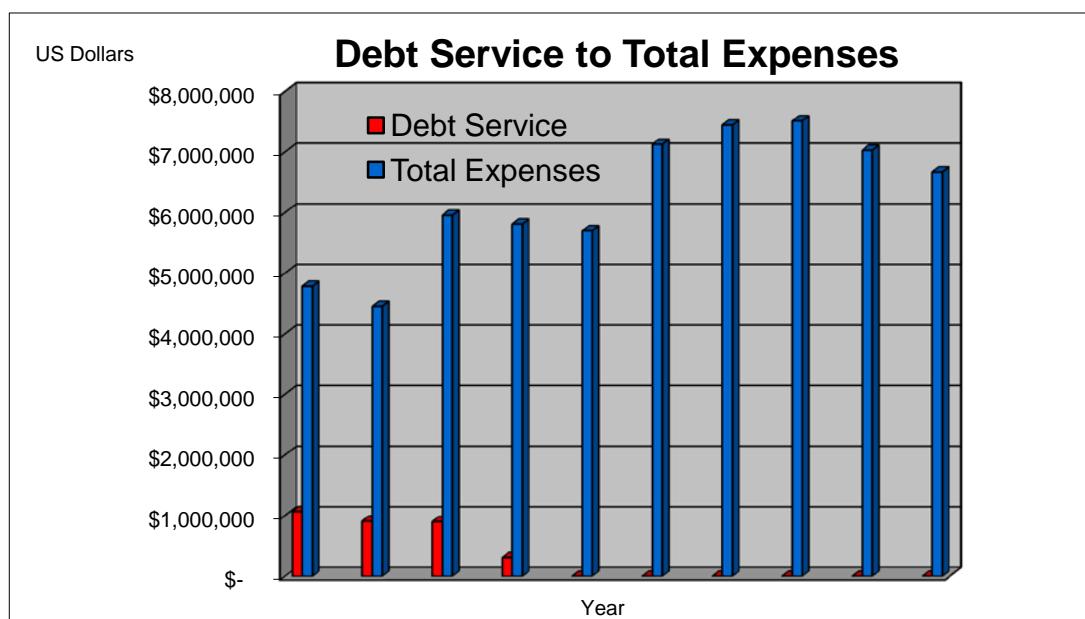
Note: '2003 Revenue Bond matured 12/15/08.

²Capital assets are at historical cost (excluding depreciation).

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

Schedule 15

Year	Debt Service	Total Expenses	% of Debt Service to Expenses
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%
2014	\$ -	\$ 6,667,837	0.00%



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

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

Total expenses exclude depreciation

Total expenses include operational, maintenance and capital expenses

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

Schedule 16

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	\$38,165	\$12,292,741,914	4.20%	68,571
2014	362,901	5,772	1,684	\$34,890	\$12,661,524,171	3.60%	69,139

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 2014 personal income and per capita personal income information was not available at the time of release, therefore they were estimated based upon the prior three year trend.

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

SOUTH DAVIS SEWER DISTRICT
 Davis County Principle Employers
 Current Year (2014) and Nine Years Ago

Schedule 17

Employer	2014			2005		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Hill Airforce Base	10000-14999	1	11.10%	20000-25000	1	21.1%
Davis County School District	7000-9999	2	7.40%	5000-7000	2	5.9%
Wal-Mart	1000-1999	3	1.50%	700-1000	5	0.4%
Lifetime Products	1000-1999	4	1.50%	1000-2000	3	1.7%
Lagoon Corporation	1000-1999	5	1.50%	700-1000	7	0.8%
Smiths Marketplace	500-999	6	1.50%	700-1000	6	0.8%
ATK Space Systems	500-999	7	1.50%	250-499	14	0.4%
Davis County	500-999	8	1.50%	700-1000	4	0.8%
Utility Trailer Manufacturing	500-999	9	0.70%	700-1000	7	0.8%
Davis Hospital and Medical	500-999	10	0.70%	500-700	11	0.6%
Lofthouse Bakery Products	500-999	11	0.70%	n/a	n/a	n/a
Lakeview Hospital	500-999	12	0.70%	500-700	10	0.1%
South Davis Community Hospital	500-999	13	0.40%	250-499	15	0.1%
Layton City	250-499	14	0.00%	250-499	18	0.1%
Northrop Grumman	250-499	15	0.00%	500-700	9	0.8%
Job Corp	250-499	16	0.00%	250-499	17	0.6%
YES	250-499	17	0.00%	250-499	20	0.0%
Davis Applied Technology Center	250-499	18	0.00%	250-499	22	0.4%
FedEx Ground	250-499	19	0.00%	250-499	25	0.0%
State of Utah (in Davis County)	250-499	20	0.00%	250-499	27	0.4%
Totals	<u><u>25750-39982</u></u>		<u><u>30.70%</u></u>	<u><u>33050-45092</u></u>		<u><u>35.8%</u></u>

Source: Utah Department of Workforce Service, Davis County.

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

SOUTH DAVIS SEWER DISTRICT

Schedule 18

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

Overlapping Rates

Fiscal Year	South Davis Sewer District	Bountiful City	Centerville City	West Bountiful City	Woods Cross City	North Salt Lake City	Davis County	Weber Basin Water	South Davis Water	Bountiful Water	Mosquito Abatement	Recreation District	¹ South Davis	Total Direct & Overlapping Rates
2005	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
2006	0.000357	0.001194	0.001436	0.001482	0.000923	0.001645	0.009605	0.000426	0.000193	0.000316	0.000147	0.000091	n/a	0.017815
2007	0.000341	0.001119	0.001349	0.001500	0.000880	0.001546	0.009044	0.000403	0.000178	0.000298	0.000139	0.000086	n/a	0.016883
2008	0.000305	0.000912	0.001233	0.001457	0.000833	0.001459	0.007728	0.000375	0.000200	0.000236	0.000115	0.000099	0.000390	0.015342
2009	0.000270	0.000903	0.000923	0.001204	0.000646	0.001258	0.007390	0.000332	0.000181	0.000228	0.000110	0.000088	0.000340	0.013873
2010	0.000290	0.000948	0.000997	0.001384	0.000690	0.001396	0.007651	0.000348	0.000188	0.000290	0.000113	0.000093	0.000356	0.014744
2011	0.000315	0.001037	0.001102	0.001366	0.000840	0.00152	0.008416	0.000363	0.000207	0.000240	0.000122	0.000097	0.000379	0.016004
2012	0.000329	0.001093	0.001173	0.001997	0.001049	0.001637	0.011244	0.000392	0.000217	0.000248	0.000130	0.000104	0.000407	0.020020
2013	0.000330	0.001094	0.001165	0.001951	0.001058	0.001637	0.013931	0.000396	0.000215	0.000253	0.000131	0.000105	0.000399	0.022665
2014	0.000301	0.000946	0.01072	0.001788	0.000913	0.001541	0.008637	0.000361	0.000199	0.000246	0.000120	0.000124	0.000338	0.026234

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

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

¹South Davis Recreation District was created in 2007.

Davis County includes Davis County School District.

SOUTH DAVIS SEWER DISTRICT

Schedule 19

Davis County Tax Factors (Unaudited)
For the Year Ending December 31, 2014

1	Utah Assess & Collect	0.000013
2	Davis County Jail Bond	0.000114
3	Bountiful Water	0.000120
4	Davis County Mosquito Abatement	0.000124
5	Weber Basin Water	0.000199
6	Central Davis Sewer District	0.000217
7	Davis County Assess & Collect	0.000237
8	South Davis Water District	0.000246
9	South Davis Sewer District	0.000301
10	South Davis Recreation Center	0.000338
11	Davis County Library	0.000361
12	Hooper Water Improvement	0.000415
13	Benchland Water District	0.000430
14	Central Weber Sewer District	0.000838
15	Woods Cross City	0.000913
16	Bountiful City	0.000946
17	North Davis Sewer District	0.001025
18	West Point City	0.001036
19	Centerville City	0.001072
20	North Davis Fire District	0.001379
21	Utah Statewide School Rate	0.001419
22	North Salt Lake City	0.001541
23	Syracuse City	0.001659
24	West Bountiful City	0.001788
25	Davis County	0.001797
26	Clearfield City	0.001800
27	Kaysville City	0.001826
28	Fruit Heights City	0.001883
29	Layton City	0.001896
30	Farmington City	0.002127
31	Clinton City	0.002253
32	Sunset City	0.002258
33	Davis County School District	0.006840

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 2014 and Nine Years Prior

	Tax Payer	City	Assessed Taxable Value				
			Personal Property	Real Property	2014 Total	2005 Total	
1	Chevron USA Inc.	County/NSL	\$ 419,154,398	\$ 12,579,870	\$ 431,734,268	\$ 418,894,367	
2	Holly Refinery	Woods Cross	\$ 229,843,404	\$ 17,371,537	\$ 247,214,941	\$ 199,694,564	
3	Big West Oil	North Salt Lake	\$ 73,569,391	\$ 8,667,943	\$ 82,237,334	\$ 74,669,772	
4	Pacificorp	North Salt Lake	n/a	\$ 63,668,096	\$ 63,668,096	\$ 64,287,193	
5	WBC Partners/West	West Bountiful	n/a	\$ 36,619,456	\$ 36,619,456	\$ 38,629,667	
6	Legacy Crossing LLC	Centerville	\$ 4,480,453	\$ 30,517,504	\$ 34,997,957	\$ 32,780,060	
7	IGI RE Holdings WX LLC	West Bountiful	\$ 31,610,696	\$ 3,335,774	\$ 34,946,470	\$ 29,499,466	
8	Hospital Corp of Utah	Bountiful	\$ 11,328,319	\$ 16,879,688	\$ 28,208,007	\$ 28,629,667	
9	Albertsons	North Salt Lake	\$ 4,960,608	\$ 21,007,384	\$ 25,967,992	\$ 24,305,456	
10	Questar Gas	Bountiful	n/a	\$ 23,131,705	\$ 23,131,705	\$ 25,763,854	
11	Linde Gas North America LLC	Woods Cross	\$ 20,796,503	n/a	\$ 20,796,503	\$ 17,018,951	
12	Wal-Mart	Centerville	\$ 1,516,994	\$ 16,475,000	\$ 17,991,994	\$ 15,686,696	
13	Bountiful Corner	Bountiful	n/a	\$ 16,650,401	\$ 16,650,401	n/a	
14	G & E Healthcare	Woods Cross	n/a	\$ 15,376,000	\$ 15,376,000	\$ 14,790,852	
15	Dayton West LLC	North Salt Lake	\$ 1,810,455	\$ 12,867,597	\$ 14,678,052	\$ 10,151,698	

Source: Davis County Clerk/Auditor's Office

Notes: 2014 Certified Tax Rate = 0.00030 . Year end property values for the District were:

Real property \$5,535,793,683 Personal property, \$1,068,192,883 & Centrally assessed \$156,411,942

Total adjusted property values were \$6,760,398,508

SOUTH DAVIS SEWER DISTRICT
 Operator Certification Program (Unaudited)
 For the Year Ending December 31, 2014

Schedule 21

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

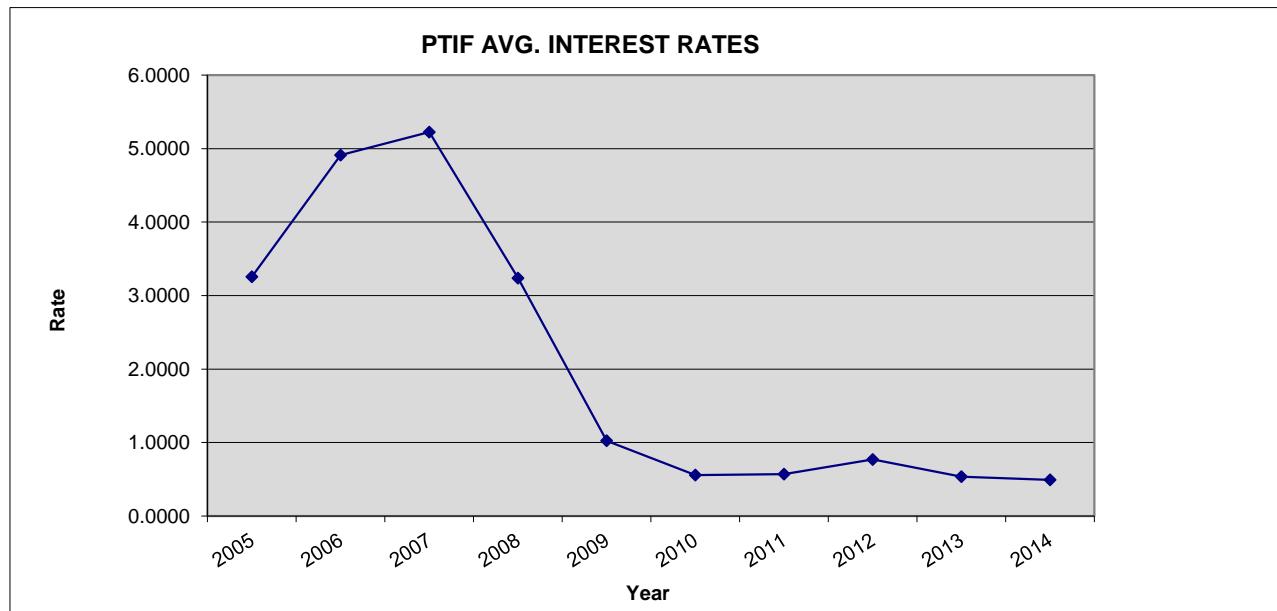
Source: District employment records and State of Utah, Division of Water Quality records.

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 certification is regulated by the Division of Water Quality, State of Utah.

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

Schedule 22

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Jan	2.4147	4.2616	5.2238	4.7787	1.8558	0.5955	0.4812	0.7496	0.6499	0.5074
Feb	2.5621	4.4190	5.2342	4.2164	1.3798	0.5518	0.4900	0.7949	0.6120	0.5070
Mar	2.7275	4.5551	5.2384	3.6482	1.2600	0.5605	0.5102	0.7937	0.5739	0.5023
Apr	2.8961	4.7734	5.2424	3.2426	1.1700	0.5649	0.5362	0.7941	0.5295	0.4992
May	3.0110	4.8567	5.2463	3.0435	1.1170	0.5833	0.5374	0.7917	0.4902	0.4879
Jun	3.1816	5.0079	5.2510	3.0185	1.0107	0.5965	0.5463	0.7894	0.5046	0.4799
Jul	3.2684	5.0921	5.2554	3.0504	0.9296	0.5959	0.5455	0.7877	0.5115	0.4693
Aug	3.4505	5.1723	5.2629	3.0128	0.8489	0.5851	0.5577	0.7791	0.4962	0.4699
Sep	3.6000	5.1827	5.2672	2.8922	0.7592	0.5622	0.5961	0.7784	0.5126	0.4767
Oct	3.8029	5.2072	5.2677	2.8959	0.6968	0.5167	0.6336	0.7484	0.5143	0.4850
Nov	4.0118	5.2083	5.2074	2.7780	0.6396	0.4878	0.6790	0.7235	0.5150	0.5071
Dec	4.1486	5.2160	5.0112	2.2742	0.6255	0.4813	0.7190	0.6908	0.5103	0.5077
Avg	3.2563	4.9127	5.2257	3.2376	1.0244	0.5568	0.5694	0.7684	0.5350	0.4916



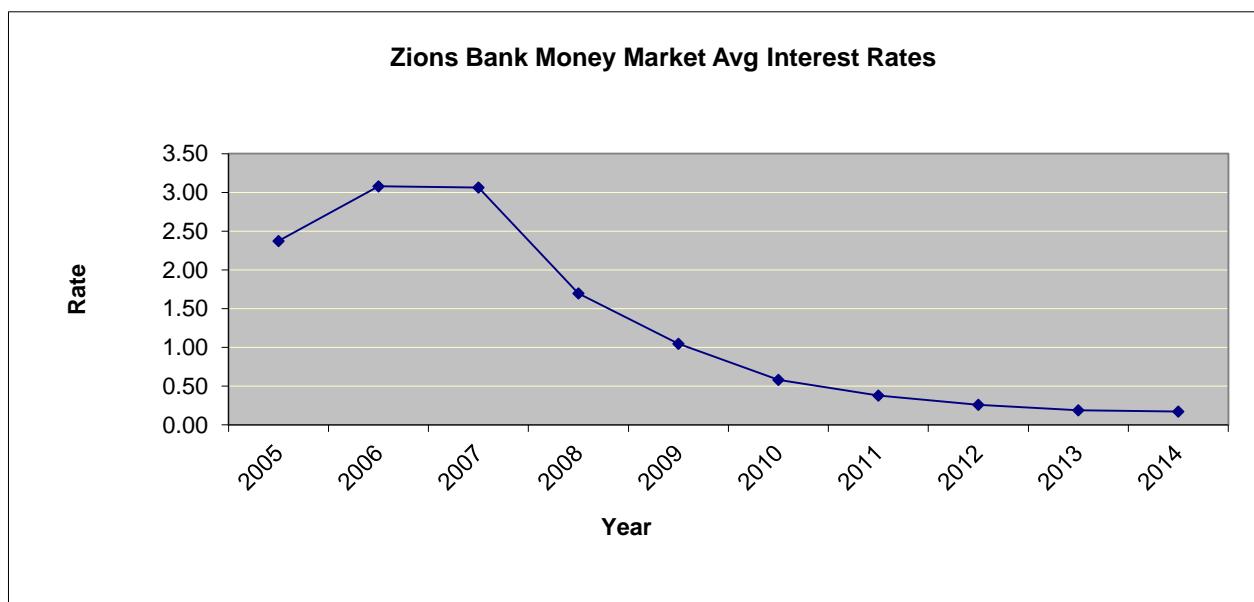
Source: Utah State Treasurer's Office

Note: Interest calculated based on the 365 day rate

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

Schedule 23

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Jan	1.50	2.90	2.75	2.50	1.50	0.90	0.60	0.30	0.20	0.20
Feb	1.90	3.32	2.75	1.75	1.35	0.70	0.40	0.30	0.20	0.20
Mar	2.10	2.95	3.40	1.30	1.20	0.50	0.47	0.25	0.20	0.15
Apr	1.50	2.97	3.40	1.30	1.00	0.50	0.38	0.20	0.20	0.20
May	2.35	3.25	2.75	1.30	0.85	0.65	0.37	0.20	0.15	0.20
Jun	2.50	3.04	3.40	1.50	1.00	0.50	0.36	0.20	0.20	0.15
Jul	2.50	3.30	3.40	1.80	1.15	0.65	0.50	0.30	0.20	0.15
Aug	2.78	3.65	3.40	1.80	1.00	0.65	0.35	0.25	0.20	0.15
Sep	2.53	2.75	3.40	1.80	1.00	0.57	0.30	0.50	0.15	0.20
Oct	2.90	3.30	3.00	2.00	1.00	0.50	0.30	0.20	0.15	0.15
Nov	2.95	2.75	2.60	2.05	1.00	0.44	0.25	0.20	0.20	0.15
Dec	2.95	2.75	2.50	1.25	0.50	0.40	0.25	0.20	0.20	0.15
Avg	2.37	3.08	3.06	1.70	1.05	0.58	0.38	0.26	0.19	0.17



Source: Zions Bank

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

Schedule 24

Year	Number of New Dwelling Units	Residential Construction Value (\$000)	Nonresidential Construction Value (\$000)	Value of Additions, Alterations and Repairs		Total Construction Value
				Residential (\$000)	Nonresidential (\$000)	
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
2014	1,643	316,597	139,616	25,621	40,291	522,126
10-year Avg.	1,657	316,194	87,189	16,870	27,133	447,388

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

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

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

Schedule 25

Fiscal Year	Function/Department							Total
	Treatment Plants	Collection System	Maintenance	Engineering/ Administration	Industrial Pretreatment	Water Quality Group		
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
2014	7	8	2	6	1	1		25
Average	6.7	6.6	2	6.2	1	0.6		23.1

Source: District employment records

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

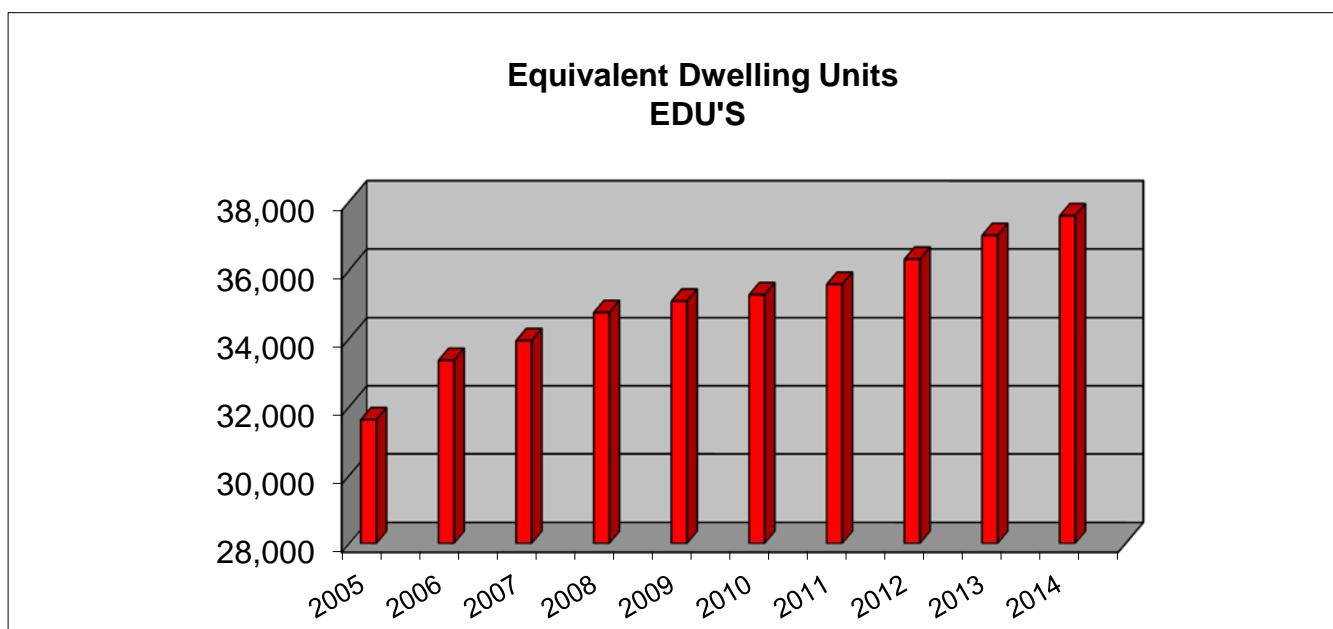
*The Bountiful City sewer system was transferred to the District on 1/1/04. This transfer brought an additional 9000 accounts, 2450 manholes, and 630,437 feet of sewer lines to be serviced, repaired and maintained.

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

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

Schedule 26

YEAR	EDU'S
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
2014	37,587



Source: District accounting and engineering records.

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

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

The District has approximately 26,500 customer accounts as of 12/31/14

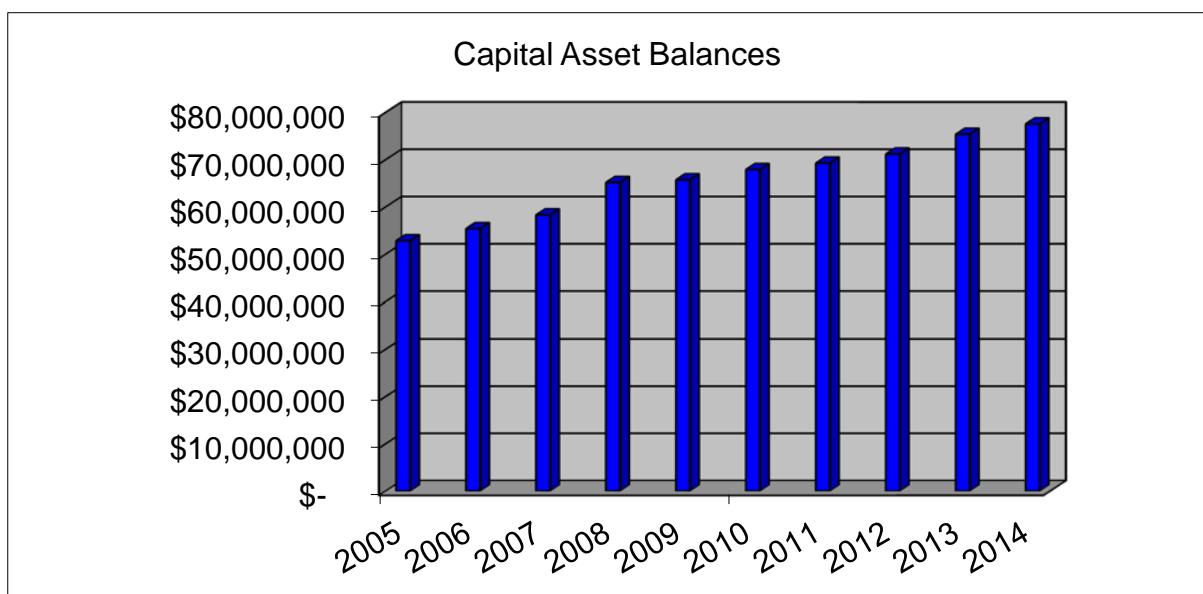
SOUTH DAVIS SEWER DISTRICT

Schedule 27

Capital Asset Balances (Unaudited)

Last Ten Fiscal Years

Year	Collection System	Treatment Plants	Land	Total
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
2014	\$ 44,783,039	\$ 29,633,882	\$ 3,148,863	\$ 77,565,784



Source: District capital asset records.

Notes: ¹Bountiful City Sewer System was transferred to the District in 2004.

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

SOUTH DAVIS SEWER DISTRICT
Capital Asset Summary (Unaudited)
For the Year Ended December 31, 2014

COST							ACCUMULATED DEPRECIATION						
Acct #	Description	Balances 12/31/13	Additions	Deletions	Transfers	Adjust	Balances 12/31/14	Acct #	Balances 12/31/13	Depreciation Expense	Deletions	Transfers	Balances 12/31/12
182000 0.01	Building & Facilities	2,285,576.77	129,390.73	-0-	289,663.14	-0-	2,704,630.64	182100 0.01	(88,070.67)	-0-	-0-	-0-	(88,070.67)
182000 0.02	Building & Facilities	20,937,583.51	339,518.96	-0-	310,018.83	-0-	21,587,121.30	182100 0.02	(8,582,486.41)	(3,206.24)	-0-	-0-	(8,585,692.65)
188000 0.04	Construction in Progress	659,224.02	43,231.50	-0-	(599,681.97)	-0-	102,773.55			-0-	-0-	-0-	
189000 0.01	Outfall/Sewer Lines	38,033,556.00	1,294,137.00	-0-	-0-	-0-	39,327,693.00	189110 0.01	(3,675,563.97)	-0-	-0-	-0-	(3,675,563.97)
189000 0.02	Outfall/Sewer Lines	5,748,121.05	-0-	-0-	-0-	-0-	5,748,121.05	189110 0.02	(1,290,559.59)	-0-	-0-	-0-	(1,290,559.59)
189000 0.04	Outfall/Sewer Lines	-	-0-	-0-	-0-	-0-	-0-	189110 0.04		-0-	-0-	-0-	
189200 0.01	Operation & Sup Equip.	397,501.76	-0-	-0-	-0-	-0-	397,501.76	189210 0.01	(193,951.28)	(25,611.29)	-0-	-0-	(219,562.57)
189200 0.02	Operation & Sup Equip.	280,572.24	112,326.70	-0-	-0-	-0-	392,898.94	189210 0.02	(84,507.45)	(21,620.32)	-0-	-0-	(106,127.77)
189300 0.01	Tools & Test Equip.	209,943.88	19,535.00	-0-	-0-	-0-	229,478.88	189310 0.01	(393,693.61)	(4,919.85)	-0-	-0-	(398,613.46)
189300 0.02	Tools & Test Equip.	159,186.25	19,810.00	-0-	-0-	-0-	178,996.25	189310 0.02	(175,431.35)	(8,789.68)	-0-	-0-	(184,221.03)
189300 0.03	Tools & Test Equip.	108,736.04	-0-	-0-	-0-	-0-	108,736.04	189310 0.03	(110,637.62)	-0-	-0-	-0-	(110,637.62)
189300 0.05	Tools & Test Equip.	247,530.85	-0-	-0-	-0-	-0-	247,530.85	189310 0.05	(49,278.33)	(49,506.17)	-0-	-0-	(98,784.50)
189400 0.01	Mobile Equipment	2,315,995.06	44,507.00	(352,890.32)	-0-	-0-	2,007,611.74	189410 0.01	(878,916.30)	(169,706.54)	227,912.65	-0-	(820,710.19)
189400 0.02	Mobile Equipment	1,068,097.63	193,273.60	(166,656.48)	-0-	-0-	1,094,714.75	189410 0.02	(672,736.36)	(41,980.13)	35,641.37	-0-	(679,075.12)
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.	110,678.18	5,445.42	-0-	-0-	-0-	116,123.60	189510 0.01	(188,774.02)	(3,107.04)	-0-	-0-	(191,881.06)
189500 0.02	Office Furn. & Equip.	143,029.70	-0-	-0-	-0-	-0-	143,029.70	189510 0.02	(245,865.15)	(13,663.82)	-0-	-0-	(259,528.97)
189500 0.03	Office Furn. & Equip.	4,849.56	-0-	-0-	-0-	-0-	4,849.56	189510 0.03	(4,702.60)	-0-	-0-	-0-	(4,702.60)
189600 0.01	Land & Right-Of-Ways	421,632.89	-0-	-0-	-0-	-0-	421,632.89						
189600 0.02	Land & Right-Of-Ways	2,727,229.91	-0-	-0-	-0-	-0-	2,727,229.91						
189600 0.04	Land & Right-Of-Ways	-	-0-	-0-	-0-	-0-	-0-						
		75,884,155.26	2,201,175.91	(519,546.80)	-0-	-0-	77,565,784.37						
								(16,648,749.87)	(342,111.08)	263,554.02	-0-	-0-	(16,727,306.93)

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
 Capital Asset Additions (Unaudited)
 For the Year Ended December 31, 2014

Schedule 29

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	WQG (.05)	Total
BUILDINGS AND FACILITIES (182000)							
CS Facility Bunker Construction - 2014	92	110,872.88					110,872.88
CS Facility Operation Construction - 2014	90	18,517.85					18,517.85
NP Disinfection Building Construction - 2014	750		214,455.85				214,455.85
NP Disinfection Building Construction - 2014	751		2,596.00				2,596.00
NP Parking Cover Construction - 2014	49		58,465.29				58,465.29
NP Parking Cover Construction - 2014	50		1,780.28				1,780.28
SP Generator Building Construction - 2014	1943		827.22				827.22
SP Generator Building Construction - 2014	1946		39,457.21				39,457.21
SP Generator Building Construction - 2014	1944		10,380.00				10,380.00
SP Disinfection Building Construction - 2014	1942		6,546.82				6,546.82
SP Disinfection Building Construction - 2014	1947		5,010.29				5,010.29
SUBTOTAL		129,390.73	339,518.96	-0-	-0-	-0-	468,909.69
CONSTRUCTION WORK IN PROGRESS (188000)							
CS Facility Fuel Station	60	5,618.91					5,618.91
NP East Property Excavation/Fill 2014	6508		12,636.00				12,636.00
Boiler/Pressure Washer	6506		5,400.59				5,400.59
2015 Ford Van IP	3535		19,576.00				19,576.00
SUBTOTAL		5,618.91	18,036.59	19,576.00	-0-	-0-	43,231.50
OUTFALL/SEWER LINES (189000)							
2014 Contributed Deeded Lines	6094	1,294,137.00					1,294,137.00
SUBTOTAL		1,294,137.00	-0-	-0-	-0-	-0-	1,294,137.00
OPERATION & SUPPORT EQUIPMENT (189200)							
NP Disinfection Building - Flow Meters	749		5,874.05				5,874.05
NP Disinfection Building - Tanks (6)	748		63,000.00				63,000.00
NP Disinfection Building - Pumps	747		16,202.25				16,202.25
2014 Radio System	5900		6,765.40				6,765.40
2014 Surveillance Security System	2070		20,485.00				20,485.00
SUBTOTAL		-0-	112,326.70	-0-	-0-	-0-	112,326.70
TOOLS AND TEST EQUIPMENT (189300)							
2014 Plasma Cutter	4003	19,535.00					19,535.00
2014 Grinder	4175		19,810.00				19,810.00
SUBTOTAL		19,535.00	19,810.00	-0-	-0-	-0-	39,345.00
MOBILE EQUIPMENT (189400)							
2015 Ford F350 Truck	3533	44,507.00					44,507.00
2015 Ford F350 Truck	3532		47,649.00				47,649.00
2015 Chev Truck	3534		49,830.00				49,830.00
2015 Ford F350 Truck	3537		47,649.00				47,649.00
2015 Ford Expedition	3536		48,145.60				48,145.60
SUBTOTAL		44,507.00	193,273.60	-0-	-0-	-0-	237,780.60
OFFICE FURNITURE & EQUIPMENT (189500)							
2014 Dell Computer System	4208	5,445.42					5,445.42
SUBTOTAL		5,445.42	-0-	-0-	-0-	-0-	5,445.42
LAND & RIGHT OF WAYS (189600)							
SUBTOTAL		-0-	-0-	-0-	-0-	-0-	-0-
GRAND TOTAL		\$ 1,518,169.06	\$ 795,292.55	\$ 19,576.00	\$ -	\$ -	\$ 2,201,175.91

Source: District capital asset records

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

SOUTH DAVIS SEWER DISTRICT
 Capital Asset Deletions (Unaudited)
 For the Year Ended December 31, 2014

Schedule 30

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)						
SUBTOTAL	673	-0-	-0-	-0-	-0-	-0-
TOOLS AND TEST EQUIPMENT (189300)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
MOBILE EQUIPMENT (189400)						
2014 Ford F350 Truck	3526	47,606.16				47,606.16
2013 Ford F250 Truck	3520	34,267.16				34,267.16
2007 Vacccon Jet Washer	3452	271,017.00				271,017.00
2013 Ford Escape	3522		28,724.16			28,724.16
2013 Ford Explorer	3524		42,720.00			42,720.00
2014 Ford F350 Truck	3527		47,606.16			47,606.16
2014 Ford F350 Truck	3528		47,606.16			47,606.16
SUBTOTAL		352,890.32	166,656.48	-0-	-0-	519,546.80
OFFICE FURNITURE & EQUIPMENT (189500)						
SUBTOTAL						-0-
LAND & RIGHT OF WAYS (188000)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
GRAND TOTAL		\$ 352,890.32	\$ 166,656.48	\$ -	\$ -	\$ 519,546.80

Source: District capital asset records

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

SOUTH DAVIS SEWER DISTRICT
 Capital Asset Transfers (Unaudited)
 For the Year Ended December 31, 2014

Schedule 31

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	Total
BUILDINGS AND FACILITIES (182000)						-0-
CS Facility Construction Bunker Bldg 2011 to 2012	91	289,663.14				289,663.14
NP Construction Parking Cover - 2013	6079		172,011.92			172,011.92
SP Generator Building Construction - 2013	1945		65,215.63			65,215.63
SP Disinfection Building Construction- 2013	1941		72,791.28			72,791.28
SUBTOTAL		289,663.14	310,018.83	-0-	-0-	599,681.97
CONSTRUCTION WORK IN PROGRESS (188000)						
CS Facility Construction Bunker Bldg 2011 to 2012	91	(289,663.14)				(289,663.14)
SP Disinfection Building Construction- 2013	6080		(65,215.63)			(65,215.63)
NP Construction Parking Cover - 2013	90		(172,011.92)			(172,011.92)
SP Disinfection Building - 2013	6078		(72,791.28)			(72,791.28)
SUBTOTAL		(289,663.14)	(310,018.83)	-0-	-0-	(599,681.97)
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-
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
GRAND TOTAL		\$ - \$ - \$ - \$ - \$ 0.00				

Source: District capital asset records

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

SOUTH DAVIS SEWER DISTRICT
 Construction in Progress (CIP) (Unaudited)
 For the Year Ended December 31, 2014

Schedule 32

Asset Description	ID #	Collections .01)	Plants .02)	Indust. Pretreat. .03)	Capital Expansion .04)	Total
BUILDINGS AND FACILITIES (182000)						
CS Facility Construction Bunker Bldg - 2011 to 2012	6477	289,663.14				289,663.14
CS Facility Construction Bunker Bldg - 2011 to 2012	91	(289,663.14)				(289,663.14)
CS Facility Construction Fuel Station - 2014	60	5,618.91				5,618.91
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 - 2014	6508		12,636.00			12,636.00
NP Construction Parking Cover - 2013 to 2014	6079		172,011.92			172,011.92
NP Construction Parking Cover - 2013 to 2014	90		(172,011.92)			(172,011.92)
Disinfection Project SP - 2013 to 2014	6078		31,800.44			31,800.44
Disinfection Project SP - 2013 to 2014	6078		40,990.84			40,990.84
Disinfection Project SP - 2013 to 2014	1941		(72,791.28)			(72,791.28)
Generator Building SP - 2013 to 2014	6080		65,215.63			65,215.63
Generator Building SP - 2013 to 2014	1945		(65,215.63)			(65,215.63)
SUBTOTAL		5,618.91	72,178.05	-0-	-0-	77,796.96
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)						
NP Boiler/Pressure Washer - 2014	6506		5,400.59			5,400.59
SUBTOTAL		-0-	5,400.59	-0-	-0-	5,400.59
TOOLS AND TEST EQUIPMENT (189300)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
MOBILE EQUIPMENT (189400)						
2015 Ford Van IP	3535		19,576.00			19,576.00
SUBTOTAL		-0-	-0-	19,576.00	-0-	19,576.00
OFFICE FURNITURE & EQUIPMENT (189500)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
LAND & RIGHT OF WAYS (188000)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
GRAND TOTAL		\$ 5,618.91	\$ 77,578.64	\$ 19,576.00	\$ -	\$ 102,773.55

Source: District capital asset records

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

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

Schedule 33

Year	Collection System O & M	Treatment Plants O & M	Capital Expenses	Debt Service	Total Expenses
'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
2014	\$ 1,650,804	\$ 3,534,549	\$ 1,242,952	\$ -	\$ 6,428,305

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

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

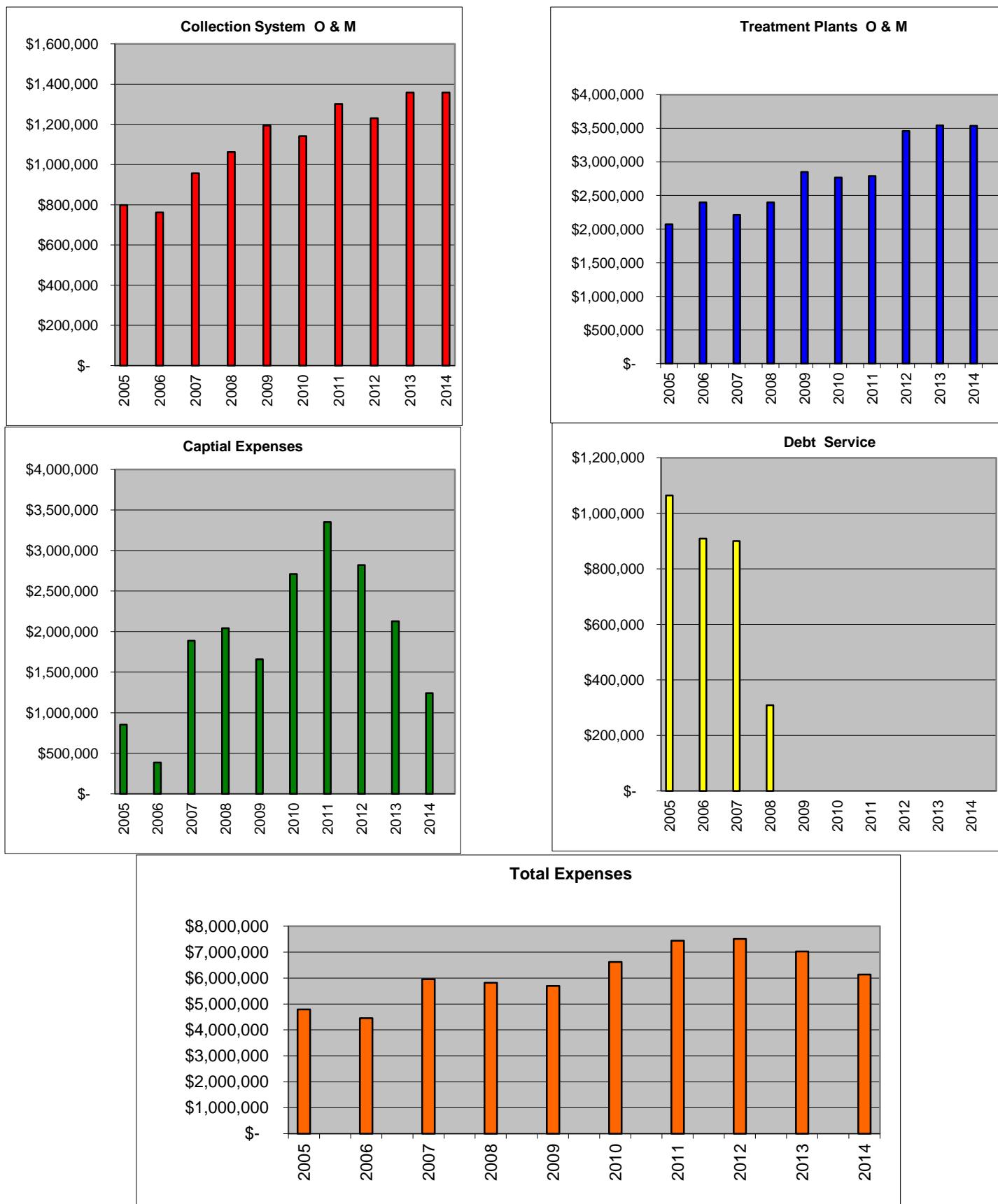
¹ Bountiful City sewer system was transferred to the District in 2004.

Treatment Plants include pretreatment, OU2 facility and WQG expenses

Total expenses excluded depreciation

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

Schedule 34



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, 2014

Schedule 35

<u>Carrier</u>	<u>Policy No.</u>	<u>Coverage</u>	<u>Policy Period</u>
Olympus Insurance Agency	GWUFP0154302 Arch	General Liability (\$3,000,000) Bodily Injury Personal Injury Property Damage Public Officials Errors/Omissions	1/1/14 to 1/1/15
Olympus Insurance Agency	GWUFP0154302 Arch	Excess Liability (\$10,000,000)	1/1/14 to 1/1/15
Olympus Insurance Agency	GWPKG0154302 Arch	Property (\$52,030,580)	1/1/14 to 1/1/15
Olympus Insurance Agency	GWPKG0154302 Arch	*Fidelity Bond (\$750,000) Treasurer	1/1/14 to 1/1/15
Olympus Insurance Agency	GWPKG0154302 Arch	Crime (\$50,000) Employees Computer Fraud Employee Dishonesty	1/1/14 to 1/1/15
Worker Compensation Fund	1494897	Workers Compensation	1/1/14 to 1/1/15

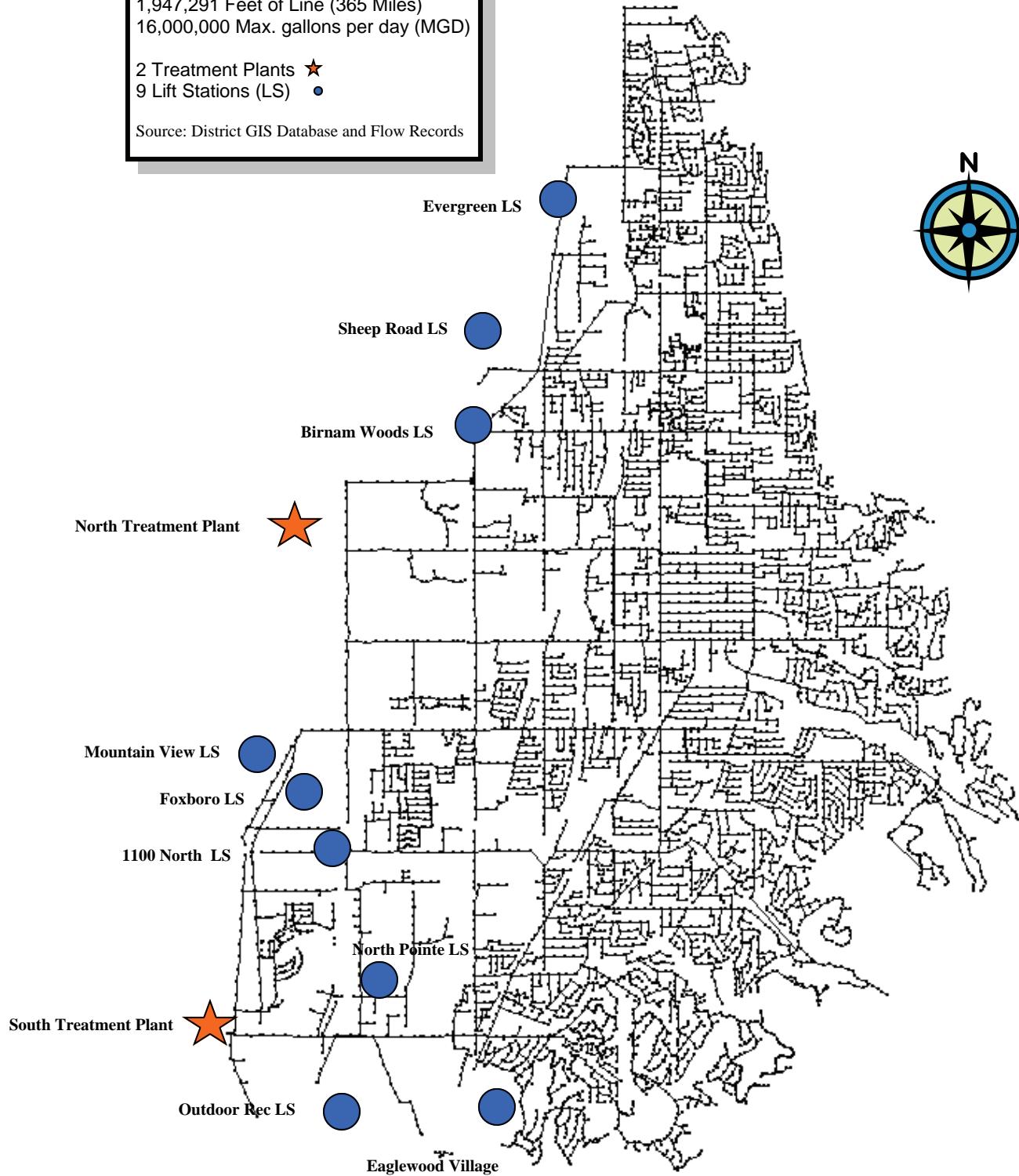
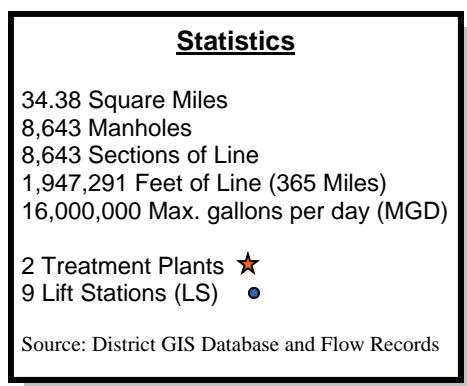
Source: Olympus Insurance Agency, WCF of Utah and District records

Notes :In accordance with Utah Code 51-7-15 and Rule 4 of the Utah Money Management Council, the insurance bonds are calculated from the previous years budget (i.e. 2013 Amended).

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

SOUTH DAVIS SEWER DISTRICT
Wastewater System
For The Year Ending December 31, 2014

Schedule 36



SOUTH DAVIS SEWER DISTRICT
Workplace Reportable Injuries
2005 to 2014

Schedule 37

Year	Collection System	Treatment Plants	Water Quality Group	Office	Annual Total
2005		Back			1
2006	Eye, Hand			Leg	3
2007	Arm, Arm & Neck	Arm			4
2008	Eye, Eye	Shoulder		Back	4
2009	Wrist, Hand				2
2010		Foot	Finger	Foot	3
2011	Hip & Shoulder				1
2012	Knee				1
2013	Leg	Foot			2
2014		Eye			1
Department Total	12	6	1	3	22



Source: Workers Compensation Fund and District safety records.

COMPLIANCE SECTION





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

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

Board of Trustees
South Davis Sewer District
West Bountiful, Utah

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of South Davis Sewer District (the "District") as of and for the years ended December 31, 2014 and 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 5, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Karren, Hendrix, Stagg, Allen & Company". The signature is cursive and fluid, with each word stacked vertically and slightly overlapping.

Karren, Hendrix, Stagg, Allen & Company

Salt Lake City, Utah
June 5, 2015



Ray H. Allen, CPA
Rebecca M. Allred
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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, 2014.

General state compliance requirements were tested for the year ended December 31, 2014 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, 2014.

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, 2014.

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, 2014.

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.

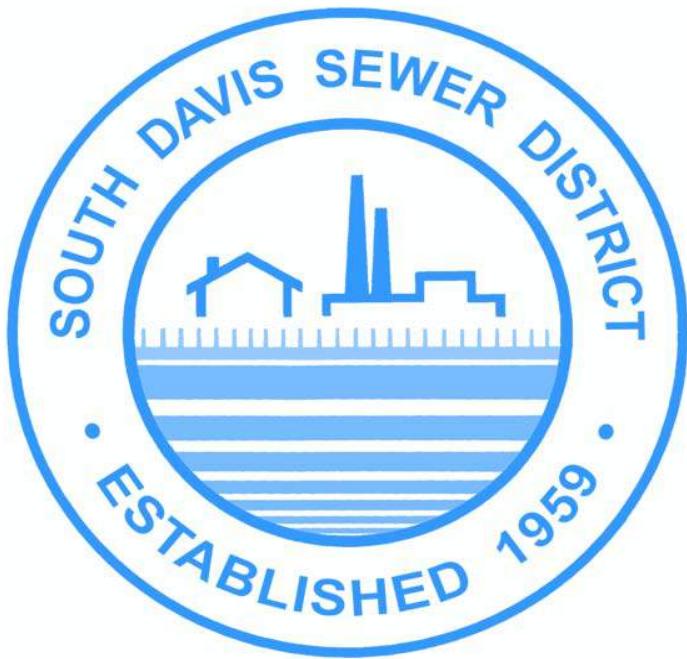
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Karen, Hendrix, Stagg, Allen & Company

Karen, Hendrix, Stagg, Allen & Company
June 5, 2015

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





Think Before You
Flush!