

SOLID WASTE SPECIAL SERVICE DISTRICT #1

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

**SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A COMPONENT UNIT OF GRAND COUNTY)
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SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

GREG MARSING, C.P.A.
DOUGLAS RASMUSSEN, C.P.A.
CRAIG G. SMUIN, C.P.A.
R. KIRT RICH, C.P.A.
TRACY LUDINGTON, C.P.A.

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Administrative Control Board
Solid Waste Special Service District #1
Moab, Utah 84532

Ladies/Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Solid Waste Special Service District #1 (a component unit of Grand County), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic 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 *Governmental 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 of 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 District'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 District'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 respective financial position of the business-type activities of Solid Waste Special Service District #1, as of December 31, 2016, and the respective changes in financial position, and, where applicable, 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 information, schedule of proportionate share of the net pension liability and the schedule of contributions – pensions 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquires, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2017, on our consideration of Solid Waste Special Service District #1’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 the 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 Solid Waste Special Service District #1’s internal control over financial reporting and compliance.

SMUIN, RICH & MARSING



Price, Utah

June 29, 2017

**SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A COMPONENT UNIT OF GRAND COUNTY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Our discussion and analysis of Solid Waste Special Service District #1's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2016. All of the financial activity results from "business-type" activities.

FINANCIAL HIGHLIGHTS

- ♻ Total operating revenues increased to \$671,138 in 2016 from \$608,924 in 2015. This is a increase of \$62,214, or 10.22% over the prior year.
- ♻ Total operating expenses increased to \$933,365 in 2016 up from \$834,314 in 2015, an increase of \$99,051, or 11.87%.
- ♻ Net position during 2016 increased by \$77,504, or 3.51%. This increase in net position is due primarily to the slightly higher revenues than expenses in 2016.
- ♻ Non-operating revenues and expense for the District were as follows:
 - a. Interest earned in 2016 totaled \$9,652 as compared to \$6,103 in 2015. The increase in interest earnings is due to higher balances and interest rates.
 - b. Revenue from governmental sources for 2016 was \$370,000, an increase of \$100,000 over the 2015 balance of \$270,000, an increase of 37.04% over the prior year.
- ♻ In 2016, the District entered into a lease purchase agreement for the acquisition of a Caterpillar 962M Loader. For additional information see Note 12.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The financial reports; Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position, and Statement of Cash Flows, comprise pages 11-15. Governmental accounting practices that are standard and acceptable have been used and followed in preparation of these reports. The purpose of the financial reports is to identify revenues and expenses resulting from business activities. The net income or (loss) from operations, adjusted for depreciation, identifies the need for further analysis of contracts and programs with their related expenses. Certain key financial ratios taken from the Statement of Net Position help identify financial strength and liquidity. Since the District is operated as an enterprise fund, there are no fund statements presented because all operations of the District are reported using the accrual method of accounting.

REPORTING THE DISTRICT BUSINESS OPERATIONS

Our analysis of the District as a whole begins on page 11. The key financial reports provide the accounting from which schedules in this report have been created. The Statement of Net Position and Statement of Revenues, Expenses and Changes in Fund Net Position summarize the District's business operations for the year and provide a basis for assessing financial strengths and weaknesses. From these reports, trends are monitored and budgets are prepared for future periods. These reports are prepared using the accrual accounting method, which is similar to the accounting methods used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or payment made.

In the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position, the District shows all of the activities in one fund.

- **Business-type activities** – The District charges businesses and individual customers for collection and storage of solid waste. Charges for these services are based on maximum fees that the local governmental bodies will allow to be charged to the general public. We realize that in order for the District to continue operations, we need to provide a low cost service to the community, without jeopardizing the operations of providing solid waste facilities that are in compliance with federal and state guidelines. The District is also involved in recycling efforts within the District. Charges for these services have been set by the District. The District receives TRT funds from Grand County that helps ensure the continual operation of the facilities. These funds have aided in purchasing needed equipment, and have provided reserves for closure and post-closure care and shortfalls in operational income.

REPORTING THE DISTRICT'S SIGNIFICANT FUND

The District is a special-purpose government engaged in business-type activities. All transactions related to its activities are recorded in a single enterprise fund. Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services (including depreciation), on a continuing basis, be financed or recovered primarily through user charges.

The entity-wide financial statements, which begin on page 11, provide detailed information about the operations of the District as a whole. The District's only fund is operated as an enterprise fund. Enterprise funds are reported using an accrual accounting method, which records expenses when they are incurred and records revenues when they are earned. The District does not have any governmental type funds.

THE DISTRICT AS A TRUSTEE

The District does not hold any funds or property in a trustee capacity.

**THE DISTRICT'S KEY FINANCIAL REPORTS
NET POSITION REPORT**

	BUSINESS-TYPE ACTIVITIES		
	2015	2016	CHANGE INCREASE (DECREASE)
ASSETS & DEFERRED OUTFLOWS			
Current assets	\$ 655,210	\$ 766,565	\$ 111,355
Noncurrent Assets	1,954,403	2,049,567	95,164
Deferred outflows of resources	46,808	91,708	44,900
Total assets and deferred outflows of resources	<u>\$ 2,656,421</u>	<u>\$ 2,907,840</u>	<u>\$ 251,419</u>
LIABILITIES & DEFERRED INFLOWS			
Current liabilities	\$ 45,630	\$ 67,031	\$ 21,401
Long-term liabilities	388,669	539,448	150,779
Deferred inflows of resources	12,089	13,824	1,735
Total liabilities and deferred inflows or resources	<u>\$ 446,388</u>	<u>\$ 620,303</u>	<u>\$ 173,915</u>
NET POSITION			
Net Investment in Capital Assets	\$ 1,063,054	\$ 972,557	\$ (90,497)
Restricted	572,951	606,970	34,019
Unrestricted	574,028	708,010	133,982
Total net position	<u>\$ 2,210,033</u>	<u>\$ 2,287,537</u>	<u>\$ 77,504</u>

Total Net Position of the District is \$2,287,537. *Unrestricted* Net Position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – is \$708,010. This portion of net position is used to finance the continuing operations of providing services to the solid waste facilities.

Federal and State laws require the District to set aside funds for the closure and post-closure of the landfills that are in operation. Engineers have made estimates of the costs associated with closing a landfill operation and the continual monitoring of the facility. The engineers provided the District with an estimated cost if the landfills were closed within twenty-five years of starting operations. The District is obligated to set aside reserve funds each year for the next twenty-five years to ensure that resources are available to cover these anticipated costs. The District has made their required contributions to the reserve account.

A key financial ratio - the Current Ratio - is calculated by dividing current assets by current liabilities. This ratio is an indicator of liquidity and ability to pay current operational bills. The ratio for the year ending December 31, 2016 is 11.44. The District's ratio indicates a strong liquidity position.

	BUSINESS-TYPE ACTIVITIES		
	2015	2016	CHANGE INCREASE (DECREASE)
REVENUES			
Revenues:			
Charges for services	\$ 608,924	\$ 671,138	\$ 62,214
General Revenues:			
Interest income	6,103	9,652	3,549
Miscellaneous revenue		2,385	2,385
TRT revenue	270,000	370,000	100,000
Gain (Loss) on sale of fixed assets	1,450	(31,402)	(32,852)
Total revenues	<u>\$ 886,477</u>	<u>\$ 1,021,773</u>	<u>\$ 135,296</u>
EXPENSES			
Program Expense:			
Salaries and benefits	\$ 452,152	\$ 492,734	\$ 40,582
Professional services	6,164	9,650	3,486
Freight out	47,587	40,150	(7,437)
Materials and supplies	42,202	44,123	1,921
Utilities and telephone	9,634	11,283	1,649
Insurance	18,035	18,303	268
Depreciation	149,977	187,790	37,813
Repairs and maintenance	28,300	62,769	34,469
Fuel	28,251	22,739	(5,512)
Community Cleanup	28,271	14,719	(13,552)
Interest	10,048	10,904	856
Other	23,741	29,105	5,364
Total expenses	<u>\$ 844,362</u>	<u>\$ 944,269</u>	<u>\$ 99,907</u>
Change in net assets	<u>\$ 42,115</u>	<u>\$ 77,504</u>	<u>\$ 35,389</u>
Net assets - beginning	\$ 2,167,918	\$ 2,210,033	
Net assets - ending	<u>2,210,033</u>	<u>2,287,537</u>	
Change in net assets	<u>\$ 42,115</u>	<u>\$ 77,504</u>	<u>\$ 35,389</u>

The District's increase in net position is due to higher revenues than expenditures during 2016. The District is striving each year to provide sufficient revenue to cover the operating costs of the District. The ability to continue to operate efficiently and provide the necessary services for Grand County continues to be the main goal and focus of the District.

CASH SOURCES AND USES

Beginning cash balance as of January 1, 2016	<u>\$ 1,075,545</u>
Change in net position:	\$ 77,504
Depreciation	187,790
Accounts receivable increase (source of cash)	69,783
Prepays increase (use of cash)	(36)
Net pension assets (source of cash)	360
Deferred outflows of resources (use of cash)	(44,900)
Accounts payable increase (use of cash)	(7,063)
Acquisition of capital assets (use of cash)	(101,394)
Payroll liabilities increase (use of cash)	(5,863)
Compensated Absences	743
Loss on disposal of capital assets	31,402
Deferred inflows of resources (source of cash)	1,735
Interest payable (use of cash)	(48)
Net pension liability (source of cash)	32,409
Debt payments principal (use of cash)	<u>(27,301)</u>
 Total change in net position	 <u>\$ 215,121</u>
 Ending cash balance as of December 31, 2016	 <u><u>\$ 1,290,666</u></u>

Use of funds is controlled and authorized by the District's Administrative Control Board. The Administrative Control Board relies heavily on key personnel who are responsible to oversee the day-to-day operations. The District's Manager, or other designated supervisor, is crucial to supervising and monitoring the solid waste facilities. The Board reviews the monthly financial information, compares year to date expenses to budget and makes necessary suggestions and/or corrections. The Administrative Control Board approves all major capital expenditures. The Board approves an annual operational budget and forwards it to the Grand County Council, the City of Moab, the Town of Castle Valley, and also submits copies of the budget to the State Auditor as required by Utah State law.

BUSINESS ACTIVITIES AND PURPOSES

Charging businesses and individuals, who use the landfill facilities, generates revenues for the District. The District also relies on TRT funds to cover shortages in operating revenues and also for equipment purchases. The District provides services to a variety of customers and has estimated, each year, the amount of anticipated usage. These estimates allow the District to plan for growth and potential life expectancy of the existing landfills. The objective and purpose of the District is to provide environmentally sound facilities (landfills) for the community, which meet regulatory requirements at the lowest possible cost. As the need for landfill space continues to grow, the District will continue to review the landfill capacity of the landfills and ensure that sufficient storage space will be available for future use.

DEBT MANAGEMENT

As of December 31, 2016, the District had \$299,000 in Landfill Revenue Bonds, Series 1997A outstanding. The original debt of \$555,852 was accepted by the Board in 1997 for the purpose of the acquisition, construction, furnishing and equipping a Class I solid waste management landfill facility in the Klondike Flats area, North of Canyonlands Field in Grand County, and the improvement of the existing solid waste management landfill facility on Sand Flat Road in Moab as a Class IV solid waste management landfill.

During 2016, the District entered into a lease purchase agreement to purchase a 962M Caterpillar Loader. As of December 31, 2016, the present value of the minimum lease payments was \$171,002.

BUDGETARY HIGHLIGHTS

The 2016 budget was adopted on December 10, 2015. Since the District operates as an enterprise fund, it is only required to comply with the budget on an entity wide basis. The original budget submitted to the Utah State Auditor’s office was \$1,404,862.

CAPITAL ASSETS

As of December 31, 2016, the District had net capital assets of \$1,442,559. The increase of \$61,505 in net capital assets, in comparison to the prior year, is due to the net of acquisitions of assets over depreciation. Budgets have been created that account for the purchase of the capital assets and Board approval is needed for all major capital expenditures. The following table shows the balance of net capital assets at December 31, 2016:

**Capital Assets at Year-end
(Net of Depreciation)
2016**

	Business-Type Activities	
	2015	2016
Land	\$ 247,576	\$ 247,576
Land improvements	346,892	299,062
Buildings	26,104	22,500
Improvements other than buildings	6,294	
Equipment	754,188	873,421
Net capital assets	<u>\$ 1,381,054</u>	<u>\$ 1,442,559</u>

CAPITAL ASSETS (continued)

This year's major additions included:

Caterpillar 962M Loader	\$279,303
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The District's 2017 fiscal year capital budget anticipates spending \$333,607 for equipment and capital purchases.

ECONOMIC FORECAST AND FUTURE BUDGET

The Administrative Control Board relied on Transient Room Tax (TRT) revenue funds totaling \$370,000 for the 2016 calendar year budget. For 2017, Grand County approved \$400,000 in TRT funds for the District's operations. The District, as part of Best Management Practices, continues to analyze fees with the intent to adjust as needed for services rendered. For 2016, this analysis resulted in changing the Moab Landfill fee structure to fees based on material type (ie. yard waste and construction demolition) instead of generator base (residential versus commercial). In 2016, the District collected residential "donations" to offset costs for the electronic waste (e-waste) disposal as well as household hazardous waste. The District received approval to develop a composting project which will be implemented in 2017. The financial assurance costs required by the state for Utah for the two landfills include final covers for cells 1 through 3 at the Klondike Landfill and the final cover for the Moab Landfill once final grade elevations are obtained. In addition, the design and construction of cells 4 through 6 at the Klondike Landfill are a future cost for the District as well as related permit and state approval costs for those design and construction plans.

Since 2010, when the District acquired the recycling center, recycling has continued to have significant financial losses which have been covered by landfill revenues from the Klondike and Moab Landfills as well as supported by the TRT in the past two years and by mineral lease money in previous years. Recycling is significantly impacted by global economies and policies and as such the District has no impact on the revenues generated by the commodities being wholly dependent on market derived pricing. Coupled to the decreased commodity revenues are increasing expenses for items such as utilities and transportation. In addition, the District had deferred many items of equipment and building maintenance which are beginning to require increased repairs expenditures. One commodity that the District determined was not feasible to send out of the area for recycling was glass. Instead the commodity is being diverted and used by the District first in building the subgrade for the compost liner on top of the older portion of the Moab Landfill. Once that project is completed, the glass will be used as a soil amendment for intermediate cover on disposed material. The District continues to research value added options for materials received at the recycling center rather than sending materials out of the area taking into consideration the value of materials, the carbon footprint impacts, and the cost of transportation. The District continues to work with various governmental, private and non-profit entities within Grand County as well as neighboring San Juan County to assess the continued viability of recycling and solid waste options for our geographical region.

Among changes that were researched in 2016, fees for commercial cardboard recycling will be implemented in 2017. Additionally, disposal fees will be charged for all e-waste, regardless of generator source. Donations will still be accepted for the household hazardous waste event from residents wishing to help offset the cost. Receipts for the donations will be issued and the funds will be deposited as part of the enterprise funds. The composting project that was developed in the spring of 2016 and approved by the state in the fall, will be implemented in 2017 with the potential of sales of completed compost and mulch which will add to the revenue stream for the District. This revenue will be compared to the expenses with the intent of any "profit" to be diverted to offset the cost of recycling.

ECONOMIC FORECAST AND FUTURE BUDGET (continued)

The budgeted revenues and operating expenses for 2017 are similar to 2016 taking into account inflationary costs for payroll, insurance, waste disposal for e-waste and household hazardous wastes, and supplies costs. A new mechanic work truck is budgeted for 2017 as the current work truck has reached the point where high costs of repairs exceed the value of the truck. The District did not set up a separate fund as planned to set aside money over the next three years to hold for potential impacts from Family Medical Leave Act employees as well as retirement or resignation payout for unused sick and annual leave for long term employees per the newly approved leave policy.

The District began tracking expenses and revenues by five specific cost centers to assist in analysis and feasibility studies. The five cost centers are the Klondike Landfill, the Moab Landfill, the Recycling Center, Shop/Maintenance overhead and Administrative/Office. This tracking will be used to determine cost efficiency efforts as well as determining the true cost for the various services provided for the community. In 2017, a sixth cost center will be established for the composting project.

The District continues to operate both landfills and recycle center based on environmentally and fiscally sound solid waste management practices to include the hiring, training and retention of highly trained operators who will be encouraged to obtain related professional certifications such as the Manager of Landfill Operations (MOLO), Manager of Recycling Operations (MORO), and Manager of Compost Operations (MOCO) if composting becomes a viable option as minimum. In addition, the District will continue to monitor and inspect the two closed landfills within the district boundary: Cisco and Thompson Springs. Drone survey flights were conducted in July 2016 for the Klondike and Moab Landfills with a new flight to be scheduled for the same time frame in 2017. No survey for the Thompson Springs land was conducted as plat maps were found which established the boundary. The illegal dump that was originally thought to be on District property was found to be on a combination of private property and BLM. Clean up of that area was made in 2017 and the District waived disposal fees in order to assist in the cleanup of the illegal dumping.

The five year management plan was not completed in 2016, however a public sensing meeting was held in December to gain input on recycling issues in particular. The District will complete the plan in 2017. In addition, the compost demonstration project will be implemented. The equipment maintenance program will continue to be expanded to improve efficiencies and tracking of operating costs. No large equipment purchases are planned for 2017.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of Solid Waste Special Service District #1's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Manager at (435)259-3867, visit at 1000 East Sand Flats Road or write to the District at PO Box 980, Moab, Utah, 84532.

SOLID WASTE SPECIAL SERVICE DISTRICT # 1
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND
	<u>SOLID WASTE FACILITY</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 683,696
Cash and cash equivalents - restricted	606,970
Accounts receivable	63,886
Prepaid Insurance	<u>18,983</u>
Total current assets	<u>\$ 1,373,535</u>
Noncurrent Assets:	
Net pension asset	\$ 38
Capital assets: (net of accumulated depreciation)	
Land	247,576
Land improvements	299,062
Buildings/Building improvements	22,500
Equipment	<u>873,421</u>
Total noncurrent assets	<u>\$ 1,442,597</u>
Total assets	<u>\$ 2,816,132</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows of resources - related to pensions	<u>\$ 91,708</u>
Total assets and deferred outflows of resources	<u><u>\$ 2,907,840</u></u>

"The accompanying notes are an integral part of this statement."

SOLID WASTE SPECIAL SERVICE DISTRICT # 1
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND
	<u>SOLID WASTE FACILITY</u>
<u>LIABILITIES AND NET POSITION</u>	
Current Liabilities:	
Accounts payable	\$ 7,663
Payroll taxes payable	5,231
Accrued interest payable	762
Revenue bonds payable - Due within one year	19,500
Capital lease payable - Due within one year	33,875
	<hr/>
Total current liabilities	\$ 67,031
	<hr/>
Noncurrent liabilities:	
Revenue bonds payable - Due in more than one year	\$ 279,500
Capital lease payable - Due in more than one year	137,127
Net pension liability	122,078
Compensated Absences	743
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Total noncurrent liabilities	\$ 539,448
	<hr/>
Total liabilities	\$ 606,479
	<hr/>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows of resources - related to pensions	\$ 13,824
	<hr/>
Total liabilities and deferred inflows of resources	\$ 620,303
	<hr/>
Net Position:	
Net Investment in capital assets	\$ 972,557
Restricted for:	
Debt service and closure costs	606,970
Unrestricted	708,010
	<hr/>
Total net position	\$ 2,287,537
	<hr/>
Total liabilities, deferred inflows of resources and net position	\$ 2,907,840
	<hr/> <hr/>

"The accompanying notes are an integral part of this statement."

SOLID WASTE SPECIAL SERVICE DISTRICT # 1
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND
	SOLID WASTE FACILITY
Operating Revenues:	
Charges for services	\$ 671,138
Total operating revenue	<u>\$ 671,138</u>
Operating Expenses:	
Salaries and benefits	\$ 492,734
Professional services	9,650
Freight out	40,150
Office supplies	12,480
Utilities and telephone	11,283
Travel and vehicle expense	3,664
Insurance	18,303
Depreciation	187,790
Public notices	2,441
Postage and freight	413
Training and memberships	5,207
Repairs and maintenance	62,769
Fuel	22,739
Shop supplies	31,643
Advertising	2,391
Bad debt	9,660
Bank charges	20
Community outreach	5,309
Community cleanup	14,719
Total operating expenses	<u>\$ 933,365</u>
Operating income/(loss)	<u>\$ (262,227)</u>
Non-operating revenues/(expenses):	
Interest income	\$ 9,652
Governmental revenue	370,000
Miscellaneous revenue	2,385
Loss on the sale of capital equipment	(31,402)
Interest expense	(10,904)
Total non-operating revenues (expenses)	<u>\$ 339,731</u>
Change in net position	\$ 77,504
Total net position, January 1, 2016	<u>2,210,033</u>
Total net position, December 31, 2016	<u><u>\$ 2,287,537</u></u>

"The accompanying notes are an integral part of this schedule."

SOLID WASTE SPECIAL SERVICE DISTRICT # 1
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Cash flows from operating activities:		
Cash received from customers	\$ 740,921	
Cash payments to suppliers for goods and services	(259,940)	
Cash payments to employees for services	<u>(508,250)</u>	
Net cash provided (used) by operating activities		\$ (27,269)
Cash flows from noncapital financing activities:		
Governmental funds	\$ 370,000	
Miscellaneous revenue	<u>2,385</u>	
Net cash provided (used) by noncapital financing activities		372,385
Cash flows from capital and related financing activities:		
Acquisition of capital assets	\$(101,394)	
Principal paid on revenue bonds	(19,000)	
Principal paid on capital lease	(8,301)	
Interest paid on revenue bonds	(1,412)	
Interest paid on capital lease	<u>(9,540)</u>	
Net cash (used) for capital and related financing activities		(139,647)
Cash flows from investing activities:		
Interest on investments received	<u>\$ 9,652</u>	
Net cash provided (used) by investing activities		<u>9,652</u>
Net increase (decrease) in cash and cash equivalents		\$ 215,121
Cash and cash equivalents at beginning of year		<u>1,075,545</u>
Cash and cash equivalents at end of year		<u><u>\$ 1,290,666</u></u>

"The accompanying notes are an integral part of this statement."

SOLID WASTE SPECIAL SERVICE DISTRICT # 1
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income (loss)		\$ (262,227)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	\$ 187,790	
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	69,783	
(Increase) decrease in prepaids	(36)	
(Increase) decrease in net pension assets	360	
(Increase) decrease in deferred outflows of resources	(44,900)	
Increase (decrease) in accounts payable	(7,063)	
Increase (decrease) in payroll taxes payable	(5,863)	
Increase (decrease) in compensated absences	743	
Increase (decrease) in deferred inflows of resources	1,735	
Increase (decrease) in net pension liability	<u>32,409</u>	
Total adjustments		<u>234,958</u>
Net cash provided by operating activities		<u><u>\$ (27,269)</u></u>

"The accompanying notes are an integral part of this statement."

**SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A COMPONENT UNIT OF GRAND COUNTY)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Solid Waste Special Service District #1 (referred to as the District hereafter) have been prepared in conformity with accounting principles generally accepted in the United State of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. **Reporting Entity**

The District (formerly the Grand County Solid Waste Management Special Service District # 1) was created as a special service district by the Grand County Council pursuant to the terms and provisions of Title 11, Chapter 23, Utah Code Annotated, 1953, as amended on September 16, 1987. The District is controlled by an Administrative Control Board and is a component unit of Grand County. The Board's authority is derived from the County Council, who has ultimate responsibility for the District.

All financial activities over which the District has oversight responsibility are included in this report. The basis for inclusion or exclusion of other entities in the District's financial statements was based on the criteria set forth in the Governmental Accounting Standards Board (GASB) pronouncements. The basic criteria for including an entity, a board, or an agency in this report is the existence and exercise of oversight responsibility; consideration has been given to financial interdependency, ability to designate management, ability to significantly influence operations, and accountability for fiscal matters. According to the above criteria, no other entities have been included in the District's financial statements.

B. **Government-Wide Financial Statements**

The government-wide financial statements consist of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Fund Net Position and the Statement of Cash Flows. The District is considered a special-purpose government engaged only in business-type activities. It is classified as a proprietary fund type and operates as an enterprise fund. Enterprise funds are used to account for the operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that its costs to providing goods and services to the general public on a continuing basis, be financed or recovered primarily through user charges. The function of the District is to oversee, administer and manage landfills within Grand County and other services related to solid waste management. The financial statements of the District consist only of an enterprise fund and neither fiduciary funds nor component units that are fiduciary in nature are included.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Therefore, revenues are recognized in the accounting period in which they are earned and become measurable and expenses are recognized in the period incurred, if measurable.

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

Amounts reported as charges for services include all charges for all types of services charged to businesses and individuals. Amounts reported as transient room tax revenue consists of funds received by the District that are provided as a resource of funds to the County that are allocated to several districts.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for solid waste storage. Operating expenses for the District include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

D. Capital Assets

Capital assets, which include, land, buildings, improvements, equipment and furniture and fixtures are reported in the government-wide financial statements. Capital assets are defined by the District, as an asset with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of donation. The costs or normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The District has adopted an asset capitalization policy of \$500, which determines the threshold amount of purchases that are either expensed or depreciated.

Assets of the District are depreciated using the straight-line method over the following estimate useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	7 – 30
Improvements	7 – 30
Equipment	5 – 7
Furniture and fixtures	5 – 10

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

The District's cash and cash equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

F. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position presented in the statement of net position are subdivided into three categories: Net Investment in capital assets; restricted net position; and unrestricted net position.

G. Pensions

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 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.

H. 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 (expense/expenditure) until then. In addition to liabilities, the 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.

I. Compensated Absences

It is the District's policy to allow a full-time employee who either terminates voluntarily in good standing after 10 years of consecutive service or retires pursuant to the provisions of the Utah State Retirement and Insurance Benefit Act or current applicable state law at time of retirement, employees may elect to receive the value of 25% of their unused sick leave based on their current base rate of pay in one of the following manners: a) direct payment; or b) dollar value applied to pre-paid health insurance.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

J. Budget and Budgetary Accounting

The District follows the budgetary practices and procedures required by State law. These requirements are summarized as follows:

1. A formal budget is adopted by the District.
2. The budget is a complete financial plan that identifies all estimated revenues and all appropriations for expenditures for the year. In accordance with State law, all appropriations lapse at the end of the budget year; accordingly, no encumbrances are recorded. As its option, the District may permit its expenditure accounts to remain open for a period of 30 days after the close of its fiscal year for the payment of approved invoices for goods received or services rendered prior to the close of the fiscal year.
3. The District Treasurer prepares a tentative budget and submits it for review with the Administrative Control Board at the October meeting. The tentative budget shall be submitted for Board approval at the November meeting.
4. After approval by the Board, the District Secretary shall submit the budget to the Grand County Council, the City of Moab, and the Town of Castle Valley.
5. The tentative budget is a public record and is available for public inspection for at least ten days prior to public hearings held to consider adoption of the budget.
6. Notice of the scheduled public hearings is published at least seven days prior to the meetings.
7. The District Secretary presents the tentatively adopted budget to the public in December at a public hearing. Members of the public may comment on the budget and recommend changes to the Administrative Control Board.
8. The Administrative Control Board considers the comments made by the public and makes final adjustments to the budget.
9. By December, the Administrative Control Board adopts the budget by resolution. A copy of the budget is certified by the Administrative Control Board Secretary and is filed with the State Auditor within 30 days of adoption. A certified copy of the budget is available for public inspection.
10. The budget may be amended to reflect changes in circumstances that occur during the year. Budgets may be increased by resolution of the Board at any time during the year.
11. Under the Utah Code, the District's budget establishes maximum legal authorization for expenditures during the fiscal year. The District Clerk shall certify as appropriate that a claim has been pre-audited, documented, and approved by the Board, or the Treasurer or Deputy Treasurer, and does not over expend the appropriate departmental budget established by the Board. Expenditures are not to exceed the budget amounts, including revisions, except as allowed by the Code for certain events.

K. Accounting Method

The full accrual method of accounting is being used. Under the accrual method of accounting, revenues are recognized when they are earned and expenses are recorded when they are incurred.

2. DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At December 31, 2016, the District's bank balance of cash on deposit was \$336,870. Of this amount \$86,870 was uninsured.

Investments

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

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by a District of the Federal Government and which have 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 Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by the U.S. Government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie 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; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act (Utah Code, Title 51, Chapter 7). 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.

2. **DEPOSITS AND INVESTMENTS (Continued)**

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses of the PTIF, – net of administration fees, 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.

Fair value of Investments

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognized a three-tiered fair value hierarch, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

At December 31, 2016, the District had the following recurring fair value measurements:

<u>Investment by Fair Value Level</u>	<u>12/31/16</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt Securities				
State of Utah Public				
Treasurer's Investment Fund	\$ 957,508		\$ 957,508	
	<u>\$ 957,508</u>	<u>\$...</u>	<u>\$ 957,508</u>	<u>\$...</u>

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- Utah Public Treasurers' Investment Fund: application of the December 31, 2016 fair value factor, as calculated by the Utah State Treasurer, to the District's average daily balance in the Fund

At December 31, 2016, the District had no investments valued that used the net asset valuation method.

2. **DEPOSITS AND INVESTMENTS (Continued)**

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Money Management 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' acceptance, 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 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

As of December 31, 2016, the District's investments had the following maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 957,508	\$ 957,508			
Total Investments	\$ 957,508	\$ 957,508	\$...	\$...	\$...

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District has not adopted a formal policy with regards to credit risk on investments but the District informally follows the policy for reducing its exposure to credit risk is to comply with the State's Money Management Act, as previously discussed.

At December 31, 2016, the District had the following quality ratings:

Investment Type	Fair Value	AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	\$ 957,508				\$ 957,508
Total	\$ 957,508	\$...	\$...	\$...	\$ 957,508

2. **DEPOSITS AND INVESTMENTS (Continued)**

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's informal policy for reducing this 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 the total dollar amount held in the portfolio.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. As of December 31, 2016, the District had \$957,508 invested in the Public Treasurer's Investment Fund and was held by them.

3. **CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2016 was as follows:

	<u>Balance 12-31-15</u>	<u>Additions</u>	<u>Adjustments & Retirements</u>	<u>Balance 12-31-16</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 247,576			\$ 247,576
Total capital assets not being depreciated	<u>\$ 247,576</u>	<u>\$...</u>	<u>\$...</u>	<u>\$ 247,576</u>
Capital assets being depreciated:				
Land improvements	\$ 1,128,968		\$ 67,615	\$ 1,196,583
Buildings	60,871		17,672	78,543
Improvements, other	24,454		(24,454)	
Equipment	1,369,255	\$ 280,698	(121,041)	1,528,912
Furniture and fixtures	665		(665)	
Total capital assets being depreciated	<u>\$ 2,584,213</u>	<u>\$ 280,698</u>	<u>\$ (60,873)</u>	<u>\$ 2,804,038</u>

3. CAPITAL ASSETS (Continued)

	Balance 12-31-15	Additions	Adjustments & Retirements	Balance 12-31-16
Business-type activities:				
Less accumulated depreciation for:				
Land improvements	\$ 782,076	\$ 43,636	\$ 71,809	\$ 897,521
Buildings	34,767	1,970	19,306	56,043
Improvements other	18,160		(18,160)	
Equipment	615,068	142,184	(101,761)	655,491
Furniture and fixtures	665		(665)	
	<u>665</u>		<u>(665)</u>	
Total accumulated depreciation	<u>\$ 1,450,736</u>	<u>\$ 187,790</u>	<u>\$ (29,471)</u>	<u>\$ 1,609,055</u>
Total capital assets, being depreciated, net	<u>\$ 1,133,477</u>	<u>\$ 92,908</u>	<u>\$ (31,402)</u>	<u>\$ 1,194,983</u>
Business-type activities capital assets, net	<u>\$ 1,381,053</u>	<u>\$ 92,908</u>	<u>\$ (31,402)</u>	<u>\$ 1,442,559</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of accrued waste collection billings. For the year ended December 31, 2016, no allowance for doubtful accounts had been recorded on the books.

5. PENSION PLANS

General Information about the Pension Plan

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

Defined Benefit Plans

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

5. PENSION PLANS (Continued)

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 benefit terms.

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

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

Summary of Benefits by System

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
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%

*with actuarial reductions

**All post-retirement cost-of-living adjustments non-compounding and are based on the original benefit except for Judges, which is a 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.

5. **PENSION PLANS (Continued)**

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

Utah Retirement Systems

	<u>Employee</u>	<u>Employer</u>	<u>Employer 401(k)</u>
Contributory System			
111 - Local Government Division Tier 2	N/A	14.91	1.78
Noncontributory System			
15 - Local Government Division 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, 2016, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 25,242	N/A
Tier 2 Public Employees System	18,651	
Tier 2 DC System	1,856	N/A
Total Contributions	\$ 45,749	\$...

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.

5. **PENSION PLANS (Continued)**

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

At December 31, 2016, we reported a net pension asset of \$38 and a net pension liability of \$122,078.

	<u>Proportionate Share</u>	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
Noncontributory System	0.0215744%		\$ 122,078
Tier 2 Public Employees System	0.0171922%	<u>\$ 38</u>	
Total Net Pension Asset/Liability		<u>\$ 38</u>	<u>\$ 122,078</u>

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

For the year ended December 31, 2016, we recognized pension expense of \$35,355. At December 31, 2016, we reported deferred outflows and deferred inflows related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$ 6,819
Changes in assumptions		7,005
Net difference between projected and actual earnings on pension plan investments	\$ 42,199	
Changes in proportion and differences between contributions and proportionate share of contributions	3,759	
Contributions subsequent to the measurement date	<u>45,749</u>	
Total	<u>\$ 91,708</u>	<u>\$ 13,824</u>

5. **PENSION PLANS – (Continued)**

\$45,749 was reported as deferred outflows of resources related to pension results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2015.

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

<u>Year Ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2016	\$ 7,515
2017	7,515
2018	7,635
2019	9,996
2020	(98)
Thereafter	(426)

Actuarial assumptions: The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the January 1, 2015, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

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

5. PENSION PLANS – (Continued)

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

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

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

5. **PENSION PLANS – (Continued)**

<u>System</u>	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Noncontributory System	\$ 257,940	\$ 122,078	\$ 8,662
Tier 2 Public Employees System	6,882	(38)	(5,282)
<u>Total</u>	<u>\$ 264,822</u>	<u>\$ 122,040</u>	<u>\$ 3,380</u>

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

Defined Contribution Savings Plans

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

Solid Waste Special Service District #1 participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

*401(k) Plan

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

<u>401(k) Plan</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer Contributions	\$ 5,001	\$ 1,978	\$ 1,071
Employee Contributions	-	-	-

5. **PENSION PLANS – (Continued)**

Pension Beginning and Ending Values

GASB 68 schedule	Beginning values			Ending values		
	NPA/(NPA)	Asset	Liability	NPA/(NPA)	Asset	Liability
Noncontributory	\$ 89,669		\$ 89,669	\$ 122,078		122,078
Contributory						
Public Safety						
Firefighters						
Judges						
Governors & Legislators						
Tier 2 public employees	(398)	\$ 398		(38)	\$ 38	
Tier 2 public safety & Firefighter						
Total	\$ 89,271	\$ 398	\$ 89,669	\$ 122,040	\$ 38	\$ 122,078

Retirement System	Net Pension Liability/(Asset) at 12/31/14			Net Pension Liability/(Asset) at 12/31/15		
	System Total NPL/(NPA)	Proportionate Share	Beginning Values	System Total NPL/(NPA)	Proportionate Share	Beginning Values
Noncontributory						
Local Government	\$ 434,223,527			\$ 565,848,640	0.0215744%	\$ 122,078
Tier 2 Public Employees	(3,030,447)			(218,300)	0.0171922%	(38)
Total			\$...			\$ 122,040

6. **COMPENSATED ABSENCES**

At year-end, there was \$743 accrued for compensated absences.

7. **LANDFILL LIABILITIES**

The District operates two landfills. The Moab Landfill is a Class IVb landfill, which is owned by the City of Moab and Grand County. The Moab Landfill accepts construction and demolition debris and yard waste. The District monitors the closed portion of the old Moab Landfill to assure compliance and oversees the operations of the Class IVb Moab Landfill.

The Klondike Landfill is a Class I landfill, which is owned by the District. The Klondike Landfill accepts municipal solid waste from contracted haulers only. The District has had engineers provide information necessary to determine closure and postclosure care costs. The District is funding the amounts that have been established in a separate account for partial deferral and current year closure costs.

8. **RESTRICTED INVESTMENTS/NET POSITION**

Restricted investments consist of funds deposited in the State Treasurer's Investment Pool in order to meet the District's debt reserve and sinking fund requirements and their landfills' closure and post-closure care costs. Likewise, these funds have been restricted in the net position.

9. **USE OF ESTIMATES**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

10. **RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To cover these liabilities, the District has contracted with commercial insurance companies. There have been no significant reductions in insurance coverage from coverage in the prior year. The District pays an annual premium for this coverage.

11. **LONG-TERM DEBT**

Business-type Activities

During 1997, the District issued Solid Waste Revenue Bonds, Series 1997A, dated February 7, 1997, in the District's name for \$525,000 to Zions First National Bank, bearing an interest rate of three percent, payable over 30 years. The purpose was to finance all or a portion of the costs of the acquisition, construction and improvement of a solid waste landfill facility in the Klondike Flats area, together with related improvements, equipment and accessories for use in connection with the issuer's solid waste management system and closure of old Moab Landfill.

11. **LONG-TERM DEBT Continued)**

In 1999, the Community Impact Board suspended payments on the bonds during the years 1999 and 2000. The interest accrued during these two years was added to the principal balance of the bonds. Normal payments resumed on December 1, 2001 and will continue until December 1, 2027. The final payment to be made in the year December 2027 will include the accrued interest from 1999 and 2000. The repayment schedule is as follows:

Due Date December 1,	Interest	Principal	Total
2017	\$ 8,970	\$ 19,500	\$ 28,470
2018	8,385	20,000	28,385
2019	7,785	21,000	28,785
2020	7,155	21,500	28,655
2021	6,510	22,000	28,510
2022-2026	22,050	125,000	147,050
2027	2,100	70,000	72,100
	<u>\$ 62,955</u>	<u>\$ 299,000</u>	<u>\$ 361,955</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2016 was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
Solid Waste Management					
Revenue Bonds 1997A	\$ 318,000		\$ (19,000)	\$ 299,000	\$ 19,500
Capital lease		\$ 179,303	(8,301)	171,002	33,875
Net pension liability	89,669	32,409		122,078	
	<u>\$ 407,669</u>	<u>\$ 211,712</u>	<u>\$ (27,301)</u>	<u>\$ 592,080</u>	<u>\$ 53,375</u>

12. CAPITAL LEASE

In 2016, the District entered into a lease purchase agreement to finance the acquisition of a 962M Caterpillar Loader. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, it has been recorded at the present value of their future minimum lease payments as of the inception date.

The asset acquired through the capital lease is as follows:

	<u>Business-type Activities</u>
962M Caterpillar Loader	<u>\$ 279,303</u>
Total Assets	\$ 279,303
Less: Accumulated Depreciation	<u>27,930</u>
Net	<u><u>\$ 251,373</u></u>

The future minimum lease obligation and the net present value of the minimum lease payments as of December 31, 2016, is as follows:

<u>Year Ending December 31,</u>	<u>Business-Type Activities</u>
2017	\$ 38,853
2018	38,854
2019	38,853
2020	38,854
2021	<u>29,141</u>
Total minimum lease payments	\$ 184,555
Less: amount representing interest	<u>(13,553)</u>
Present value of minimum lease payments	<u><u>\$ 171,002</u></u>

SOLID WASTE SPECIAL SERVICE DISTRICT #1

Required Supplementary Information

SCHEDULE 1 Schedule of the Proportionate Share of the Net Pension Liability

SCHEDULE 2 Schedule of Contributions

Notes to Required Supplementary Information

SOLID WASTE SPECIAL SERVICE DISTRICT #1
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2015

		Proportion of the net pension liability (asset)	Proportionate share of the net liability (asset)	Covered employee payroll	Proportionate share of the net pension liab (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a % of its covered employee payroll
Noncontributory System	2014	0.0206504%	\$ 89,669	\$ 160,066	56.00%	90.20%
	2015	0.0215744%	122,078	152,410	80.10%	87.80%
Tier 2 Public Employees System	2014	0.0131204%	\$ (398)	\$ 64,250	-0.60%	103.50%
	2015	0.0171922%	(38)	111,104	-0.03%	100.20%

"The accompanying notes are an integral part of these financial statements."

SOLID WASTE SPECIAL SERVICE DISTRICT #1
SCHEDULE OF CONTRIBUTIONS - PENSIONS
AS OF DECEMBER 31, 2016

	As of fiscal year ended December 31,	Actuarial Determined Contributions	Contributions in relation to the contractually required Contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered employee payroll
Noncontributory System	2014	\$ 28,595	\$ 28,595	\$ -	\$ 159,970	17.88%
	2015	29,004	29,004	-	157,031	18.47%
	2016	25,242	25,242	-	136,665	18.47%
Tier 2 Public Employees System*	2014	\$ 9,220	\$ 9,220	\$ -	\$ 64,000	14.41%
	2015	16,579	16,579	-	111,104	14.92%
	2016	18,651	18,651	-	125,090	14.91%
Tier 2 Public Employees DC Only System*	2014			\$ -		0.00%
	2015			-		0.00%
	2016	\$ 1,856	\$ 1,856	-	\$ 27,749	6.69%

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

Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative issues.

"The accompanying notes are an integral part of these financial statements."

**SOLID WASTE SPECIAL SERVICE DISTRICT #1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016**

CHANGES IN ASSUMPTIONS:

The following assumption changes were adopted from the most recent actuarial experience study. There was a decrease in the wage inflation assumption for all employee groups from 3.75% to 3.50%. Also there was a modification to the rate of salary increases for most groups. The payroll growth assumption was decreased from 3.5% to 3.25%. There was an improvement in the post retirement mortality assumption for female educators and minor adjustments to the preretirement mortality assumption.

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

**SOLID WASTE SPECIAL
SERVICE DISTRICT #1**

Supplementary Information

**SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A COMPONENT UNIT OF GRAND COUNTY)
DETAIL SCHEDULE OF REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2016**

	ADMIN	RECYCLING	SHOP & MAINTENANCE	LANDFILL	TOTAL
OPERATING REVENUES:					
Charges for services		\$ 93,849		\$ 577,289	\$ 671,138
Total operating revenues	\$...	\$ 93,849	\$...	\$ 577,289	\$ 671,138
OPERATING EXPENSES					
Salaries and benefits	\$ 217,357	\$ 98,724	\$ 16,331	\$ 160,322	\$ 492,734
Professional services	7,400			2,250	9,650
Freight out		40,150			40,150
Office supplies	12,231	249			12,480
Utilities and telephone	4,819	4,007	597	1,860	11,283
Travel and vehicle expense	3,664				3,664
Insurance	18,303				18,303
Depreciation	5,053	11,906	3,226	167,605	187,790
Public notices	2,441				2,441
Postage and freight	413				413
Training and memberships	5,207				5,207
Repairs and maintenance		27,214		35,555	62,769
Fuel		1,628	1,155	19,956	22,739
Shop supplies		4,364	21,429	5,850	31,643
Advertising	2,391				2,391
Bad debt	9,660				9,660
Bank charges	20				20
Community outreach		5,309			5,309
Community cleanup				14,719	14,719
Total operating expenses	\$ 288,959	\$ 193,551	\$ 42,738	\$ 408,117	\$ 933,365
Operating income	\$ (288,959)	\$ (99,702)	\$ (42,738)	\$ 169,172	\$ (262,227)
NON-OPERATING REVENUES (EXPENSES):					
Interest income	\$ 9,652				\$ 9,652
Governmental revenue	370,000				370,000
Miscellaneous revenue	2,385				2,385
Loss on sale of capital assets	(31,402)				(31,402)
Interest expense				\$ (10,904)	(10,904)
Total non-operating revenues (expenses)	\$ 350,635	\$...	\$...	\$ (10,904)	\$ 339,731
Change in net position	\$ 61,676	\$ (99,702)	\$ (42,738)	\$ 158,268	\$ 77,504

SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

GREG MARSING, C.P.A.
DOUGLAS RASMUSSEN, C.P.A.
CRAIG G. SMUIN, C.P.A.
R. KIRT RICH, C.P.A.
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MEMBERS
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Administrative Control Board
Solid Waste Special Service District #1
Moab, Utah 84532

RE: Independent Auditor's Report as Required by the
State Compliance Audit Guide On:
Compliance with General State Compliance
Requirements and
Internal Control Over Compliance

Report On Compliance with General State Compliance Requirements

We have audited Solid Waste Special Service District #1's compliance with the applicable general state requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor that could have a direct and material effect on Solid Waste Special Service District #1 for the year ended December 31, 2016.

General state compliance requirements were tested for the year ended December 31, 2016 in the following areas:

Budgetary Compliance	Fund Balance
Utah Retirement Systems	Cash Management
Open and Public Meetings Act	Treasurer's Bond
	Special & Local Service District Board Members

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Solid Waste Special Service District #1's compliance based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the State Compliance Audit Guide. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the District occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on General State Compliance Requirements

In our opinion, Solid Waste Special Service District #1 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the District for the year ended December 31, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying letter to management as items 2016-1, 2016-2 and 2016-3. Our opinion on compliance is not modified with respect to these matters.

Solid Waste Special Service District #1's response to the noncompliance findings identified in our audit is described in the letter to management. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of Solid Waste Special Service District #1 is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with compliance requirements that could have a direct and material effect on the District to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with general state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

We noted a matter involving internal control over compliance which we are submitting for your consideration. This matter is described in the accompanying letter to management as items 2016-1, 2016-2 and 2016-3. The District's response to the internal control over compliance findings identified in our audit is described in the accompanying letter to management. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

SMUIN, RICH & MARSING

A handwritten signature in black ink, appearing to read "Smuin, Rich & Marsing". The signature is written in a cursive, flowing style.

Price, Utah

June 29, 2017

SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

GREG MARSING, C.P.A.
DOUGLAS RASMUSSEN, C.P.A.
CRAIG G. SMUIN, C.P.A.
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UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

Administrative Control Board
Solid Waste Special Service District #1
Moab, Utah 84532

RE: Independent Auditor's 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

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of Solid Waste Special Service District #1, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Solid Waste Special Service District #1's basic financial statements and have issued our report thereon dated June 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Solid Waste Special Service District #1'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 Solid Waste Special Service District #1's internal control. Accordingly, we do not express an opinion on the effectiveness of Solid Waste Special Service District #1'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 from 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 instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards* and which are described in the accompanying management letter as item 2016-1, 2016-2 and 2016-3.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying management letter. The District's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SMUIN, RICH & MARSING



Price, Utah

June 29, 2017

**SOLID WASTE SPECIAL SERVICE DISTRICT #1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AUDIT DECEMBER 31, 2016**

Solid Waste Special Service District #1 had the following findings reported in the December 31, 2015 audit report. Below the findings, conditions have been listed along with the steps taken to correct these findings.

FINDING 2015-1

Condition:

The District, because of their small staff, has accounting processes that are not segregated and could be circumvented and manipulated.

Status:

This finding was corrected during the current year.

SMUIN, RICH & MARSING

CERTIFIED PUBLIC ACCOUNTANTS

294 East 100 South

Price, Utah 84501

Phone (435) 637-1203 • FAX (435) 637-8708

GREG MARSING, C.P.A.
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Administrative Control Board
Solid Waste Special Service District #1
A Component Unit of Grand County
Moab, Utah 84532

Board Members:

The following comments and recommendations are a result of our review of the accounting procedures and internal controls in connection with our examination of the financial statements of Solid Waste Special Service District #1 for the year ended December 31, 2016.

Since our review was made primarily to determine the scope of our auditing procedures and was not intended as a comprehensive study or evaluation of the systems and procedures, this memorandum should not be considered all inclusive.

We welcome the opportunity to discuss any items mentioned in this memorandum or any other accounting or procedural questions.

STATE COMPLIANCE

2016-1 Open and Public Meetings Act

Utah Code Annotated 52-4-104 requires the presiding officer of a governing body to provide annual training for all its board members on the requirements of open and public meetings.

It appears that a training was held during 2016, but not all the board members received the annual training as required by Utah law.

We recommend that all board members attend the open and public meetings training each year.

District's Response

Board members representing Grand County Council and the cities of Moab and Castle Valley have access to the training provided by those entities that meets the requirements of the annual open and public meetings. For the future, the District will obtain copies of the completed certificates for those individuals receiving their training from their represented entities. The District staff will work with Board Chair to ensure the training is taken either in physical presence or online and copies of the completed certificates will be obtained and maintained in the District's office.

2016-2 Treasurer's Bond

According to Utah Administrative Code R628-4-4 from the Money Management Council, the State of Utah requires every public treasurer to secure a fidelity bond for an amount that is a certain percentage of its prior year's budgeted gross revenues. Based upon the District's 2015 budgeted gross revenues, the District's 2016 treasurer's bond should have been at least \$66,145 however, the District treasurer was only bonded for \$37,000.

We recommend that each year the District calculate the required bond amount based upon the prior year's budgeted gross revenue and compare it with what they are bonded for and if necessary, increase their bond amount to ensure the fidelity bond meets the level required by the State of Utah.

District's Response

The guiding regulation has been downloaded and procedures will be implemented to conduct annual review of bond requirements in conjunction with approved annual budgets. The bond amount will be modified to meet the regulatory requirements. This bond amount determination will occur within thirty (30) days after the annual budget is approved but no later than 31 January of the budget year. The district will notify the current bond issuer of the need to increase the bond for the remainder of 2017 based on the table in UAC R628-4-4.

2016-3 Cash Management

Utah State Code Section 51-7-15(3) requires public treasurers to file a written report (Deposit and Investment Report Form) with the Money Management Council on or before January 31 and July 31 of each year. This report requires the District to include all financial institutions in which the District has funds held in them and their balances (bank balances not book balances) at June 30th and December 31st.

We noted that the District has been submitting the Deposit and Investment Reports on a semi-annual basis however, the December 31, 2016 report reported an amount that was different than the checking account balance reported on the December 31, 2016 bank statement.

We recommend the District complete the Deposit and Investment Report so that it agrees to all the financial institution statements.

District's Response

The District will find and review the report for December 31, 2016 and conduct a reconciliation to the financial institution statements and complete a new Deposit and Investment Report Form for 31 December 2016. The reconciled report will be completed by 31 July 2017. In addition the June 30, 2017 report will be reconciled and prepared by 31 July 2017 for submittal. In the future, reconciliation will be reviewed by the one other District administrative staff and coordinated with the District's treasurer to reduce inconsistencies between the report and the financial institutions statements.

SUMMARY

We feel the State Compliance issues mentioned above are areas where the District can make changes as to further improve its internal control structure to safeguard the assets, check the accuracy and reliability of accounting data and promote operating efficiency.

Sincerely,

SMUIN, RICH & MARSING

A handwritten signature in black ink, appearing to read "Smuin, Rich & Marsing". The signature is written in a cursive, flowing style.

Price, Utah
June 29, 2017