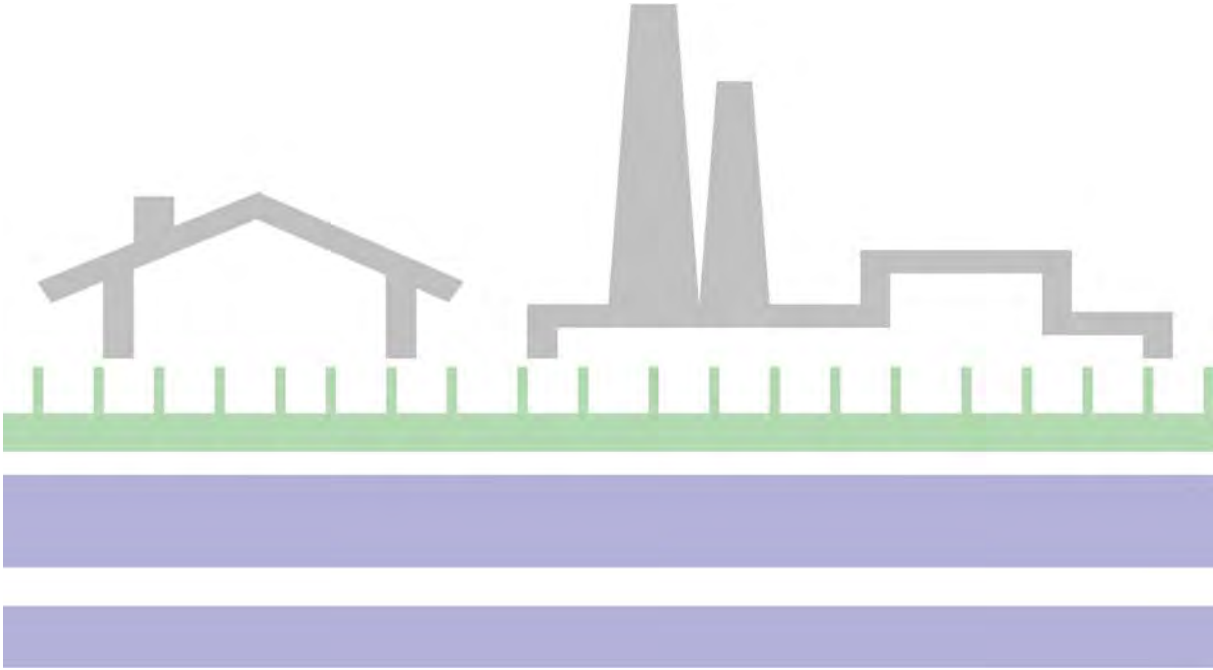


SOUTH DAVIS SEWER DISTRICT West Bountiful, Utah

Annual Financial Report

For the Fiscal Years Ending December 31, 2020 and 2019



SOUTH DAVIS SEWER DISTRICT
North Treatment Plant
West Bountiful ,Utah



Annual Financial Report

South Davis Sewer District West Bountiful, Utah

For the Fiscal Years Ending December 31, 2020 and 2019

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SOUTH DAVIS SEWER DISTRICT
Annual Financial Report
For the Years Ended December 31, 2020 and 2019

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INTRODUCTORY SECTION



June 17, 2021

To the Chairman, 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 Annual Financial Report for the year ended December 31, 2020, 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, 2020, 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 unmodified opinion that the District's financial statements for the fiscal year ended December 31, 2020, fairly represent conformity with GAAP.

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

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

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

Background

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

The District began construction of the North Plant at 1800 West 1200 North in West Bountiful in December 1960 and completed its construction in August 1962. The District began construction of the South Plant located at 1380 West Center Street in North Salt Lake in June 1961 and completed its construction in October 1962. The District constructed collection systems in Centerville, North Salt Lake, West Bountiful, and Woods Cross and trunk lines connecting all five collection systems in the District to the two treatment plants. The District owned and operated the collection system for all areas except for Bountiful City, which retained ownership of the existing lines in their city. On January 1, 2004, Bountiful City transferred ownership of their system to the District. The District's collection system now consists of 372 miles of sewer, 4 miles of force main and 8,650 manholes.

The District currently serves a total population of approximately 105,000 (Facilities Plan 2020 update). The 1990s plant expansion project designed the combined treatment plants to serve a population of 100,000 with a reasonable allowance for commercial and industrial users. Since the last Plant upgrades in the 1990s, per capita flows have decreased. The Plants are operating at approximately 75% capacity. At current per capita flows, plant design capacity would support a

population of approximately 130,000 not considering new requirements for nutrient, nitrogen and phosphorus, removal. The South Plant is currently operating at capacity. For some time, the District has been accommodating growth, as planned, by pumping excess flows to the North Plant from the 2600 South trunk line.

The District has seen very significant increases in density in new subdivision and apartment projects throughout the District. To account for higher densities the District inventoried the remaining vacant land in the District along with its planned use and density in March and April 2020. From this inventory, the District estimates the saturation population to be 120,486. This agrees closely with the Wasatch Front Regional Council's current estimate for the year 2040 population of 120,155. Build-out will almost certainly occur during the next 20 to 25-year design horizon for plant rehabilitation. A Wasatch Front Regional Council report states, "Davis County has the smallest land area of any county in the State and will be the first in the State to have to deal with countywide build out". The District will be using a population of 120,000 for planning and design purposes.

Compliance with the recent changes in discharge permit limits for phosphorus and nitrogen require significant upgrading of our treatment processes. It has been 26 years and 29 years since the South Plant and the North Plant respectively were expanded and rehabilitated. We have been waiting for the nutrient removal requirement issue to be better defined. Now that nutrient removal requirements have been adopted, the District is proceeding with plant upgrades and rehabilitation to meet these new requirements. Total cost was estimated in 2020 to be approximately \$50,000,000. A recent review of the cost estimate indicates that the total cost may be \$60,000,000 to \$65,000,000. This is due to construction cost and equipment cost inflation due to COVID-19 impacts and the enormous amount of light and heavy construction taking place both locally and nationally.

Over the last several years inquiries have been made by property owners and developers as to the District's ability and willingness to provide services outside the existing District boundary to the west of our South Plant, across the Jordan River in Salt Lake County. There are over 1,000 acres that might sewer to the District rather than Salt Lake City. North Salt Lake City has been asked to consider annexing some of this area. The District does not have any existing capacity to serve this area. New capacity would have to be built. This is complicated by the new requirements to provide nutrient removal. How this capacity would be created, and its cost requires a significant engineering study.

The District is empowered to levy a property tax on both real and personal property. It has the power of eminent domain and may extend its boundaries by annexation. The District has annexed all property within its natural limits of growth, except for small parcels annexed by our member cities from time to time. The District subsequently annexes these parcels as well.

Governance

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

A seven-member Board of Trustees governs the District. Each City within the District appoints one Board Member for a four-year term. The two remaining Board Members are elected from the District at large. These Board Members are elected in municipal elections held in odd numbered years. Elected terms are also for four years. Board terms are staggered to provide continuity. The Board elects a chairman and vice-chairman 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 District is required to adopt a budget in December of each year. The approved budget must be submitted to the State Auditor by December 31. The tentative budget is submitted to the Board at the October Board meeting. The Board can adjust the current year’s budget up to December of that budget year providing it is done with the appropriate notices and hearings. The annual budget serves as the basis for the District’s financial planning and control.

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. On-line training is also available. All Board members comply with this requirement.

Finance

Financial Guidelines

The Board of Trustees has adopted the following:

- Revenues should be enough to support current expenditures, including debt service and other obligations of the system.
- Debt should be used only for capital expansion and improvement of 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 be reviewed annually.

Reserves Policy

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

The basic goals for reserve balances are:

- Operating Capital-50 percent of one year's operations & maintenance budget.
- Self-Insurance Reserve-The District is self-insured for vehicle casualty and accepts responsibility for sewer backups on a no-fault basis. Fund balance set by Board action.
- Emergency Reserve-While the District is insured for many risk exposures and liabilities and can rely on FEMA aid for major disasters; it takes time for claims to be processed. This reserve provides funds to address emergencies immediately. Fund balances set by Board action.
- Equipment Replacement-Some major equipment is replaced on a scheduled basis. This reserve fund accumulates monies for this purpose. The target balance is based on budgeting for those purchases.
- Capital Projects-The District's operations involve large capital assets. These assets must be replaced at intervals. From time to time capacity needs and changing technologies must be addressed. This reserve fund accumulates funds for this purpose. The target balance is based on planning and forecasts for these needs.

These funds are accumulated and designated at the Board's sole discretion. Any of these funds can be used for any lawful purpose as directed by the Board.

This capital reserves policy shall be reviewed at a minimum of every five years.

Investments

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

Reserves & Debt

**Schedule of Reserves
For the Period Ending December 31, 2020**

Zions A/P Checking	\$ 169,090.02
Zions P/R Checking	49,806.46
Zions ACH Checking	44,531.46
Zions Rev Checking	565,005.71
Zions WRR Expenses Checking (1/2)	14,204.92
Zions WRR Revenue Checking (1/2)	18,322.46
PTIF (Outflow)	13,303.19
PTIF (Inflow)	1,730,874.33
PTIF (Project Reserve)	2,029,549.90
Moreton Asset Advisors	1,826,170.81
Zions Trust Series 2019 Bond Construction	10,068,063.23
Total	\$ 16,528,922.49

Outstanding Debt for the Period Ending 12/31/20

2017 Revenue Bonds (Par Value)	\$ 21,195,000.00
Issue Discount	(94,363.55)
Underwriters Discount	(340,912.50)
Net Proceeds After Discount	\$ 20,759,723.95
Issue Costs	(483,101.41)
Operating Account Deposit	(500,000.00)
Equity Contribution	862,902.51
Net Proceeds	\$ 20,639,525.05
Construction Draws	(20,639,525.05)
Interest Income	-
Carrying Value 12/31/20	\$ -
Outstanding Debt	\$ 19,226,615.84
2019 Revenue Bonds (Par Value)	\$ 12,179,000.00
Construction Draw (6)	(2,215,677.42)
Interest Income	104,740.65
Carrying Value 12/31/20	\$ 10,068,063.23
Total Carrying Value 12/31/20	\$ 10,068,063.23
Outstanding Debt	\$ 12,179,000.00

Long Term Financial Planning

The District has a written Facilities Maintenance and Finance Plan. This plan is reviewed at five-year intervals. The existing condition of all District facilities is assessed. It also assesses the current and projected wastewater flows and strengths and reviews this information against the capacity of the collection system and treatment plants. It also evaluates known and anticipated discharge permit requirements. We then project future maintenance and capital improvement needs. The ability of existing and projected District reserves and revenues to support the anticipated financial needs is then assessed. If necessary, the District would then adjust impact fees, user fees, and tax assessments. This plan was most recently updated in its entirety in 2019.

Rates

The District had not raised user fees since 1988 when they were raised from \$2 to \$5 per month per residence and residential equivalent. Bonding for funding of the nutrient removal and rehabilitation projects discussed later in the Annual Financial Report require annual debt service. These projects along with increased wastewater flows and inflation will increase operation and maintenance costs. District sewer rates were inadequate to meet these funding needs.

In 2017 the District retained Zions Capital Finance to begin a rate study. Despite having extremely low rates, the District has historically had a comfortable positive cash flow and made steady contributions to its reserves. However, increasing responsibilities, facilities age and inflation had reduced our net operating revenues to a small margin.

The purpose of the study was to review rates relative to bonding requirements for expected capital improvement needs, increased operating and maintenance costs over time, and internal equity between different customer classes such as residential versus industrial customers. The study concluded that the basic rate would have to be raised from \$5 per month to \$10 per month to cover debt service for the first project.

In early 2018 the District scheduled a public hearing and published the required public notices to propose this increase. In addition, the Board sought further transparency by requiring that all user accounts be notified by mail of the proposed rate increase. The public response was very supportive the nutrient removal project and of the rate increase. The rate was increased effective July 1, 2018. This was 30-years to the day of the last rate increase.

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

The study produced an eight-year schedule of revenue requirements and proposed sewer service fee and property tax rate alternatives to generate the required revenue. After the required public hearings, the District adopted a rate increase for 2021 of 55%. Residential sewer rates increased to \$15.50 from \$10.00 per month. Rates are expected to rise at least 3% per year through 2027.

The District has initiated a rate study for 2022. This study will update construction costs and project schedules. It will particularly focus on the equity of industrial rates vs. residential rates.

Tipping fees and energy sales from the Wasatch Resource Recovery project and algae sales from the North Plant nutrient removal project will eventually contribute toward stabilizing or reducing these costs.

Property Tax

After the required public notice and public hearings, the District adopted a property tax increase of 45%. The median house value is currently \$317,300 and would pay an annual tax of \$51.66 (at an assessed valuation of 55%). This is a total sewer user cost, sewer fee plus property tax of \$19.80 per month.

This is still the absolute lowest sewer rate on the Wasatch Front and probably in the State of Utah. This rate ranks in the bottom 3% of sewer rates nationwide. This rate is 52% of the Wasatch Front average based on 2020 data. All entities across the Wasatch Front are undertaking major projects and their rates will rise as well.

Impact Fees

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.

Due to the time that has elapsed since the last study and the amount of capital improvement that has been done and is being contemplated, the District has asked Zions Capital Finance to conduct a new Impact Fee study.

Bonding

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

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

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

In December 2019, the District closed on bond funding for the North and South Plant rehabilitation and nutrient removal projects in the amount of \$12,179,000. This was a private placement bond. The All-Inclusive Cost (AIC) interest rate is 2.2450316%. The approximate annual debt service is \$789,000.

The Advanced Biological Nutrient Removal (ABNR) project and the rehabilitation project at the North Plant are also funded by District reserves and \$14,176,000 in bond financing from the Utah Division of Water Quality (UDWQ) State Revolving Loan Fund (SRF). The SRF bond has an interest rate of 0.25% with an annual payment of \$727,553. The SRF loan has not been closed. Additional bonding of approximately \$20,000,000 will be needed to complete the project.

Current Major Activities - Accounting

Annual Financial Report

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

Governmental Accounting Standards Board

GASB Mission

Established in 1984, the Governmental Accounting Standards Board (GASB) is the independent, private-sector organization based in Norwalk, Connecticut, that establishes accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Principles (GAAP).

The GASB standards are recognized as authoritative by state and local governments, state Boards of Accountancy, and the American Institute of CPAs (AICPA). The GASB develops and issues accounting standards through a transparent and inclusive process intended to promote financial reporting that

provides useful information to taxpayers, public officials, investors, and others who use financial reports.

The Financial Accounting Foundation (FAF) supports and oversees the GASB. Established in 1972, the FAF is the independent, private-sector, not-for-profit organization based in Norwalk, Connecticut responsible for the oversight, administration, financing, and appointment of the GASB and the Financial Accounting Standards Board (FASB).

The collective mission of the GASB, the FASB, and the FAF is to establish and improve financial accounting and reporting standards to provide useful information to investors and other users of financial reports and educate stakeholders on how to understand and implement those standards most effectively.

The GASB, the FASB, the FAF Trustees, and the FAF management contribute to the collective mission according to each one's specific role:

- The GASB and the FASB are charged with setting the highest-quality standards through a process that is robust, comprehensive, and inclusive.
- The FAF management is responsible for providing strategic counsel and services that support the work of the standard-setting Boards.
- The FAF Trustees are responsible for providing oversight and promoting an independent and effective standard-setting process.

More information can be found in the Strategic Plan, at www.accountingfoundation.org/strategicplan.

New GASB Pronouncements:

GASBS No. 87 Leases

This Statement is effective for periods beginning after June 30, 2022. The District will put this Statement into effect beginning fiscal year 2023.

GASBS No. 88 Certain Disclosures Related to Debt

This Statement is effective for periods beginning after June 30, 2020. The District will put this Statement into effect for fiscal year 2021.

GASBS No. 89 Accounting for Interest Cost Incurred Before the End of a Construction Period

This Statement is effective for periods beginning after December 31, 2021. The District will put this Statement into effect for fiscal year 2021.

GASBS No. 90 Majority Equity Interests-An Amendment of GASBS No.14 and No.15

The requirements of this Statement will take effect for the financial statements starting with the fiscal year that ends December 31,2020. This Statement is being implemented for fiscal year 2020.

GASBS No. 91 Conduit Debt Obligations

The requirements of this Statement will take effect for the financial statements starting with the fiscal year that ends December 31, 2022. The District will put this Statement into effect beginning fiscal year 2022.

Local Economy

Construction & Development

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.

Despite the impacts of the pandemic, the District saw a significant increase in the number of new residential units, which increased 67.8% from 2019. However, the total value only decreased 4.3%. This could reflect the emphasis on multifamily units over single family dwellings. This reverses a trend from the previous four years where the number and value of residential construction decreased significantly. The decreases in the last four years were thought to be more of a reflection on the decreasing land available for development rather than influences from the overall economy. The amount and cost of land available for development could also be an influence on the higher density projects.

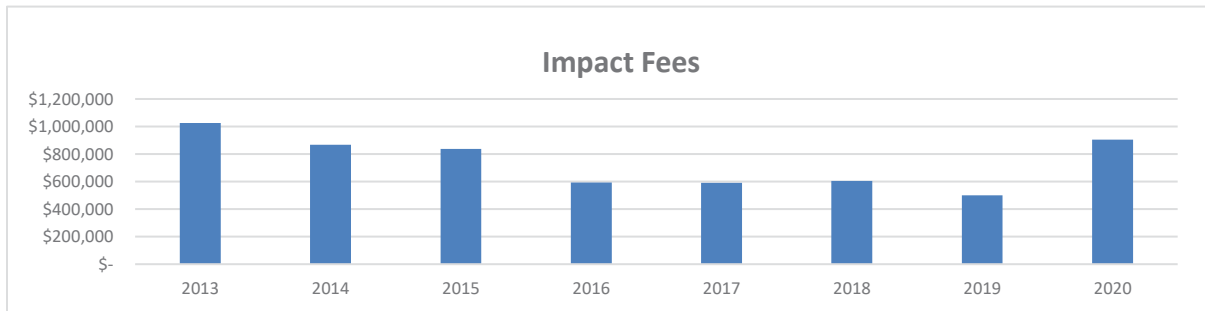
The District is seeing more, large apartment projects than in the past. In addition, there are numerous projects where older single-family residences and lots are converted to duplexes, fourplexes and other multi-family housing. These increases in housing density could affect planning for the collection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

Apartments continue to be an important factor in 2019-20. If the trend in the construction of large apartment complexes and other high-density projects continues, we will need to monitor treatment plant capacity. We may also have to monitor sewer trunk line capacities in specific areas.

The following table summarizes construction activity in the District for 2020:

City	New Dwelling Units			New Residential Value			New Nonresidential Value		
	2020	2019	% change	2020	2019	% change	2020	2019	% change
	Units	Units	2019-20	\$1,000	\$1,000	2019-20	\$1,000	\$1,000	2019-20
Bountiful	50	\$ 67	-25.4%	\$ 18,827	\$ 22,015	-14.5%	\$ 9,258	\$ 1,725	436.7%
Centerville	38	\$ 13	192.3%	\$ 9,940	\$ 3,812	160.8%	\$ 4,092	\$ 1,811	126.0%
North Salt Lake	228	\$ 122	86.9%	\$ 34,757	\$ 21,785	59.5%	\$ 4,336	\$ 11,705	-63.0%
West Bountiful	20	\$ 47	-57.4%	\$ 4,490	\$ 14,083	-68.1%	\$ 4,315	\$ 1,464	194.7%
Woods Cross	97	\$ 9	977.8%	\$ 37,980	\$ 4,790	692.9%	\$ 5,415	\$ 5,771	-6.2%
Totals	433	258	67.8%	\$ 66,485	\$ 69,504	4.3%	\$ 27,416	\$ 22,476	22.0%
Additions & Repairs									
City	Residential			Nonresidential			Total Construction Value		
	2020	2019	% change	2020	2019	% change	2020	2019	% change
	\$1,000	Units	2019-20	\$1,000	\$1,000	2019-20	\$1,000	\$1,000	2019-20
Bountiful	3253	\$ 4,774	-31.9%	\$ 4,540	\$ 4,691	-3.2%	\$ 35,879	\$ 33,206	8.0%
Centerville	1792	\$ 1,115	60.7%	\$ 2,763	\$ 5,190	-46.8%	\$ 18,589	\$ 11,929	55.8%
North Salt Lake	915	\$ 941	-2.8%	\$ 1,722	\$ 4,685	-63.2%	\$ 41,732	\$ 39,118	6.7%
West Bountiful	121	\$ 191	-36.6%	\$ 375	\$ 450	-16.7%	\$ 9,302	\$ 16,909	-45.0%
Woods Cross	1354	\$ 481	181.5%	\$ 3,069	\$ 233	1217.2%	\$ 47,820	\$ 11,276	324.1%
Totals	\$ 7,435	\$ 7,502	-0.9%	\$ 12,469	\$ 15,249	-18.2%	\$ 153,322	\$ 112,438	36.4%

The number of large apartment complexes has been an important factor in the level of impact fees collected in recent years. Impact fees were \$619,865 in 2018 and \$636,705 in 2019. Impact fees increased 42% to \$903,643 in 2020. The pace of subdivision development and housing construction has slowed through June of 2021. Impact fees to date in 2021 are \$257,440.



Total nonresidential construction in the District declined by 18.2% from 2019 to 2020. This follows steady and significant decreases in the years since 2008. The years 2008 through 2012 were certainly a reflection of the overall economic slowdown. Current decreases are likely due to the very limited amount of undeveloped industrial property remaining in the District. Nonresidential construction does not significantly affect District revenue or operations.

Employment

Since 2010, Utah's job growth has remained well above the U.S. average. The average growth rate from 2010 through 2018 has been a little over 3.0%. Utah's job growth was 3.8% between November 2017 and November 2018. It was 2.37% between November 2018 and November 2019. Job growth rate from April 2019 to April 2020 was -7.1%. The job growth rate for the US was -12.9%.

The unemployment rate for Utah was 2.8% in April 2019 as pandemic restrictions really began to be implemented. Unemployment in Utah peaked in April 2020 at 10.1%. Unemployment for April 2021 was 2.9%, a dramatic recovery. The Utah job contraction from 2019 to 2020 was about -1.0% the lowest in the Country.

Before the pandemic, most industries were facing a tight labor market. In-migration and a full educational pipeline will help to mitigate any labor shortages. Labor force participation for Utah has averaged 69.4% for the last 35 years, immediately before the recession it was 72%. During the recession labor force participation dropped to a low of 67.2%. Utah has the fifth highest labor participation rate in the nation. Utah's personal income increased by 11.2% from the second quarter in 2019 to the second quarter in 2020. Utah's personal income reached an estimated \$173 billion according to the U.S. Department of Commerce, Bureau of Economic Analysis.

Current Economic Conditions

The Kem C. Gardner Policy Institute reports that "the impact of COVID-19 has significantly affected U.S. employment, GDP, and other economic factors. While the Utah economy has not escaped these unique circumstances, the state has fared better compared with national average metrics." In the Institutes 2021 *Economic Report to the Governor*, Jim Wood and Darin Mellott report, "Utah's decade long expansion, the longest on record, ended in 2020 with the emergence of COVID-19. The public health crisis presented the greatest challenge to the Utah economy since the Great Recession. In the early spring, the forecast for 2020 was bleak as the unemployment rate in April climbed to roughly 10%. But as the year unfolded, the resiliency of the Utah economy was on full display. By November, Utah's year-over employment was down -0.2%, one of the smallest employment declines of any state, and the unemployment rate had dropped to 4.3%. Nationally the unemployment rate was 6.7%.

Utah exports in 2020 are forecast to reach \$17.6 billion, the third-highest year on record. Notably, the value of other export commodities (excludes gold) at \$8.7 billion will be the highest ever, with electronics and agricultural products among Utah's major export products. The forecast for residential construction shows a record of 30,745 dwelling units, surpassing the previous record high of 28,285 in 2005. The value of residential construction will top \$6.3 billion. The housing boom in apartments and condominiums continues, and single-family construction will have the best year since 2006. Housing demand has not slowed with COVID-19, as historically low mortgage rates attract buyers to the market. The strong demand has pushed up housing prices. The median sales price of a single-family home in Utah will be up by 11% to \$385,000 in 2020. The construction boom includes nonresidential construction with \$2.3 billion in value in 2020. The total value of permit authorized construction (residential, nonresidential, and additions, alterations, and repairs) will be \$10.3 billion in 2020, a record year as well. While the public health crisis has been tragic, the impact of the pandemic on the Utah economy has

been much milder than initially expected. And, a strong recovery is forecast for 2021, with employment increasing by 58,000 jobs, which would be the largest single-year increase in employment in Utah’s history”

Current Major Activities – Human Resources

Staffing

The District currently has a full-time staff of 38. Current staff consists of:

District Staffing	
Activity	Incumbents
Office & Management	7
Engineering	2
North Plant Operations	5
South Plant Operations	5
Maintenance	4
Pretreatment	1
Collection System	7
Water Quality Research	1
Wasatch Resource Recovery	6
TOTAL	38

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

Retirement Benefits

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

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

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

Medical Insurance

Perhaps because of the nature of our work we are particularly sensitive to health issues. The District provides medical, dental, and vision insurance. The District covers the entire premium for the employees and their families. The District, like all employers, is concerned by the tremendous inflation in medical and insurance costs. We periodically request underwritten proposals from all Utah Health Insurance carriers. This was done for 2018. The Utah Public Employees Health Plan, which is a part of the Utah Retirement Systems, was 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.

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

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

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

Current Major Activities - Regulatory Issues

Emerging Constituents of Concern

The presence of pharmaceuticals known as endocrine disruptors in the surface waters is a concern for environmentalists, regulators, and the wastewater industry. Most medications are incompletely utilized in the body and traces end up in sewage. Outdated medications are often flushed down the toilet. These residues are not completely removed by conventional wastewater treatment. This practice has been happening as long as there have been medications and sewers. However, the effects of these very low numbers (parts per billion or trillion) have not been widely studied.

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. This is very unlikely to be the case.
- 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 – Bountiful City, Centerville City and West Bountiful City have disposal facilities at their respective police stations.

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

The District's existing trickling filter plants are not capable of treating these constituents to the low levels being discussed. If the District must treat any of these constituents, extensive treatment plant modifications could be required. University researchers and wastewater treatment equipment manufacturers are developing processes that can be added to existing treatment plants to remove both

Utah Pollutant Discharge Elimination System (UPDES) Permit Renewal

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

New UPDES Permits were issued for both plants, effective January 3, 2020. Both permits included new phosphorus limits. In addition, water quality, based limits for ammonia have been reduced at both plants. Meeting these limits requires additional treatment capacity and technology to achieve consistent compliance. Limits for flow were also implemented. The UPDES permit for the North Plant was reissued effective December 1, 2020. The amended permit set mass-based limits for ammonia for the months of November through February.

The District had been following a policy of minimizing treatment plant upgrades and improvements until the outcome of these issues becomes clearer. With new limits in place rehabilitation of the South Plant and construction of ammonia removal facilities was begun and is approximately 50% complete. The new ammonia removal process will be commissioned by the end of December. The engineering design report for the rehabilitation and nutrient removal facilities at the North Plant was recently approved by the Division of Water Quality. Engineering design is now underway. The North Plant projects are expected to be completed in 30-Months.

The Wasatch Front Water Quality Council

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

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

Treatment Plants – Compliance

The primary duty of the District is compliance with its UPDES permit. Currently the permits for both plants contain permit limits for biochemical oxygen demand, total suspended solids, ammonia, dissolved oxygen, oil and grease, *E. coli*, pH, percent removal, and total residual chlorine. The plants must also routinely conduct Whole Effluent Toxicity (WET) 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 significant fines. Because of the complexity and variability of wastewater and the biological nature of our treatment plant processes permit violations are inevitable. Permit violations are taken

extremely seriously, and aggressive remedial actions are always taken when they occur.

North Plant

The plant exceeded its ammonia limit by 0.2 mg/l in November 2019 and by 2.5 mg/l in December 2019. The deterioration in performance was likely tied to colder weather. The plant exceeded its ammonia limit by 0.1 mg/l in January 2020 and by 2.6 mg/l in March 2020. The plant exceeded its daily maximum for ammonia on three occasions in January 2020.

The Division of Water Quality (Division) issued a Notice of Violation (NOV) for these permit violations on August 28, 2020. A settlement agreement was executed by the Division and the District on March 23, 2021. The agreement reads in part:

- A. The Division calculated a total penalty of \$18,921.00. SDSL shall pay a penalty in the amount of \$9,584.00 and associated investigative costs in the amount of \$1,980.00 for a total of \$11,564.00, which was calculated and adjusted for circumstances in conformance with the penalty policy outlined in Utah Administrative Code R317-1-8.
- B. The Director agrees to hold in abeyance \$9,337.00 in civil penalties, so long as SDSL completes the follow terms within the time frames outlined:
 - i. Meets all the payment terms outlines above in item A of the Order.
 - ii. The SDSL N. Plant does not violate the Act, rules or UPDES Permit No. UT0021636 for a period of 12 months from the effective date of this agreement. If new violations occur within this time frame, the penalty amounts listed below will no longer be held in abeyance and following amounts will become due and payable to the State of Utah, in addition to any penalties imposed for the new violations. In no event will the total amount due under this section exceed the penalties held in abeyance.
 - (a) \$9337 per violation per day for discharge violations, including but not limited to UPDES Permit limit exceedances, spills, or overflows. For the purposes of this agreement, an exceedance of a monthly average effluent limit will be considered one (1) day.
 - (b) \$500 per occurrence for recordkeeping violations or other violations determined by the Director to be minor.

The North Plant failed its 3rd quarter biomonitoring test. A follow up test passed and routine quarterly sampling was resumed.

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

Beginning in July 2020 through March 2021, the South Plant exceeded its permit limits for ammonia, both 30-day average and daily maximum. This put The District in Significant Non-Compliance (SNC) with its discharge permit. DWQ issued the District a Notice of Violation (NOV) on December 18, 2020. This was followed by a Notice of Violation and Compliance Order (NOV/CO) on March 17, 2020. The

NOV/CO required the District to take immediate steps to bring the plant into compliance.

The District and DWQ reached a settlement agreement March 30, 2021. The agreement specifies steps and deadlines for bringing the South Plant and WRR into full compliance. The agreement reads in part:

1. The Division calculated a total penalty of \$232,831.00. The South Davis Sewer District shall pay a penalty in the amount of \$38,805.00 and associated investigative costs in the amount of \$15,345.00 for a total of \$54,150.00, which was calculated and adjusted for circumstances in conformance with the penalty policy outlined in Utah Administrative Code R317-1-8.
2. SDSD shall apply an additional \$38,805.00 to fund a mitigation project(s).....
3. The Director agrees to hold in abeyance \$155,221.00, so long as SDSD completes the following terms within the timeframes listed below.....

WRR began receiving food waste in February 2019. By July WRR was discharging enough ammonia to the South Plant to cause it to violate its ammonia permit limits. It was anticipated that ammonia would be produced by the anaerobic digestion process and an ammonia removal process was included in the WRR project. The ammonia produced in the digesters has been more than anticipated and the ammonia removal process less efficient and harder to operate than expected.

Forced aeration was added to the first-stage trickling filter at the South Plant. This has increased its ability to remove ammonia. At the same time significant improvements in WRR ammonia removal facilities as well as improvements in operations and maintenance have significantly reduced WRR discharges to the South Plant. The plant has been in compliance with its discharge permit since April 2021.

An innovative, algae based nutrient removal process was planned for the South Plant to handle the increased ammonia loading from WRR and to meet new, lower discharge permit limits. Difficulties in the pilot testing of the proposed nutrient removal technology delayed the implementation of the planned improvements by more than a year. The algae-based system had to be abandoned and an alternative system evaluated and selected. The new nutrient removal process and needed plant rehabilitation projects were engineered and construction has been underway for eight-months. Startup of the nutrient removal process will be complete by the end of December 2021.

There were no exceedences for the routine chronic biomonitoring tests. Weekly acute biomonitoring tests were required by the NOV/CO. These tests showed no acute toxicity.

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

Current Major Activities - Wasatch Resource Recovery (WRR)

Resource Recovery

The Water Environment Federation (WEF), the professional association for the wastewater industry, has undertaken rebranding wastewater treatment plants as resource recovery facilities. This has been done to encourage a change in thinking about the role of these facilities in the economy and the environment. Wastewater and its constituents are not a pollutant to be gotten rid of, but resources to be recovered and reused.

Food waste is the largest waste stream in the United States, and it is the least recycled. According to the EPA, 97% of all food waste is landfilled. Food waste occupies from 15 to 30% of all landfill space where it becomes anaerobic and generates enormous quantities of the greenhouse gasses methane and carbon dioxide. Food Waste is a tremendous opportunity to recover energy, plant nutrients and organic carbon.

Over 100 resource recovery facilities in the U.S. have become net energy exporters in addition to providing all their own energy requirements. This has been achieved by:

- Increased capture of raw biosolids before any aerobic treatment of the wastewater
- Pretreatment of biosolids to enhance digestibility
- Advanced digestion technologies such as phased digestion
- Import organic material such as Fats, Oil, and Grease (FOG) from grease traps
- Advanced gas-scrubbing technologies to increase utilization options
- Utilization of digester gas (methane) to generate power
- Sale of methane as renewable natural in the natural gas utility grid
- Public/Private Partnerships to provide technical and business expertise as well as capital

Wasatch Resource Recovery

Beginning in 2015 the District began to explore the potential for a food waste to energy project. The District collaborated with ALPRO; a Utah company founded to develop resource recovery projects. An initial feasibility study was performed which found that a project to produce energy from imported organic wastes was sufficiently promising to pursue further. Research, preliminary design, and development of each element needed to implement the project and further assess its feasibility were undertaken.

ALPRO identified enough sources of organic waste that are highly likely to divert their waste to the Resource Recovery Project once it is operational to make the project feasible. The major sources of organic waste for the project are:

- Food processing waste
- Source Separated Organics (SSOs) from grocery stores, restaurants, schools, etc.
- Fats, oil, and grease from grease trap pumping
- Bottled beverages from bottling companies
- Aerobic biosolids from wastewater treatment plants

These organic wastes are extensively pretreated and then anaerobically digested. The methane gas produced by digestion is scrubbed of impurities and injected into the natural gas utility system. The project will ultimately produce 3,000,000 cubic feet of renewable natural gas (RNG) per day. This is enough to supply natural gas for a population of 40,000.

ALPRO developed contracts with Dominion Energy and British Petroleum for the transport and sale of the RNG produced by the project. WRR has contracts with Dominion Energy to transport the RNG and a 12-year purchase agreement with British Petroleum of the sale of its RNG.

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

On March 6, 2017, the District entered a Public Private Partnership (P3) with ALPRO to execute the project. This is a 50/50 equity partnership with each entity equally responsible for equity contributions, debt financing, operational costs, and maintenance costs. ALPRO is responsible for the outside-the-fence operations of feedstock procurement, customer service, permits, biosolids marketing and delivery and energy sales. The District is responsible for the operation and maintenance of the waste receiving, anaerobic digestion, RNG scrubbing and solids processing facilities.

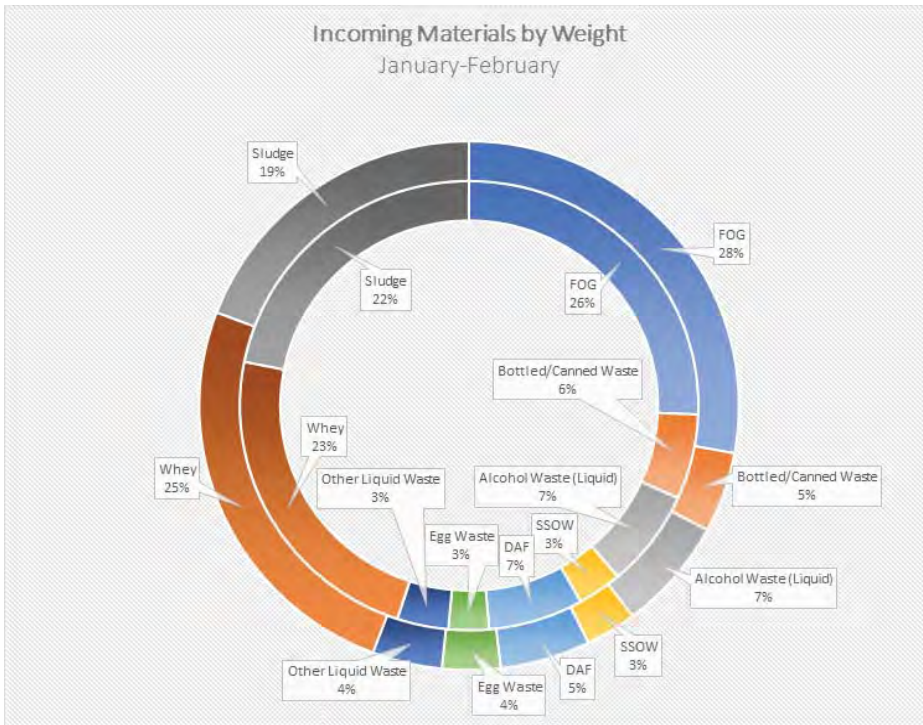
The Wasatch Resource Recovery project is a joint venture. This enterprise is governed by a six-member management committee. This District is represented on this committee by Leonard K. Arave, Ryan T. Westergard and John K. Davies. ALPRO SD, LLC, our joint venture partner, is represented by Bruce Alder, Eric Alder and L. Scott Rogers. Eric Alder serves as Chairman.

This is a large and complex project on a very small site. The high level of economic and construction activity in the U.S. and locally during 2018 and 2019 made labor scarce and expensive. Construction materials, particularly steel, increased significantly in cost. Despite these challenges, construction proceeded smoothly and on budget. The project is, however, 18-months behind schedule. This is due almost entirely to the gas scrubbing equipment. The supplier of the gas scrubbing equipment is a relatively new company located in the Netherlands. There were

significant problems with engineering issues, shop drawing approvals, equipment delivery and electrical code compliance. Commissioning of the unit has had numerous problems and is not yet complete.

The Project began sending gas to the grid in January 2021. Currently an average of 500 decatherms or 500,000 cubic feet of renewable natural gas are being sent to the grid.

WRR has been receiving food waste since March 2019. To date WRR has processed 35,000,000 gallons of organic wastes. The following shows major feedstock types and volume:



Some of the major sources of feed stock are Dannon, Nestle', Swires Coca Cola, Schreiber Cheese, Costco, and Kroger/Smiths.

Current Major Activities - Treatment Plants

North Plant

Aqua Engineering, the District Engineer and staff completed an engineering assessment of all North Plant assets and processes. Based on the condition of each asset, options were developed and evaluated for extending the life of that asset into the next 20-year planning horizon or replacing it. An engineering design report for the rehabilitation of the North Plant with the addition of an Advance Biological Nutrient Removal (ABNR) system for nutrient removal was submitted to DWQ for review and approval and was approved in May 2021. Plans and specifications for the project are being prepared. The current cost estimate for the work is \$47,276,500.

On February 26, 2020, the District went before the Water Quality Board requesting that the Board funding for the ABNR system be changed from the South Plant to the North Plant. This request was approved. Because of funding constraints, the amount was reduced to \$14,176,000.

Due to the pending rehabilitation and nutrient removal project, no significant projects have been undertaken at the North Plant. This plant is generally in a clean, orderly, and workmanlike condition. There is no known deferred maintenance, that is not addressed in the plant rehabilitation project, which would adversely affect permit compliance or the life of significant, existing plant assets

South Plant

Aqua Engineering, the District Engineer and staff completed an engineering assessment of all South Plant assets and processes. Based on the condition of each asset options were developed and evaluated for extending the life of that asset into the next 20-year planning horizon or replacing it. Engineering drawings and specifications have been developed to implement the chosen alternative for each asset.

Aqua Engineering has recommended and designed a Moving Bed Bioreactor (MBBR) ammonia removal system for the South Plant. This process is added at the end of the existing process. The plant rehabilitation and nutrient removal process are currently under construction.

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

Biosolids

The treatment and ultimate utilization of biosolids generated during the wastewater treatment process and WRR operations is a significant part of operations. Regulations pertaining to biosolids are detailed and demanding. Compliance with regulations and maintaining viable biosolids 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 strives to maintain, improve, and protect the environment during the production and treatment of biosolids. The District makes every effort to ensure that the public is not endangered or inconvenienced by the production and treatment of biosolids. The District obeys all applicable federal, state, county and local laws, rules, and regulations.

Long-term biosolids options continue to be a concern for all POTWs in the area. Historically, the District has beneficially used its biosolids as a soil amendment in local agricultural operations. The 2020 spring and fall hauling and spreading campaigns went very smoothly. We have some wet weather issues that need to be addressed, such as soft spots in the access road. Larger flotation tires have been added to the spreader to improve wet weather operations.

The WRR project will ultimately generate more than 25,000 dry tons of biosolids per year. The Plants produce 1,000 dry tons per year. This increased volume of biosolids to be utilized presents challenges, but also creates opportunities. The current land application site is in a conservation easement which means it is unlikely to develop and we can develop a long-range plan. This site is not adequate for all WRR biosolids, so additional sites are being sought. Agreements with a very large parcel are being negotiated. The District is also working with a commercial land application site in Weber County for utilization of biosolids and ammonium sulfate produced by the WRR project. The long-range goal for these products is commercialization for the agricultural market.

Current Major Activities - Collection System

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. The District maintains an on-going list of needed repairs and improvements. There is no deferred maintenance, which would adversely affect the performance, permit compliance or the life of these assets.

Major Activities - Future

Accounting

The District has purchased a full accounting software package from Black Mountain Software to support WRR. We have completed configuring and populating this software to support the WRR project. This accounting system tracks all WRR costs for labor, equipment, parts, materials, power, chemicals etc. The accounting workload for these operations and maintenance costs is significant. We have added one fulltime clerk for this workload. The bond documents require formal accounting and auditing manuals which we are continuing to develop.

Collection System

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

In this process, a tube of polyester felt and/or fiberglass is saturated with epoxy or vinyl ester resins and inserted into the existing pipe. It is inflated with air or water pressure and then cured using hot water or steam. The resulting composite pipe is structurally independent of the original pipe and provides both a very smooth and corrosion resistant product. This process involves less interference with traffic and other activities, is accomplished in a fraction of the time, and is far less expensive than traditional cut-and-cover methods. Over the last 15 years, District contractors have installed over 40,000 linear feet of CIPP from 8-inches diameter through 27-inches diameter.

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. We have added the necessary equipment to line the joint between the main and the lateral. This is the last link in being able to address all inflow, root and other problems encountered with laterals.

Treatment Plants

We continue to see significant increases in operating expenses particularly chemical costs, repair costs and replacement parts costs. We have redoubled our efforts to improve efficiency in these areas. For example, we just completed a Rocky Mountain Power program to perform energy audits and complete energy conservation projects. 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.

Safety

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

Year	Collection System	Treatment Plants	Water Quality Group	WRR	Office	Annual Total
2011	hip & shoulder					1
2012	knee					2
2013	leg	Foot				2
2014		eye				1
2015						0
2016		laceration/bruise				1
2017		finger & arm	foot			3
2018		abrasions				1
2019	ear & hand	foot & hand		shoulder		5
2020				various		7
Total	6	8	2	1	1	23

The significant increase in injuries is due to new employees and the new WRR operation. The new employees are generally younger and less experienced in the workplace. We need to increase our daily emphasis on safety and fundamental safety training issues.

The major safety and health related regulations have required written program components, many 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
Hearing Conservation	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	Federal OSHA 1910.106	X	X	X
Fire Extinguishers	Federal OSHA 1910.157		X	X
Control of Hazardous Energy	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

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. A safety and industrial hygiene consulting firm is currently working on updating all the District's health and safety programs and documents.

The safety program creates a base from which a safety culture can thrive. As employees develop an attitude of working with safety in mind, accident risk goes

down, and, as a result, there are fewer on the job incidents. Lower accident rates reduce insurance and workers compensation rates.

Security

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

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

EPA has a groundwater remediation project removing a plume of perchlorethylene (PCE), a dry-cleaning solvent. This plume is located between 1100 West and Redwood Road and between 500 South and 400 North in West Bountiful. The District was awarded a grant to operate this facility for 10-years. The District's proposal was approximately half the amount that EPA had budgeted. Our ten-years of operating OU2 have been successful and generally about one-half of the originally proposed budget.

Risk Management

For 2021 and 2022 the District's Property, Inland Marine, Crime, General Liability, Wrongful Acts/Professional Liability, Employment Practices Liability, Automobile Liability, Excess Liability, Network Security/Data Breach Liability, (WRR), Wrongful Acts/Professional Liability (WRR), and Excess Liability (WRR) insurance is provided by the Philadelphia Indemnity Insurance Company (A++ XV). Directors and Officers Liability (WRR) and Employment Practices Liability (WRR) is provided by Travelers (A++ XV). Excess Liability (District and WRR) is provided by Markel (A XV). Environmental Liability is provided by Navigators (A+ XV). The local agent, Olympus Insurance Agency, specializes in insuring local government agencies and provides extensive risk management support including audits, training, and consultation.

Worker's Compensation insurance for 2021 and 2022 is being provided by Utah Worker's Compensation Fund. The District's experience modifier is 0.95. This is down from 0.68, a reflection of the higher number of claims for 2019. The number of claims in 2020 will likely next year's modifier. 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 closed-circuit television units, which are insured for casualty as well as liability.

The District believes in being proactive in providing a safe and healthy workplace for its employees. We provide training in-house and using resources such as the Utah Workers Compensation Fund and the Utah Safety Council. In addition to in-house

safety inspections, we invite inspections by our liability insurance carrier and Utah OSHA consultation specialists.

Awards and Achievements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the South Davis Sewer District for its Comprehensive Annual Financial Report (ANNUAL FINANCIAL REPORT) for the fiscal year ended December 31, 2019. This was the 22nd consecutive year that the District has achieved this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

The following pages present the District's organizational chart, a listing of the District's Board of Trustees, the District's 2021 meeting schedule, a listing of the employees of the District, a copy of our 2019 Certificate of Achievement, a list of professional awards, a location map, an area map, staff pictures, and project pictures.

Conclusion

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

The *Annual Financial Report* is the product of the efforts of the entire office and accounting staff. We would like to express our appreciation for their talents and efforts. The District is especially appreciative of the tremendous amount of time and

effort put into the ANNUAL FINANCIAL REPORT and the Audit by our Accounting Manager, Mark R. Katter and the manager of our Audit, Stephen R. Capson.

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

Respectfully submitted,

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



Mark R. Katter, CPA
Accounting Manager/Clerk



May 19, 2021

To Whom it May Concern:

South Davis Sewer District's (SDSD) Audit Committee held our pre-audit meeting on May 25, 2021 from 1:30 PM to 2:30 PM through electronic means using Microsoft Teams as the platform. We discussed the upcoming audit. Areas of interest for this year's audit were discussed. The main discussion revolved around the Wasatch Resource Recovery (WRR) project and making sure all aspects of the project are being recorded correctly, especially capital contributions and expenditures. The auditor confirmed that this would be an area of emphasis during the audit.

Our Audit Committee exists to provide oversight of the audit function and to make sure all areas of accounting and financial reporting within SDSD are transparent and known to the Board of Trustees. Management and accounting staff at SDSD do a great job with limited resources. It is always nice to have this confirmed by the audit firm.

Members of Audit Committee:

Ryan Westergard (Chair)

Mark Preece

Howard Burningham

Audit Firm:

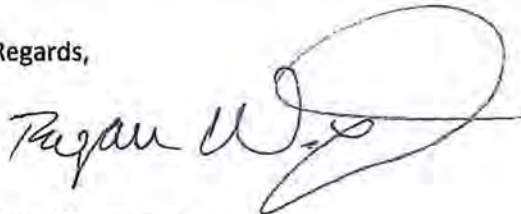
Karren, Hendrix, Stagg, Allen & Company

Auditor:

Stephen Capson

The above individuals all participated in the Audit Committee meeting.

Regards,

A handwritten signature in black ink, appearing to read "Ryan Westergard". The signature is fluid and cursive, with a large loop at the end.

Ryan Westergard

SDSD Audit Committee Chair



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, 2019

Christopher P. Morill

Executive Director/CEO

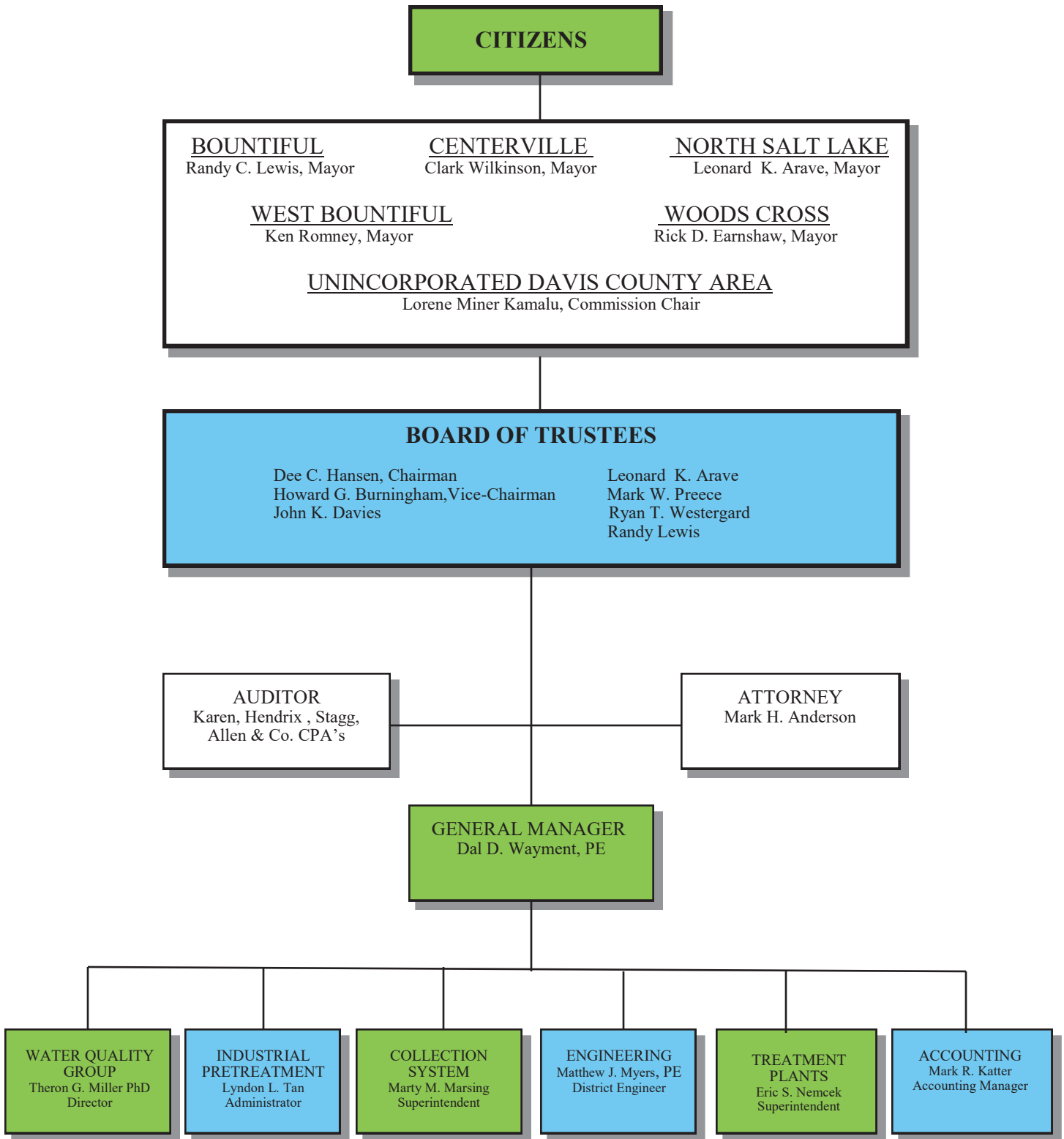
SOUTH DAVIS SEWER DISTRICT AWARDS

- 1976 Outstanding Treatment Plant Operator/Wastewater Plant Under 5 MGD Design Capacity*
Gary C. Hales
- 1977 Outstanding Wastewater Plant Under 5 MGD Design Capacity*
South Plant
- 1977 Outstanding Treatment Plant Operator/Wastewater Plant Under 5 MGD Design Capacity*
Donald E. Stark
- 1979 Outstanding Collection System Under 5 MGD Design Capacity*
- 1978 Outstanding Wastewater Plant Over 5 MGD Design Capacity*
North Plant
- 1981 Outstanding Wastewater Plant Under 5 MGD Design Capacity*
South Plant
- 1983 Outstanding Wastewater Plant Under 5 MGD Design Capacity*
South Plant
- 1985 Outstanding Wastewater Plant Under 5 MGD Design Capacity*
South Plant
- 1988 Outstanding Plant Safety Award*
North Plant
- 1994 Outstanding Plant Safety Award*
North Plant
- 1996 George W. Burke Jr. Award**
- 1999 Outstanding Wastewater Plant Under 5 MGD Design Capacity*
South Plant
- 1999 Outstanding Wastewater Plant Operator Under 5 MGD Design Capacity*
Eric S. Nemcek
- 1999 Outstanding Wastewater Plant Over 5 MGD Design Capacity*
North Plant
- 2000 Grant K. Borg Extraordinary Service Award*
Dal D. Wayment
- 2001 Quarter Century Operators' Club**
Dal D. Wayment
- 2004 Arthur Sidney Bedell Award**
Dal D. Wayment
- 2011 Outstanding Collection System Over 5 MGD Design Capacity*
Collection Operators
- 2013 Outstanding Young Professional*
Matt J. Myers
- 2017 Outstanding Water Reclamation Operator Under 5 MGD Design Capacity*
Tim Munden

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

** Water Environment Federation (WEF/National)

SOUTH DAVIS SEWER DISTRICT
 Organizational Chart
 For the Year Ending December 31, 2020



SOUTH DAVIS SEWER DISTRICT
 Board of Trustees
 As of December 31, 2020



John K. Davis



Dee C. Hansen



Howard G. Burningham



Ryan T. Westergard



Leonard K. Arave



Mark W. Preece



Randy C. Lewis

<u>Name</u>	<u>Title</u>	<u>Representing</u>	<u>Term Expires</u>
Dee C. Hansen (Appointed)	Chairman	Centerville City	12/31/2023
Howard G. Burningham (Elected)	Vice-Chairman	District At Large	12/31/2021
John K. Davies (Elected)	Trustee	District At Large	12/31/2021
Ryan T. Westergard (Appointed)	Trustee	Woods Cross City	12/31/2021
Leonard K. Arave (Appointed)	Trustee	North Salt Lake City	12/31/2021
Mark W. Preece (Appointed)	Trustee	West Bountiful City	12/31/2021
Randy C. Lewis (Appointed)	Trustee	Bountiful	12/31/2021

Source: District human resource and election records

SOUTH DAVIS SEWER DISTRICT
2021 Meeting Schedule
Board of Trustees

PUBLIC NOTICE is hereby given that the 2021 Meeting Schedule of the Board of Trustees of the South Davis Sewer District, Davis County, Utah, is as follows:

<u>REGULAR MEETINGS</u>	<u>DATES</u>
January	21st
February	18th
March	18th
April	15th
May	20th
June	17th
July	15th
August	19th
September	19th
October	21st
November	18th
December	2nd

The regular meeting of the Board of Trustees is held each month at 5:00 p.m. at the District Office, 1800 West 1200 North, West Bountiful, Utah.

Mark R. Katter
District Clerk

SOUTH DAVIS SEWER DISTRICT
 Full-Time Employees
 For the Year Ending December 31, 2020

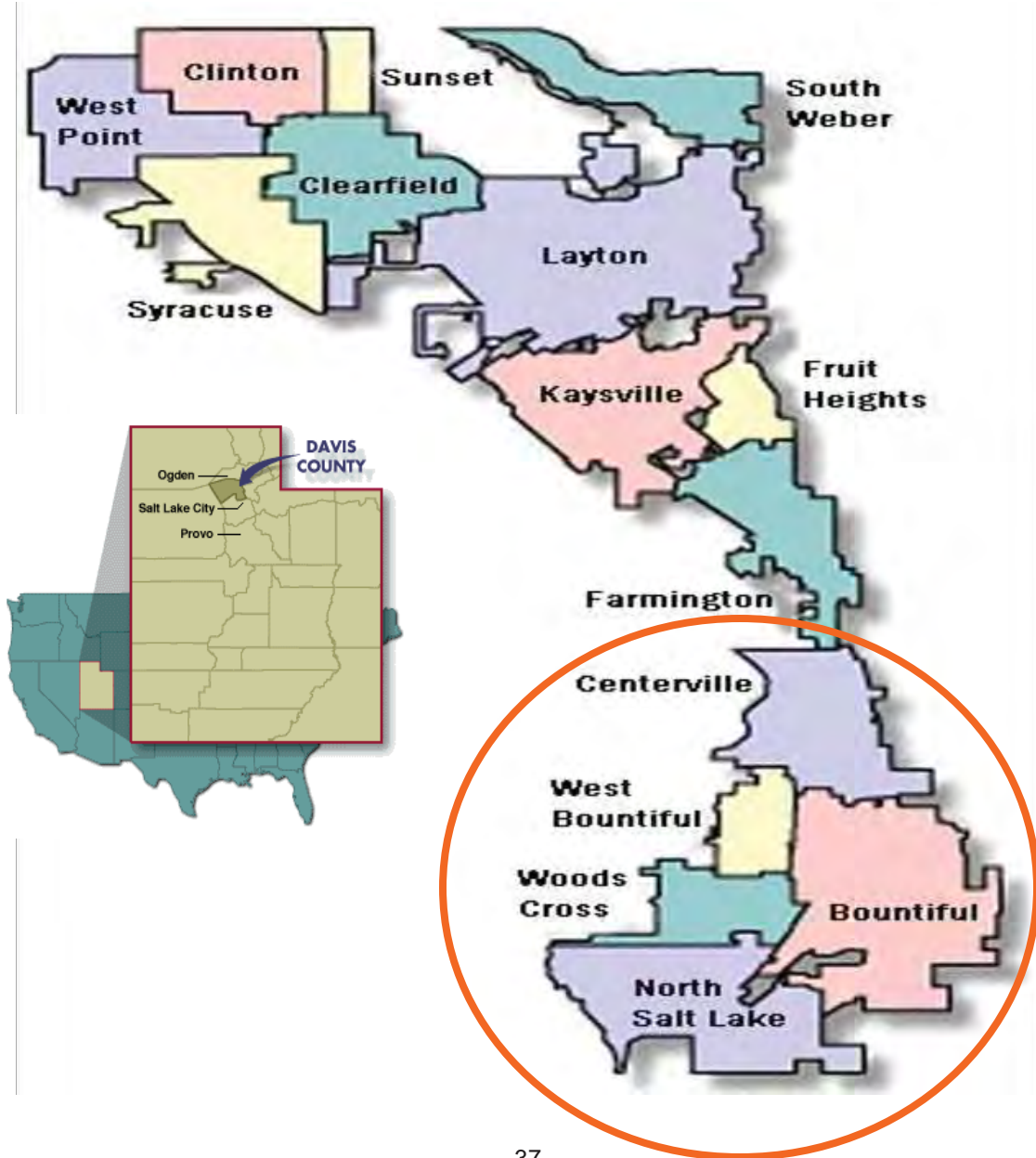
Dal D. Wayment	General Manager/Treasurer
Mark R. Katter	Accounting Manager/Clerk
Matt J. Myers	District Engineer
Susanne F. Monsen	Administrative Assistant
Valerie H. Davis	Clerk Int/Accounting.
DeRae E. Paget	Clerk/Accounts Payable
Candice Venn	Clerk/Accounts Receivable
Eric S. Nemcek	Operations Superintendent
Corry J. King	Lead North Treatment Plant Operator
Timothy E. Munden	Lead South Treatment Plant Operator
Brent M. Maxwell	Treatment Plant Operator
Jedd C. Powell	Treatment Plant Operator
Jeffery K. Perkins	Treatment Plant Operator
Joshua D Smedley	Treatment Plant Operator
Nathan L. Larsen	Treatment Plant Operator
Jacob U. Scott	Engineer in Training WRR
Norman S. Robinson	Lead Plant Operator WRR
Jayson D. Dlugas	Operator WRR
Braeden R. Adamson	Operator WRR
Anthony A. Connor	Operator WRR
Dominic H. Padilla	Operator WRR
Douglas S. Reese	Operator WRR
Jonathan D. Weimer	Operator WRR
Lyndon L. Tan	Industrial Pretreatment Administrator
Mike C. Bradshaw	Maintenance
Brandon M. Katter	Maintenance
Sterling D. Smedley	Maintenance
Kevin Page	Maintenance
Marty G. Marsing	Collection System Superintendent
Tyler Nemcek	Collection System Lineman
Curtis D. Bohman	Collection System Lineman
Shane E. Fleming	Collection System Lineman
Brandon S. Rice	Collection System Lineman
Carl E. Trimming	Collection System Lineman
Conrad Hash	Collection System Lineman
Theron G. Miller	Research Scientist

Source: District Personnel Records

SOUTH DAVIS SEWER DISTRICT
 Davis County and District Map
 For the Year Ending December 31, 2020

<u>Cities Serviced by South Davis Sewer District</u>			
<u>City</u>	<u>Approximate Population (2020)</u>	<u>Square Miles</u>	<u>Date Incorporated</u>
Centerville	16,870	5.99	May 5, 1915
West Bountiful	6,322	2.96	Dec. 31, 1948
Bountiful	48,340	13.22	Dec. 5, 1892
Woods Cross	12,532	3.76	Sep. 4, 1930
North Salt Lake	18,936	8.45	Sep. 3, 1946
Totals	103,000		

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







SOUTH HAVEN City unsure why the sewer smells

By KRISTIN HAY
H-F Correspondent

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

Bob Stickland, the director of

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

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

Sewer was blocked by large Pooh

Last updated 17 Feb 2014 00:03 GMT



A Winnie the Pooh teddy bear was found dumped in a manhole in East Kilbride, South Lanarkshire



COMMON SENSE

Don't trust anyone that lives in a sewer.

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FINANCIAL SECTION





KARREN | HENDRIX | STAGG | ALLEN
COMPANY

Certified Public Accountants

111 East Broadway • Suite 250 • Salt Lake City, Utah 84111
Phone 801.521.7620 • Fax 801.521.7641
Website www.khsa.biz

Rebecca M. Allred, NCG
Robin W. Bastar, CPA
Lois M. Brandriet, PhD
APRN, GCNS-BC, NCG
Stephen R. Capson, CPA
Douglas G. Carlson, CPA
Scott J. Hanni, CPA
Danny L. Hendrix, CPA
Tim C. Rees, CPA
Jeffrey N. Ririe, CPA
G. John Runia, CPA

INDEPENDENT AUDITORS' REPORT

Board of Trustees
South Davis Sewer District

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, 2020 and 2019, 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, 2020 and 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Analysis on pages 45-55, Modified Approach for Eligible Infrastructure Assets on pages 87–89 and Schedule of the Proportionate Share of the Net Pension Liability on pages 78-80 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 17, 2021 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.



Salt Lake City, Utah
June 17, 2021

SOUTH DAVIS SEWER DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2020, and 2019
(Unaudited)

This section presents management's discussion and analysis of the financial position and performance of the South Davis Sewer District (District) for the fiscal years ending December 31, 2020, and December 31, 2019, with comparative totals for December 31, 2018. It is presented as a narrative overview and analysis of the financial activities of the District. Please read it in conjunction with the Letter of Transmittal. See pp.1-30, in the Introductory Section, the Basic Financial Statements (pp. 56-60) and Notes to the Financial Statements (pp. 61-70,) and the other information which is presented in the Financial Section and Statistical Section of this *Annual Financial Report*.

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2020 therefore the 2020 net position is \$89,270,023, a 2% increase from 2019. In 2019 and 2018 the District's net position was \$87,880,791 and \$85,291,384, respectively. Net investment in capital assets is 71% of the District's total assets (land, buildings, facilities, sewer lines, and equipment). 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 District's 2020 total net position increased by \$1,389,232 (2%) from 2019 and increased \$2,589,407 from 2018 to 2019 (3%).
- At the end of fiscal year 2020, the District's unrestricted cash, cash equivalents, and investments reported combined ending balances of \$4,357,666. Fiscal years 2019 and 2018 ending balances were \$8,651,005 and \$6,350,946, respectively.
- Series 2017A taxable revenue bond debt service payment was made in the amount of \$1,638,763.
- Series 2019 20-year combined system revenue bonds (private placement) payment was made in the amount of \$257,079. The 2019 series bonds were issued to finance the South Treatment Plant rehabilitation and build an advanced biological nutrient removal (ABNR) facility. These two projects are to help the District meet the latest State of Utah Division of Water Quality and EPA standards.
- 2020 impact fee revenue was \$903,643 a 45% increase from 2019. Impact fee revenue in 2019 and 2018 was \$624,221 and \$604,760 respectfully. The 2020 impact fee revenue was primarily the result of the following major construction developments: Amazon, Foxboro Market Place, The Ridge, The Winnie, and Atwood Ext. You can read more about the District's impact fee revenue in the Supplemental Information Section pp. 92-95, and p.100 in the Statistical Section.
- Interest income in 2020 came from cash, cash equivalents, investments and bond proceeds totaling \$186,855 a 1% increase from 2019. Interest income in 2019 and 2018 was \$184,810 and \$306,480, respectively (p.87 Statistical Section).
- Operating revenues for 2020 and 2019 were \$6,197,271 and \$6,043,598 respectively, a 3% increase, and \$4,700,558 in 2018 (29% increase from 2018 to 2019). 2020 operating expenses (less depreciation) decreased by 4%, or \$263,034 from 2019. From 2018 to 2019, operating expenses decreased by 6% or \$411,553. (See pp. 49-50 in the MD&A Section; pp.56-58 in the Financial Statements; and pp.98-99 in the Statistical Section).

Overview of the Financial Statements

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

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

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

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

The information in the **Statement of Revenues, Expenses, and Changes in Net Position** presents how the District's net assets changed during the years presented. All changes in net position are reported as soon as the underlying event occurs. The **Statement of Cash Flows** presents information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as where cash came from, what was cash used for, and what was the change in cash balance during the reporting period.

The Notes to Financial Statements provide additional information that is necessary to understand the data provided in the financial statements.

Other supplementary Information is additional to the basic financial statements and accompanying notes. These reports present certain required and non-required supplementary information of the District. **The Required Supplementary Information (infrastructure assets and pensions)** and the **Other supplementary information** can be found in the **Financial Section** of this report.

The **Statistical Section** provides statistical data on financial trends, revenue and debt capacity, demographic data, economic data, and operating information.

Financial Analysis of the District

The District's net position may serve over time as a useful indicator of a government's financial position. In the case of the South Davis Sewer District, the net position at the end of fiscal year 2020 was \$89,270,023 (2% increase from 2019) and \$87,880,791 and \$85,291,384 at the end of the fiscal year 2019, and fiscal year 2018 respectively (See pp. 48-50 Financial Statements and p.48 in the MD&A Section, and pp. 56-57 in the Statistical Section).

The largest portion of the District's net position reflects its net investment in capital assets less any related debt (71% in 2020, 79% in 2019, and 88% in 2018,) less debt used to acquire those assets. The District uses these capital assets to provide wastewater services to its customers (citizens). It should be noted that resources needed to repay debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The District had outstanding debt for fiscal year 2020 in the amount of \$29,795,616 in the form of two 20-year taxable revenue bonds to finance the District's renewal energy project (WRR) and Treatment Plant rehabilitation. The par value of these bonds is \$21,195,000 and \$12,179,000, series 2017A and series 2019 respectively. These two revenue bonds were issued to finance the WRR project and treatment plant rehabilitation.

In 2020 the District's operating revenues of \$6,197,271 increased from \$6,043,598 (2019) by 3%. Operating revenue in 2018 was \$4,700,558. The operating revenue increased because of a sewer rate increase in 2019. 2020 operating expenses were \$7,571,711 (less depreciation) a 13% increase from 2019 (\$6,709,393). 2018 operating expenses (Less depreciation) was \$7,120,946. See pp. 50-51 in the MD&A Section, pp.56-57 in the Financial Statements, and in the Statistical Section pp. 98-102 and pp.127-128.

Key factors driving the preceding results include:

Sewer service revenue for 2020 was \$5,199,731 an increase of 2% compared to fiscal year 2019 (\$5,082,655). This came from continued growth in the new construction of homes and businesses within the District and a rate increase from \$5 per month to \$10 per EDU per month effective July 2018. The purpose of this rate increase was to cover inflationary costs and debt service. The District hasn't increased rates since 1988. (See pp. 87, 91 and 109 in the Statistical Section and the Notes to the Financial Statements, note I, p. 54 of this report for more information).

2020 and 2019 property tax revenue was \$2,304,411 and \$2,272,062 respectfully, an increase of 1%. Davis County has a collection rate of 98.7% (see p 103 in the Statistical Section for more information).

Contributions to capital revenue was \$2,026,283 and \$1,239,606 in 2020 and 2019 respectively, an increase of 63%. In 2018 contributions to capital revenue was \$897,985. Contributions to capital revenue primarily comes from deeded lines to the District from developers and contractors. 2020 contributions were a result of a strong economy and a boom in the construction industry, see p. 112 and p.119 in the Statistical Section for more information.

Impact fee revenue is a consequence of new building construction and development. These impact fees reflect economic recovery for the construction industry from when the great economic recession of 2008 was in full swing. Impact fee revenue was \$903,642 and \$624,221 in 2020 and 2019, respectively. 2018 impact fee revenue was \$604,760 (see pp.81-86 in the Supplemental Information Section and p.104 in the Statistical Section)

With the implementation of the Modified Approach to Accounting for Infrastructure in 2004 per *GASBS No.34* Depreciation expense for 2020 and 2019 were \$458,530 and \$279,873, respectively. Depreciation expense for 2018 was \$285,891. Depreciation increased in 2020 due to purchasing & building capital assets for the resource recovery facility. The District's assets are lasting longer because of the execution of effective maintenance facilitating this longevity. The Modified Approach is discussed in greater detail in the Required Supplemental Information section of this report, pp.81-86. Also, see the Notes to the Financial Statements, section one paragraph note G on p. 62.

In 2020 personal services (salaries and benefit expenses) increased 7% from 2019, due to a combination of health care increased costs and employee cost of living Increases and the addition of three full-time employees were hired in 2020 (see financial statements pp.56-58)

As of December 31, 2020, the District's non-current liabilities were employee compensated absences of \$653,628, (\$535,553 in 2019), an increase of 22%. This obligation increased due to three employees hired to the District's workforce and increases from employee cost-of-living adjustments

On May 17, 2017, the District issued Series 2017A 20-year taxable revenue bonds in the amount of \$21,195,000 (par). This bond liability is \$19,226,615 (Net of unamortized discount) to finance the WRR renewable energy project. see the Notes to the Financial Statements, p.69, for more information. On December 3, 2019, the District issued Series 2019 20-year combined system revenue bonds (private placement), par value \$12,179,000. This funding is for plant rehabilitation and construction of the ABNR project which will begin in 2021. These projects will bring the District in compliance with the State of Utah and EPA new standards (see Statistical Section pp. 108-111)

The District had a net pension liability totaling \$868,394, \$2,071,914, and \$928,173 in 2020, 2019 and 2018 respectively, the decrease from 2019 to 2020 was 58%. This was due to complying with *GASB Statement No. 68* which was adopted in 2015. The Utah Retirement System's actuaries lowered its assumed rate of return from 7.2% to 6.95% consequently resulting in an adjustment to the net pension liability. The fiduciary net position (funded) for URS was 96% in 2020. Many experts consider 80% or greater to be a sound ratio for government retirement plans. Return on URS investments were 13%. See the Notes to Financial Statements, pp. 72-78 and the Required Supplemental Section, pp. 87-89 for more information.

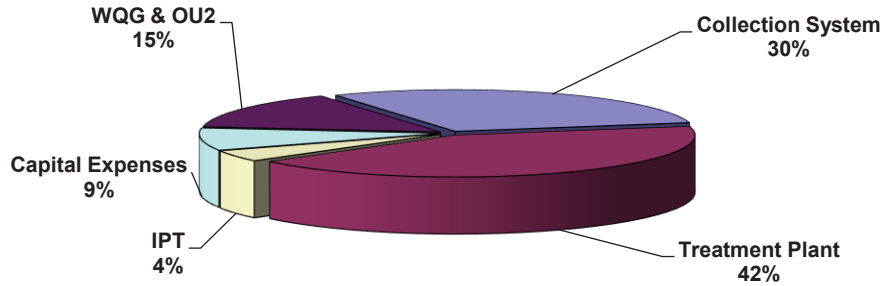
**South Davis Sewer District
Condensed Statements of Net Position
2020-2019**

	Fiscal Year 2020	Fiscal Year 2019	Dollar Change	Percent Change
Current and Other Assets	\$ 19,048,196	\$ 21,387,842	\$ (2,339,646)	-11%
Capital Assets	103,786,688	101,676,993	2,109,695	2%
Total Assets	\$ 122,834,884	\$ 123,064,835	\$ (229,951)	0%
Deferred Outflows of Resources	707,206	1,208,371	\$ (501,165)	-41%
Total Assets & Deferred Outflows of Resources	\$ 123,542,090	\$ 124,273,206	\$ (731,116)	-1%
Current Liabilities	2,247,166	2,374,684	\$ (127,518)	-5%
Non-Current Liabilities	31,317,638	33,979,354	\$ (2,661,716)	-8%
Total Liabilities	\$ 33,564,804	\$ 36,354,038	\$ (2,789,234)	-8%
Deferred Inflows of Resources	-	38,377	\$ (38,377)	-100%
Total Liabilities & Deferred Inflows of Resources	\$ 33,564,804	\$ 36,392,415	\$ (2,827,611)	-8%
Net Position:			\$ -	
Net Investment in Capital Assets	74,410,887	71,496,313	\$ 2,914,574	4%
Restricted - Capital Improvements	10,075,848	10,725,278	\$ (649,430)	-6%
Restricted - Debt Service	2,029,815	2,016,206		
Unrestricted	2,753,473	3,642,994	\$ (889,521)	-24%
Total Net Position	\$ 89,270,023	\$ 87,880,791	\$ 1,389,232	2%
Total Liabilities and Net Position	\$ 122,834,827	\$ 124,234,829	\$ (1,400,002)	-1%

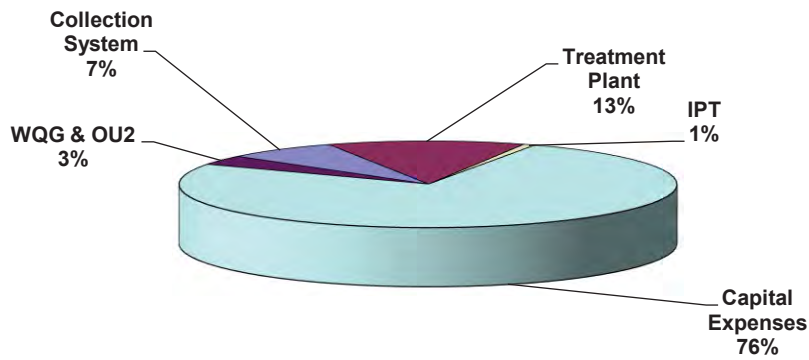
**South Davis Sewer District
Condensed Statements of Net Position
2019-2018**

	Fiscal Year 2019	Fiscal Year 2018	Dollar Change	Percent Change
Current and Other Assets	\$ 21,387,842	\$ 12,860,071	\$ 8,527,771	66%
Capital Assets	101,676,993	95,253,455	6,423,538	7%
Total Assets	\$ 123,064,835	\$ 108,113,526	\$ 14,951,309	14%
Deferred Outflows of Resources	1,208,371	737,874		64%
Total Assets & Deferred Outflows of Resources	\$ 124,273,206	\$ 108,851,400	14,951,309	14%
Current Liabilities	2,374,684	1,520,046	854,638	56%
Long-Term Liabilities	33,979,354	21,471,761	12,507,593	58%
Total Liabilities	\$ 36,354,038	\$ 22,991,807	13,362,231	58%
Deferred Inflows of Resources	38,377	568,209		-93%
Total Liabilities and Deferred inflows of Resources	\$ 36,392,415	\$ 23,560,016	\$ 13,362,231	54%
Net Position:				
Net Investment in Capital Assets,	71,496,313	\$ 74,470,294	(2,973,981)	-4%
Restricted - Capital	10,725,278	2,942,223		
Restricted - Debt Service	2,016,206	2,065,348		
Unrestricted	3,642,994	5,813,519	(2,170,525)	-37%
Total Net Position	\$ 87,880,791	\$ 85,291,384	\$ 2,589,407	3%
Total Liabilities and Net Position	\$ 124,234,829	\$ 108,283,191	\$ 15,951,638	15%

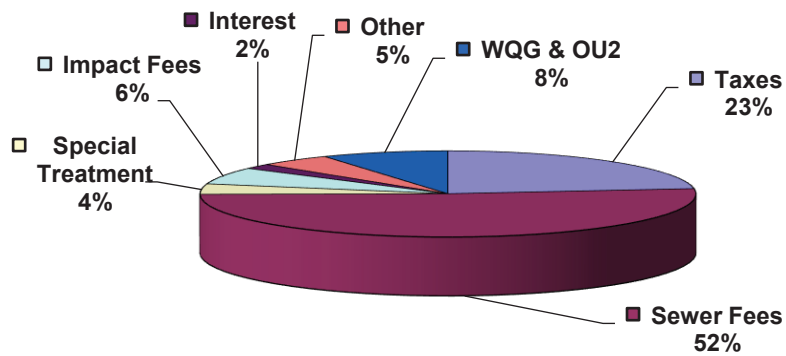
Expenses by Department 2019



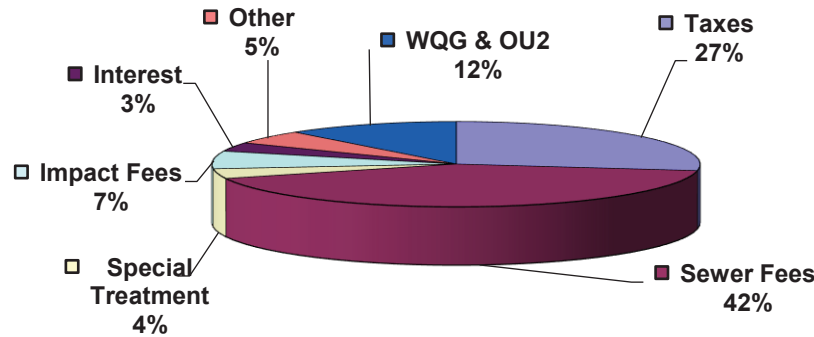
Expenses by Department 2020



Revenue by Source 2019



Revenues by Source 2020



SOUTH DAVIS SEWER DISTRICT Revenues, Expenses, and Changes in Net Position 2020-2019

	Fiscal Year 2020	Fiscal Year 2019	Dollar Change	Percent Change
Operating Revenues:				
Sewer Service Fees	\$ 5,199,732	\$ 5,082,655	\$ 117,077	2%
Special Treatment Fees	404,955	383,725	21,230	6%
Inspection & Project Fees	68,800	113,135	(44,335)	-39%
Other	523,785	464,083	59,702	13%
Total Operating Revenues	\$ 6,197,271	\$ 6,043,598	\$ 153,674	3%
Operating Expenses:				
Operating Expenses	3,560,469	\$ 2,931,114	\$ 629,355	21%
Salaries & Benefits	4,011,242	3,778,279	232,963	6%
Depreciation	458,530	279,873	178,657	64%
Total Operating Expenses	\$ 8,030,241	\$ 6,989,266	\$ 1,040,975	15%
Non-Operating Revenue (Expense)				
General Property Tax	\$ 2,304,411	\$ 2,272,062	\$ 32,349	1%
Impact Fees	903,643	624,221	279,422	45%
Interest Income	186,855	184,810	2,045	1%
Bond Interest & Costs	(1,101,213)	(914,791)	(186,422)	20%
WQG Contributions & EPA Grant	800,700	933,285	(132,585)	-14%
Gain (Loss) on Disposal of Property	24,552	98,114	(73,562)	-75%
Unrealized gain (loss) on investments	34,304	144,118	(109,814)	-76%
Equity in Earnings (Loss)	(1,957,333)	(1,046,350)	(910,983)	87%
Total Non-Operating Revenue (Expense)	\$ 1,195,919	\$ 2,295,469	\$ (1,099,550)	-48%
Increase in Net Position Before Capital Contributions	\$ (637,051)	\$ 1,349,801	\$ (1,986,852)	-147%
Contributed Capital	2,026,283	1,239,606	786,677	63%
Increase in Net Position	\$ 1,389,232	2,589,407	(1,200,175)	-46%
Net Position at Beginning of Year	\$ 87,880,791	\$ 85,291,384	\$ 2,589,407	3%
Prior Period Adjustment	-	-	-	
Net Position at End of Year	\$ 89,270,023	\$ 87,880,791	\$ 1,389,232	2%

SOUTH DAVIS SEWER DISTRICT
Revenues, Expenses, and Changes in Net Position
2019-2018

	Fiscal Year 2019	Fiscal Year 2018	Dollar Change	Percent Change
Operating Revenues:				
Sewer Service Fees	\$ 5,082,655	\$ 3,799,780	\$ 1,282,875	34%
Special Treatment Fees	383,725	336,261	47,464	14%
Inspection & Project Fees	113,135	93,980	19,155	20%
Other	464,083	470,537	(6,454)	-1%
Total Operating Revenues	\$ 6,043,598	\$ 4,700,558	\$ 1,343,040	29%
Operating Expenses:				
Operating Expenses	\$ 2,931,114	\$ 2,971,592	\$ (40,478)	-1%
Salaries & Benefits	3,778,279	4,149,354	(371,075)	-9%
Depreciation	279,873	285,891	(6,018)	-2%
Total Operating Expenses	\$ 6,989,266	\$ 7,406,837	\$ (417,571)	-6%
Non-Operating Revenue (Expense)				
General Property Tax	\$ 2,272,062	\$ 2,483,497	\$ (211,435)	-9%
Impact Fees	624,221	604,760	19,461	3%
Interest Income	184,810	306,480	(121,670)	-40%
Bond Interest & Costs	(914,791)			
WQG Contributions & EPA Grant	933,285	1,040,344	(107,059)	100%
Gain (Loss) on Disposal of Property	98,114	256,975	(158,861)	-62%
Unrealized gain (loss) on investments	144,118	58,256	85,862	147%
Equity in Earnings (Loss)	(1,046,350)	(124,039)	(922,311)	744%
Total Non-Operating Revenue (Expense)	\$ 2,295,469	\$ 4,626,273	\$ (2,330,804)	-50%
Increase in Net Position Before Capital Contributions	\$ 1,349,801	\$ 1,919,994	\$ (570,193)	-30%
Contributed Capital	1,239,606	897,985	341,621	38%
Increase in Net Position	2,589,407	2,817,979	(228,572)	-8%
Net Position at Beginning of Year	\$ 85,291,384	\$ 82,473,405	\$ 2,817,979	3%
Prior Period Adjustment				
Net Position at End of Year	\$ 87,880,791	\$ 85,291,384	\$ 2,589,407	3%

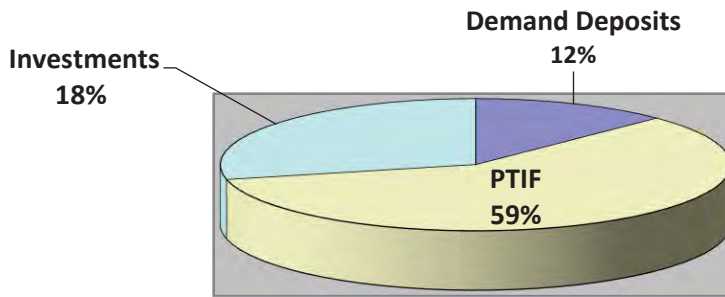
Cash, Cash Equivalents, and Investments

The District's cash and cash equivalents that are temporarily idle during the year are invested with the Utah Public Treasurer's Investment Fund (PTIF). The District feels that safety, liquidity, and yield provided by the PTIF make a prudent strategy for the investment and management of its cash assets in the short-term. The average interest rates paid by the PTIF for 2020 and 2019 were 1.08% and 2.75% respectively (61% decrease). Interest rates have been at historic lows beginning in 2009. A ten-year history of the PTIF interest rates is found in the Statistical Section p.118.

\$1,550,000 is invested with Moreton Asset Management which has a net earnings rate is 1.22% as of December 31, 2020. These funds are considered "sustainable funds." The fair value as of December 31, 2020 is \$1,837,255.

The District has four demand deposit accounts 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. The Notes to the Financial Statements, note 2 on pp. 64-67 "Deposits and Investments" section, will give you more information.

Cash & Cash Equivalents 2020



Interest income for 2020 and 2019 was \$186,855 and \$184,810 respectively a 1% increase. This increase was the result of low and stable interest rates in the Public Treasurers Investment Fund (PTIF) and lower fund balances in a PTIF accounts due to capital project funding. See pp. 64-67, note 2 in the Notes to the Financial Statements and p. 100 in the Statistical Section for more information.

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

Capital Assets

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

The District had \$121,814,856 and 119,271,183 as of 2020 and 2019 respectively (historical cost) in capital assets. This represents a net increase of 2% compared to 2019 and a 6% net increase from 2018 to 2019 as shown in the tables below:

Capital Assets 2020-2019 and 2019-2018

	2020	2019	Change	Change
Land	\$ 3,070,568	\$ 3,070,568	\$ -	0%
Buildings & Facilities	39,464,109	39,464,109	-	0%
Outfall/Sewer Lines	52,219,382	50,415,109	1,804,273	4%
Equipment	13,420,028	12,956,365	463,663	4%
Construction in Progress	13,640,770	13,365,032	275,738	2%
Total	\$ 121,814,856	\$ 119,271,183	\$ 2,543,673	2%

	2019	2018	Change	Change
Land	\$ 3,070,568	\$ 3,070,568	\$ -	0%
Buildings & Facilities	39,464,109	24,336,186	15,127,923	62%
Outfall/Sewer Lines	50,415,109	49,278,649	1,136,460	2%
Equipment	12,956,365	5,977,419	6,978,946	117%
Construction in Progress	13,365,032	29,951,777	(16,586,745)	-55%
Total	\$ 119,271,183	\$ 112,616,617	\$ 6,654,566	6%

The major capital asset events for fiscal year 2020 included the following:

- Construction costs for South Treatment Plant rehabilitation \$275,737
- Contribution of sewer lines from developers valued at \$2,006,618
- Purchased Brown Bear loader \$25,200
- Purchased four 2021 Ford F350 and Ford F250 Trucks \$186,728
- Purchased Hyster forklift \$13,500
- Crane station \$13,876
- Sold three Ford F350 and F150 Trucks \$173,613

The District spent \$696,157 on the maintenance and rehabilitation of the collection system and treatment plant assets in 2020. Studies have shown that every dollar of preventative maintenance spent in the first 10 years of an asset will save \$4-5 over the second 10 years (Iowa Department of Transportation). The District has an aggressive asset management program to prolong the useful life of its assets.

2020 capital asset additions included:

Sewer Lines	\$2,006,618
Equipment	434,930
Construction-In-Progress (CIP)	275,737
Total	<u>\$2,717,285</u>

Additional information on the District’s capital assets can be found in the Required Supplemental Information section (pp. 81-86), the Statistical Section pp.122-126 and the Notes to the Financial Statements, Note 1, paragraph G, p. 62.

Debt Administration and Long-Term Liabilities

The District issued 20-year taxable revenue bonds (Series 2017A) to finance the construction of the Wasatch Resource Recovery (WRR) renewable energy project. The par amount of these bonds is \$21,195,000. The outstanding bonds payable amount is \$19,570,000 as of the end of FY2020. The closing date for the bonds was May 17, 2017 and the maturity date December 1, 2037. The average coupon rate is 4.17%. Bonds maturing on and after December 1, 2027 are callable at par on December 1, 2026. An interest payment was paid June 1, 2020 for \$406,881.25. The first principal and interest payment on these taxable revenue bonds was paid on December 1, 2020 in the amount of \$1,231,881 (\$825,000 principle and \$418,881 interest). As of December 31, 2020, the net carrying value of these taxable revenue bonds are \$19,226,616 (Restricted funds for WRR project). See pp.69-71 in the Notes to the Financial Statements and pp.107-111 in the Statistical Section for more information.

The District received a bond rating from Standard and Poor’s (S&P) credit agency of “A”. S&P felt that the project resembled a power utility project i.e. Dominion Energy or Rocky Mountain Power more than a normal sewer project. S&P indicated that the “A” rating is what Questar or Rocky Mountain Power would have received. The District’s credit rating has not changed.

On December 3, 2019, the District issued combined system revenue bonds, series 2019 in the amount of \$12,179,000. These bonds will mature December 1, 2039 and have a net interest cost of 2.16%. Two interest only payments were made in 2020: June 1, 2020 and December 1, 2020 for the amounts of \$127,822 and \$129,258 respectively. The purpose of the series 2019 bonds is to fund plant rehabilitation and ABNR projects that are required by the State of Utah, Division of Water Quality (DWQ) and the Environmental Protection Agency (EPA) to meet new wastewater standards.

As of December 31, 2020, the District had current and non-current liabilities related to compensated absences due to employees is \$688,628. This increased 13% (\$580,553) compared to 2019. This was the result of a cost-of-living adjustment (COLA), merit increases, and the addition of three employees, and no retirements or terminations. For more information, see the “Notes to the Financial Statements” p.69.

The District had a net pension liability totaling \$868,395, \$2,071,914, and \$928,173, and for 2020, 2019 and 2018 respectively, the decrease from 2019 to 2020 was 58%. This was due to complying with *GASB Statement No. 68* which was adopted in 2015. The Utah Retirement System's actuaries lowered its assumed rate of return from 7.2% to 6.95%, the actual rate of return was 13% consequently resulting in an decrease to the net pension liability. The fiduciary net position (funded) for URS was 96.0% in 2020. Many experts consider 80% or greater to be a sound funding ratio for government retirement plans. See the Notes to Financial Statements, pp.72-76 and the Required Supplemental Section, pp. 87-89 for more information.

**Outstanding Non-Current Debt and Non-Current Liabilities
2020-2019 and 2019-2018**

	2020		2019		Change	Change
Compensated Absences	\$ 653,628	\$	535,553	\$	118,075	22%
Net Pension Liability	868,394		2,071,915		(1,203,521)	-58%
Revenue Bonds Payable	29,795,616		31,371,886		(1,576,270)	-5%
Total	\$ 31,317,638	\$	33,979,354	\$	(2,661,716)	-8%

	Fiscal Year 2019		Fiscal Year 2018		Change	Percent Change
Compensated Absences	\$ 535,553	\$	560,427	\$	(24,874)	-4%
Net Pension Liability	2,071,915		928,173		1,143,742	123%
Revenue Bonds Payable	31,371,886		20,783,161		10,588,725	51%
Total	\$ 33,979,354	\$	22,271,761	\$	11,707,593	53%

Modified Approach to Accounting for Infrastructure

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

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

Funds totaling \$650,370 were budgeted and funds expended were \$489,365 in 2019 to rehabilitate and correct those identified deficiencies in the collection system, treatment plants and lift station systems. Funds totaling \$981,000 have been budgeted for 2020. The District has always budgeted and expended significant funds for this purpose. The estimated budget required to maintain and preserve the current overall condition through the fiscal year ending December 31, 2030 is \$675,027 per year.

There have been no significant changes in the condition level of the collection system, treatment plants, lift stations and their related subsystems compared to the target levels, (See the table on page 82)

Except for the cogeneration system. It has a conditional level of 5 and has been taken out of service due to problems with siloxane and digester gas. The next conditional assessment sample is scheduled for 2021 for all infrastructure assets.

Additional information about the Modified Approach can be found in the Required Supplemental Information Section of this report (pp. 81-86) and the Notes to the Financial Statements, note 1, paragraph G, on p.62.

Economic Factors, Next Year's (2021) Budgets, and Rates

- The District continues to approach budgeting for revenues conservatively with the focus on long-term sustainability. The economy in Utah is projected to be strong, especially in the construction and development of real estate (www.gardner.utah.edu). The civilian unemployment rate in Utah was 2.4% as of the end of December 31, 2019. Low unemployment is a factor in a strong economy. Currently, Utah is one of the strongest in the United States and is expected to be strong in 2021.
- The 2021 debt service for both 20-year revenue bonds, (series 2017A and 2019), will be interest payments totaling \$1,047,528 and principle payments totaling \$1,380,000. Total debt service for 2021 will be \$2,427,528.
- The Utah State Tax Commission proposed certified tax rate property values for 2021 is \$10,347,198,898. According to the Davis County Assessor, property values are to increase 13% compared to 2020. The District has budgeted \$3,066,176 for property tax revenue in 2021. The proposed property tax rate for 2021 is .000296, an increase of 13% (.000226) from 2020.
- Short-term interest rates have been significantly trending downward since the 1st quarter of 2009 and have leveled off in 2015. Since 2015 interest rates are now trending upward but are still projected to remain low for 2021. It is projected the short-term interest rate will be slightly above 2% in 2021.
- \$923,000 is budgeted for repairs and maintenance of the District's infrastructure and is broken down as follows: \$540,000 for the collection system and lift stations, \$383,000 for treatment plants. It is projected that four to six new employees at a projected cost of \$800,000 will be needed in 2020 to operate the WRR facility. Revenue from the sale of this energy is projected to be \$2,634,000 and tipping fees \$579,000.
- To comply with the new nutrient restrictions issued by the Environmental Protection Agency (EPA) and the Utah State Division of Water Quality (DWQ), the District is exploring the possibility of building an Advance Biological Nutrient Removal facility (ABNR) that will use algae to facilitate this nutrient removal process. It is anticipated this algae project will cost approximately \$30 million and would be funded by state revolving loans. As of December 31, 2020, this was still in the planning and feasibility stage. Construction could begin December 2021.
- A sewer service rate or property tax increase is possible for 2021. The monthly sewer service rates were increased in mid-2018 from \$5.00 to \$10.00. The purpose of this possible increase is to cover additional debt service of the ABNR and District treatment plant rehabilitation expenses. As of the date of this report, the District is still exploring if the additional funding will be needed.

Requests for Information

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

SOUTH DAVIS SEWER DISTRICT

Basic Financial Statements

For The Fiscal Year Ended December 31, 2020 and 2019



SOUTH DAVIS SEWER DISTRICT

Statements of Net Position December 31, 2020 and 2019

	2020	2019
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,527,102	\$ 5,112,279
Investments	1,822,779	1,775,472
Receivables:		
Accounts receivable, sewer service charges	293,741	265,172
Accounts receivable, certified to county treasurer	78,060	84,011
Accounts receivable, special treatment charges	41,800	35,725
Accounts receivable, other	189,419	190,931
Accrued property taxes receivable	579,900	594,708
Accrued interest receivable	10,949	26,021
Inventory of supplies	14,164	13,742
Prepaid expenses	10,484	24,578
TOTAL CURRENT ASSETS	5,568,398	8,122,639
NONCURRENT ASSETS		
Restricted cash and cash equivalents	12,105,663	12,741,484
Investment in WRR, LLC	1,344,043	488,921
Reimbursable costs	30,092	34,798
Nondepreciable capital assets	94,721,237	92,641,227
Depreciable capital assets, net	9,065,451	9,035,766
TOTAL NONCURRENT ASSETS	117,266,486	114,942,196
TOTAL ASSETS	\$ 122,834,884	\$ 123,064,835
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflow of resources related to pensions	\$ 707,206	\$ 1,208,371

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

SOUTH DAVIS SEWER DISTRICT

Statements of Net Position December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 310,908	\$ 1,082,109
Accrued salaries & wages	51,220	139,634
Accrued payroll taxes	13,344	23,424
Accrued bond interest payable	87,294	89,117
Performance deposits and retainage	139,400	170,400
Current portion of accrued compensated absences	35,000	45,000
Current portion of revenue bonds payable	1,610,000	825,000
TOTAL CURRENT LIABILITIES	<u>2,247,166</u>	<u>2,374,684</u>
NONCURRENT LIABILITIES		
Noncurrent portion of revenue bonds payable, net of unamortized discount	29,795,616	31,371,886
Accrued compensated absences	653,628	535,553
Net pension liability	868,395	2,071,915
TOTAL NONCURRENT LIABILITIES	<u>31,317,639</u>	<u>33,979,354</u>
TOTAL LIABILITIES	<u>\$ 33,564,805</u>	<u>\$ 36,354,038</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow of resources related to pensions	<u>\$ 707,262</u>	<u>\$ 38,377</u>
NET POSITION		
Net Investment in capital assets	\$ 74,410,887	\$ 71,496,313
Restricted for:		
Capital projects	10,075,848	10,725,278
Debt service	2,029,815	2,016,206
Unrestricted	<u>2,753,473</u>	<u>3,642,994</u>
TOTAL NET POSITION	<u>\$ 89,270,023</u>	<u>\$ 87,880,791</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 Net Position For the Years Ended December 31, 2020 and 2019

	2020	2019
OPERATING REVENUES		
Sewer service charges	\$ 5,199,731	\$ 5,082,655
Sewer special treatment charges	404,955	383,725
Inspection, and project fees	68,800	113,135
Other operating revenues	523,785	464,083
TOTAL OPERATING REVENUES	6,197,271	6,043,598
OPERATING EXPENSES		
Personal services	4,011,242	3,778,279
Contractual services	795,035	507,855
Utilities	343,771	351,246
Repairs and maintenance	1,526,955	1,335,270
Other supplies and expenses	733,302	608,867
Insurance claims and expenses	161,406	127,876
Depreciation	458,530	279,873
TOTAL OPERATING EXPENSES	8,030,241	6,989,266
OPERATING LOSS	(1,832,970)	(945,668)
NONOPERATING REVENUES AND (EXPENSES)		
General property tax	2,304,411	2,272,062
Intergovernmental contributions	800,700	933,285
Impact fees	903,643	624,221
Interest income	186,855	184,810
Miscellaneous revenue	-	-
Grant Revenue	-	-
Unrealized gain (loss) on investments	34,304	144,118
Bond interest expense	(1,101,213)	(891,791)
Bond issuance costs	-	(23,000)
Equity in earnings (losses) in subsidiary/JV activity	(1,957,333)	(1,046,350)
Gain (loss) on sale of plant equipment	24,552	98,114
TOTAL NONOPERATING REVENUES AND (EXPENSES)	1,195,919	2,295,469
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(637,051)	1,349,801
DEVELOPER CONTRIBUTED SEWER LINES	2,026,283	1,239,606
CHANGE IN NET POSITION	\$ 1,389,232	\$ 2,589,407
NET POSITION - BEGINNING OF THE YEAR	87,880,791	85,291,384
NET POSITION - END OF THE YEAR	\$ 89,270,023	\$ 87,880,791

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, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 5,582,211	\$ 5,413,165
Payments to suppliers of goods and services	(4,317,998)	(2,194,071)
Payments to employees for services	(4,035,131)	(3,650,010)
Other receipts	592,585	577,218
NET CASH FLOWS FROM OPERATING ACTIVITIES	(2,178,333)	146,302
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Property taxes collected	2,319,219	2,142,960
Intergovernmental contributions	800,700	933,285
Impact fees collected	903,643	624,221
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	4,023,562	3,700,466
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from sale of revenue bonds	-	12,179,000
Bond issuance costs paid	-	(23,000)
Bond principal paid	(825,000)	(800,000)
Bond interest paid	(1,069,306)	(837,763)
Proceeds from the sale of capital assets	24,552	98,114
Purchase of capital assets	(541,942)	(5,463,805)
Net receipt (refund) of performance deposits and retainages	(31,000)	59,500
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(2,442,696)	5,212,046
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of marketable securities	(13,003)	2,477,478
Contributions made to equity method investment	(2,812,455)	(1,107,126)
Interest income received	201,927	174,912
NET CASH FLOWS FROM INVESTING ACTIVITIES	(2,623,531)	1,545,264
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,220,998)	10,604,078
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	17,853,763	7,249,685
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 14,632,765	\$ 17,853,763
RECONCILIATION TO STATEMENT OF NET POSITION:		
Unrestricted cash and cash equivalents	\$ 2,527,102	\$ 5,112,279
Restricted cash and cash equivalents	12,105,663	12,741,484
TOTAL CASH AND CASH EQUIVALENTS	\$ 14,632,765	\$ 17,853,763

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, 2020 and 2019

	2020	2019
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Net loss from operations	\$ (1,864,022)	\$ (945,668)
Adjustments to reconcile net loss from operations to net cash provided by operating activities:		
Depreciation	489,582	279,873
(Increase) decrease in:		
Accounts receivable:		
Sewer service charges	(28,569)	47,298
Sewer service charges certified to county treasurer	5,951	(51,236)
Special treatment charges	(6,075)	4,886
Other	1,512	(62,124)
Property taxes	-	-
Inventory of construction and maintenance materials	(422)	(1,284)
Prepaid expenses	14,094	(2,778)
Reimbursed costs	4,706	7,961
Net pension asset	-	-
Deferred outflows of resources	501,165	(470,497)
Increase (decrease) in:		
Accounts payable	(771,201)	741,105
Accrued payroll	(88,414)	30,846
Accrued payroll taxes	(10,080)	(21,116)
Accrued compensated absences	108,075	(24,874)
Net pension liability	(1,203,520)	1,143,742
Deferred inflows of resources	668,885	(529,832)
NET CASH FROM OPERATING ACTIVITIES	\$ (2,178,333)	\$ 146,302

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

	\$ 2,026,283	\$ 1,239,606
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The District capitalized interest paid and accrued on revenue bonds payable.

	\$ -	\$ -
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Change in fair value of investments not reported as cash and cash equivalents.

	\$ 14,476	\$ 181,213
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The notes to the financial statements are an integral part of this statement.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 South in 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.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncement (Standards and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. Financial Reporting Entity

The District is not a component unit of another government entity. There are no entities that are component units of the District.

B. Measurement Focus and Basis of Accounting

The District is a government entity accounted for as an enterprise fund and categorized as a business-type activity, 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. Budgetary Data

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 90-91. 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.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

E. Investments

Investments in debt securities are comprised of U.S. government securities, residential mortgage-backed securities, and corporate notes. These investments are carried at fair value determined on quote market prices. Changes in the fair value of investments are recognized as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position.

The District complies with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The statement requires certain investments to be reported at fair value and the change in fair value to be included in revenues or expenses. The District's policy is to report all investments at value and the change in fair value to be included in revenues or expenses. The District's investment in the State Treasurer's Pool has a fair value equivalent to the value of the pool shares. This pool is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act. In all statements, the District considers all highly liquid investments, (including restricted assets) that mature within ninety days or less when purchased, to be cash equivalents.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

F. Inventories

Inventory is stated at cost on a first-in, first-out ("FIFO") basis.

G. 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. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. 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.

H. 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.

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

J. Pensions

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

K. Deferred Outflows/Inflows of Resources

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

L. Net Position

The District's net position is classified as follows:

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

M. 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.

N. 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.

O. 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.

P. 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.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

2. DEPOSITS AND INVESTMENTS

The District's deposits and investments are governed by the Utah Money Management Act (Utah Code, Title 51, Chapter 7) and rules of the State of Utah Money Management Council.

A. Deposits

Custodial Credit Risk—Deposits: Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The Money Management Act requires deposits be 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. The District's insured and uninsured and uncollateralized bank balances were as follows:

	2020	2019
Carrying amount (book balance)	\$ 805,508	\$ 460,393
Bank balance:		
Covered by FDIC insurance	\$ 250,000	\$ 250,000
Uninsured and uncollateralized	578,393	329,494
TOTAL BANK BALANCE	\$ 828,393	\$ 579,494
	2020	2019
Cash on deposit	\$ 804,783	\$ 459,668
Cash on hand	725	725
TOTAL	\$ 805,508	\$ 460,393

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

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.

The Act authorizes 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; bankers' acceptances, obligations of the U.S. Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing Association (Sallie Mae); 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; and shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund (PTIF).

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

Fair Value of Investments: The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1* – Valuations based on quoted prices in active markets for identical assets or liabilities that the District has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail any significant degree of judgment. Securities classified as Level 1 inputs include U.S. Government securities and certain other U.S. Agency and sovereign government obligations.
- *Level 2* – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Securities classified as Level 2 include: corporate and municipal bonds, and “brokered” or securitized certificates of deposit.
- *Level 3* – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

As of December 31, 2020, and 2019, the District had the following investments:

December 31, 2020

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurement Classification</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Utah Public Treasurer's				
Investment Fund (PTIF)	13,827,257	13,827,257	-	-
Cash & cash equivalents	6,662	6,662	-	-
Corporate bonds & notes	1,279,036	-	1,279,036	-
Other fixed income securities	537,081	537,081	-	-
Total investments	<u>\$ 15,650,036</u>	<u>\$ 14,371,000</u>	<u>\$ 1,279,036</u>	<u>\$ -</u>

December 31, 2019

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurement Classification</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Utah Public Treasurer's				
Investment Fund (PTIF)	17,392,645	17,392,645	-	-
Cash & cash equivalents	3,095	3,095	-	-
Federal agency bonds	250,000	250,000	-	-
Corporate bonds	1,154,015	-	1,154,015	-
Other fixed income securities	368,362	368,362	-	-
Total investments	<u>\$ 19,168,117</u>	<u>\$ 18,014,102</u>	<u>\$ 1,154,015</u>	<u>\$ -</u>

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

Interest Rate Risk—Investments: 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 interest rate risk 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 days – 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes and other evidence of indebtedness of political subdivisions of the State to five years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding three years.

As of December 31, 2020, and 2019, the District had the following investments and maturities:

<u>December 31, 2020</u>					
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Utah Public Treasurer's					
Investment Fund (PTIF)	13,827,257	13,827,257	-	-	-
Cash & cash equivalents	6,662	6,662	-	-	-
Corporate bonds & notes	1,279,036	-	1,279,036	-	-
Other fixed income securities	537,081	-	537,081	-	-
Total investments	<u>\$ 15,650,036</u>	<u>\$ 13,833,919</u>	<u>\$ 1,816,117</u>	<u>\$ -</u>	<u>\$ -</u>

<u>December 31, 2019</u>					
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Utah Public Treasurer's					
Investment Fund (PTIF)	17,392,645	17,392,645	-	-	-
Cash & cash equivalents	3,095	3,095	-	-	-
Federal agency bonds	250,000	250,000	-	-	-
Corporate bonds	1,154,015	1,154,015	-	-	-
Other fixed income securities	368,362	368,362	-	-	-
Total investments	<u>\$ 19,168,117</u>	<u>\$ 19,168,117</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

Credit Risk of Debt Securities: 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, 2020 and 2019:

<u>December 31, 2020</u>					
Investment Type	Fair	Quality Ratings			
	Value	AAA	AA	A	Unrated
Utah Public Treasurer's					
Investment Fund (PTIF)	13,827,257				13,827,257
Cash & cash equivalents	6,662	6,662			
Corporate bonds	1,279,036		627,433	651,603	
Other fixed income securities	537,081		537,081		
Total investments	<u>\$ 15,650,036</u>	<u>\$ 6,662</u>	<u>\$ 1,164,514</u>	<u>\$ 651,603</u>	<u>\$ 13,827,257</u>

<u>December 31, 2019</u>					
Investment Type	Fair	Quality Ratings			
	Value	AAA	AA	A	Unrated
Utah Public Treasurer's					
Investment Fund (PTIF)	17,392,645				17,392,645
Cash & cash equivalents	3,095	3,095			
Federal agency bonds	250,000	250,000			
Corporate bonds	1,154,015		1,154,015		
Other fixed income securities	368,362		368,362		
Total investments	<u>\$ 19,168,117</u>	<u>\$ 253,095</u>	<u>\$ 1,522,377</u>	<u>\$ -</u>	<u>\$ 17,392,645</u>

Custodial Credit Risk—Investments: Custodial credit risk for investments 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.

Concentration of Credit Risk—Investments: 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.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

3. EXTERNAL INVESTMENT POOL

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated*, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF allocates income and issues statements on a monthly basis. 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.

4. 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.

5. JOINT VENTURE

In 2017, the District entered into a joint venture with ALPRO SD, LLC ("ALPRO"), a Utah limited liability company to construct a project to jointly-owned by the District and ALPRO. The project consists of facilities for handling, treatment and processing through anaerobic digestion, and resource recovery, of solid waste consisting primarily of organic matter. The District and ALPRO each own an undivided 50 percent interest in the Resource Recovery Project as tenants in common. Operations of the jointly owned project are managed by Wasatch Resource Recovery, LLC ("WRR"), a Utah limited liability company. The District has a 50 percent member interest in WRR. At December 31, 2020, the District's investment in WRR represents amounts contributed to WRR less the District's equity in the accumulated earnings (losses) as of December 31, 2020.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

6. CAPITAL ASSETS

The changes in capital assets for the year ended December 31, 2020, are as follows:

	<u>12/31/2019</u>	<u>Increase</u>	<u>Decreases</u>	<u>12/31/2020</u>
Nondepreciable capital assets:				
Land	\$ 3,070,568	\$ -	\$ -	\$ 3,070,568
Construction in progress	13,365,032	275,738	-	13,640,770
Infrastructure:				
Sewer treatment facility and collection system	89,879,218	1,804,272	-	91,683,490
Accumulated depreciation on infrastructure assets prior to January 1, 2005	(13,673,591)	-	-	(13,673,591)
Total nondepreciable capital assets	<u>92,641,227</u>	<u>2,080,010</u>	<u>-</u>	<u>94,721,237</u>
Depreciable capital assets:				
Machinery and equipment	8,996,923	397,972	-	9,394,895
Mobile equipment	3,448,805	(21,249)	(173,613)	3,253,943
Office furniture and equipment	510,638	260,553	-	771,191
Total depreciable capital assets at historical cost	<u>12,956,366</u>	<u>637,276</u>	<u>(173,613)</u>	<u>13,420,029</u>
Less accumulated depreciation for:				
Machinery and equipment	(1,526,529)	(243,896)	-	(1,770,425)
Mobile equipment	(1,831,780)	(181,116)	24,552	(1,988,344)
Office furniture and equipment	(562,291)	(33,518)	-	(595,809)
Total accumulated depreciation	<u>(3,920,600)</u>	<u>(458,530)</u>	<u>24,552</u>	<u>(4,354,578)</u>
Depreciable capital assets, net	<u>9,035,766</u>	<u>178,746</u>	<u>(149,061)</u>	<u>9,065,451</u>
Total capital assets, net	<u>\$ 101,676,993</u>	<u>\$ 2,258,756</u>	<u>\$ (149,061)</u>	<u>\$ 103,786,688</u>

The changes in capital assets for the year ended December 31, 2019, are as follows:

	<u>12/31/2018</u>	<u>Increase</u>	<u>Decreases</u>	<u>12/31/2019</u>
Nondepreciable capital assets:				
Land	\$ 3,070,568	\$ -	\$ -	\$ 3,070,568
Construction in progress	29,951,777	4,662,003	(21,248,748)	13,365,032
Infrastructure:				
Sewer treatment facility and collection system	73,614,836	16,264,382	-	89,879,218
Accumulated depreciation on infrastructure assets prior to January 1, 2005	(13,673,591)	-	-	(13,673,591)
Total nondepreciable capital assets	<u>92,963,590</u>	<u>20,926,385</u>	<u>(21,248,748)</u>	<u>92,641,227</u>
Depreciable capital assets:				
Machinery and equipment	1,598,265	7,398,658	-	8,996,923
Mobile equipment	3,894,063	287,657	(732,915)	3,448,805
Office furniture and equipment	485,091	25,547	-	510,638
Total depreciable capital assets at historical cost	<u>5,977,419</u>	<u>7,711,862</u>	<u>(732,915)</u>	<u>12,956,366</u>
Less accumulated depreciation for:				
Machinery and equipment	(1,464,004)	(62,525)	-	(1,526,529)
Mobile equipment	(1,693,395)	(185,214)	46,829	(1,831,780)
Office furniture and equipment	(530,157)	(32,134)	-	(562,291)
Total accumulated depreciation	<u>(3,687,556)</u>	<u>(279,873)</u>	<u>46,829</u>	<u>(3,920,600)</u>
Depreciable capital assets, net	<u>2,289,863</u>	<u>7,431,989</u>	<u>(686,086)</u>	<u>9,035,766</u>
Total capital assets, net	<u>\$ 95,253,453</u>	<u>\$ 28,358,374</u>	<u>\$ (21,934,834)</u>	<u>\$ 101,676,993</u>

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

7. NONCURRENT LIABILITIES

Noncurrent liabilities activity for the year ended December 31, 2020 and 2019 is as follows:

<u>December 31, 2020</u>					
	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Due Within</u>
	Balance	Additions	Reductions	Balance	One Year
Revenue Bonds Payable	32,196,886	-	(791,270)	31,405,616	1,610,000
Compensated absences	580,553	272,000	(163,925)	688,628	35,000
Net pension liability	2,071,915	-	(1,203,520)	868,395	-
Total investments	<u>\$34,849,354</u>	<u>\$ 272,000</u>	<u>\$ (2,158,715)</u>	<u>\$32,962,639</u>	<u>\$ 1,645,000</u>

<u>December 31, 2019</u>					
	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Due Within</u>
	Balance	Additions	Reductions	Balance	One Year
Revenue Bonds Payable	20,783,161	12,179,000	(765,275)	32,196,886	825,000
Compensated absences	560,427	269,492	(249,366)	580,553	45,000
Net pension liability	928,173	1,143,742	-	2,071,915	-
Total investments	<u>\$22,271,761</u>	<u>\$13,592,234</u>	<u>\$ (1,014,641)</u>	<u>\$34,849,354</u>	<u>\$ 870,000</u>

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.

Series 2017A Revenue Bonds

The Series 2017 Bonds were issued for the purpose of (a) financing a portion of the cost of acquisition and construction of a project to jointly-owned by the District and ALPRO SD, LLC, a Utah limited liability company ("ALPRO"), consisting of facilities for handling, treatment and processing through anaerobic digestion, and resource recovery, of solid waste consisting primarily of organic matter, and (b) paying costs of issuance of the Series 2017 Bonds. The District and ALPRO each own an undivided 50 percent interest in the Resource Recovery Project as tenants in common.

The Series 2017 Bonds will be payable and secured solely by a pledge and assignment of the Revenues from the Combined Utility System and monies on deposit in the funds and accounts held by the Trustee.

The District covenants and agrees to establish, fix, prescribe and collect rates, charges and fees for the sale or use of the service or capacity that are reasonably expected to yield Net Revenues which are at least equal to the Rate Covenant Requirement of 125% of Annual Aggregate Debt Service for the forthcoming fiscal year.

Series 2019 Revenue Bonds

The Series 2019 Bonds were issued for the purpose of (a) equipment and expenses of the nutrient removal facility, (b) improvements to the District's south and north plant, and (c) pay costs associated with the issuance of Series 2019 Bonds.

The Series 2017 Bonds were issued under the Master Resolution on parity with the 2017A bonds and have a parity of revenue on the District's system and projects.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

The Series 2017A and Series 2019 Bonds bear interest from their dated date at the rates set forth as follows:

Series 2017A Bonds			Series 2019 Bonds		
Maturity (December 1)	Interest Rate	On Principal Amount of	Maturity (December 1)	Interest Rate	On Principal Amount of
2021	3.000%	\$ 850,000	2021	2.050%	\$ 508,000
2022	3.000%	875,000	2022	2.050%	519,000
2023	3.250%	900,000	2023	2.050%	529,000
2024	3.375%	930,000	2024	2.050%	540,000
2025	3.500%	960,000	2025	2.050%	551,000
2026	3.625%	995,000	2026	2.050%	562,000
2027	4.125%	1,030,000	2027	2.050%	574,000
2028	4.125%	1,075,000	2028	2.050%	586,000
2029	4.125%	1,120,000	2029	2.050%	598,000
2030	4.125%	1,165,000	2030	2.050%	610,000
2031	4.125%	1,215,000	2031	2.050%	622,000
2032	4.125%	1,260,000	2032	2.050%	635,000
2033	4.500%	1,315,000	2033	2.050%	648,000
2034	4.500%	1,375,000	2034	2.050%	661,000
2035	4.500%	1,435,000	2035	2.290%	675,000
2036	4.500%	1,500,000	2036	2.290%	690,000
2037	4.500%	1,570,000	2037	2.290%	706,000
		\$19,570,000	2038	2.290%	722,000
			2039	2.290%	739,000
					\$11,675,000

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

The following table shows the remaining aggregate debt service schedule:

Fiscal Year Ended <u>December 31</u>	Series <u>2017A Bonds</u>	Series <u>2019 Bonds</u>	<u>Total</u>
2021	\$ 1,639,013	\$ 788,516	\$ 2,427,529
2022	1,638,513	788,651	2,427,164
2023	1,637,263	788,560	2,425,823
2024	1,638,013	788,244	2,426,257
2025	1,636,625	788,703	2,425,328
2026	1,638,025	787,915	2,425,940
2027	1,636,956	788,902	2,425,858
2028	1,639,469	788,623	2,428,092
2029	1,640,125	788,097	2,428,222
2030	1,638,925	788,326	2,427,251
2031	1,640,869	788,288	2,429,157
2032	1,635,750	787,983	2,423,733
2033	1,638,775	788,412	2,427,187
2034	1,639,600	788,554	2,428,154
2035	1,637,725	788,409	2,426,134
2036	1,638,150	788,288	2,426,438
2037	1,640,650	788,800	2,429,450
2038	-	788,923	788,923
2039	-	788,656	788,656
	<u>\$ 27,854,446</u>	<u>\$ 14,980,850</u>	<u>\$ 42,835,296</u>

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

8. PENSION PLANS

General Information about the Pension Plan

Plan Description: Eligible Plan participants are provided with pensions through the Utah Retirement Systems. Utah Retirement Systems are comprised of the following Pension Trust Funds:

Defined Benefit Plans

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

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

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefits terms.

URS issues a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S., Salt Lake City, Utah 84102, or visiting the website: www.urs.org.

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

Summary of Benefits by System

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Years of Service Required and/or Age Eligible for Benefit	COLA**
Noncontributory System	Highest 3 Years	30 years, any age 25 years, any age* 20 years, age 60* 10 years, age 62* 4 years, age 65	2.0% per year all years	Up to 4%
Contributory System	Highest 5 Years	30 years, any age 20 years, age 60* 10 years, age 62* 4 years, age 65	1.25% per year to June 1975; 2.00% per year July 1975 to present	Up to 4%
Tier 2 Public Employees System	Highest 5 Years	35 years, any age 20 years, age 60* 10 years, age 62* 4 years, age 65	1.5% per year all years	Up to 2.5%

* Actuarial reductions are applied

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

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

Contribution Rate Summary

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of December 31, 2020 are as follows:

	<u>Employee</u>	<u>Employer</u>	<u>401(k)</u>
Contributory System			
11 Local Government Div - Tier 1	6.00	14.46	N/A
111 Local Government Div - Tier 2	N/A	15.80	0.89
Noncontributory System			
15 Local Government Div - Tier 1	N/A	18.47	N/A
Tier 2 DC Only			
211 Local Government	N/A	6.69	10.00

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

For fiscal year ended December 31, 2020, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 296,972	N/A
Contributory System	51,376	21,318
Tier 2 DC Public Employee System	150,446	-
Tier 2 DC Only System	5,796	N/A
Total Contributions	<u>\$ 504,590</u>	<u>\$ 21,318</u>

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

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

At December 31, 2020, we reported a new pension asset of \$-0- and a net pension liability of \$868,395.

<u>System</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>	<u>Proportionate Share</u>	<u>Proportionate Share December 31, 2018</u>	<u>Change (Decrease)</u>
Contributory	\$ -	\$ 733,734	0.1946828%	0.1854115%	0.0092713%
Noncontributory	-	123,353	1.8822009%	1.7087889%	0.1734120%
Tier 2 Public Employee	-	11,308	0.0502777%	0.0307391%	0.0195386%
	<u>\$ -</u>	<u>\$ 868,395</u>			

The net pension asset and liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended December 31, 2020, we recognized pension expense of \$471,072.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

At December 31, 2020, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Dererred Outflow of Resources	Dererred Inflow of Resources
Difference between expected and actual experience	\$ 69,905	\$ 14,421
Changes in assumptions	82,539	325
Net difference between projected and actual earnings on pension plan investments	-	687,672
Changes in proportion and difference between contributions and proportionate share of	50,172	4,844
Contributions subsequent to the measurment date	504,591	-
Total Contributions	\$ 707,207	\$ 707,262

\$504,591 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2019.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Net Deferred Outflows (Inflows) of Resources
2020	\$ (125,203)
2021	\$ (154,311)
2022	\$ 23,040
2023	\$ (258,079)
2024	\$ 1,347
Thereafter	\$ 8,861

Noncontributory System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2020, we recognized pension expense of \$392,783.

At December 31, 2020, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Dererred Outflow of Resources	Dererred Inflow of Resources
Difference between expected and actual experience	\$ 66,742	\$ 10,540
Changes in assumptions	77,711	-
Net difference between projected and actual earnings on pension plan investments	-	371,056
Changes in proportion and difference between contributions and proportionate share of	38,364	4,844
Contributions subsequent to the measurment date	296,972	-
Total Contributions	\$ 479,789	\$ 386,440

\$296,972 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2019.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

<u>Year ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2020	\$ (15,219)
2021	\$ (64,080)
2022	\$ 16,745
2023	\$ (141,069)
2024	\$ -
Thereafter	\$ -

Contributory System Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2020, we recognized pension expense of \$14,509.

At December 31, 2020, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Dererred Outflow of Resources</u>	<u>Dererred Inflow of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	307,924
Changes in proportion and difference between contributions and proportionate share of	-	-
Contributions subsequent to the measurment date	51,376	-
Total Contributions	<u>\$ 51,376</u>	<u>\$ 307,924</u>

\$51,376 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2019.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2020	\$ (108,985)
2021	\$ (89,701)
2022	\$ 5,641
2023	\$ (114,879)
2024	\$ -
Thereafter	\$ -

Tier 2 Public Employee ystem Pension Expense, and Deferred Outflows and Inflows of Resources

For the year ended December 31, 2020, we recognized pension expense of \$63,780.

At December 31, 2020, we reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

	Dererred Outflow of Resources	Dererred Inflow of Resources
Difference between expected and actual experience	\$ 3,163	\$ 3,881
Changes in assumptions	4,828	325
Net difference between projected and actual earnings on pension plan investments	-	8,692
Changes in proportion and difference between contributions and proportionate share of	11,808	-
Contributions subsequent to the measurment date	156,242	-
Total Contributions	\$ 176,041	\$ 12,898

\$156,242 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2019.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Net Deferred Outflows (Inflows) of Resources
2020	\$ (999)
2021	\$ (830)
2022	\$ 655
2023	\$ (2,131)
2024	\$ 1,347
Thereafter	\$ 8,861

Actuarial assumptions

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.25 - 9.75 percent, average, including inflation
Investment rate of return	6.95 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the January 1, 2019, valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2016.

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

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity securities	40.00%	6.15%	2.46%
Debt securities	20.00%	0.40%	0.08%
Real assets	15.00%	5.75%	0.86%
Private equity	9.00%	9.95%	0.89%
Absolute return	16.00%	2.85%	0.46%
Cash and cash equivalents	0.00%	0.00%	0.00%
Totals	100.00%		4.75%
	Inflation		2.50%
	Expected arithmetic nominal return		7.25%

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 6.95%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate remained unchanged at 6.95%.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.95%) or 1 percentage-point higher (7.95%) than the current rate:

System	1% Decrease or 5.95%	Discount Rate of 6.95%	1% Decrease or 5.95%
Contributory	\$ 2,291,707	\$ 733,734	\$ (565,599)
Noncontributory	962,986	123,353	(584,671)
Tier 2 Public Employee	97,512	11,308	(55,312)
	\$ 3,352,205	\$ 868,395	\$ (1,205,582)

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

Defined Contribution Savings Plans

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

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

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

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

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

	2020	2019	2018
401(k) Plan			
Employer Contributions	\$ 56,828	\$ 50,808	\$ 43,195
Employee Contributions	\$ 113,163	\$ 119,194	\$ 107,853
457 Plan			
Employer Contributions	\$ -	\$ -	\$ -
Employee Contributions	\$ 58,970	\$ 52,020	\$ 36,700
roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	\$ -	\$ 19,403	\$ 17,646

9. 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.

10. IMPACT FEES

The District collects connection fees that are defined as impact fees. The District must expend these impact fees on capital expenditures relating to the infrastructure of the District. Impact fees collected in respect of the District's existing wastewater treatment facilities are not restricted to future capital expenditures, but may be used for any purpose of the District. The District had impact fee reserves of \$-0- at December 31, 2020 and 2019, respectively. Revenues from impact fees were \$903,643 and \$624,221 for the year ended December 31, 2020 and 2019, respectively.

11. CONTINGENCY

On December 18, 2019, the Utah Division of Water Quality ("DWQ") issued a Notice of Violation and Compliance Order (Docket No. UTM-19-06) to the South Davis Sewer District (the "District"), alleging violations of Utah Water Quality Regulations (Utah Administrative Code R305-7 et seq. ("Regulations")) and the Utah Water Quality Act (Title 19, Chapter 5 of the Utah Code (the "Act") for exceedances of certain nitrogen and ammonia ("Nitrogen") effluent limitations under the UPDES Discharge Permit ("UPDES Permit") for the District's South Sewage Treatment Plant (the "South Plant") over the period July 2019 through October 2019. On March 17, 2020, the DWQ issued a Notice of Violation and Compliance Order (Docket No. UTM-20-01) to the District, alleging violations of Utah Water Quality Regulations and the Act for exceedances of certain Nitrogen effluent limitations under the UPDES Permit for the South Plant over the period of December 2019 and January 2020, and for failure to implement an industrial pretreatment program for the Wasatch Resource Recovery ("WRR") facility located adjacent to the South Plant.

References in this footnote to the "NOV" refer to both Notices of Violation and Compliance Orders. On March 5, 2021, the District and DWQ entered into an Administrative Settlement Agreement. The agreement specifies steps and deadlines for bringing the South Plant into full compliance. The agreement reads in part:

1. The Division calculated a total penalty of \$232,831. The South Davis Sewer District shall pay a penalty in the amount of \$38,805 and associated investigative costs in the amount of \$15,345 for a total of \$54,150, which was calculated and adjusted for circumstances in conformance with the penalty policy outlined in Utah Administrative Code R317-1-8.

SOUTH DAVIS SEWER DISTRICT

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

2. SDSL shall apply an additional \$38,805 to fund a mitigation project(s).....
3. The Director agrees to hold in abeyance \$155,221, so long as SDSL completes the following terms within the time frames listed below.....

The penalty and costs have been paid. The terms in item 3 are all in compliance and on schedule. The South Plant continued in noncompliance for ammonia during January through March. These violations will trigger an automatic reduction in the amount held in abeyance by \$10,000 per month. DWQ will likely issue an additional NOV for these violations

At this time, it is not possible to accurately estimate the amount of the costs that may be incurred or fines and penalties that may be assessed to fully resolve any additional NOV. However, the District is confident that it has the financial and other resources necessary to satisfy DWQ's requirements. The South Plant is currently in compliance with its UPDES permit and is expected to remain in compliance.

On August 28, 2020, the Utah Division of Water Quality ("DWQ") issued a Notice of Violation and Compliance Order (Docket No. UTM-20-02) to the South Davis Sewer District, alleging violations of Utah Water Quality Regulations (Utah Administrative Code R305-7 et seq. ("Regulations")) and the Utah Water Quality Act (Title 19, Chapter 5 of the Utah Code (the "Act") for exceedances of certain nitrogen and ammonia ("Nitrogen") effluent limitations under the UPDES Discharge Permit for the District's North Sewage Treatment Plant (the "North Plant") over the period November 2019 through March, 2020.

On February 4, 2021, the District and DWQ entered into an Administrative Settlement Agreement. The agreement specifies steps and deadlines for bringing the South Plant into full compliance. The agreement reads in part:

- A. The Division calculated a total penalty of \$18,921. SDSL shall pay a penalty in the amount of \$9,584 and associated investigative costs in the amount of \$1,980 for a total of \$11,564, which was calculated and adjusted for circumstances in conformance with the penalty policy outlined in Utah Administrative Code R317-1-8.
- B. The Director agrees to hold in abeyance \$9,337 in civil penalties, so long as SDSL completes the follow terms within the time frames outlined:
 - i. Meets all the payment terms outlines above in item A of the Order.
 - ii. The SDSL N. Plant does not violate the Act, rules or UPDES Permit No. UT0021636 for a period of 12 months from the effective date of this agreement. If new violations occur within this time frame, the penalty amounts listed below will no longer be held in abeyance and following amounts will become due and payable to the State of Utah, in addition to any penalties imposed for the new violations. In no event will the total amount due under this section exceed the penalties held in abeyance.
 - (a) \$9337 per violation per day for discharge violations, including but not limited to UPDES Permit limit exceedances, spills, or overflows. For the purposes of this agreement, an exceedance of a monthly average effluent limit will be considered one (1) day.
 - (b) \$500 per occurrence for recordkeeping violations or other violations determined by the Director to be minor.

The North Plant is currently in compliance with its UPDES permit and is expected to remain in compliance.

In addition, the City of North Salt Lake ("City") issued a Notice of Code Violation, Case No. CDV2020-001, dated May 5, 2020 ("Notice") to the District, alleging a violation of the City's Code for emitting offensive odors from the South Plant. Civil penalties of up to \$100 per day could be assessed for each day of violation. Further action by the City were possible. The District responded promptly to the Notice and, in communication with the City, has taken and is taking steps to resolve the Notice and mitigate any offending odors from the South Plant. These efforts appear to have been successful, the District having had no complaints since February 6, 2021. No further action has been taken by the City.

REQUIRED SUPPLEMENTAL INFORMATION



SOUTH DAVIS SEWER DISTRICT
Modified Approach for Eligible Infrastructure Assets
For the Year Ended December 31, 2020

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

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

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

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

The District makes use of a physical condition assessment of its collection system, treatment plant facilities and the resource recovery facility that began January 1, 2004. The District's objective is to complete an assessment annually (or at least once every three years) of all infrastructure assets covered by its asset management system in accordance with *GASB Statement No. 34*. The District's condition assessments will be performed using statistical samples that are representative of infrastructure assets. **The latest condition assessment was performed in 2019** 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 380 miles (2,008,331 feet) of sewer lines, 9,050 sections of line, 8,825 manholes, 11 lift stations, and 2 treatment plant facilities which collect and treat up to 16 million gallons per day (MGD) of wastewater.

Approximately 18% of the District's collection system was cleaned and 9% was inspected by closed circuit television (CCTV) in 2020 (see Collection System GIS TV and Cleaning Maps in this section).

The District expended \$696,157 on maintenance and/or preservation of its infrastructure assets for the year ended December 31, 2020. These expenses add service life to capital assets. A study by the Iowa Department of Transportation reported that for every dollar of preventative maintenance spent in the first 10 years of an asset, \$4-5 will be saved over the next 10 years. The District has an aggressive asset management program to prolong the useful life of its capital assets.

The District is using trenchless technology or cured in place pipe (CIPP) as a means of being more efficient in repairing and maintaining the sewer collection system. CIPP equipment, resin, and liners are used to complete rehabilitation projects of the collection system. The collection system operators performed 68, 98 and 95 rehabilitation projects for CIPP on sewer lateral lines in 2020, 2019 and 2018 for a total cost of \$34,770, \$47,145, and \$47,880 respectively.

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

The following table makes known the most recent conditional assessments (GASB Statement No. 34, paragraph 132).

Condition	Treatment Facilities			Collection Line Segments			Manholes			Lift Stations		
	2019	2017	2015	2019	2017	2015	2019	2017	2015	2019	2017	2015
Very Good	783	675	623	653	548	890	1540	1212	1440	11	11	11
Good	72	3	2	17	15	24	32	25	18			
Fair	12	18	4	85	56	0	12	18	17			
Poor	2	2	4	28	27	15	8	3	12			
Very Poor	1		1	3				1				

In 2019, the District performed 786 condition assessments of line segments for the collection system, calculated in accordance with *GASB Statement No. 34* guideline. The District also performed an assessment of both treatment plant facilities, 1,592 manholes, and 11 lift stations. The condition assessment of the line segments identified 32 deficiencies in line segments and 31 deficiencies in manholes resulting in a condition level lower than established by the District. 100% of the deficiencies identified in the line segments and manholes were corrected in the year 2019. Each treatment plant had a deficiency identified in its respective cogeneration (co-gen) system. The co-gen systems are still being evaluated for a cost-effective solution. All 11 lift stations and the remainder of the infrastructure assets were at or above the minimum service level. These results were within the estimated expectations of the District.

The following condition assessments were noted:

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

The next condition assessment sample is scheduled for 2021.

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

Estimated	2015	2016	2017	2018	2019	2020
	\$714,977	\$668,287	\$691,323	\$672,067	\$650,370	\$676,500
Actual	2015	2016	2017	2018	2019	2020
	\$515,366	\$782,817	\$557,777	\$517,768	\$489,365	\$696,157

The budget required to maintain and preserve the current overall condition through the year ended December 31, 2030 is estimated to be \$651,482 per year. This figure was arrived at by taking the average expenditures from 2011 to 2020 and adding 2.0% for inflation ($\$638,708 \times 1.020 = \$651,482$).

Funds totaling \$923,000 are budgeted for fiscal year 2021 for the continued maintenance and preservation of the District's infrastructure assets and are allocated as follows:

\$540,000 Collection System
\$383,000 Plant & Equipment Facilities

The amount estimated to achieve the 2020 minimal target conditional assessment is \$650,370 and the actual cost was \$489,365. The District employees performed most of the repairs, maintenance, rehabilitation, and other preservation work therefore lowering the cost.

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.

Source: District Asset Management Records.

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



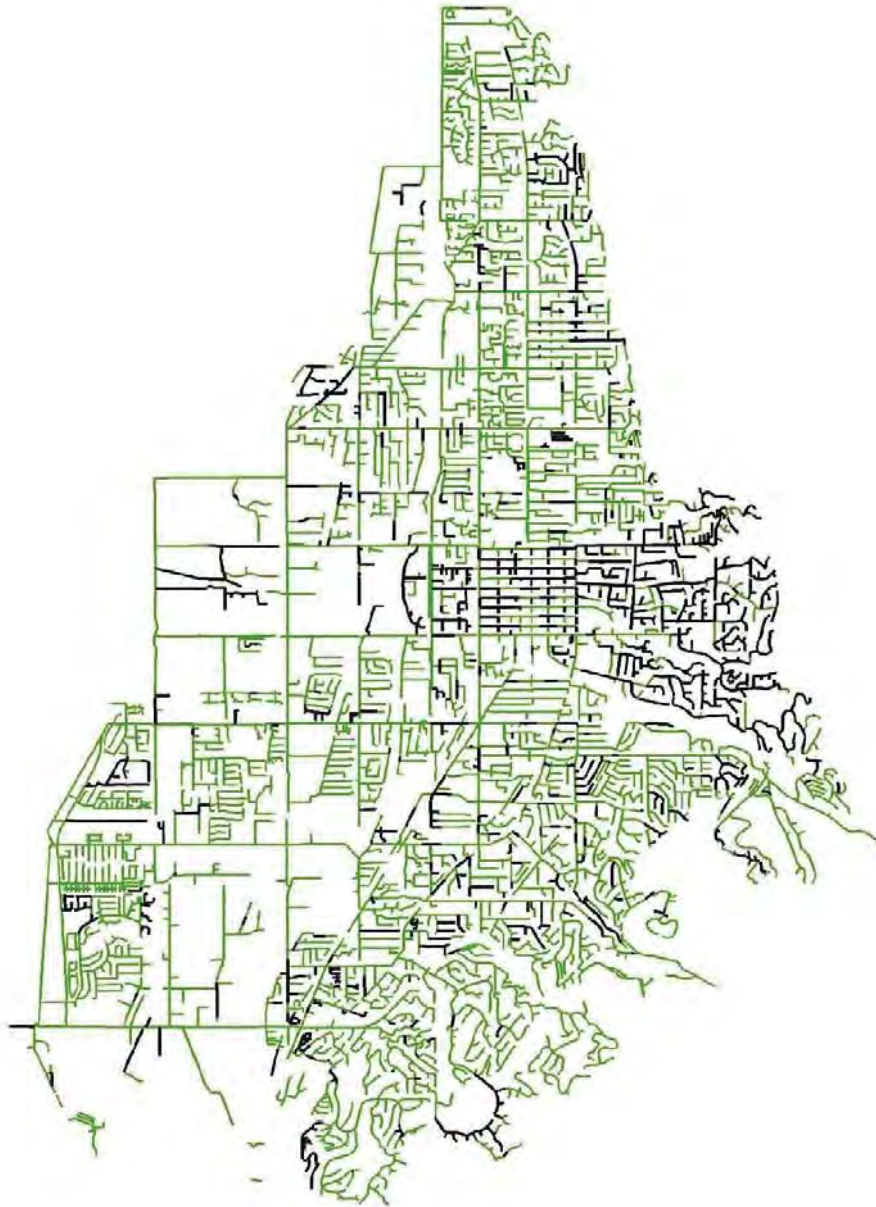
SOUTH DAVIS SEWER DISTRICT

2020 Collection System Statistics

Year Ending December 31, 2020

TV INSPECTIONS

2018-2020



Pipe sections that were TV'ed between 2018 and 2020 are shown above in black.



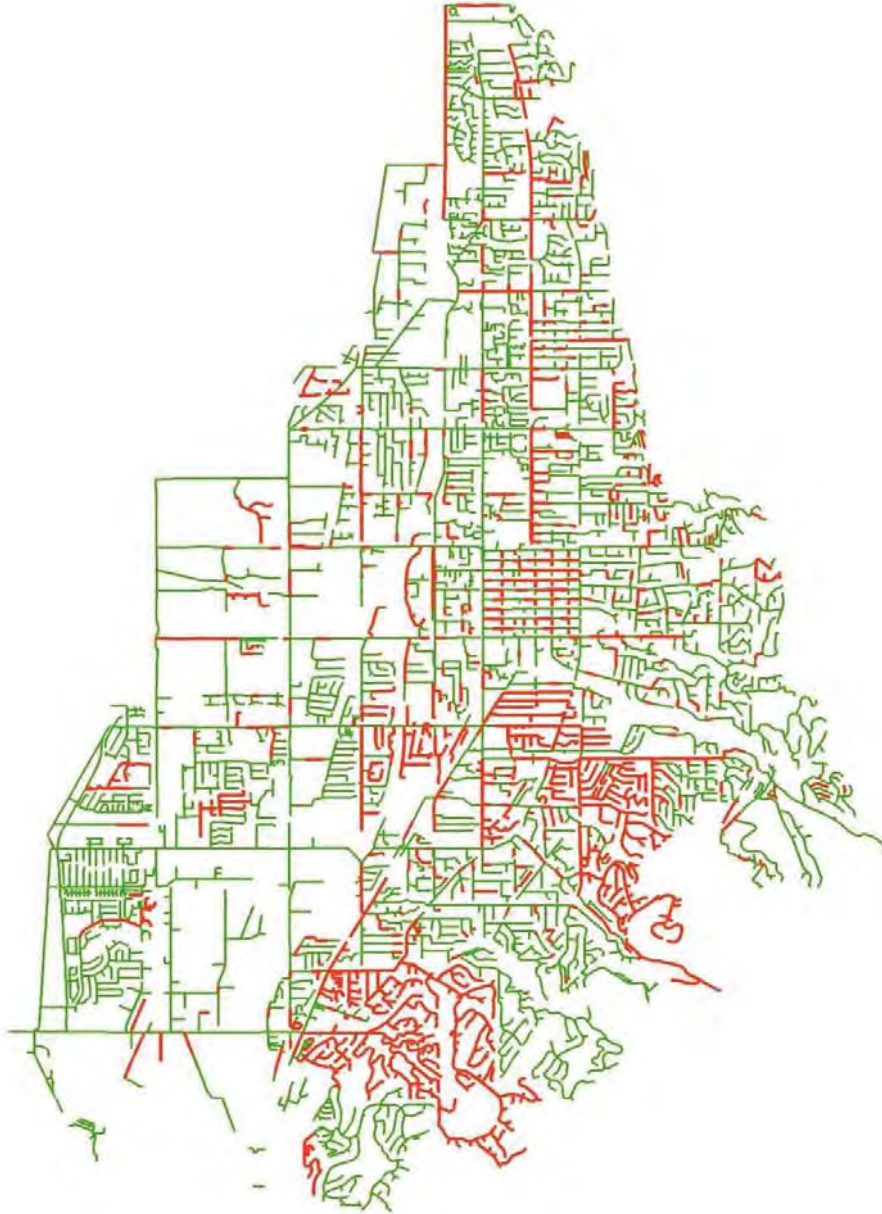
SOUTH DAVIS SEWER DISTRICT

2020 Collection System Statistics

Year Ending December 31, 2020

CLEANING

2018-2020



Pipe sections that were cleaned between 2018 and 2020 are shown above in red.

SOUTH DAVIS SEWER DISTRICT

Wastewater Network

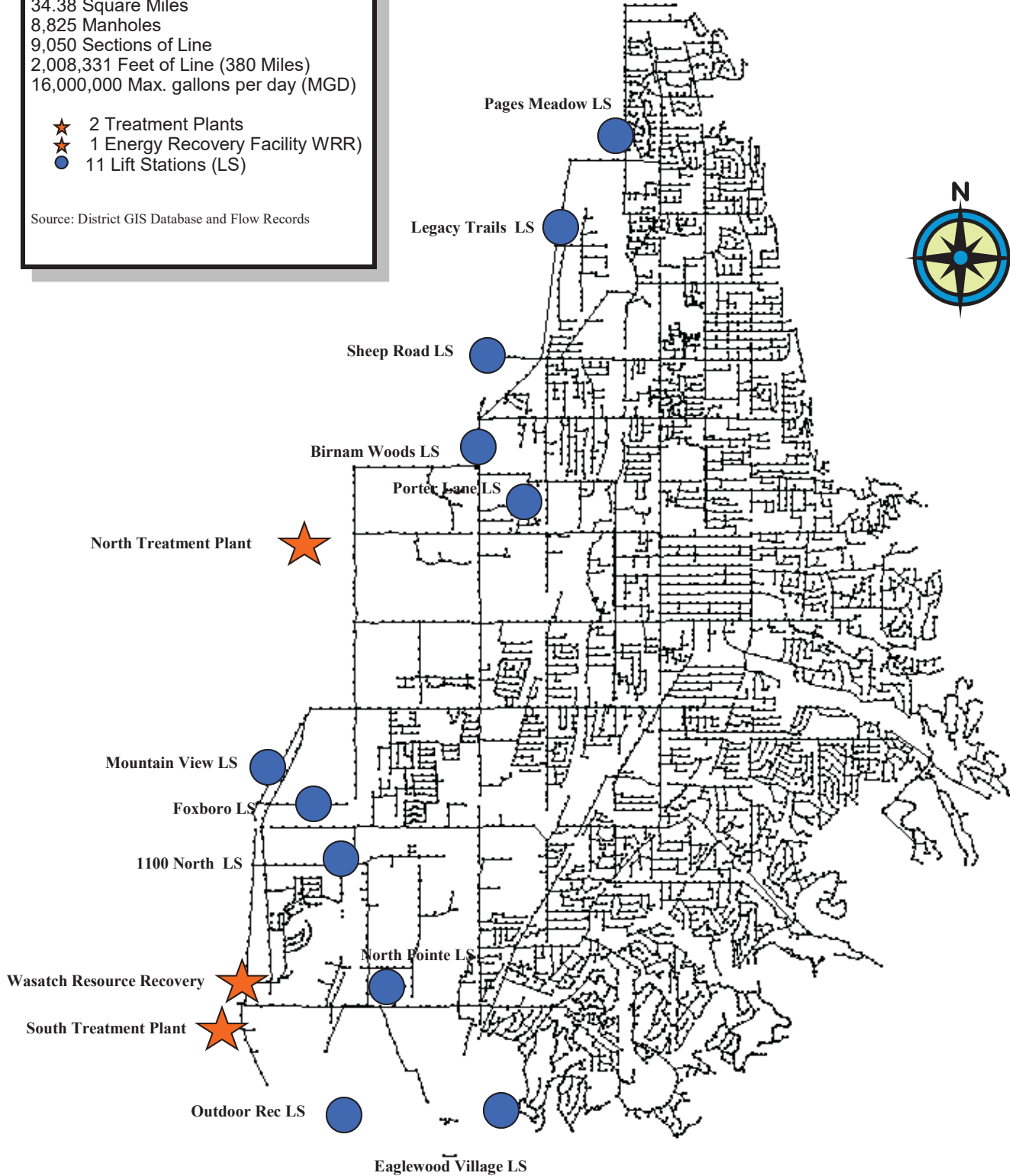
For The Year Ending December 31, 2020

Statistics

34.38 Square Miles
 8,825 Manholes
 9,050 Sections of Line
 2,008,331 Feet of Line (380 Miles)
 16,000,000 Max. gallons per day (MGD)

- ★ 2 Treatment Plants
- ★ 1 Energy Recovery Facility WRR)
- 11 Lift Stations (LS)

Source: District GIS Database and Flow Records



SOUTH DAVIS SEWER DISTRICT

Schedule of Required Supplementary Information Schedule of the Proportionate Share of the Net Pension Liability-Utah Retirement Systems For the Year Ended December 31, 2020; With a Measurement Date of December 31, 2019 Last 10 Fiscal Years*

Noncontributory System for the Fiscal Years Ended December 31,	2020	2019	2018	2017	2016	2015
Proportion of net pension liability (asset)	0.1946828%	0.1854115%	0.1827746%	0.1859885%	0.1773809%	0.1714837%
Proportionate share of the net pension liability (asset)	\$ 733,734	\$ 1,365,319	\$ 800,790	\$ 1,194,274	\$ 1,003,707	\$ 744,623
Covered payroll	\$ 1,637,481	\$ 1,627,788	\$ 1,659,575	\$ 1,703,079	\$ 1,579,894	\$ 1,504,734
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	44.81%	83.88%	48.25%	70.12%	63.53%	49.5%
Plan fiduciary net position as a percentage of the total pension liability	93.7%	87.0%	91.9%	87.3%	87.8%	90.2%
Contributory System for the Fiscal Years Ended December 31,	2020	2019	2018	2017	2016	2015
Proportion of net pension liability (asset)	1.8822009%	1.7087889%	1.5504906%	1.2969910%	0.6854172%	0.5162013%
Proportionate share of the net pension liability (asset)	\$ 123,353	\$ 693,431	\$ 126,170	\$ 425,557	\$ 481,749	\$ 148,895
Covered payroll	\$ 337,278	\$ 319,834	\$ 314,619	\$ 311,199	\$ 292,048	\$ 275,901
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	36.57%	216.81%	40.10%	136.75%	164.96%	54.0%
Plan fiduciary net position as a percentage of the total pension liability	98.6%	91.2%	98.2%	92.9%	85.7%	94.0%
Tier 2 Public Employee System for the Fiscal Years Ended December 31,	2020	2019	2018	2017	2016	2015
Proportion of net pension liability (asset)	0.0502777%	0.0739100%	0.0137612%	0.0105558%	0.0067634%	0.0079996%
Proportionate share of the net pension liability (asset)	\$ 11,308	\$ 13,165	\$ 1,213	\$ 1,177	\$ (15)	\$ (242)
Covered payroll	\$ 697,698	\$ 359,127	\$ 134,222	\$ 86,566	\$ 43,693	\$ 39,225
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	1.62%	3.67%	0.90%	1.36%	-0.03%	-0.6%
Plan fiduciary net position as a percentage of the total pension liability	96.5%	90.8%	97.4%	95.1%	100.2%	103.5%

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

SOUTH DAVIS SEWER DISTRICT

**Schedule of Required Supplementary Information
Schedule of Contributions - Utah Retirement Systems
December 31, 2020**

	As of fiscal year ended December 31,*	Actuarial Determined Contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
Noncontributory System	2014	\$ 267,149	\$ 267,149	\$ -	\$ 1,504,734	17.75%
	2015	288,938	288,938	-	1,579,894	18.29%
	2016	311,783	311,783	-	1,702,246	18.32%
	2017	304,458	304,458	-	1,659,575	18.35%
	2018	298,868	298,868	-	1,627,788	18.36%
	2019	300,655	300,655	-	1,637,481	18.36%
	2020	296,972	296,972	-	1,612,366	18.42%
Contributory System	2014	\$ 38,303	\$ 38,303	\$ -	\$ 275,901	13.88%
	2015	42,230	42,230	-	292,048	14.46%
	2016	44,999	44,999	-	311,199	14.46%
	2017	45,494	45,494	-	314,619	14.46%
	2018	46,248	46,248	-	319,834	14.46%
	2019	48,770	48,770	-	337,278	14.46%
	2020	51,376	51,376	-	355,299	14.46%
Tier 2 Public Employee System**	2014	\$ 5,676	\$ 5,676	\$ -	\$ 39,225	14.47%
	2015	6,521	6,521	-	43,693	14.92%
	2016	12,907	12,907	-	86,566	14.91%
	2017	20,194	20,194	-	134,222	15.05%
	2018	55,056	55,056	-	359,127	15.33%
	2019	108,954	108,954	-	697,698	15.62%
	2020	150,446	150,446	-	956,444	15.73%
Tier 2 Public Employee DC Only System**	2014	\$ -	\$ -	\$ -	\$ -	0.00%
	2015	-	-	-	-	0.00%
	2016	-	-	-	-	0.00%
	2017	-	-	-	-	0.00%
	2018	1,948	1,948	-	29,123	6.69%
	2019	4,035	4,035	-	60,308	6.69%
	2020	5,796	5,796	-	86,639	6.69%

* Only fiscal years 2014-2020 were available. The District will continue to present information for available years until a 10-year trend is compiled.

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

SOUTH DAVIS SEWER DISTRICT

Notes to Required Supplementary Information For the Fiscal Year Ended December 31, 2020

Changes in Assumptions:

The assumptions and methods used to calculate the total pension liability remain unchanged from the prior year.

SUPPLEMENTAL INFORMATION



SOUTH DAVIS SEWER DISTRICT
Schedule of Revenues and Expenses Budget to Actual (Unaudited)
(Non-GAAP Budgetary Basis)
For the Year Ended, December 31, 2020

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Operating Revenues				
Sewer Service Fees	\$ 2,500,000	\$ 5,200,000	\$ 5,066,747	\$ (133,253)
Sewer Special Treatment	100,000	200,000	383,725	183,725
Inspection Fees	9,000	25,000	22,535	(2,465)
Project Fees	30,000	50,000	90,600	40,600
Permit Fees	7,000	6,000	5,500	(500)
Sampling Fees	6,000	12,000	18,349	6,349
Lab Testing Fees	50,000	32,000	31,186	(814)
Taxable Sales	5,000	3,000	1,184	(1,816)
Misc Income	81,000	210,000	277,764	67,764
Total	2,788,000	5,738,000	5,897,589	159,589
Non-operating Revenues				
Property Taxes	2,369,000	2,477,000	2,272,062	(204,938)
Impact Fees	550,000	500,000	624,221	124,221
Delinquent Account Administration Fees	135,000	135,000	130,100	(4,900)
Interest	105,000	100,000	184,810	84,810
Surplus Property Sales	572,000	310,000	399,015	89,015
WFWQC Contributions	780,000	840,000	815,700	(24,300)
Total	4,511,000	4,362,000	4,425,909	63,909
Total Revenue	\$ 7,299,000	\$ 10,100,000	\$ 10,323,498	\$ 223,498
EXPENSES				
Operating Expenses				
Operating Expenses	\$ 471,000	\$ 471,000	\$ 81,629	\$ 389,371
Repairs & Maintenance	399,000	190,000	180,002	9,998
Utilities	388,500	385,500	389,119	(3,619)
Payroll and Benefits	3,773,200	3,981,200	4,044,715	(63,515)
Biosolid Disposal	50,000	40,000	58,893	(18,893)
No-Fault Sewer Back-up	12,000	12,000	9,707	2,293
Outside Services	134,000	413,008	3,100,000	(2,686,992)
Chemicals	530,000	640,000	673,328	(33,328)
Lab Testing	134,000	310,000	413,008	(103,008)
Transportation	44,000	59,000	51,466	7,535
Buildings & Grounds	32,000	46,000	31,974	14,026
Office & Computer	176,000	143,000	166,122	(23,122)
Insurance	123,000	123,000	174,188	(51,188)
Audit & Accounting	22,000	22,000	17,195	4,805
Education & Training	72,000	20,000	20,534	(534)
Total	\$ 6,360,700	\$ 6,855,708	\$ 9,411,878	\$ (2,556,170)

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, 2020

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Non Operating Expenses				
Capital Expenses				
Outfall/Sewer Lines	-	100,000	-	100,000
Operating Equipment	217,000	215,000	-	215,000
Building and Facilities	8,900,000	2,200,000	275,737	1,924,263
Mobile Equipment	311,000	190,000	265,144	(75,144)
Major Equipment & Engineering	100,000	100,000	-	100,000
Office Equipment	35,000	17,000	27,441	(10,441)
Other				
Debt Service	1,895,842	1,895,842	1,895,842	-
Total	11,458,842	4,717,842	2,464,164	2,253,678
-				
Total Expenses	17,819,542	11,573,550	11,876,042	(302,492)
-				
Excess of Revenue over Expenses	\$ (10,520,542)	\$ (1,473,550)	\$ (1,552,544)	\$ (78,995)

SOUTH DAVIS SEWER DISTRICT
Schedule of Impact Fees (Unaudited)
For the Year Ending December 31, 2020

Project/Development	Lot/Building	Date Received	Amount	Monthly Subtotal
Renaissance Towne Ct	Lot 6	1/2/2020	\$ 4,958.00	
The Ridge Sub PUD	Lot 101 & 102	1/3/2020	3,192.00	
Views at Eaglewood Village	Lot 331	1/3/2020	1,596.00	
Mt. View Est.	Lot 101	1/8/2020	1,596.00	
Parish Creek Sub	Lot 1	1/13/2020	1,596.00	
Hidden Hollow @H Lakes	Lot 701	1/13/2020	1,596.00	
Sheffield Downs	Lot 16	1/14/2020	1,596.00	
Mt. View Est.	Lot 129	1/16/2020	1,596.00	
The Manors @McKeen Meadows	Lot 7	1/17/2020	1,596.00	
The Ridge Sub PUD	Lots 342 - 350 (9)	1/16/2020	14,364.00	
Shamrock Village	Lot 105	1/21/2020	1,596.00	
Mt. View Est.	Lot 113	1/20/2020	1,596.00	
M & B	1475 W Center St, NSL	1/22/2020	3,830.40	
			\$	40,708.40
Atwater Ext.	Lots 1,2,4-12 (11)	1/23/2020	17,556.00	
Shamrock Village	Lot 416. 421	2/12/2020	3,192.00	
The Commons at WB	Lot 3	2/14/2020	558.60	
George & Ruthann Fisher Sub	Lot 2	2/18/2020	1,596.00	
Sports Sales Plaza 2	Lot 203	2/19/2020	2,793.00	
City's Edge LLC HOA	7 Units	2/20/2020	11,172.00	
Sheffield Downs	Lot 4-5	2/20/2022	3,192.00	
Old Towne Center	Building 6	2/20/2020	7,980.00	
			\$	48,039.60
Shamrock Village Ph 4	Lot 417- 420(4)	3/2/2020	\$ 6,384.00	
The Ridge Sub	Lot 103	3/3/2020	1,596.00	
Cannonwood Ind Park D	Lot 1	3/3/2020	3,112.20	
Shane Sub	Lot 2	3/6/2020	1,596.00	
Rigby Court Sub	Lot 3	3/9/2020	1,596.00	
NSL IND Park A	Lot 9 PT	3/10/2020	2,234.40	
Views at Eaglewood Village	Lot 221	3/11/2020	1,596.00	
Highgate Est.	Lot 13	3/11/2020	1,596.00	
NSL City Park	Building 9 Units, 48-56	3/17/2020	14,364.00	
Old Towne Center	Building 7 Units 1-5	3/16/2020	7,980.00	
Parrish Creek Sub	Lot 2	3/23/2020	1,755.60	
Chapel Ridge Cove PUD	Lot 10	3/20/2020	1,596.00	
Sheffield Downs	Lot 6,9,14,17,18, 20	3/23/2020	9,576.00	
G&G SUB Commercial	Lot 4	3/25/2020	5,346.60	
Shamrock Village Ph 5	Lots 501, 532	3/27/2020	3,192.00	
			\$	63,520.80
Mtn. View Est.	Lot 111	4/1/2020	\$ 1,596.00	
Foxboro Market Place SUB	Lot 7C - Clubhouse	4/15/2020	3,032.40	
Foxboro Market Place SUB HOA	Lot 7 60 units	4/15/2020	95,760.00	
The Towns on 2nd	8 Units	4/20/2020	12,768.00	
Shamrock Village Ph 5	Lots 502, 503, 530, 531	4/22/2020	6,384.00	
The Ridge Sub	Lots 335- 334 (8)	4/22/2020	12,768.00	
Sheffield Downs	Lots 8, 21	4/23/2020	3,192.00	
Parish Park	Lot 4	4/27/2020	399.00	
Pheasant Ridge Farm	Lot 12	4/28/2020	1,596.00	
			\$	137,495.40
Eagle Ridge A	Lot 12	5/5/2020	\$ 1,596.00	
Mtn. View Est.	Lot 125	5/11/2020	1,596.00	
Van Orden Heights	Lot 4	5/13/2020	1,596.00	
Grady Brimley SUB	Lot 2	5/13/2020	1,596.00	
Parish Creek SUB	Lot 1	5/14/2020	319.20	
Shamrock Village Ph 5	Lots 504, 505 528, 529	5/15/2020	6,384.00	
The Winnie PUD	Building A, E, B, C, D (48 units-5 cr	5/18/2020	54,264.00	
Mtn. View Est.	Lot 103	5/21/2020	1,596.00	
Sheffield Downs	Lot 12	5/22/2020	1,596.00	
Highgate Est.	Lot 11	5/27/2020	1,596.00	
			\$	72,139.20

Shamrock Village Ph 5	Lots 513 - 518 (6)	6/5/2020	\$ 9,576.00
Legacy SUB	Lot 12	6/4/2020	1,596.00
Sheffield Downs	Lot 103	6/5/2020	1,596.00
Olde Towne Centre Sub	Building 8 5 units	6/5/2020	7,980.00
Ballard Acres	Lot 1	6/8/2020	1,596.00
Woods Cross Ind Park - addition	Lot 11	6/17/2020	718.20
Sheffield Downs	Lot 13	6/25/2020	1,596.00
LD Properties LLC - Remodel	125 S Main, Cent	6/17/2020	319.20
Twin Hollow Sub Ph 2	Lot 202	6/25/2020	1,596.00
Park Lofts at City Center PUD	Lots 42-47 (6)	6/26/2020	9,576.00
Sheffield Downs	Lot 11	6/26/2020	1,596.00
Eaglewood Cove 12	Lot 1206	6/30/2020	1,596.00
Olde Towne Centre Sub	Lots 41-45 (6)	6/29/2020	7,980.00
			\$ 47,321.40
NSL Industrial Park PI A - addition	Lot 6	7/1/2020	\$ 3,032.40
Mtn. View Est.	Lot 107	7/7/2020	1,596.00
M & B - demo/rebuild	158 N 100 W, BNTFL- Triplex	7/7/2020	3,192.00
The Winnie PUD	Lot 54-71 (18)	7/9/2020	28,728.00
Viola Sub	Lot 7 Amnd	7/9/2020	1,596.00
Sheffield Downs	Lot 19	7/9/2020	1,596.00
Crosby Sub No. 3	Lot 1	7/14/2020	1,596.00
Eagle Pointe Ext	Lot 1809	7/16/2020	1,596.00
Sheffield Downs	Lot 27	7/17/2020	1,596.00
Barrus Cove	Lot 2, 3, 8	7/21/2020	4,788.00
H&H Commercial Park	Lot 8 (now lot 14)	7/22/2020	2,154.60
NorthWood Bus Center Amnd	Lot 19	7/21/2020	1,596.00
M & B	1400 W 400 N, WB	7/23/2020	1,596.00
Shamrock Village Ph 5	Lot 509, 510, 511, 512, 519, 520	7/27/2020	9,576.00
			\$ 64,239.00
M & B - carwash	136 N 500 W, BNTFL	8/10/2020	\$ 12,049.80
The Ridge Sub PUD	Lot 301-305, 328 -333 (11)	8/12/2020	17,556.00
Foxboro Market Place SUB HOA	Lot 7 60 units	8/12/2020	95,760.00
Shamrock Village Ph 5	Lots 506, 507, 521, 525. 527	8/14/2021	7,980.00
The Manors @ McKean Meadow Sub	Lot 6	8/15/2020	1,596.00
M & B - Amazon	1005 Center St, NSL	8/18/2020	23,062.20
M & B - remodel	74 W 500 S STE 2, BNTFL	8/18/2020	718.20
Sheffield Downs SUB	Lot 30	8/18/2020	1,596.00
Shamrock Village Ph 5	Lots 508, 522, 523, 524	8/24/2020	6,384.00
Deer Run @ Maple Hills B	Lot 3	8/24/2020	1,596.00
Shamrock Village Ph 5	Lot 526	8/25/2020	1,596.00
Towne Plaza Townhomes Ph 2	Lots 129 - 136 (8)	8/26/2020	12,768.00
The Ridge SUB PUD	Lots 306, 307. 308, 309, 310	8/26/2020	7,980.00
Fairway Oaks	Lot 47	8/26/2020	1,596.00
Williamsburg Place	Lot 8	8/28/2020	1,596.00
			\$ 193,834.20
NSL Orchard Grove PLD HOA	Lots 109 - 114 (6 Units)	9/3/2020	\$ 9,576.00
Sheffield Down Sub	Lot 31	9/3/2020	1,596.00
Highgate Est.	Lot 5	9/3/2020	1,596.00
NSL City Center PUD	Building 6 (8 Units)	9/9/2020	12,768.00
JP Estates	Lot 2	9/10/2020	1,596.00
Sheffield Down Sub	Lot 122	9/15/2020	1,596.00
Mtn. View Est.	Lot 110	9/18/2020	1,596.00
Shamrock Village Ph 6	Lot 601. 636	9/21/2020	3,192.00
Mtn. View Est.	Lot 136	9/21/2020	1,596.00
Sheffield Down Sub	Lot 23	9/29/2020	1,596.00
			36,708.00

The Ridge Sub PUD	Lots 311- 327 (17)	10/2/2020	27,132.00	
M & B	147 E Union Ave, NSL	10/5/2020	2,713.20	
Sheffield Down Sub	Lot 26	10/14/2020	1,596.00	
Parrish Creek Sub - additon	Lot 2	10/15/2020	2,314.20	
Valley Meadows	Lots 1, 6, 10	10/15/2020	4,788.00	
Barrus Cove	Lot 7	10/20/2020	1,596.00	
Shamrock Village Ph 6	Lots 602, 631,	10/21/2020	3,192.00	
Valley Meadows	Lot 12	10/21/2020	1,596.00	
Knighton Ct	Lot 8	10/23/2020	1,596.00	
Sycamore Sub	Lot 15	10/26/2020	1,596.00	
Cannonwood Ind Park H	Lot 1	10/27/2020	2,473.80	
Cannonwood Ind Park G	Lot 1	10/27/2020	3,112.20	
Valley Meadows	Lots 7, 9, 11	10/28/2020	4,788.00	
The Ridge Sub	Lots 115, 128, 137, 139, 141, 142,	10/28/2020	9,576.00	
Shamrock Village Ph 6	Lot 603. 630	11/1/2020	\$ 3,192.00	
				\$ 71,261.40
Sheffield Down Sub	Lot 32	11/3/2020	1,596.00	
Barrus Cove	Lot 9	11/4/2020	1,596.00	
Valley Meadows	Lot 4	11/5/2020	1,596.00	
M & B North Building	2440 S Hwy 89, BNTFL	11/9/2020	2,314.20	
M & B South Building	2468 S Hwy 89, BNTFL	11/9/2020	3,271.80	
Sheffield Down Sub	Lots 25, 28, 29	11/10/2020	4,788.00	
Wellington Place PUD	Lots 9, 13, 14, 15	11/12/2020	6,384.00	
Brown's Park 2	Lot 81	11/12/2020	1,596.00	
City Walk Duplex	14 Units (13 impact fees)	11/12/2020	20,748.00	
Centerville Marketplace	Lot 3	11/12/2020	558.60	
Valley Meadows	Lots 2, 5, 8,	11/13/2020	4,788.00	
Shamrock Village Ph 6	Lots 627, 629,	11/16/2020	3,192.00	
NSL IND Park A	Bldg 1100	11/18/2020	3,351.60	
Chelsea Cove 10B	Lot 1051	11/19/2020	1,596.00	
Deuel Springs Amd Sub - addition	Lot 101	11/19/2020	3,648.00	
M & B - adding 4 units	3511 S Orchard Dr, BNTFL	11/20/2020	6,384.00	
Cottages on Main	Lots 101 - 116 (16)	11/24/2020	25,536.00	
The Views @ Eaglewood Village PUD	Lot 326	12/1/2020	\$ 1,596.00	
				\$ 94,540.20
Daniel Woods Square	410 S 500 W, BNTFL	12/1/2020	3,192.00	
Barrus Cove Sub	Lot 6	12/2/2020	1,596.00	
Legacy Lands Commercial SUB	Lot 1	12/3/2020	5,665.80	
The Ridge Sub	Lots 111, 118, 138, 140, 144	12/3/2020	7,980.00	
Shamrock Village Ph 6	Lots 604, 628	12/9/2020	3,192.00	
Wellington Place PUD	Lot 12	12/9/2020	1,596.00	
WX IND. Park	Lot 12	12/16/2020	2,154.60	
Highgate Est. SUB	Lot 18	12/17/2020	1,596.00	
Shamrock Village Ph 6	Lots 605, 626	12/29/2020	3,192.00	
West Bountiful Commons - remodel	Lot 10	12/28/2020	478.80	
Shamrock Village Ph 6	Lots 606, 625	12/30/2020	3,192.00	
				\$ 33,835.20
Grand Total			\$	903,642.80
GL Adjustment				
GL Adjusted Total			\$	903,642.80

Source: District accounting records, Zions Public Finance impact fee study and Resolution 136.

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

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

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

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

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

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

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



South Davis Sewer District
Local Government

December 31, 2020
Fiscal or Calendar Year Ending

Certification of Impact Fee Report

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

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

I, the undersigned, certify that the attached impact fees report is a true, correct, and complete copy of the report of impact fees on hand at fiscal/calendar year ending December 31, 2020 and their scheduled intended use.



Chief Financial Officer

South Davis Sewer District
Local Government

STATISTICAL SECTION



STATISTICAL SECTION

(UNAUDITED)

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

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

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</i>	97
Revenue Capacity <i>These schedules contain information to help the reader assess the District's most significant local revenue sources.</i>	99
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>	107
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>	112
Operating Information <i>These schedules contain service and infrastructure data to assist the reader understands how the information in the District's financial report relates to the service the District provides and the activities it performs.</i>	120

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

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

Schedule 1

	2020	*2019	2018	*2017	2016	*2015	2014	2013	*2012	2011
Assets										
Current & Other Assets	\$ 6,942,533	\$ 8,597,216	\$ 7,852,500	\$ 13,759,859	\$ 19,629,290	\$ 19,562,221	\$ 15,739,177	\$ 15,524,487	\$ 15,281,822	\$ 15,482,994
Restricted Assets	12,105,663	12,790,626	5,007,571	16,200,816	-	-	-	-	-	-
Capital	103,786,688	101,676,993	95,253,455	75,335,401	62,622,006	61,735,456	60,919,692	59,235,406	55,347,168	53,226,384
Total Assets	\$ 122,834,884	\$ 123,064,835	\$ 108,113,526	\$ 105,296,076	\$ 82,251,296	\$ 81,297,677	\$ 76,658,869	\$ 74,759,893	\$ 70,628,990	\$ 68,709,378
Deferred Outflows of Resources	707,206	1,208,371	737,874	1,070,080	900,460	361,388	-	-	-	-
Total Assets & Deferred Outflows of Resources	\$ 123,542,090	\$ 124,273,206	\$ 108,851,400	\$ 106,366,156	\$ 83,151,756	\$ 81,659,065				
Liabilities										
Current Liabilities	\$ 2,247,166	\$ 2,374,684	\$ 720,046	\$ 816,681	\$ 522,624	\$ 403,320	\$ 330,507	\$ 486,103	\$ 434,771	\$ 453,497
Non-Current Liabilities	31,317,639	33,979,354	22,271,761	22,868,453	1,948,777	1,343,615	403,555	381,180	373,624	370,027
Total Liabilities	\$ 33,564,805	\$ 36,354,038	\$ 22,991,807	\$ 23,685,134	\$ 2,471,401	\$ 1,746,935	\$ 734,062	\$ 867,283	\$ 808,395	\$ 823,524
Deferred Inflows of Resources	707,262	38,377	568,209	207,617	128,199	127,979				
Total Liabilities & Deferred Inflows of Resources	\$ 34,272,067	\$ 36,392,415	\$ 23,560,016	\$ 23,892,751	\$ 2,599,600	\$ 1,874,914				
Net Position:										
Net Investment in Capital Assets	\$ 74,410,887	\$ 69,480,107	\$ 74,470,294	\$ 56,736,773	\$ 62,253,415	\$ 61,660,782	\$ 60,838,477	\$ 59,235,406	\$ 55,347,168	\$ 53,226,384
Restricted - Capital	10,075,848	10,725,278	2,942,223	14,184,170	-	-	-	-	-	-
Restricted - Debt Service	2,029,815	2,016,206	2,065,348	2,016,645	18,298,741	18,123,369	15,086,330	14,657,204	14,473,427	14,659,470
Unrestricted	2,753,473	5,659,200	5,813,519	9,535,817	-	-	-	-	-	-
Total Net Position	\$ 89,270,023	\$ 87,880,791	\$ 85,291,384	\$ 82,473,405	\$ 80,552,156	\$ 79,784,151	\$ 75,924,807	\$ 73,892,610	\$ 69,820,595	\$ 67,885,854

Source: District accounting and financial records, Zions Trust.

Notes: *SDSD became the agent entity for a interlocal agreement for the Wasatch Front Water Quality Council (WFQC)
 *Contracted with the EPA to operated a superfund site (OU2) in West Bountiful.
 *GASB Statement No 68 (Pension Plans) implemented in 2015
 *The District Issued 20-year taxable revenue bonds to finance construction of the WRR project (\$21,195,000)
 *The District Issued 20-year revenue bonds to finance treatment plant rehabilitation (\$12,179,000).

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

Schedule 2

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Operating Revenues										
Sewer Service Fees	\$ 5,199,733	\$ 5,082,655	\$ 3,799,780	\$ 2,503,469	\$ 2,471,683	\$ 2,266,210	\$ 2,235,118	\$ 2,188,651	\$ 2,145,429	\$ 2,127,602
Sewer Special Treatment Fees	404,955	383,725	336,261	205,292	197,526	180,779	213,554	255,804	180,475	168,374
Inspection & Project Fees	68,800	113,135	93,980	34,276	33,730	20,470	40,200	52,460	77,980	27,210
Other	523,784	464,083	470,537	454,201	278,265	295,526	253,912	334,343	247,124	178,195
Total Operating Revenue	\$ 6,197,271	\$ 6,043,598	\$ 4,700,558	\$ 3,197,238	\$ 2,981,204	\$ 2,762,985	\$ 2,742,784	\$ 2,831,258	\$ 2,651,008	\$ 2,501,381
Operating Expenses										
Operating & Maintenance	\$ 7,571,711	\$ 6,709,393	\$ 7,120,946	\$ 6,691,513	\$ 6,666,828	\$ 5,935,569	\$ 5,532,400	\$ 5,407,450	\$ 5,241,791	\$ 5,704,107
Depreciation	458,530	279,873	285,891	323,330	326,654	278,380	342,111	360,330	327,082	295,415
Total Operating Expenses	\$ 8,030,241	\$ 6,989,266	\$ 7,406,837	\$ 7,014,843	\$ 6,993,482	\$ 6,213,949	\$ 5,874,511	\$ 5,767,780	\$ 5,568,873	\$ 5,999,522
Operating Income (Loss)	\$ (1,832,970)	\$ (945,668)	\$ (2,706,279)	\$ (3,817,605)	\$ (4,012,278)	\$ (3,450,964)	\$ (3,131,727)	\$ (2,936,522)	\$ (2,917,865)	\$ (3,498,141)
Nonoperating Revenue (Expenses)										
General Property Tax	\$ 2,304,411	\$ 2,272,062	\$ 2,483,497	\$ 2,102,078	\$ 2,282,560	\$ 2,208,762	\$ 2,078,046	\$ 2,119,222	\$ 1,989,427	\$ 2,024,811
Impact Fees	903,643	624,221	604,760	589,843	592,322	4,572,029	868,201	1,029,824	957,351	712,027
Miscellaneous Revenue	-	-	-	-	119,065	140,865	113,190	175,989	109,002	98,692
Intergovernmental Contributions	800,700	933,285	1,040,344	924,746	900,827	785,000	600,000	550,000	350,000	355,400
Project Grant	-	-	-	-	-	-	-	69,418	178,113	-
Interest Income	186,855	184,810	306,480	302,862	178,050	94,186	75,657	81,659	213,508	158,551
Gain (Loss) on Disposal of Property	24,552	98,114	256,975	87,959	36,394	33,603	104,325	43,625	29,866	198,630
Interest & Bond Costs	(1,101,213)	(914,791)	-	(483,601)	-	-	-	-	-	-
Net Change in Fair Value of Investments	34,304	144,118	58,256	13,482	20,829	(14,326)	(2,552)	(6,336)	507,089	(437,754)
Equity in Earnings (Loss) WRR	(1,957,333)	(1,046,350)	(124,039)	(123,714)	-	-	-	-	-	-
Total Non-Operating Revenue (Expense)	\$ 1,195,919	\$ 2,295,469	\$ 4,626,273	\$ 3,413,655	\$ 4,130,047	\$ 7,820,119	\$ 3,836,867	\$ 4,063,401	\$ 4,334,356	\$ 3,110,357
Income (Loss) Before Contributions	\$ (637,051)	\$ 1,349,801	\$ 1,919,994	\$ (403,950)	\$ 117,769	\$ 4,369,155	\$ 705,140	\$ 1,126,879	\$ 1,416,491	\$ (387,784)
Capital Contributions - Assets	2,026,283	1,239,606	897,985	2,325,199	650,236	266,362	1,327,057	2,871,442	518,250	134,412
Increase in Net Assets	\$ 1,389,232	\$ 2,589,407	\$ 2,817,979	\$ 1,921,249	\$ 768,005	\$ 4,635,517	\$ 2,032,197	\$ 3,998,321	\$ 1,934,741	\$ (253,372)
Total Net Position at Beginning of Year	87,880,791	85,291,384	82,473,405	80,552,156	79,784,151	75,924,807	73,892,610	69,820,595	67,885,854	68,139,226
Prior Period Adjustment	-	-	-	-	-	(776,173)	-	73,694	-	-
Total Net Position at End of Year	\$ 89,270,023	\$ 87,880,791	\$ 85,291,384	\$ 82,473,405	\$ 80,552,156	\$ 79,784,151	\$ 75,924,807	\$ 73,892,610	\$ 69,820,595	\$ 67,885,854

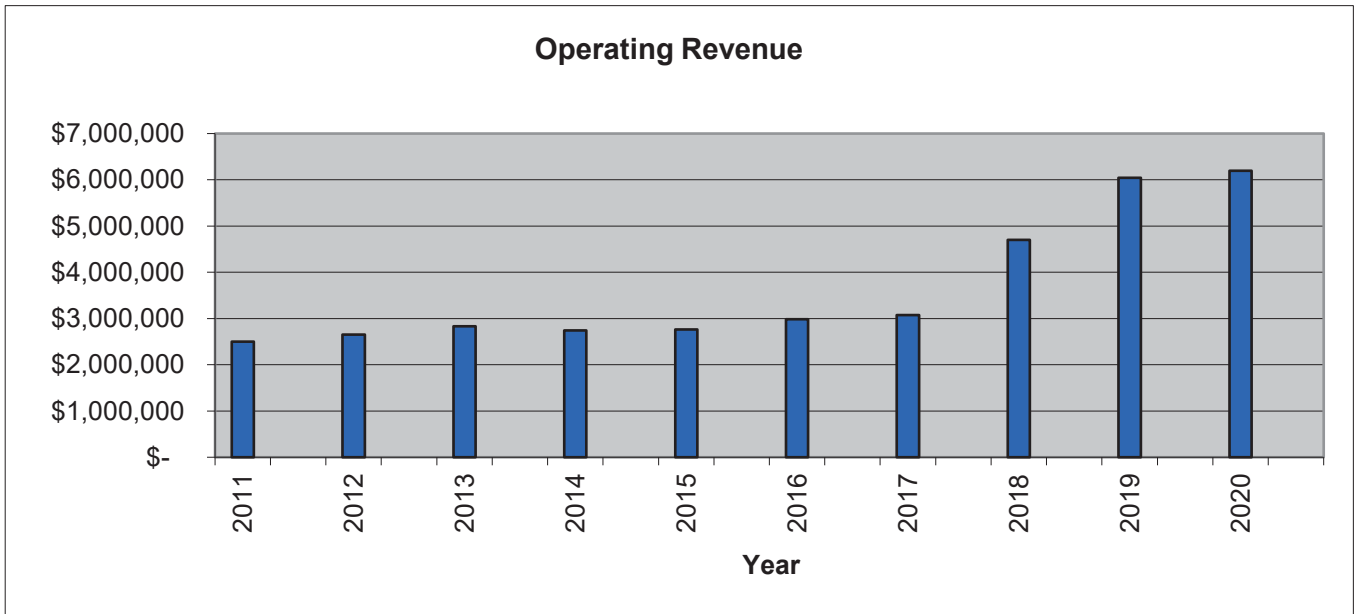
Source: District accounting and financial records, Davis County

Notes: 2012 Contracted with the EPA to operate a superfund site (OU2) in West Bountiful
2013 & 2015 Prior period adjustment resulted from a journal entry error.
2015 GASB Statement No.68 (Pension Plan) Implemented, Received Holly Refinery Impact Fee \$3,702,000
Issued 20-year taxable revenue bonds Series 2017 to finance construction of the WRR Project (21,195,000).
Issued 20-year taxable revenue bonds Series 2019 to finance construction of the ABNR Project & plant rehabilitation (12,179,000).

SOUTH DAVIS SEWER DISTRICT

Operating Revenues (Unaudited)
Last Ten Fiscal Years

Year	Sewer Fees	Special Treatment Project & Inspection Fees	Other	Total
2011	\$ 2,127,602	\$ 195,584	\$ 178,195	\$ 2,501,381
2012	\$ 2,145,429	\$ 258,455	\$ 247,124	\$ 2,651,008
2013	\$ 2,188,651	\$ 308,264	\$ 334,343	\$ 2,831,258
2014	\$ 2,235,118	\$ 253,754	\$ 253,912	\$ 2,742,784
2015	\$ 2,266,210	\$ 201,249	\$ 295,526	\$ 2,762,985
2016	\$ 2,471,683	\$ 231,256	\$ 278,265	\$ 2,981,204
2017	\$ 2,503,468	\$ 239,568	\$ 330,488	\$ 3,073,524
2018	\$ 3,799,780	\$ 430,241	\$ 470,537	\$ 4,700,558
2019	\$ 5,082,655	\$ 496,860	\$ 464,083	\$ 6,043,598
2020	\$ 5,199,731	\$ 473,755	\$ 523,785	\$ 6,197,271



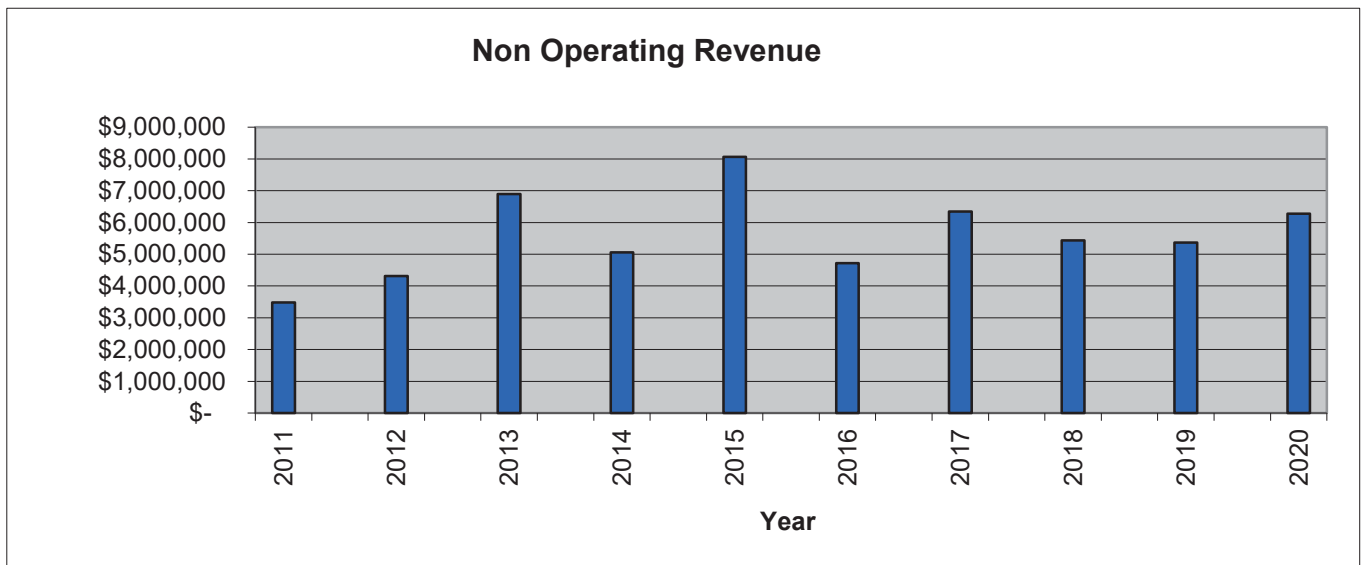
Source: District accounting records

Notes: Sewer Service rate increase \$5.00 per month to \$10.00 per month FY 2018

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

Schedule 4

Year	Taxes	Capital Contributions	Impact Fees	Interest	Misc Revenue	Grant & Inter Govt Contributions	Total
2011	\$ 2,024,811	\$ 134,412	\$ 712,027	\$ 158,551	\$ 98,692	\$ 355,400	\$ 3,483,893
2012	\$ 1,989,427	\$ 518,250	\$ 957,351	\$ 213,508	\$ 109,002	\$ 528,113	\$ 4,315,651
2013	\$ 2,119,222	\$ 2,871,442	\$ 1,029,824	\$ 81,659	\$ 175,989	\$ 619,418	\$ 6,897,554
2014	\$ 2,078,046	\$ 1,327,057	\$ 868,201	\$ 75,657	\$ 113,190	\$ 600,000	\$ 5,062,151
2015	\$ 2,208,762	\$ 266,362	\$ 4,572,029	\$ 94,186	\$ 140,865	\$ 785,000	\$ 8,067,204
2016	\$ 2,282,560	\$ 650,236	\$ 592,322	\$ 178,050	\$ 119,065	\$ 900,827	\$ 4,723,061
2017	\$ 2,102,078	\$ 2,325,199	\$ 589,843	\$ 302,862	\$ 99,746	\$ 924,746	\$ 6,344,474
2018	\$ 2,483,497	\$ 897,985	\$ 604,760	\$ 306,480	\$ 100,344	\$ 1,040,344	\$ 5,433,410
2019	\$ 2,272,062	\$ 1,239,606	\$ 624,221	\$ 184,810	\$ 117,585	\$ 933,285	\$ 5,371,569
2020	\$ 2,304,411	\$ 2,026,283	\$ 903,643	\$ 186,855	\$ 58,856	\$ 800,700	\$ 6,280,748

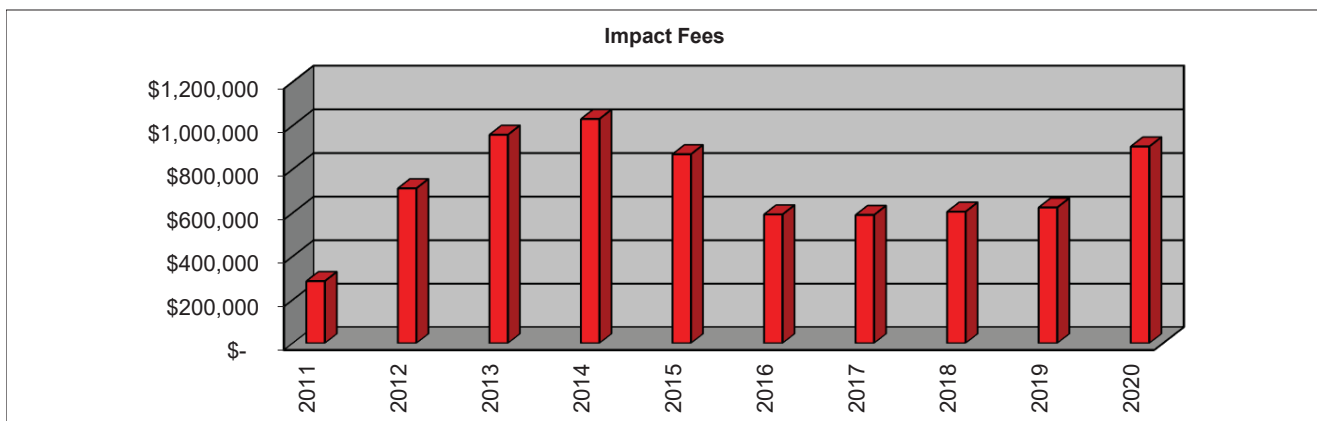
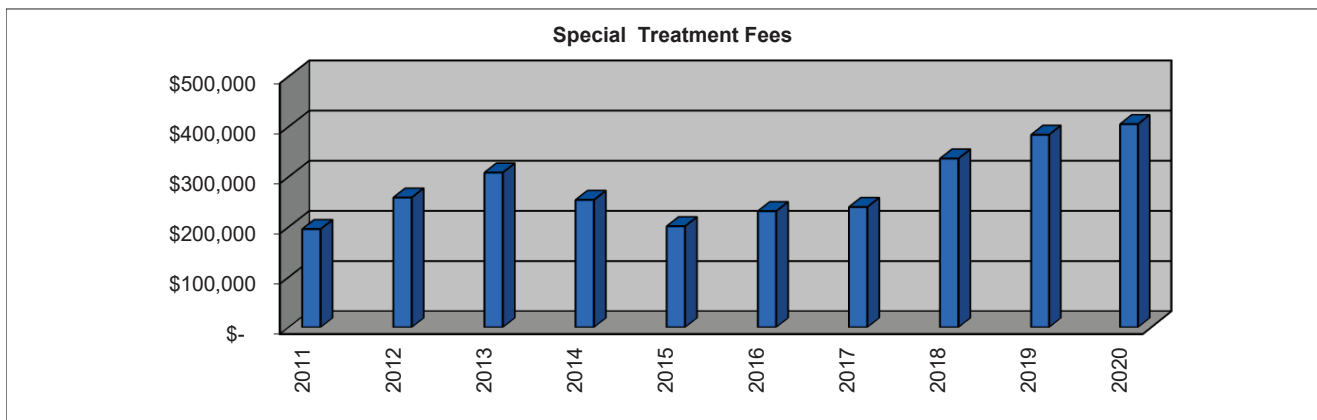
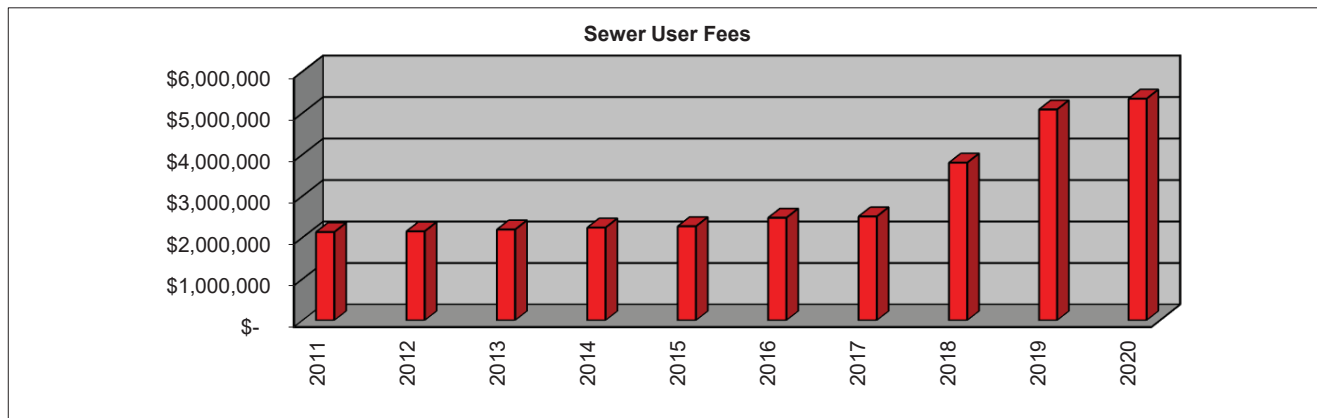
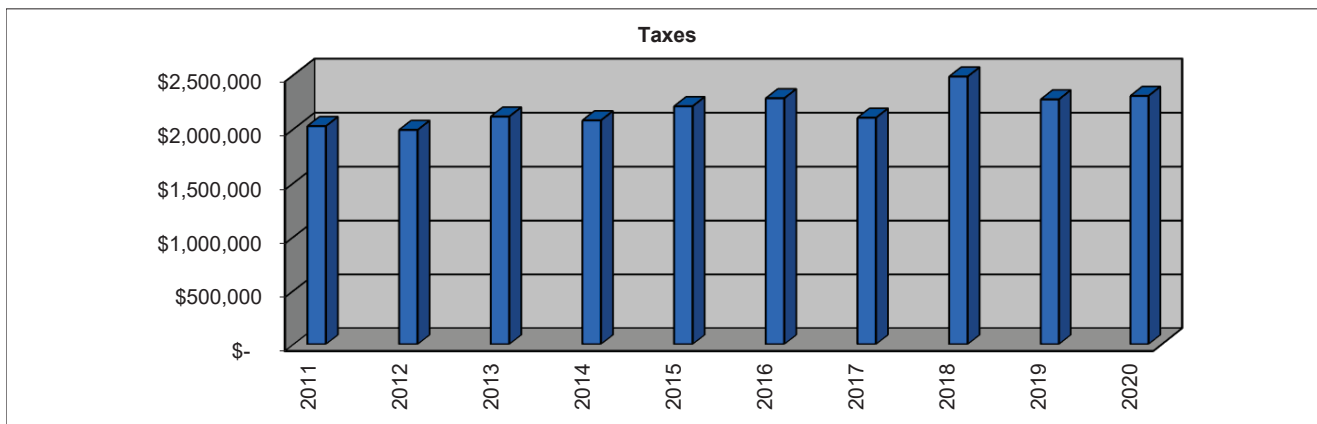


Source: District financial and accounting records

Notes: 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.
 The District contracted with the EPA beginning in 2010 to operate and maintain a superfund facility in West Bountiful City
 Received in 2015 impact fee from Holly Refinery expansion in the amount of \$3,702,000
 Tax Increment from CDA is classified as Miscellaneous Income

SOUTH DAVIS SEWER DISTRICT

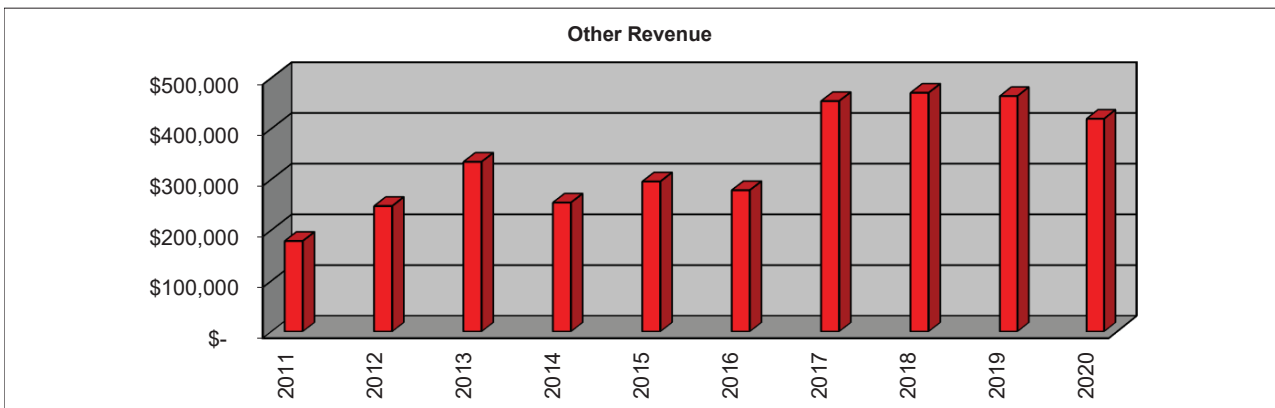
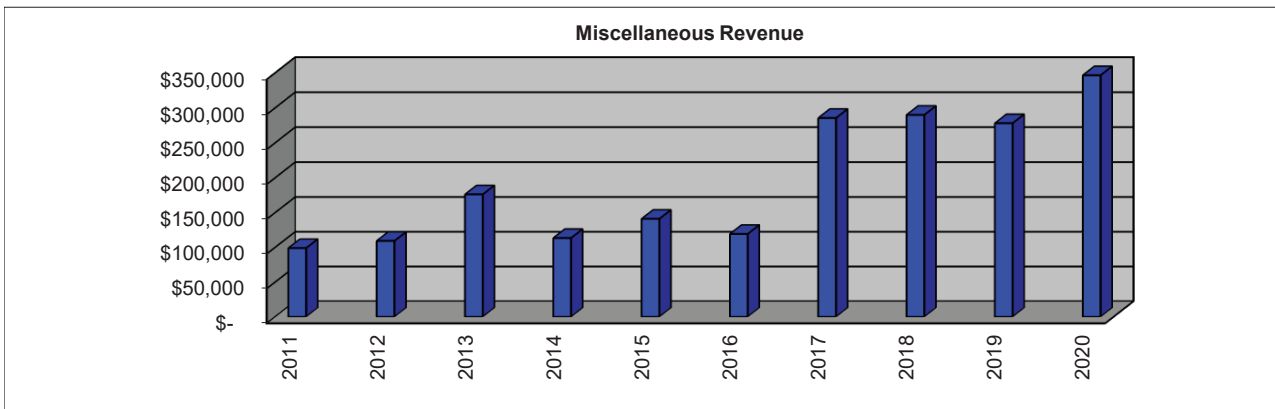
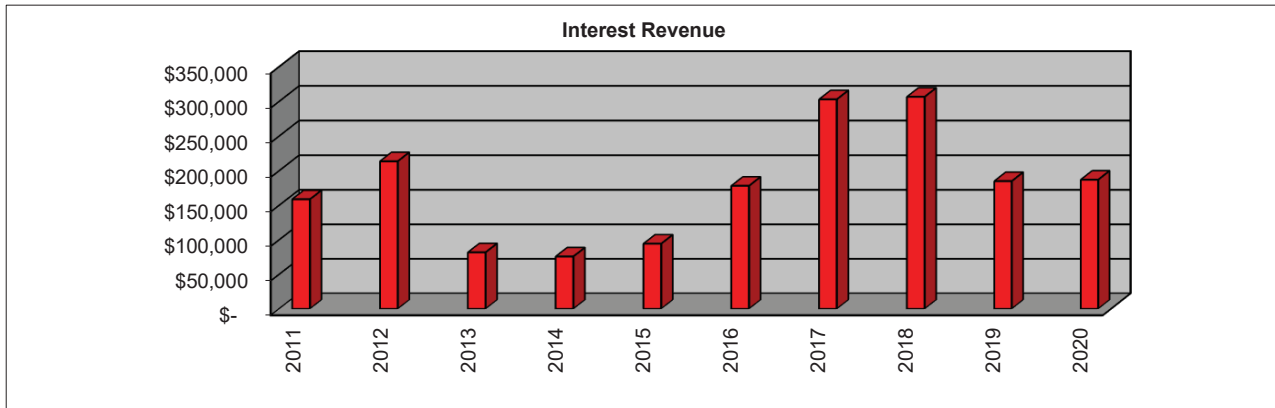
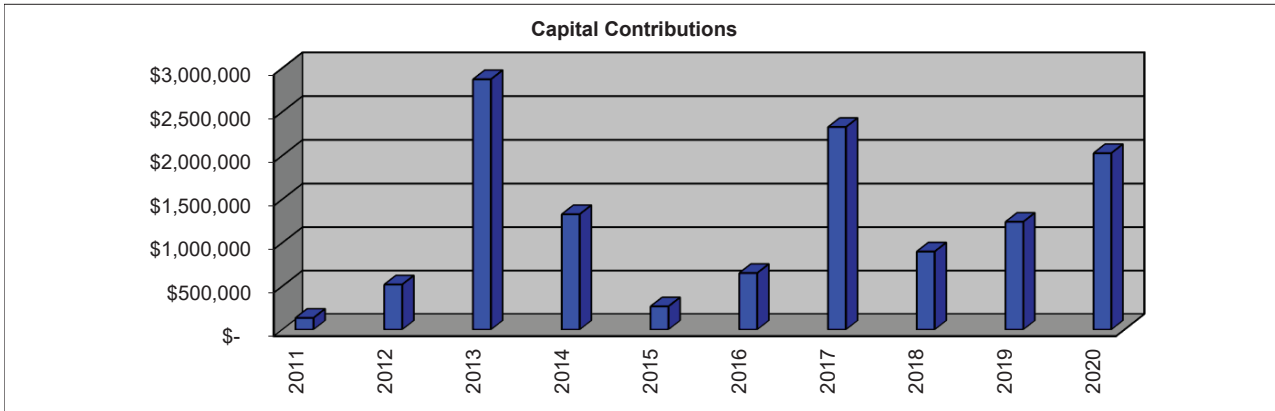
Revenues by Source (Unaudited)
Last Ten Fiscal Years



Source: District financial and accounting records, Davis County Auditor/Clerks office

SOUTH DAVIS SEWER DISTRICT

Revenues by Source (Unaudited) Last Ten Fiscal Years



Source: District financial and accounting records.

Note: 2017 and 2018 Miscellaneous non-operating revenue was reclassified to Other operating revenue

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

Schedule 7

Year	Total Tax Levy for Fiscal Year	Collected in First Period		Collection in Subsequent Periods	Total Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2011	1,841,535	1,705,846	92.6%	157,462	1,863,308	101.2%
2012	1,877,465	1,762,712	93.9%	72,263	1,834,975	97.7%
2013	1,942,033	1,826,818	94.1%	142,612	1,969,430	101.4%
2014	2,059,448	1,959,317	95.1%	64,576	2,023,893	98.3%
2015	2,168,606	2,072,537	95.6%	77,968	2,150,505	99.2%
2016	2,265,124	2,192,274	96.8%	52,939	2,245,213	99.1%
2017	2,335,669	2,254,880	96.5%	46,644	2,301,523	98.5%
2018	2,231,675	2,155,680	96.6%	46,080	2,201,760	98.7%
2019	2,313,762	2,218,428	95.9%	60,748	2,279,176	98.5%
2020	2,343,647	2,245,767	95.8%	44,211	2,312,548	98.7%

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

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

Schedule 8

Year	Annual Sewer Service Fee (Single Residential Home)	Annual Sewer Service Fee (Single Mobile Home)	Impact Fee
2011	\$60.00	\$48.00	\$1,456.00
2012	\$60.00	\$48.00	\$1,596.00
2013	\$60.00	\$48.00	\$1,596.00
2014	\$60.00	\$48.00	\$1,596.00
2015	\$60.00	\$48.00	\$1,596.00
2016	\$60.00	\$48.00	\$1,596.00
2017	\$60.00	\$48.00	\$1,596.00
2018	\$120.00	\$96.00	\$1,596.00
2019	\$120.00	\$96.00	\$1,596.00
2020	\$120.00	\$96.00	\$1,596.00

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

Notes: ¹In 1997 the District did an analytical review on impact fee costs based upon changes in the State Code, Sections 11-36-100 to 11-36-300. The impact fee changed from \$600 to \$1,456. In 2011 Zions Public Finance was engaged to conduct a impact fee rate study. The results of the 2011 impact fee study was a change in the impact fee to \$1,596 in Sept 2012. Beginning July 1, 2018 a sewer service rate increase took effect.

SOUTH DAVIS SEWER DISTRICT
Principle Wastewater Contributors (Unaudited)
For the Year Ending December 31, 2020

Schedule 9

	Business	Location	Annual Discharge (Gallons)
1	Holly Refinery*	West Bountiful	442,935,460
2	Big West Oil LLC*	North Salt Lake	240,352,260
3	Car Wash/Service Stations/Dealers	District	75,669,000
4	Restaurants	District	51,503,000
5	Medical Centers/Retirement Homes	District	42,471,000
6	Large Retail Stores	District	35,690,000
7	IHC Laundry	Woods Cross	25,564,188
8	Health Clubs/ Bountiful Rec. Center	District	21,574,000
9	Hotels	District	20,112,000
10	Schools	District	14,674,000
11	Air Products Manufacturing Corp	Bountiful	13,610,402
12	Churches	District	11,066,000
13	Stericycle Inc.	North Salt Lake	9,638,262
14	Lakeview Hospital	Bountiful	9,580,000
15	Dry Cleaners/Laundry	District	8,113,000
16	Silver Eagle Refinery*	Woods Cross	5,932,901
17	Zero Manufacturing Inc.*	North Salt Lake	5,695,093
18	South Davis Hospital	Bountiful	5,290,000
19	Chevron Products	North Salt Lake	5,183,471
20	Cowboy Oil	Woods Cross	3,835,753
21	Albertson's Distribution Center	North Salt Lake	3,487,000
22	Benchmark Hospital	Woods Cross	2,462,000
23	Aero Tech*	North Salt Lake	2,119,000
24	Biotron Laboratories	Centerville	2,106,000
25	Windriver Petroleum	Centerville	1,457,000
26	Legacy Megaplex Theater	Centerville	1,098,000
27	THB Inc	North Salt Lake	1,079,000
28	Dura-Line	North Salt Lake	953,000
29	Pioneer Pipe Line	North Salt Lake	888,000
30	Quality Plating*	Woods Cross	651,460
31	Innophos LLC	North Salt Lake	11,815
32	Pilot Travel	North Salt Lake	9,376
33	Advanced Drainage Systems	North Salt Lake	5,002
34	General Electric	North Salt Lake	4,695
35	Manuel's Fine Foods	Woods Cross	4,069
36	Orbit Sprinklers	North Salt Lake	3,638
37	Candera LLC	North Salt Lake	3,416
38	Herm Hughes	North Salt Lake	3,222
39	Pipe Fab	Woods Cross	1,416
40	WX Center Westerra Corp	Woods Cross	1,402

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

Note: *EPA categorical industry

SOUTH DAVIS SEWER DISTRICT
 Top Non-Residential Customers (Unaudited)
 For the Current Year (2020) and Nine Years Prior

Schedule 10

Rate Payer	Type of Service	<u>Annual User Fee Amount</u>	
		2020	2011
Holly Refinery	Refinery	\$ 499,953	\$ 295,902
Big West Oil	Refinery	\$ 144,622	\$ 98,425
Silver Eagle Oil	Refinery	\$ 35,944	\$ 28,780
Intermountain Health Care	Health Care	\$ 15,925	\$ 9,700
South Davis Recreation Center	Recreation	\$ 13,408	\$ 8,825
Lakeview Hospital	Health Care	\$ 10,440	\$ 7,241
Zero Mfg	Manufacturing	\$ 9,405	\$ 7,789
Chevron Products	Refinery	\$ 8,760	\$ 6,962
Air Products	Manufacturing	\$ 8,225	\$ 5,881
Cowboy Asphalt Terminal	Industry	\$ 6,963	\$ 7,205
Albertson Distribution	Warehouse	\$ 5,816	\$ 6,680

Source: District accounting records

Notes: *EPA Categorical Industries

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

Schedule 11

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Net Revenues										
Operating Revenues	\$ 6,197,271	\$ 6,043,598	\$ 4,576,519	\$ 3,073,524	\$ 2,981,204	\$ 2,762,985	\$ 2,742,784	\$ 2,831,258	\$ 2,651,008	\$ 2,501,381
Operating Expenses (excluding depreciation)	(7,571,711)	(6,863,930)	(7,120,946)	(6,691,513)	(6,840,618)	(5,935,569)	(5,532,400)	(5,407,450)	(5,241,791)	(5,840,971)
General Property Tax	2,304,411	2,272,062	2,483,497	2,102,078	2,282,560	2,208,762	2,082,256	2,119,222	1,989,427	2,024,811
Impact Fees	903,643	624,221	604,760	589,843	592,322	4,572,029	868,201	1,029,824	957,351	712,027
Intergovernmental Contributions	800,700	933,285	1,040,344	924,746	900,827	785,000	600,000	550,000	350,000	355,400
Project Grant Revenue	-	-	-	-	-	-	-	69,418	178,113	-
Misc. Revenue	-	-	-	-	119,065	140,865	113,190	175,989	109,002	98,692
Interest Income	186,855	184,810	306,480	342,773	178,050	94,186	75,657	81,659	213,508	158,551
Total Net Revenues	\$ 2,821,169	\$ 3,194,046	\$ 1,890,654	\$ 341,451	\$ 213,410	\$ 4,628,258	\$ 949,688	\$ 1,449,920	\$ 1,206,618	\$ 9,891
Net Revenues Excluding Impact Fees										
Net Revenues	2,821,169	3,194,046	1,890,654	341,451	213,410	4,628,258	949,688	1,449,920	1,206,618	9,891
Impact Fees	(903,643)	(624,221)	(604,760)	(589,843)	(592,322)	(4,572,029)	(868,201)	(1,029,824)	(957,351)	(712,027)
Net Revenues Excluding Impact Fees	\$ 1,917,526	\$ 2,569,825	\$ 1,285,894	\$ (248,392)	\$ (378,912)	\$ 56,229	\$ 81,487	\$ 420,096	\$ 249,267	\$ (702,136)
Aggregate Debt Service*	\$ 1,895,842	\$ 1,637,763	\$ 837,244	\$ 451,461	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ratio of Net Revenues to Aggregate Debt Service	1.49	1.95	2.26	0.76	0	0	0	0	0	0
Ratio of Net Revenues to Aggregate Debt Service (Excluding Impact Fees)	1.01	1.57	1.54	(0.55)	0	0	0	0	0	0
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: 2012 Contracted with the EPA to operate a superfund site (OU2) in West Bountiful
 2015 GASB Statement No.68 (Pension Plan) Implemented & Received Holly Refinery Impact Fee \$3,702,000
 2017 Issued 20-year series 2017 taxable revenue bonds to finance the construction of the WRR project \$21,195,000
 2019 issued 20-year revenue bonds to finance ABNR and Treatment Plant rehabilitation
 Bond payments are semi annual and due June 1st and December 1st. Average coupon rate is 4.179%
 July 2018 sewer service rate increase from \$5.00 per month to \$10.00 per month

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

Schedule 12

Year	Revenue Bonds	Population	Debt Per Capita	Personal Income	Debt as a Percentage of Personal Income	Estimated Value of Taxable Property	Debt as a Percentage of Est. Actual Value of Taxable Prop.
2010		91,200		n/a	n/a	\$ 5,407,414,676	
2011		91,500		n/a	n/a	\$ 5,170,589,665	
2012		93,900		n/a	n/a	\$ 5,275,495,186	
2013		94,257		n/a	n/a	\$ 5,380,923,009	
2014		92,794		n/a	n/a	\$ 5,860,299,292	
2015		90,719		n/a	n/a	\$ 6,065,092,075	
2016		97,252		n/a	n/a	\$ 6,573,097,642	
2017	\$ 20,748,437	98,495	\$ 211	n/a	n/a	\$ 7,504,784,496	0.276%
2018	\$ 20,783,161	98,806	\$ 210	n/a	n/a	\$ 8,181,058,833	0.254%
2019	\$ 32,286,003	99,283	\$ 325	n/a	n/a	\$ 8,685,244,151	0.372%
2020	\$ 31,492,910	103,000	\$ 306	n/a	n/a	\$ 10,312,949,442	0.305%

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

Notes: Issued Series 2017A taxable revenue bonds, par value \$21,195,000
Issued Series 2019 revenue bonds, par value \$12,179,000
Personal income information for the District is not available, only for Davis County.
Revenue bonds are net of unamortized discount

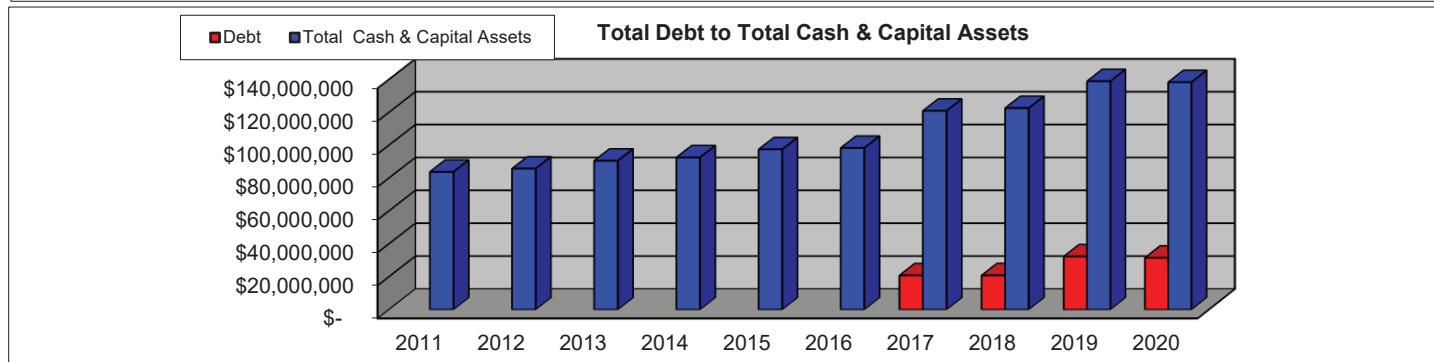
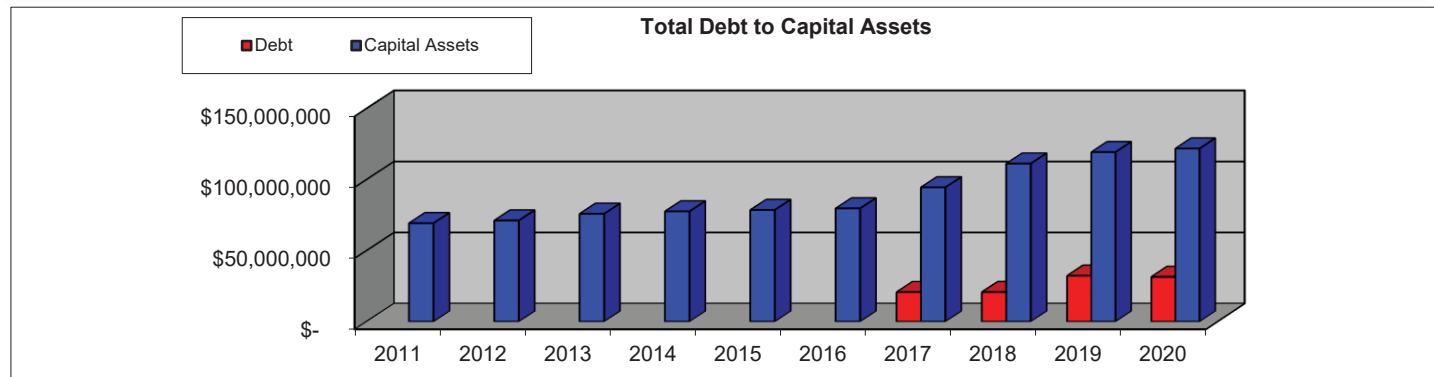
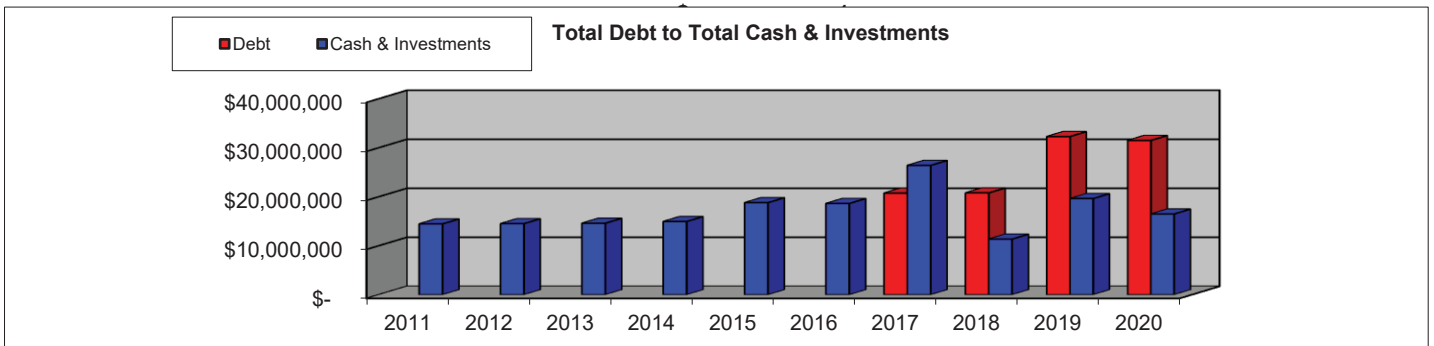
SOUTH DAVIS SEWER DISTRICT

Debt to Asset Ratios (Unaudited)

Schedule 13

Last Ten Fiscal Years

Year	Total Debt	Cash & Investments	% of Debt : Cash	² Total Capital Assets	% of Debt : Asset	Total Cash & Capital Assets	% of Debt to Cash & Assets
2011		\$ 14,462,364	0.00%	\$ 69,268,268	0.00%	\$ 83,730,632	0.00%
2012		\$ 14,511,792	0.00%	\$ 71,177,332	0.00%	\$ 85,689,124	0.00%
2013		\$ 14,601,123	0.00%	\$ 75,884,155	0.00%	\$ 90,485,278	0.00%
2014		\$ 14,950,344	0.00%	\$ 77,565,784	0.00%	\$ 92,516,128	0.00%
2015		\$ 18,796,338	0.00%	\$ 78,589,869	0.00%	\$ 97,386,207	0.00%
2016		\$ 18,628,790	0.00%	\$ 79,659,822	0.00%	\$ 98,288,612	0.00%
2017	\$ 20,748,437	\$ 26,397,185	78.60%	\$ 94,494,332	21.96%	\$ 120,891,517	17.16%
2018	\$ 20,783,161	\$ 11,358,517	182.97%	\$ 111,194,639	18.69%	\$ 122,553,156	16.96%
2019	\$ 32,286,003	\$ 19,629,236	164.48%	\$ 119,271,184	27.07%	\$ 138,900,420	23.24%
2020	\$ 31,492,910	\$ 16,483,288	191.06%	\$ 121,814,856	25.85%	\$ 138,298,144	22.77%



Source: District accounting records.

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

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

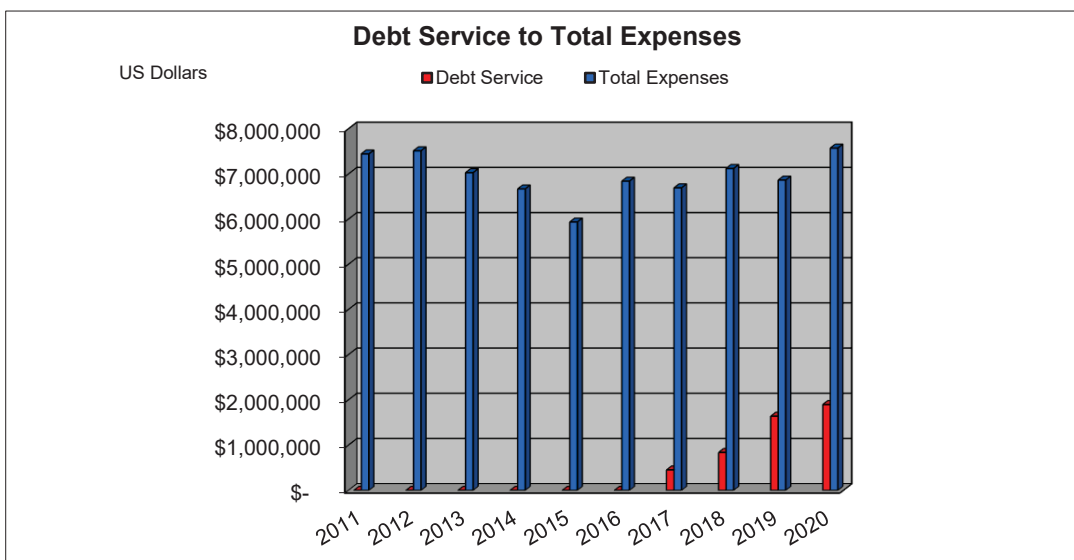
Capital assets are at historical cost (excluding depreciation).

Revenue bonds are net of unamortized discount

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

Schedule 14

Year	Debt Service	Total Expenses	% of Debt Service to Expenses
2011	\$ -	\$ 7,443,546	0.00%
2012	\$ -	\$ 7,512,322	0.00%
2013	\$ -	\$ 7,027,863	0.00%
2014	\$ -	\$ 6,667,837	0.00%
2015	\$ -	\$ 5,935,569	0.00%
2016	\$ -	\$ 6,840,618	0.00%
2017	\$ 451,461	\$ 6,691,513	6.75%
2018	\$ 837,173	\$ 7,120,946	11.76%
2019	\$ 1,637,763	\$ 6,863,930	23.86%
2020	\$ 1,895,842	\$ 7,571,711	25.04%



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

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

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

Schedule 15

Year	Principle	Interest	Total	Population	Per Capita
2011	\$ -		\$ -	92,390	\$ -
2012	\$ -		\$ -	93,900	\$ -
2013	\$ -		\$ -	94,257	\$ -
2014	\$ -		\$ -	95,200	\$ -
2015	\$ -		\$ -	96,250	\$ -
2016	\$ -		\$ -	97,252	\$ -
2017	\$ -	\$ 451,461	\$ 451,461	98,737	\$ 4.57
2018	\$ -	\$ 837,763	\$ 837,763	99,283	\$ 8.44
2019	\$ 800,000	\$ 837,763	\$ 1,637,763	101,858	\$ 16.08
2020	\$ 825,000	\$ 1,070,843	\$ 1,895,843	103,000	\$ 18.41

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

Notes: Issued Taxable Revenue Bonds May 17, 2017 for \$21,195,000 to finance renewable energy project

Issued Revenue Bonds December 3, 2019 for \$12,179,000 to finance plant rehabilitation

Bond payments are semi-annual and due every December 1st and June 1st

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

Schedule 16

<u>Fiscal Year</u>	<u>Population</u>	<u>Births</u>	<u>Deaths</u>	<u>Per Capita Income</u>	<u>Personal Income</u>	<u>Unemployment Rate</u>	<u>Total Public School Enrollment</u>
2011	312,603	5,704	1,410	\$ 34,755.00	\$ 10,864,517,265	6.20%	71,232
2012	315,809	5,844	1,472	\$ 37,124.00	\$ 11,724,093,316	5.30%	68,342
2013	322,094	5,720	1,612	\$ 38,372.00	\$ 12,359,390,968	4.20%	68,571
2014	329,692	5,772	1,684	\$ 38,770.00	\$ 12,782,158,840	3.60%	69,139
2015	336,043	5,870	1,710	\$ 40,000.00	\$ 13,441,720,000	3.30%	69,879
2016	342,281	5,687	1,762	\$ 41,339.00	\$ 14,149,554,259	3.30%	71,021
2017	347,637	5,473	1,826	\$ 44,106.00	\$ 15,332,877,522	3.10%	71,908
2018	351,713	5,282	1,892	\$ 46,286.00	\$ 16,279,387,915	2.90%	72,264
2019	355,481	5,075	1,840	\$ 48,423.00	\$ 17,213,456,463	2.40%	72,897
2020	359,925	5,075	1,840	n/a	n/a	3.30%	70,643

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

Notes: This information represents all of Davis County. The District takes in part of Davis County (Five Cities)
 2020 per capita personal income and personal income information was not available at the time this was released

SOUTH DAVIS SEWER DISTRICT
 Davis County Principle Employers
 Current Year (2020) and Nine Years Ago

Schedule 17

<u>Employer</u>	<u>2020</u>			<u>2011</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
			<u>168,737</u>			<u>134,583</u>
Hill Air Force Base	10000-14999	1	9.23%	10000-14999	1	11.0%
Davis County School District	7000-9999	2	6.15%	7000-9999	2	5.1%
Kroger Group Cooperative	2000-2999	3	1.23%	500-999	6	1.5%
Lifetime Products	1000-1999	4	1.23%	1000-1999	4	0.7%
Walmart	1000-1999	5	1.23%	1000-1999	3	1.5%
ATK Space Systems	1000-1999	6	1.23%	1000-1999	4	1.5%
Lagoon Inc.	1000-1999	7	1.23%	1000-1999	5	0.0%
Utility Trailer Manufacturing	1000-1999	8	1.23%	500-999	9	1.5%
Intermountain Health Care	1000-1999	9	1.23%	n/a	n/a	0.0%
ATK Launch Systems	500-999	10	0.61%	500-699	9	0.5%
Davis County	500-999	n/a	0.00%	500-999	8	0.5%
Davis Hospital & Medical	500-999	n/a	0.00%	500-999	10	0.5%
Totals	<u>26,500-42,988</u>		<u>24.61%</u>	<u>17,200-34,784</u>		<u>24.3%</u>

Source: Utah Department of Workforce Services. Davis County

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

SOUTH DAVIS SEWER DISTRICT
Property Tax Rates - Direct and Overlapping Governments (Unaudited)
Last Ten Fiscal Years

Schedule 18

Overlapping Rates

Fiscal Year	South Davis Sewer District	Bountiful City	Centerville City	West Bountiful City	Woods Cross City	North Salt Lake City	Davis County	Davis County Library	Weber Basin Water	South Davis Water	Bountiful Irrigation District	Mosquito Abatement	South Davis Recreation District	Total Direct & Overlapping Rates
2011	0.000315	0.001037	0.001102	0.001366	0.000840	0.00152	0.008416	0.000363	0.000207	0.000240	0.000122	0.000097	0.000379	0.016004
2012	0.000329	0.001093	0.001173	0.001997	0.001049	0.001637	0.011244	0.000392	0.000217	0.000248	0.000130	0.000104	0.000407	0.020020
2013	0.000330	0.001094	0.001165	0.001951	0.001058	0.001637	0.013931	0.000396	0.000215	0.000253	0.000131	0.000105	0.000399	0.022665
2014	0.000301	0.000946	0.001072	0.001788	0.000913	0.001541	0.008637	0.000361	0.000199	0.000246	0.000120	0.000124	0.000338	0.016586
2015	0.000303	0.000957	0.001088	0.001806	0.000927	0.001517	0.012221	0.000361	0.000196	0.000250	0.000120	0.000122	0.000334	0.020202
2016	0.000287	0.000890	0.000983	0.001684	0.001057	0.001622	0.010139	0.000342	0.000187	0.000234	0.000110	0.000116	0.000306	0.017957
2017	0.000264	0.000832	0.001354	0.001566	0.001003	0.001450	0.012161	0.000376	0.000174	0.000214	0.000103	0.000107	0.000279	0.019883
2018	0.000245	0.000880	0.001275	0.001449	0.000935	0.001355	0.012090	0.000349	0.000164	0.000202	0.000096	0.000119	0.000257	0.019416
2019	0.000234	0.000814	0.001192	0.001315	0.000891	0.001264	0.012084	0.000329	0.000153	0.000189	0.000089	0.000112	0.000242	0.018908
2020	0.000226	0.000789	0.001158	0.001363	0.000867	0.001233	0.011268	0.000319	0.000146	0.000183	0.000086	0.000110	0.000218	0.017966

Source: District financial and accounting records, Davis County Treasurer's Office and Auditor/Clerk's Office
Notes: Overlapping rates are those of local and county governments that apply to property owners within the South Davis Sewer District.
Davis County includes Davis County School District.

SOUTH DAVIS SEWER DISTRICT
 Davis County Tax Factors (Unaudited)
 For the Year Ending December 31, 2020

Schedule 19

1	Davis County Jail Bond	0.000071
2	Davis County Mosquito Abatement	0.000110
3	Weber Basin Water	0.000146
4	Central Davis Sewer District	0.000161
5	Davis County Assess & Collect	0.000177
6	South Davis Water District	0.000183
7	South Davis Recreation Center	0.000218
8	South Davis Sewer District	0.000226
9	Hooper Water Improvement	0.000277
10	Benchland Water District	0.000315
11	Central Weber Sewer District	0.000564
12	North Davis Sewer District	0.000769
13	North Davis Fire District	0.000769
14	Bountiful City	0.000789
15	Bountiful Irrigation District	0.000860
16	Woods Cross City	0.000867
17	West Point City	0.000910
18	Sunset City	0.000981
19	Davis County	0.001110
20	Davis County Library	0.001111
21	Centerville City	0.001158
22	North Salt Lake City	0.001233
23	West Bountiful City	0.001363
24	Clearfield City	0.001437
25	Farmington City	0.001491
26	Kaysville City	0.001589
27	Syracuse City	0.001593
28	Clinton City	0.001608
29	Utah Statewide School Rate	0.001628
30	Layton City	0.001645
31	Fruit Heights City	0.001950

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

SOUTH DAVIS SEWER DISTRICT
 Principle Tax Payers (Unaudited)
 For the Current Year 2020 and Nine Years Prior

Schedule 20

		Assessed Taxable Value			
Tax Payer	City	2020 Personal Property	2020 Real Property	2020 Total	2011 Total
1	Chevron USA Inc.	\$ 55,481,599	\$ 542,514,305	\$ 597,995,904	\$ 366,190,066
2	Holly Refinery	23,987,801	301,474,339	325,462,140	298,653,604
3	Big West Oil	14,732,043	133,087,285	147,819,328	160,251,188
4	Pacificorp	69,531,379	-	69,531,379	53,787,450
5	Questar Gas	64,393,895	-	64,393,895	43,759,823
6	WBC Partners & Commons	52,338,596	-	52,338,596	48,576,258
7	IGI RE Holdings WX LLC	6,518,180	35,653,604	42,171,784	40,185,825
8	Eaglewood Loft LLC	36,580,200	-	36,580,200	49,981,249
9	FedEx Ground Package Sys	10,057,944	26,573,227	36,631,171	37,437,568
10	Legacy Crossing LLC	31,725,631	86,722	31,812,353	29,978,148
11	ABS UT- (Albertsons)	28,029,000	-	28,029,000	33,319,952
12	Hospital Corporation of Utah	21,507,231	4,029,294	25,536,525	26,458,700
13	J & S Purpura Ventures	25,118,936	-	25,118,936	24,058,660
14	Services Development Corp	19,133,025	-	19,133,025	18,969,365
15	IHC Health Services	25,300,001	14,781	25,314,782	19,000,360
		\$ 484,435,461	\$ 1,043,433,557	\$ 1,527,869,018	\$ 1,250,608,216

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

Notes: 2020 Certified Tax Rate = 0.000226. Year end property values for the District were:

Real Property \$8,437,984,663 Personal Property, \$1,615,045,886 & Centrally Assessed \$259,918,893

Total adjusted 2020 property values were \$10,312,949,442.

SOUTH DAVIS SEWER DISTRICT
 Operator Certification Program (Unaudited)
 For the Year Ending December 31, 2020

Schedule 21

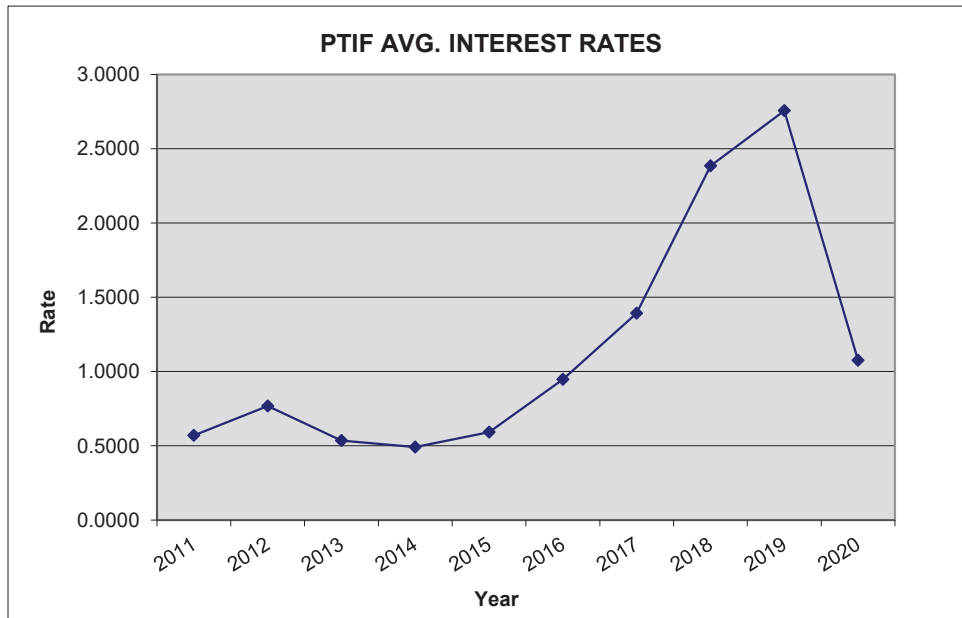
Employee	Collection Level	Treatment Level	Maintenance Level	Biosolids Level
1 Bohman, Curtis D.	Grade IV			
2 Bradshaw, Mike C.	Grade IV	Grade I		
3 Dlugas, Jason D.	Grade IV	Grade I		
4 Fleming, Shane E.	Grade IV			
5 Galli, Skyjay T.	Grade I			
6 Katter, Brandon M.		Grade I	Grade III	
7 King, Corry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

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Jan	0.4812	0.7496	0.6499	0.5074	0.5073	0.7460	1.1806	1.7291	2.9109	2.2007
Feb	0.4900	0.7949	0.6120	0.5070	0.5184	0.7796	1.2007	1.8649	2.9778	2.1034
Mar	0.5102	0.7937	0.5739	0.5023	0.5294	0.8224	1.2217	2.0302	2.9971	1.6624
Apr	0.5362	0.7941	0.5295	0.4992	0.5475	0.8517	1.2651	2.2008	2.9759	1.4406
May	0.5374	0.7917	0.4902	0.4879	0.5559	0.8997	1.2858	2.3517	2.8984	1.1939
Jun	0.5463	0.7894	0.5046	0.4799	0.5610	0.9093	1.3431	2.5007	2.8983	0.9480
Jul	0.5455	0.7877	0.5115	0.4693	0.5791	0.9429	1.4084	2.5801	2.8663	0.7425
Aug	0.5577	0.7791	0.4962	0.4699	0.6098	0.9968	1.4782	2.5836	2.7262	0.5534
Sep	0.5961	0.7784	0.5126	0.4767	0.6368	1.0597	1.5280	2.5979	2.6014	0.5300
Oct	0.6336	0.7484	0.5143	0.4850	0.6593	1.0982	1.5621	2.6486	2.5360	0.5190
Nov	0.6790	0.7235	0.5150	0.5071	0.6824	1.1231	1.6053	2.7387	2.3976	0.5186
Dec	0.7190	0.6908	0.5103	0.5077	0.7244	1.1457	1.6340	2.8036	2.2849	0.4895
Avg	0.5694	0.7684	0.5350	0.4916	0.5926	0.9479	1.3928	2.3858	2.7559	1.0752



Source: Utah State Treasurer's Office

Notes: Interest calculated based on the 365 day rate

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

Schedule 23

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)	
2011	1,334	239,784	56,404	17,981	44,765	358,934
2012	2,033	332,625	48,848	20,712	24,552	426,743
2013	632	122,334	27,274	4,498	15,155	169,263
2014	1,643	316,597	139,616	25,621	40,291	522,126
2015	1,693	366,998	370,979	28,640	52,720	522,126
2016	1,721	377,935	172,821	29,958	73,250	653,965
2017	1,870	382,116	157,539	23,864	44,383	607,902
2018	2,230	474,931	145,931	41,588	47,312	694,833
2019	1,689	412,402	111,759	33,180	64,186	635,920
2020	2,620	596,030	195,330	39,823	55,342	635,920
10-year Avg.	\$ 1,747	\$ 362,175	\$ 142,650	\$ 26,586	\$ 46,196	\$ 522,773

Source: Ivory-Boyer data base, Utah Construction Report, University of Utah.

Notes: 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 24

Fiscal Year	Function/Department							Total
	Treatment Plants	Collection System	Maintenance	Engineering/ Administration	Industrial Pretreatment	Water Research	Resource Recovery	
2011	7	7	2	7	1	1		25
2012	7	8	2	6	1	1		25
2013	7	8	2	6	1	1		25
2014	7	8	2	6	1	1		25
2015	7	8	2	6	1	1		25
2016	7	8	2	6	1	1		25
2017	9	8	2	6	1	1		27
2018	7	7	2	7	1	1		25
2019	8	7	4	6	1	1	8	35
2020	8	8	4	7	1	1	8	37
Average	7.4	7.7	2.4	6.3	1	1	8	27.4

Source: District employment records

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

2017, two treatment plant operators were hired for the ABNR project

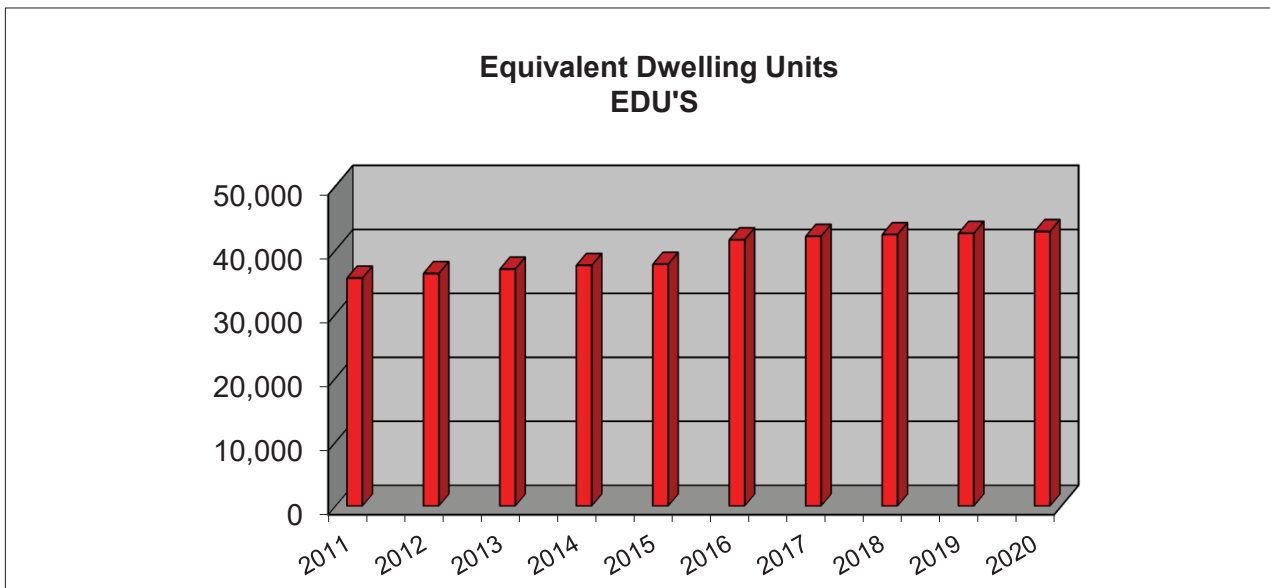
2018 one employee was transferred from Collection System to Engineering (EIT)

2019 Wasatch Resource Recovery be came operational

2020 added one employee to accounting department

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

<u>YEAR</u>	<u>EDU'S</u>
2011	35,591
2012	36,309
2013	37,005
2014	37,587
2015	37,762
2016	41,589
2017	42,136
2018	42,410
2019	42,588
2020	42,878



Source: District accounting and engineering records.

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

The District has approximately 27,700 customer accounts as of 12/31/20

SOUTH DAVIS SEWER DISTRICT
Net Investment in Capital Assets Summary (Unaudited)
For the Year Ended December 31, 2020

Schedule 26

HISTORICAL COST							ACCUMULATED DEPRECIATION							
Acct #	Description	Balances 12/31/19	Additions	Disposals	Transfers	Adjust	Balances 12/31/20	Acct #	Balances 12/31/19	Depreciation Expense	Asset Deposal	Transfers	Balances 12/31/20	
182000	0.01 Building & Facilities	\$ 2,710,249.55					\$ 2,710,249.55	182100	0.01	\$ (104,813.66)			\$ (104,813.66)	
182000	0.02 Building & Facilities	21,597,043.90					21,597,043.90	182100	0.02	(8,611,802.97)			(8,611,802.97)	
182000	0.11 Building & Facilities	8,590,405.30					8,590,405.30	182100	0.11				-0-	
184000	0.02 Improvements Other Than Bldgs	28,892.78					28,892.78	184000	0.02				-0-	
184000	0.11 Improvements Other Than Bldgs	6,537,517.00					6,537,517.00	184000	0.11				-0-	
188000	0.04 Construction in Progress	13,365,032.29					13,640,769.64	188000	0.04				-0-	
189000	0.01 Outfall/Sewer Lines	44,666,988.36	2,006,618.00			(202,345.82)	46,471,260.54	189110	0.01	(3,666,414.62)			(3,666,414.62)	
189000	0.02 Outfall/Sewer Lines	5,748,121.05					5,748,121.05	189110	0.02	(1,290,559.59)			(1,290,559.59)	
189000	0.04 Outfall/Sewer Lines	-					-0-	189110	0.04				-0-	
189200	0.01 Operation & Sup Equip.	523,846.04	195,626.00				719,472.04	189210	0.01	(332,930.22)	(29,184.51)		(362,114.73)	
189200	0.02 Operation & Sup Equip.	710,445.74				(204,962.80)	505,482.94	189210	0.02	(223,552.16)	(24,101.96)		(247,654.12)	
189200	0.11 Operation & Sup Equip.	6,985,855.00					6,985,855.00	189210	0.11		(184,533.35)		(184,533.35)	
189300	0.01 Tools & Test Equip.	237,773.88				202,345.82	440,119.70	189310	0.01	(412,710.31)	(4,505.63)		(417,215.94)	
189300	0.02 Tools & Test Equip.	182,735.25				204,962.80	387,698.05	189310	0.02	(245,251.58)	(1,569.94)		(246,821.52)	
189300	0.03 Tools & Test Equip.	108,736.04					108,736.04	189310	0.03	(108,736.04)			(108,736.04)	
189300	0.05 Tools & Test Equip.	247,530.85					247,530.85	189310	0.05	(203,348.86)			(203,348.86)	
189400	0.01 Mobile Equipment	2,212,565.58	117,152.12	(117,693.47)		(130,553.24)	2,081,470.99	189410	0.01	(1,153,985.21)	(134,442.18)	16,629.17	(1,271,798.22)	
189400	0.02 Mobile Equipment	1,213,802.53	122,152.06	(55,919.44)		(130,000.00)	1,150,035.15	189410	0.02	(655,357.26)	(46,674.49)	7,922.77	(694,108.98)	
189400	0.03 Mobile Equipment	22,437.03					22,437.03	189410	0.03	(22,437.03)			(22,437.03)	
189500	0.01 Office Furn. & Equip.	257,658.06				130,553.24	388,211.30	189510	0.01	(255,617.44)	(23,246.89)		(278,864.33)	
189500	0.02 Office Furn. & Equip.	248,129.91				130,000.00	378,129.91	189510	0.02	(301,823.59)	(10,271.34)		(312,094.93)	
189500	0.03 Office Furn. & Equip.	4,849.56					4,849.56	189510	0.03	(4,849.56)			(4,849.56)	
189600	0.01 Land & Right-Of-Ways	421,632.89					421,632.89							
189600	0.02 Land & Right-Of-Ways	2,648,934.91					2,648,934.91							
		\$ 119,271,183.50	\$ 2,717,285.53	\$ (173,612.91)	\$ -	\$ -	\$ 121,814,856.12			\$ (17,594,190.10)	(458,530.29)	24,551.94	-0-	\$ (18,028,168.45)

Source: District capital asset records

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

SOUTH DAVIS SEWER DISTRICT
 Net Investment in Capital Assets **Additions** (Unaudited)
 For the Year Ended December 31, 2020

Schedule 27

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	WRR (11)	Total
BUILDINGS AND FACILITIES (182000)							
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IMPROVEMENTS OTHER THAN BUILDINGS (184000)							
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CONSTRUCTION WORK IN PROGRESS (188000)							
South Plant Rehab			275,737.35				275,737.35
SUBTOTAL		\$ -	\$ 275,737.35	\$ -	\$ -	\$ -	\$ 275,737.35
OUTFALL/SEWER LINES (189000)							
Deeded Subvisions	5999	\$ 2,006,618.00					\$ 2,006,618.00
SUBTOTAL		\$ 2,006,618.00	\$ -	\$ -	\$ -	\$ -	\$ 2,006,618.00
OPERATION & SUPPORT EQUIPMENT (189200)							
Push Camera System (CS)	5938	\$ 195,626.00					\$ 195,626.00
SUBTOTAL		\$ 195,626.00	\$ -	\$ -	\$ -	\$ -	\$ 195,626.00
TOOLS AND TEST EQUIPMENT (189300)							
SUBTOTAL		-0-	-0-	-0-	-0-	-0-	\$ -
MOBILE EQUIPMENT (189400)							
2021 Ford F350 Truck (CS) Inspector	3566	\$ 58,576.06					\$ 58,576.06
2021 Ford F350 Truck (CS) Superintendent	3564	58,576.06					58,576.06
2015 Ford F250 Truck (SP)	3569		\$ 11,000.00				11,000.00
2021 Ford F350 Truck (TP) Superintendent	3568		58,576.06				58,576.06
Crane Station	3570		13,876.00				13,876.00
Hyster Forklift	3571		13,500.00				13,500.00
Brown Bear Loader	3565		25,200.00				25,200.00
SUBTOTAL		\$ 117,152.12	\$ 122,152.06	\$ -	\$ -	\$ -	\$ 239,304.18
OFFICE FURNITURE & EQUIPMENT (189500)							
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
LAND & RIGHT OF WAYS (189600)							
SUBTOTAL		-0-	-0-	-0-	-0-	-0-	\$ -
GRAND TOTAL		\$ 2,319,396.12	\$ 673,626.76	\$ -	\$ -	\$ -	\$ 2,717,285.53

Source: District capital asset records & accounts payable records

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

SOUTH DAVIS SEWER DISTRICT
Net Investment in Capital Assets Disposals (Unaudited)
For the Year Ended December 31, 2020

Schedule 28

Asset Description	ID #	Collections (.01)	Plants (.02)	Industrial Pretreat. (.03)	Capital Expansion (.04)	Total
BUILDINGS AND FACILITIES (182000)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
CONSTRUCTION WORK IN PROGRESS (188000)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
OUTFALL/SEWER LINES (189000)						
SUBTOTAL		\$ -	\$ -	\$ -	-0-	\$ -
OPERATION & SUPPORT EQUIPMENT (189200)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
TOOLS AND TEST EQUIPMENT (189300)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
MOBILE EQUIPMENT (189400)						
2020 Ford F350 Truck (CS) Superintendent	3563	\$ 61,964.61				\$ 61,964.61
2020 Ford F350 Truck (CS) Inspector	3564	55,728.96				55,728.96
2020 Ford F150 Truck (TP) Superintendent	3561		55,919.44			55,919.44
SUBTOTAL		\$ 117,693.57	\$ 55,919.44	\$ -	\$ -	\$ 173,613.01
OFFICE FURNITURE & EQUIPMENT (189500)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
LAND & RIGHT OF WAYS (188600)						
SUBTOTAL		-0-	\$ -	-0-	-0-	\$ -
GRAND TOTAL		\$ 117,693.57	\$ 55,919.44	\$ -	\$ -	\$ 173,613.01

Source: District capital asset records

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

SOUTH DAVIS SEWER DISTRICT
 Net Investment in Capital Asset **Transfers** (Unaudited)
 For the Year Ended December 31, 2020

Schedule 29

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

Source: District capital asset records

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

SOUTH DAVIS SEWER DISTRICT
 Net Investment in Capital Assets Construction in Progress (CIP) (Unaudited)
 For the Year Ended December 31, 2020

Schedule 30

Asset Description	ID #	Collections (.01)	Plants (.02)	Indust. Pretreat. (.03)	Capital Expansion (.04)	Total
BUILDINGS AND FACILITIES (182000)						
SUBTOTAL		\$ -	\$ -	\$ -	\$ -	\$ -
CONSTRUCTION WORK IN PROGRESS (188000)						
South Plant Rehab	6525				\$ 275,737.35	\$ 275,737.35
SUBTOTAL		\$ -	\$ -	\$ -	\$ 275,737.35	\$ 275,737.35
OUTFALL/SEWER LINES (189000)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
OPERATION & SUPPORT EQUIPMENT (189200)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
TOOLS AND TEST EQUIPMENT (189300)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
MOBILE EQUIPMENT (189400)						
SUBTOTAL		-0-	-0-	\$ -	-0-	\$ -
OFFICE FURNITURE & EQUIPMENT (189500)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
LAND & RIGHT OF WAYS (188000)						
SUBTOTAL		-0-	-0-	-0-	-0-	-0-
GRAND TOTAL		\$ -	\$ -	\$ -	\$ 275,737.35	\$ 275,737.35

Source: District capital asset records

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

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

Schedule 31

Year	Collection System O & M	Treatment Plants O & M	Capital Expenses	Debt Service	Total Expenses
2011	\$ 1,301,539	\$ 2,791,597	\$ 3,350,410	\$ -	\$ 7,443,546
2012	\$ 1,230,974	\$ 3,459,306	\$ 2,822,042	\$ -	\$ 7,512,322
2013	\$ 1,358,286	\$ 4,049,164	\$ 2,127,162	\$ -	\$ 7,534,612
2014	\$ 1,650,804	\$ 3,534,549	\$ 2,201,175	\$ -	\$ 7,386,528
2015	\$ 1,698,607	\$ 4,245,168	\$ 1,360,467	\$ -	\$ 7,304,242
2016	\$ 2,032,653	\$ 3,208,443	\$ 1,182,621	\$ -	\$ 6,423,717
2017	\$ 1,037,903	\$ 1,950,307	\$ 12,494,590	\$ 451,461	\$ 15,934,260
2018	\$ 1,703,696	\$ 7,120,946	\$ 17,407,486	\$ 837,173	\$ 27,069,301
2019	\$ 1,758,181	\$ 3,687,189	\$ 5,405,460	\$ 1,637,763	\$ 12,488,593
2020	\$ 1,848,955	\$ 3,834,360	\$ 1,215,753	\$ 1,895,843	\$ 8,794,911

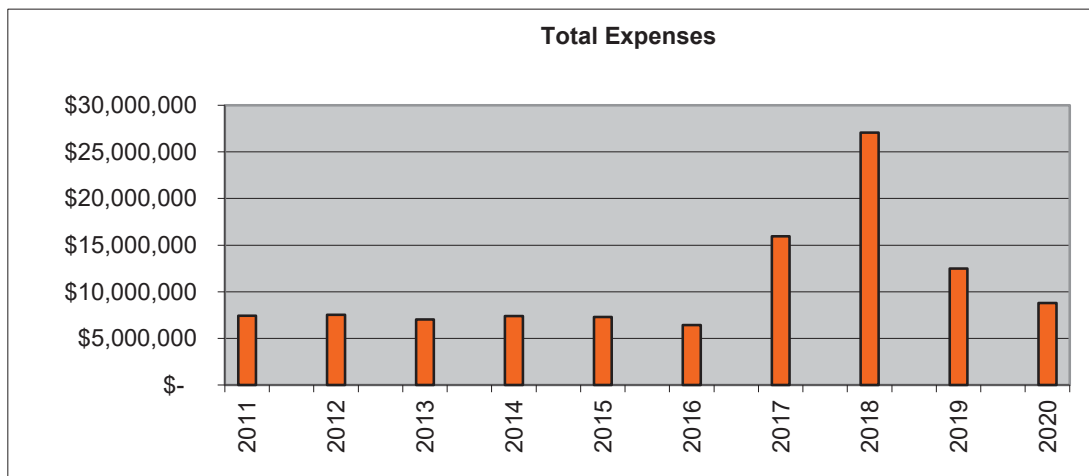
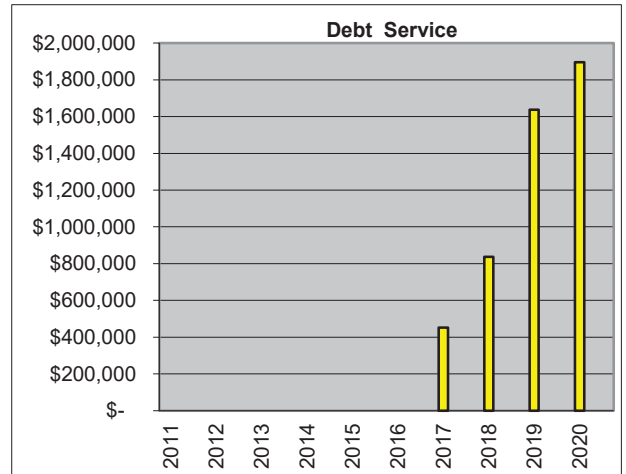
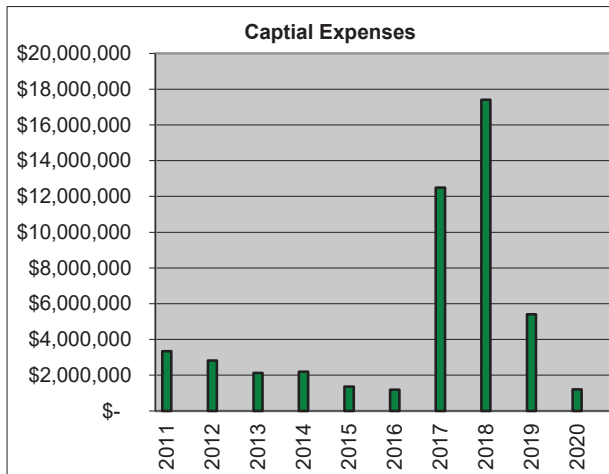
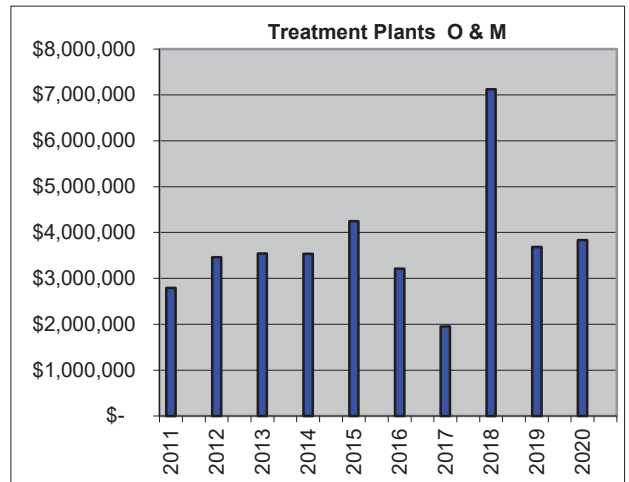
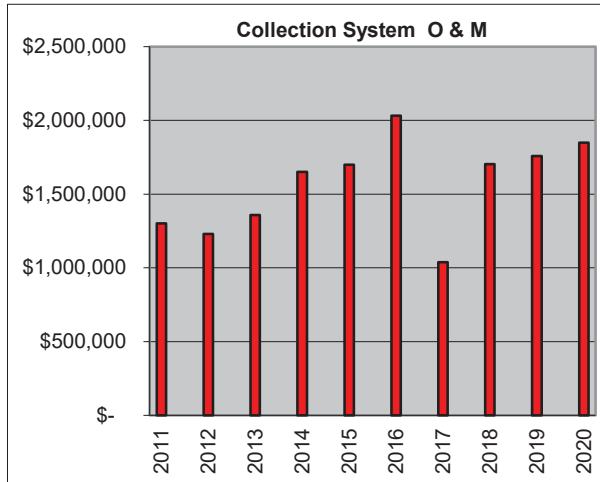
Source: District accounting records, Zions Bank, Trust Department.

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

SOUTH DAVIS SEWER DISTRICT

Expenses by Function (Unaudited)

Last Ten Fiscal Years



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

SOUTH DAVIS SEWER DISTRICT
Summary of Insurance Coverage (Unaudited)
For the Year Ended December 31, 2020

Schedule 33

<u>Carrier</u>	<u>Policy No.</u>	<u>Coverage</u>	<u>Policy Period</u>
Philadelphia Olympus Insurance Agency	PHPK1754717	General Liability (\$3,000,000) Bodily Injury Personal Injury Property Damage Public Officials Errors/Omissions	1/1/20 to 1/1/21
Philadelphia Olympus Insurance Agency	PHUB8612738	Excess Liability (\$10,000,000)	1/1/20 to 1/1/21
Philadelphia Olympus Insurance Agency	PHPK1754717	Property (\$52,030,580)	1/1/20 to 1/1/21
Philadelphia Olympus Insurance Agency	PHPK1754717	*Fidelity Bond (\$750,000) Treasurer	1/1/20 to 1/1/21
Philadelphia Olympus Insurance Agency	PHPK1754717	Crime (\$50,000) Employees Computer Fraud Employee Dishonesty	1/1/20 to 1/1/21
Worker Compensation Fund	1494897	Workers Compensation Liability (\$1,000,000)	1/1/20 to 1/1/21

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 (2019 amended budget). Settled claims have not exceeded commercial excess coverage in any of the past three years.

COMPLIANCE SECTION





KARREN | HENDRIX | STAGG | ALLEN
COMPANY

Certified Public Accountants

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**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

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, 2020 and 2019, 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 17, 2021.

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 "Karen Hendrix, Stagg, Allen & Company". The signature is written in a cursive, flowing style.

Salt Lake City, Utah
June 17, 2021



KARREN | HENDRIX | STAGG | ALLEN
COMPANY

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INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH THE STATE COMPLIANCE AUDIT GUIDE ON COMPLIANCE WITH GENERAL STATE COMPLIANCE REQUIREMENTS AND ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees
South Davis Sewer District
West Bountiful, Utah

Report on Compliance with General State Compliance Requirements

We have audited the compliance of South Davis Sewer District's (the "District") compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, that could have a direct and material effect on the District for the year ended December 31, 2020.

General state compliance requirements were tested for the year ended December 31, 2020 in the following areas:

- Budgetary Compliance
- Fund Balance
- Fraud Risk Assessment
- Restricted Taxes and Related Revenues
- Open and Public Meetings Act
- Treasurer's Bond
- Cash Management

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the state 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 state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement 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 for each state compliance requirement referred to above. However, our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion on Compliance

In our opinion, South Davis Sewer District complied, in all material respects, with the compliance requirements identified above for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements 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 to detect and correct noncompliance with a state compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a state compliance requirement will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Karren Hendrix, Slagg, Allen & Company

Salt Lake City, Utah
June 17, 2021

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



