

SOLID WASTE SPECIAL SERVICE DISTRICT #1
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

**SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A COMPONENT UNIT OF GRAND COUNTY)
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INDEPENDENT AUDITORS' REPORT

Members of the Board
Solid Waste Special Service District #1
Moab, Utah 84532

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, 2019, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the Solid Waste Special Service District #1 (a component unit of Grand County) as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the years 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 the proportionate share of the net pension liability, schedule of contributions and notes to required supplementary information on pages 3-11, and 35-37 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 July 26, 2020 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 solely 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 effectiveness of the District's 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
July 26, 2020

**SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A COMPONENT UNIT OF GRAND COUNTY)
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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, 2019. All of the financial activity results from “business-type” activities.

FINANCIAL HIGHLIGHTS

- ♻️ Total operating revenues increased to \$930,509 in 2019 from \$796,974 in 2018. This is an increase of \$133,535, or 16.76 % over the prior year.
- ♻️ Total operating expenses increased to \$1,482,111 in 2019 up from \$1,037,039 in 2018, an increase of \$445,072, or 42.92%.
- ♻️ Net position during 2019 decreased by \$102,830, or 4.02%. This decrease in net position is due to higher operating expenses in 2019.
- ♻️ Non-operating revenues and expense for the District were as follows:
 - a. Interest earned in 2019 totaled \$31,086 as compared to \$26,519 in 2018. The increase in interest earnings is due to higher balances and interest rates.
 - b. Revenue from governmental sources for 2019 was \$425,524, an increase of \$21,101 over the 2018 balance of \$404,423, an increase of 5.22% over the prior year.

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 12-16. 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 12. 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 the disposition, management, and disposal of solid waste. Charges for these services are based on the District's operational and associated administrative costs. We realize that in order for the District to continue operations, we need to provide a fairly priced service to the community, which provides solid waste management facilities that are protective of human health and the environment and in compliance with federal and state rules. The District is also involved in recycling efforts. Charges for these services have been set by the District. The District receives TRT funds from Grand County that helps to offset the heavy impacts of tourists to the relatively small rural community as they relate to integrated solid waste management, and to ensure the continual operation of the District's solid waste management facilities. These funds have aided in purchasing needed equipment, supporting operational and administrative costs, and have supported the development of reserve funds for closure and post-closure care of the District's landfills.

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 12, 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		
	2018	2019	CHANGE INCREASE (DECREASE)
ASSETS & DEFERRED OUTFLOWS			
Current assets and other assets	\$ 1,753,367	\$ 1,636,794	\$ (116,573)
Capital Assets (net)	<u>1,182,499</u>	<u>1,211,497</u>	<u>28,998</u>
Total assets	<u>\$ 2,935,866</u>	<u>\$ 2,848,291</u>	<u>\$ (87,575)</u>
Deferred outflows of resources	<u>\$ 72,918</u>	<u>\$ 111,471</u>	<u>\$ 38,553</u>
Total assets and deferred outflows of resources	<u>\$ 3,008,784</u>	<u>\$ 2,959,762</u>	<u>\$ (49,022)</u>
LIABILITIES & DEFERRED INFLOWS			
Current liabilities and other liabilities	\$ 93,540	\$ 156,226	\$ 62,686
Long-term liabilities	<u>302,916</u>	<u>330,415</u>	<u>27,499</u>
Total liabilities	<u>\$ 396,456</u>	<u>\$ 486,641</u>	<u>\$ 90,185</u>
Deferred inflows of resources	<u>\$ 56,562</u>	<u>\$ 20,185</u>	<u>\$ (36,377)</u>
Total liabilities and deferred inflows or resources	<u>\$ 453,018</u>	<u>\$ 506,826</u>	<u>\$ 53,808</u>
NET POSITION			
Net Investment in Capital Assets	\$ 922,999	\$ 972,997	\$ 49,998
Restricted	710,430	555,844	(154,586)
Unrestricted	<u>922,337</u>	<u>924,095</u>	<u>1,758</u>
Total net position	<u>\$ 2,555,766</u>	<u>\$ 2,452,936</u>	<u>\$ (102,830)</u>

Total Net Position of the District is \$2,452,936. *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 \$924,095. 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 ongoing 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 while accounting for inflation. Currently, the District has fully funded the restricted accounts for the Klondike Landfill and the Moab Landfill in accordance with the aforementioned closure and post closure estimates, including inflation factors that are applied annually.

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, 2019 is 10.48. The District's ratio indicates a relatively strong liquidity position.

	BUSINESS-TYPE ACTIVITIES		
	2018	2019	CHANGE INCREASE (DECREASE)
REVENUES			
Revenues:			
Charges for services	\$ 796,974	\$ 905,914	\$ 108,940
Sale of recycled goods		24,595	24,595
General Revenues:			
Interest income	26,519	31,086	4,567
Miscellaneous revenue	410	10,480	10,070
TRT revenue	404,423	325,000	(79,423)
Mineral lease revenue		74,856	74,856
Governmental revenue		25,668	25,668
Gain (Loss) on sale of fixed assets	2,600	(10,252)	(12,852)
Total revenues	<u>\$ 1,230,926</u>	<u>\$ 1,387,347</u>	<u>\$ 156,421</u>
EXPENSES			
Program Expense:			
Salaries and benefits	\$ 508,470	\$ 773,847	\$ 265,377
Professional services	56,051	69,148	13,097
Contract services		23,074	23,074
Equipment rentals		71,595	71,595
Freight out	38,719	20,049	(18,670)
Materials and supplies	33,366	32,109	(1,257)
Utilities and telephone	13,920	17,566	3,646
Insurance	19,996	22,023	2,027
Depreciation	180,525	172,014	(8,511)
Repairs and maintenance	90,654	121,708	31,054
Fuel	38,982	59,171	20,189
In kind / donated services	23,051	38,557	15,506
Interest	8,419	8,066	(353)
Other	33,305	61,250	27,945
Total expenses	<u>\$ 1,045,458</u>	<u>\$ 1,490,177</u>	<u>\$ 444,719</u>
Change in net position	<u>\$ 185,468</u>	<u>\$ (102,830)</u>	<u>\$ (288,298)</u>
Net position - beginning	\$ 2,370,298	\$ 2,555,766	\$ 185,468
Net position - ending	<u>2,555,766</u>	<u>2,452,936</u>	<u>(102,830)</u>
Change in net position	<u>\$ 185,468</u>	<u>\$ (102,830)</u>	<u>\$ (288,298)</u>

The District's decrease in net position in 2019 is due to a variety of factors. Although revenues increased in comparison to 2018, the District performed several necessary facility improvements and equipment repairs, rented equipment to address and correct historical operational deficiencies, and contracted external accounting consultants to optimize the District's accounting system. In 2019, the District was also able to secure a stable workforce containing the appropriate number of operations staff to maintain the day-to-day

operations and facilitate improvements to the District’s solid waste management facilities. These staff increases resulted in a higher amount of expenses for salaries and benefits as well as fuel consumption, which is primarily related to the operation of heavy equipment.

The District is striving each year to provide sufficient revenue to cover the operating costs of the District while continually growing unrestricted reserve funds for facility improvements, engineering design services, permit renewals, and equipment replacements and upgrades. The ability to continually optimize the District’s operations while providing the necessary integrated solid waste management services for residents, businesses, and tourists of Grand County continues to be the main goal and focus of the District.

CASH SOURCES AND USES

Beginning cash balance as of January 1, 2019	\$ 1,698,759
Operating income/(loss):	\$ (551,602)
Depreciation	172,014
Accounts receivable increase (use of cash)	(57,072)
Prepaid expenses increase (use of cash)	(27,657)
Employee receivable decrease (source of cash)	102
Deferred outflows of resources increase (use of cash)	(38,553)
Accounts payable increase (source of cash)	53,081
Payroll liabilities increase (source of cash)	9,158
Deferred inflows of resources increase (use of cash)	(36,377)
Net pension liability increase (source of cash)	48,999
Cash flows from noncapital financing activities (source of cash)	436,004
Cash flows from capital and related financing activities (use of cash)	(240,383)
Cash flows from investing activities (source of cash)	31,086
Total change in cash balance	\$ (201,200)
Ending cash balance as of December 31, 2019	\$ 1,497,559

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 supervisors, is crucial to supervising and monitoring the District’s solid waste management facilities. The Board reviews 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 the majority of revenues for the District. The District also relies on TRT and mineral lease revenues that are allocated by Grand County to offset the heavy impacts of tourists as they relate to integrated solid waste management and associated administrative costs, 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 solid waste management facilities 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 plan that sufficient storage space will be available for future use.

DEBT MANAGEMENT

As of December 31, 2019, the District had \$238,500 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.

BUDGETARY HIGHLIGHTS

The 2019 budget was approved on December 13, 2018 and adopted by the Administrative Control Board on January 9, 2019. Since the District operates as an enterprise fund, it is only required to comply with the budget on an entity wide basis (i.e., single enterprise fund). The original 2019 budget projected a total of \$1,299,689.32 in expenditures. The 2019 budget was amended on December 12, 2019 with an approved \$1,552,626.87 in expenditures. Actual 2019 expenses were \$1,490,177.

CAPITAL ASSETS

As of December 31, 2019, the District had net capital assets of \$1,211,497. A increase of \$28,998 in net capital assets, in comparison to the prior year, is due to the purchase and installation of an upgraded horizontal baler at the Community Recycle Center, a new gatehouse at the Moab Landfill, and the acquisition of used modular units (work in progress) that are planned to replace the District’s administrative office. 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 as of December 31, 2019:

Capital Assets at Year-end (Net of Depreciation) 2019			
Business-Type Activities			
	2018		2019
Land	\$ 247,576	\$	247,576
Land improvements	222,309		238,928
Buildings/Building improvements	24,826		26,187
Equipment	687,788		672,278
Work in process			26,528
Net capital assets	\$ 1,182,499	\$	1,211,497

This year's major additions included:

Used 2017 Maren propak60 baler	\$ 118,039
New administrative building (Work in process)	26,528
Moab landfill ticket booth	<u>14,611</u>
Total Additions	<u>\$ 159,178</u>

ECONOMIC FORECAST AND FUTURE BUDGET

The District operates under an enterprise fund system, meaning that the fees and revenues incurred for managing solid waste from the users of its facilities are the primary financial mechanisms under which it operates. The District continues to evaluate its fee structure to ensure that the costs for its services cover the costs of its operations. However, the District also relies on Transient Room Tax (TRT) revenue funding due to the direct correlation of tourism as it relates to the volumes of solid waste generated throughout its service area. TRT funding has consistently been provided by Grand County and has supported the District's operational costs and capital improvements.

The District continues to see increases in the volumes of materials being delivered to its solid waste landfill facilities, which is directly attributable to increases in tourist-related visitation and developments in the area. Whereas the amounts of construction and demolition debris delivered to the Moab Landfill have undulated over the past several years, these variations are likely related to investments for the development of overnight accommodations to address the ever-increasing influx of tourists throughout Grand County and Southeastern Utah. Conversely, the Klondike Landfill has shown consistent increases in the amounts of municipal solid waste delivered to the facility.

These trends are expected to continue and are undoubtedly related to the continual increase in tourist visitations and developments throughout Grand County and Southeastern Utah. Several local developments are ongoing and planned for Calendar Year 2020 and 2021, including the demolition of the Grand County Middle School, which is expected to generate significant quantities of construction and demolition debris that will ultimately be delivered to the Moab Landfill. Therefore, both quantities and revenues are expected to increase at the Moab Landfill throughout the next few years. A steady increase of municipal solid waste being delivered to the Klondike Landfill is also anticipated over the next few years. Therefore, the revenues and associated operational costs at these facilities are expected to continue to increase. Although studies are ongoing, it is unknown as to when tourist visitations and associated solid waste generation will reach equilibrium or ultimately taper off.

Similarly, the quantities of recyclable materials processed by the District at the Community Recycle Center (CRC) have shown temporal increases, particularly from 2016 through 2018, but declined in 2019. This is due to the City of Moab's new curbside recycling collection contract, which routes recyclables to a materials recovery facility near Denver, Colorado. The tonnages from this program in 2019 were reported to be 331 tons of recyclables. The CRC received approximately 800 tons of recyclables in 2019 with the majority being corrugated cardboard that was stockpiled onsite due to historically low market prices. Several other recyclable commodity prices remained near historic lows in 2019. Therefore, the CRC operated at a major deficit in 2019.

ECONOMIC FORECAST AND FUTURE BUDGET (continued)

The long-term impacts to the Community Recycle Center related to the City of Moab's curbside recycling collection contract are unknown. However, the largest commodity of recyclable material delivered to the Community Recycle Center (i.e., cardboard) is expected to continually increase due to the fact that the majority of cardboard generated by commercial entities has historically been delivered by a local waste hauler to the CRC. However, if commercial cardboard were rerouted to a different facility, tonnages and the overall amount of materials processed at the CRC would drastically decline and result in major impacts to the economics and operations of the CRC. Although recyclable commodity prices are expected to rebound, historic low commodities pricing for recyclables also have the potential to financially impact the CRC operation.

The City's new curbside recycling program will undoubtedly result in community and environmental benefits (e.g., increases in solid waste diversion rates), but tonnages of municipal solid waste delivered to the Klondike Landfill are not expected to decline. This is due to the fact that common recyclable commodities are much less dense, and therefore weigh less, than the typical municipal solid waste, and increases in tourist visitations will continue to result in the generation of larger quantities of municipal solid waste.

Overall, the District operates relatively low-volume solid waste management facilities in an area geographically isolated from supply chain markets and manufacturers, resulting in a higher production cost per unit as compared to higher volume solid waste management facilities. This is directly related to the economics concept known as 'economies of scale.' Therefore, as the District continues to optimize its operational procedures and internal cost tracking, it may be determined that further adjustments to its fee schedules may be necessary in order to maintain an economically viable organization. Reductions in TRT and other financial allocations from Grand County would certainly result in the need to increase the District's fee structures or levy property taxes in Grand County.

As a whole, the District is facing an aging fleet of equipment that will require substantial repairs and financial investments over the next several years. Although the volumes of materials delivered to the District's landfills have shown continued temporal increases, the District has not optimized its fleet to adequately compensate for the increases in volumes. Modern, more robust equipment will be needed to effectively manage the landfills and optimize compaction densities that will result in more efficient use of airspace and ultimately maximize the lifespan of the District's landfills. The purchase of an upgraded trash compactor for the Klondike Landfill is planned in 2020. Additional future investments include replacing the District's administrative office building, excavating a new cell at the Klondike Landfill, improving the logistical structuring and fill sequence at the Moab Landfill, improving roads at the District's landfills, and entering into professional service agreements with landfill engineering consultants and professional surveyors for short- and long-term landfill planning and optimization. Transient Room Tax (TRT) revenue funding will continue to be an important part of the District's ability to address these necessary short- and long-term financial expenditures and the District will continue to advocate to the County for these revenue sources. Additional revenues will be pursued from the Community Impact Fund Board, grant opportunities, and the City of Moab.

Additional challenges include the limited labor pool of qualified operators and increasing costs associated with health insurance. The District will need to identify cost saving opportunities related to health insurance and other operational costs in order to equitably compensate its staff in relation to other regional construction-related occupations. Maintaining a consistent staff at the District while limiting turnover rates would result in substantial indirect cost savings in the long run that are related to costs associated with staff training, operational downtime, injuries, equipment damages, and other unpredictable costs.

ECONOMIC FORECAST AND FUTURE BUDGET (continued)

Trends associated with material quantities, revenues, and expenses will continue to be evaluated as the District makes continuous improvements to its operations. Overall, the District's financial well-being is expected to remain stable over the next several years. Operational improvements, as well as increases in material volumes and associated revenues, position the District for financial solvency and success throughout the foreseeable future.

Nonetheless, TRT revenue funds will continue to be a critical component of the District's operating budget. Given the direct correlation to the amount of tourist visitors and the amount of generated waste, the intent of TRT funding as it relates to the impacts of tourism is appropriate and justified. TRT funds are not only used to offset the District's operational and administrative costs, but also to support community-related development and cleanup projects. These projects include, but are not limited to providing fee reductions to support the management and disposal of wastes generated from the Canyonlands Field Airport expansion project, the 2018 Mill Creek fire cleanup, fire mitigation efforts, annual free waste disposal vouchers for use the Moab Landfill, household hazardous waste collection events, and others.

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 Sand Flats Road or write to the District at P.O. Box 980, Moab, Utah, 84532.

SOLID WASTE SPECIAL SERVICE DISTRICT # 1
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND
	<u>SOLID WASTE FACILITY</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 941,715
Cash and cash equivalents - restricted	555,844
Accounts receivable	111,578
Other current assets	<u>27,657</u>
Total current assets	<u>\$ 1,636,794</u>
Noncurrent Assets:	
Capital assets: (net of accumulated depreciation)	
Land	\$ 247,576
Land improvements	238,928
Buildings/Building improvements	26,187
Equipment	672,278
Work in process	<u>26,528</u>
Total noncurrent assets	<u>\$ 1,211,497</u>
Total assets	<u>\$ 2,848,291</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows of resources - related to pensions	<u>\$ 111,471</u>
Total assets and deferred outflows of resources	<u><u>\$ 2,959,762</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, 2019

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND
	SOLID WASTE FACILITY
<u>LIABILITIES AND NET POSITION</u>	
Current Liabilities:	
Accounts payable	\$ 106,139
Wages payable	7,607
Payroll taxes payable	20,372
Accrued interest payable	608
Revenue bonds payable - Due within one year	21,500
Total current liabilities	\$ 156,226
Noncurrent liabilities:	
Revenue bonds payable - Due in more than one year	\$ 217,000
Net pension liability	113,415
Total noncurrent liabilities	\$ 330,415
Total liabilities	\$ 486,641
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred inflows of resources - related to pensions	\$ 20,185
Total liabilities and deferred inflows of resources	\$ 506,826
Net Position:	
Net Investment in capital assets	\$ 972,997
Restricted for:	
Debt service and closure costs	555,844
Unrestricted	924,095
Total net position	\$ 2,452,936
Total liabilities, deferred inflows of resources and net position	\$ 2,959,762

"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, 2019

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND
	SOLID WASTE FACILITY
Operating Revenues:	
Charges for services	\$ 905,914
Sale of recycled goods	24,595
	\$ 930,509
Operating Expenses:	
Salaries and benefits	\$ 773,847
Professional services	69,148
Contract services	23,074
Equipment rentals	71,595
Freight out	20,049
Office supplies	9,078
Utilities and telephone	17,566
Travel	11,079
Insurance	22,023
Depreciation	172,014
Permits and licenses	6,728
Postage and fees	456
Training and memberships	16,048
Repairs and maintenance	121,708
Fuel	59,171
Shop supplies	23,031
Advertising and public notices	12,834
Bank charges and bad debt	8,672
In kind / donated services	38,557
Miscellaneous expense	5,433
	\$ 1,482,111
Total operating expenses	\$ 1,482,111
Operating income/(loss)	\$ (551,602)
Non-operating revenues/(expenses):	
Interest income	\$ 31,086
Governmental revenue	425,524
Miscellaneous revenue	10,480
Gain on the sale of capital equipment	(10,252)
Interest expense	(8,066)
	\$ 448,772
Total non-operating revenues (expenses)	\$ 448,772
Change in net position	\$ (102,830)
Total net position, January 1,	2,555,766
Total net position, December 31,	\$ 2,452,936

"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, 2019

Cash flows from operating activities:	
Cash received from customers	\$ 873,437
Cash payments to suppliers for goods and services	(510,827)
Cash payments to employees for services	<u>(790,517)</u>
Net cash provided (used) by operating activities	\$ (427,907)
Cash flows from noncapital financing activities:	
Governmental funds	\$ 425,524
Miscellaneous revenue	<u>10,480</u>
Net cash provided (used) by noncapital financing activities	436,004
Cash flows from capital and related financing activities:	
Acquisition of capital assets	\$ (211,709)
Principal paid on revenue bonds	(21,000)
Interest paid on revenue bonds	(8,120)
Proceeds from sale of capital asset	<u>446</u>
Net cash (used) for capital and related financing activities	(240,383)
Cash flows from investing activities:	
Interest on investments received	<u>\$ 31,086</u>
Net cash provided (used) by investing activities	<u>31,086</u>
Net increase (decrease) in cash and cash equivalents	\$ (201,200)
Cash and cash equivalents at beginning of year	<u>1,698,759</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,497,559</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, 2019

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

Operating income (loss)		\$ (551,602)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	\$ 172,014	
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(57,072)	
(Increase) decrease in prepaid expenses	(27,657)	
(Increase) decrease in employee receivable	102	
(Increase) decrease in deferred outflows of resources	(38,553)	
Increase (decrease) in accounts payable	53,081	
Increase (decrease) in wages payable	7,607	
Increase (decrease) in payroll taxes payable	1,551	
Increase (decrease) in deferred inflows of resources	(36,377)	
Increase (decrease) in net pension liability	<u>48,999</u>	
Total adjustments		<u>123,695</u>
Net cash provided by operating activities		<u><u>\$ (427,907)</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, 2019**

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 States 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.

Capital assets of the District are depreciated using the straight-line method over the following estimated 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) including 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. Currently, no employee has generated this benefit.

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. At 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, 2019, the District's bank balance of cash on deposit was \$344,831. Of this amount, \$308,077 was insured. There was \$36,754 of the bank balances that were not insured. None of the deposits are collateralized.

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.

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

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.

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 hierarchy, 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, 2019, the District had the following recurring fair value measurements:

Investment by Fair Value Level	12/31/2019	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Debt Securities				
State of Utah Public				
Treasurer's Investment Fund	\$ 1,155,553		\$ 1,155,553	
	<u>\$ 1,155,553</u>	<u>\$...</u>	<u>\$ 1,155,553</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, 2019 fair value factor, as calculated by the Utah State Treasurer, to the District's average daily balance in the Fund

At December 31, 2019, 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, 2019, 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	\$ 1,155,553	\$ 1,155,553			
Total Investments	\$ 1,155,553	\$ 1,155,553	\$...	\$...	\$...

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, 2019, the District had the following quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	\$ 1,155,553				\$ 1,155,553
Total	\$ 1,155,553	\$...	\$...	\$...	\$ 1,155,553

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, 2019, the District had \$1,155,553 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, 2019 was as follows:

	Balance 12-31-18	Additions	Adjustments & Retirements	Balance 12-31-19
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 247,576			\$ 247,576
Work in process		\$ 26,528		26,528
Total capital assets not being depreciated	<u>\$ 247,576</u>	<u>\$ 26,528</u>	<u>\$...</u>	<u>\$ 274,104</u>
Capital assets being depreciated:				
Land improvements	\$ 1,196,583	\$ 46,797		\$ 1,243,380
Buildings	84,838	4,079		88,917
Equipment	<u>1,597,113</u>	<u>134,304</u>	<u>\$ (33,264)</u>	<u>1,698,153</u>
Total capital assets being depreciated	<u>\$ 2,878,534</u>	<u>\$ 185,180</u>	<u>\$ (33,264)</u>	<u>\$ 3,030,450</u>

3. CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>12-31-18</u>	<u>Additions</u>	<u>Adjustments &</u> <u>Retirements</u>	<u>Balance</u> <u>12-31-19</u>
Business-type activities:				
Less accumulated depreciation for:				
Land improvements	\$ 974,274	\$ 30,178		\$ 1,004,452
Buildings	60,012	2,718		62,730
Equipment	909,325	139,118	\$ (22,568)	1,025,875
	<u>909,325</u>	<u>139,118</u>	<u>\$ (22,568)</u>	<u>1,025,875</u>
Total accumulated depreciation	\$ 1,943,611	\$ 172,014	\$ (22,568)	\$ 2,093,057
	<u>\$ 1,943,611</u>	<u>\$ 172,014</u>	<u>\$ (22,568)</u>	<u>\$ 2,093,057</u>
Total capital assets, being depreciated, net	\$ 934,923	\$ 13,166	\$ (10,696)	\$ 937,393
	<u>\$ 934,923</u>	<u>\$ 13,166</u>	<u>\$ (10,696)</u>	<u>\$ 937,393</u>
Business-type activities capital assets, net	\$ 1,182,499	\$ 39,694	\$ (10,696)	\$ 1,211,497
	<u>\$ 1,182,499</u>	<u>\$ 39,694</u>	<u>\$ (10,696)</u>	<u>\$ 1,211,497</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of accrued waste collection billings. For the year ended December 31, 2019, 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%

*actuarial reductions are applied

**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)

Contribution Rate Summary: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of December 31, 2019 are as follows:

Utah Retirement Systems

	Employee	Employer	Employer 401(k)
Contributory System			
111 - Local Government Division Tier 2	N/A	15.66	1.03
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, 2019, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	\$ 10,144	N/A
Tier 2 Public Employees System	48,435	
Tier 2 DC System	8,010	N/A
Total Contributions	\$ 66,589	\$...

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)**

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

At December 31, 2019, we reported a net pension asset of \$0 and a net pension liability of \$113,415.

	Measurement (Date: December 31, 2018)				Change (Decrease)
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2017	
Noncontributory System		\$ 106,271	0.0144317%	0.0142891%	0.0001426 %
Tier 2 Public Employees System		7,144	0.0166812%	0.0205462%	(0.0038650)%
Total Net Pension Asset/Liability		<u>\$ 113,415</u>			

The net pension asset and liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2018 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, 2019, we recognized pension expense of \$40,043.

At December 31, 2019, we reported deferred outflows and deferred inflows related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,417	\$ 3,459
Changes in assumptions	16,027	128
Net difference between projected and actual earnings on pension plan investments	24,441	
Changes in proportion and differences between contributions and proportionate share of contributions	2,997	16,598
Contributions subsequent to the measurement date	66,589	
Total	<u>\$ 111,471</u>	<u>\$ 20,185</u>

5. **PENSION PLANS – (Continued)**

\$66,589 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, 2018.

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>
2019	\$ 8,518
2020	(523)
2021	3,565
2022	11,618
2023	217
Thereafter	1,302

Actuarial assumptions: The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the January 1, 2018, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

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

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%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.89%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
		Inflation	2.50%
		Expected arithmetic nominal return	<u>7.25%</u>

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

Discount rate: The discount rate used to measure the total pension liability was 6.95 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. The Discount rate remained unchanged at 6.95 percent.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 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 (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

<u>System</u>	<u>1% Decrease (5.95%)</u>	<u>Discount Rate (6.95%)</u>	<u>1% Increase (7.95%)</u>
Noncontributory System	\$ 217,798	\$ 106,271	\$ 13,398
Tier 2 Public Employees System	28,621	7,144	(9,431)
<u>Total</u>	<u>\$ 246,419</u>	<u>\$ 113,415</u>	<u>\$ 3,967</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.

5. **PENSION PLANS – (Continued)**

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>2019</u>	<u>2018</u>	<u>2017</u>
Employer Contributions	\$ 15,345	\$ 9,924	\$ 6,989
Employee Contributions	2,550	1,200	

Pension Beginning and Ending Values

GASB 68 Schedule	Beginning values			Ending values		
	NPL/(NPA)	Asset	Liability	NPL/(NPA)	Asset	Liability
Noncontributory	\$ 62,605		\$ 62,605	\$ 106,271		\$ 106,271
Tier 2 Public Employees	1,812		1,812	7,144		7,144
Total	<u>\$ 64,417</u>	<u>\$...</u>	<u>\$ 64,417</u>	<u>\$ 113,415</u>	<u>\$...</u>	<u>\$ 113,415</u>

5. PENSION PLANS – (Continued)

	<u>Net Pension Liability/(Asset) at 12/31/2017</u>			<u>Net Pension Liability/(Asset) at 12/31/2018</u>		
	<u>System Total NPL/(NPA)</u>	<u>Proportionate Share</u>	<u>Beginning Values</u>	<u>System Total NPL/(NPA)</u>	<u>Proportionate Share</u>	<u>Ending Values</u>
Retirement System Non Contributory						
Local Government	\$ 438,129,988	0.0142891%	\$ 62,605	\$ 736,372,374	0.014432%	\$ 106,271
Tier 2 Public Employees	8,816,731	0.0205462%	<u>1,812</u>	42,827,859	0.016681%	<u>7,144</u>
Total			<u>\$ 64,417</u>			<u>\$ 113,415</u>

6. COMPENSATED ABSENCES

At year-end, there was nothing 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 post-closure 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 CASH AND CASH EQUIVALENTS/NET POSITION

Restricted cash and cash equivalents 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 statement of 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.

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
2020	\$ 7,155	\$ 21,500	\$ 28,655
2021	6,510	22,000	28,510
2022	5,850	23,000	28,850
2023	5,160	24,000	29,160
2024	4,440	25,000	29,440
2025-2027	8,700	123,000	131,700
	<u>\$ 37,815</u>	<u>\$ 238,500</u>	<u>\$ 276,315</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2019 was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
Solid Waste Management Revenue Bonds 1997A	\$ 259,500		\$ (21,000)	\$ 238,500	\$ 21,500
Net pension liability	64,416	\$ 48,999		113,415	
	<u>\$ 323,916</u>	<u>\$ 48,999</u>	<u>\$ (21,000)</u>	<u>\$ 351,915</u>	<u>\$ 21,500</u>

12. BUDGET VARIANCE

During the year ended December 31, 2019, the District had a positive variance in their budget in the Enterprise Fund.

13. CONTINGENT OBLIGATIONS

Management, the Administrative Control Board and legal counsel for the Solid Waste Special Service District #1 are aware of no litigation involving the District, either in progress or pending, which would materially affect the financial statements as of December 31, 2019, nor of any material contingencies not otherwise disclosed in the Notes to Financial Statements contained herein.

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, 2019

		Proportion of the net pension liability (asset)	Proportionate share of the net pension 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 the total pension liability/(asset)
Noncontributory Retirement System	2014	0.0206504%	\$ 89,669	\$ 160,066	56.00%	90.20%
	2015	0.0215744%	122,078	152,410	80.10%	87.80%
	2016	0.0207043%	132,947	136,665	97.28%	87.30%
	2017	0.0142891%	62,605	47,652	131.38%	91.90%
	2018	0.0144317%	106,271	41,889	253.70%	87.00%
Tier 2 Public Employees Retirement System	2014	0.0131204%	\$ (398)	\$ 64,250	-0.60%	103.50%
	2015	0.0171922%	(38)	111,104	-0.03%	100.20%
	2016	0.0151389%	1,689	124,151	1.36%	95.10%
	2017	0.0205462%	1,812	200,606	0.90%	97.40%
	2018	0.0166812%	7,144	195,793	3.65%	90.80%

"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, 2019

	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%
	2017	8,703	8,703	-	47,120	18.47%
	2018	7,737	7,737	-	41,889	18.47%
	2019	10,144	10,144	-	54,921	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%
	2017	30,093	30,093	-	200,127	15.04%
	2018	30,640	30,640	-	200,385	15.29%
	2019	48,435	48,435	-	310,404	15.60%
Tier 2 Public Employees DC Only System*	2014			\$ -		0.00%
	2015			-		0.00%
	2016	\$ 1,856	\$ 1,856	-	\$ 27,749	6.69%
	2017	2,463	2,463	-	36,812	6.69%
	2018	4,495	4,495	-	67,195	6.69%
	2019	8,010	8,010	-	119,735	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 practices.

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

SOLID WASTE SPECIAL SERVICE DISTRICT #1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

CHANGES IN ASSUMPTIONS:

The assumption and methods used to calculate the total pension liability remain unchanged from the prior year. Below is the assumption changes reported in the December 31, 2018 audit:

As a result of an experience study conducted as of December 31, 2016, the Board adopted recommended changes to several economic and demographic assumptions that are used in the actuarial valuation. The assumption changes that had the largest impact on the Total Pension Liability (and actuarial accrued liability) include a decrease in the investment return assumption from 7.20% to 6.95%, a reduction in the price inflation assumption from 2.60% to 2.50% (which also resulted in a corresponding decrease in the cost-of-living-adjustment assumption for the funds with a 4.00% annual COLA max), and the adoption of an updated retiree mortality table that is developed using URS's actual retiree mortality experience. There were changes to several other demographic assumptions, but those changes had a minimal impact on the Total Pension Liability (and actuarial accrued liability).

**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, 2019**

	ADMIN	COMPOST	KLONDIKE LANDFIL	MOAB LANDFILL	RECYCLING	SAFETY	SHOP	TRAINING	TOTAL
OPERATING REVENUES:									
Charges for services			\$ 604,150	\$ 288,683	\$ 13,081				\$ 905,914
Sale of recycled goods				1,268	23,327				24,595
Total operating revenues	\$...	\$...	\$ 604,150	\$ 289,951	\$ 36,408	\$...	\$...	\$...	\$ 930,509
OPERATING EXPENSES									
Salaries and benefits	\$ 286,985	\$ 66	\$ 164,348	\$ 139,147	\$ 132,930	\$ 104	\$ 28,903	\$ 21,364	\$ 773,847
Professional services	54,547		5,121	2,853	2,245	119	4,263		69,148
Contract Services	8,588		10,023	943	3,520				23,074
Equipment rentals	797		48,402	20,064	1,300	32		1,000	71,595
Freight out	20		4,071	918	15,012		28		20,049
Office supplies	6,866		217	406	1,450	68	71		9,078
Utilities and telephone	4,456		2,456	2,515	6,991		1,148		17,566
Travel	2,463				766	111		7,739	11,079
Insurance	22,023								22,023
Depreciation	14,495		91,045	48,945	15,219		2,310		172,014
Permits and licenses	413	500	3,678	1,997	100	40			6,728
Postage and fees	451			2		3			456
Training and memberships	4,240					3,108		8,700	16,048
Repairs and maintenance	5,180		89,914	8,589	7,373	138	10,514		121,708
Fuel	877		38,848	15,392	3,577		217	260	59,171
Shop supplies	251		1,539	898	3,163	6,239	10,927	14	23,031
Advertising and public notices	6,089		107	625	5,918	95			12,834
Bank charges and bad debt	1,378		136	1,568	5,590				8,672
In kind / donated services	25,066		81	12,012	1,398				38,557
Miscellaneous expense	1,227		432	40	99	3,401	234		5,433
Total operating expenses	\$ 446,412	\$ 566	\$ 460,418	\$ 256,914	\$ 206,651	\$ 13,458	\$ 58,615	\$ 39,077	\$ 1,482,111
Operating income	\$ (446,412)	\$ (566)	\$ 143,732	\$ 33,037	\$ (170,243)	\$ (13,458)	\$ (58,615)	\$ (39,077)	\$ (551,602)
NON-OPERATING REVENUES (EXPENSES):									
Interest income	\$ 11,314		\$ 15,452	\$ 4,320					\$ 31,086
Governmental revenue	424,856					\$ 668			425,524
Miscellaneous revenue	7,965			727	\$ 1,788				10,480
Gain (loss) on sale of capital assets					(10,252)				(10,252)
Interest expense	(335)		(7,731)						(8,066)
Total non-operating revenues (expenses)	\$ 443,800	\$...	\$ 7,721	\$ 5,047	\$ (8,464)	\$ 668	\$...	\$...	\$ 448,772
Change in net position	\$ (2,612)	\$ (566)	\$ 151,453	\$ 38,084	\$ (178,707)	\$ (12,790)	\$ (58,615)	\$ (39,077)	\$ (102,830)

SMUIN, RICH & MARSING

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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 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 business-type activities of Solid Waste Special Service District #1, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated July 26, 2020.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying letter to management as item **2019-1, 2019-2 and 2019-3**.

District's Response to Findings

Solid Waste Special Service District #1's response to the findings identified in our audit is described in the accompanying management letter. The District's response was not subjected 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

A handwritten signature in cursive script that reads "Smuin, Rich & Marsing".

Price, Utah
July 26, 2020

**SOLID WASTE SPECIAL SERVICE DISTRICT #1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AUDIT DECEMBER 31, 2019**

Solid Waste Special Service District #1 had the following findings reported in the December 31, 2018 audit report. Below the findings and conditions have been listed along with the steps taken to correct these findings.

FINDING 2018-1

Condition:

While reviewing the cash, accrued liabilities and wages payable balance sheet accounts, we determined that significant adjustments were required for these accounts. We determined that transactions were not properly recorded as cash – mainly Mineral Lease transfers (proper cutoff), payroll liabilities – mainly dealing with reconciling amount paid to the amount recorded as a liability and wages payable – mainly dealing with December 31 (year-end) accrual. These accounts were not properly reconciled or recorded as of December 31, 2018.

Status:

This finding was corrected during the current year.

FINDING 2018-2

Condition:

While reviewing the accounts payable and subsequent checks written, we found a payment for a bill that was before the invoice date. The invoice was dated for January 2019, but the bill was entered as of December 31, 2018. It appears the bill was entered using an estimated invoice and not the actual. We also found a few checks had been issued without an original invoice being created in the software program. Although the check issued was for an authorized bill, the processing was not performed accurately.

Status:

This finding was corrected during the current year.

FINDING 2018-3

Condition:

The District prepared and legally adopted the initial budget for the year ended December 31, 2018 on December 14, 2017. Subsequently, the Board published to have an open meeting to amend the 2018 budget, but the meeting was held on January 9, 2019. The District was unable to legally amend the 2018 budget, because the meeting was held subsequent to December 31, 2018, thus causing the District to be over budget by \$49,297.

Status:

This finding was corrected during the current year.

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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 on Compliance
and Report on Internal Control over Compliance
as Required by the State Compliance Audit Guide

To the Members of the Board

Report on Compliance

We have audited Solid Waste Special Service District #1, compliance with the following applicable state requirements described in the *State Compliance Audit Guide* issued by the Office of the State Auditor, for the year ended December 31, 2019.

Budgetary Compliance
Fund Balance
Utah Retirement Systems
Treasurer's Bond

Special and Local Agency Board Members
Open and Public Meetings Act
Cash Management

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Compliance

In our opinion, Solid Waste Special Service District #1, complied, in all material respects, with the state compliance requirements referred to above for the year ended December 31, 2019.

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 **2019-1, 2019-2, and 2019-3**. Our opinion on compliance is not modified with respect to these matters.

The District's response to the noncompliance 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.

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 state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration on 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

Purpose of Report

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 that reads "Smuin, Rich & Marsing". The signature is written in a cursive style with a small ampersand between "Rich" and "Marsing".

Price, Utah

July 26, 2020

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, 2019.

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.

FINDING 2019 - 1 STALE CHECKS IN MAIN CHECKING ACCOUNT

Criteria:

Utah Law requires all entities to annually review their financial records to determine whether they are holding any funds, securities or tangible properties that have been unclaimed for the required dormancy period. If so, they become holders under the act and must file a report and remit the property to the state, along with the last known address. The dormancy for government checks is one year.

Statement of Condition:

While reviewing the bank reconciliations and testing the outstanding items, we noticed that there are several outstanding checks in the Regular account which are a few years old. These checks might be duplicates, lost or cancelled checks, but they have not been reviewed or designated as such. Although these checks are not large or material, they need to be investigated and a determination needs to be made as to their validity. Appropriate action needs to be taken in relation to these outstanding items.

Cause of Condition:

The District has reviewed each of the stale checks but, has not voided, reissued, or reported the stale checks to the Utah Unclaimed Property division. It appears more pressing issues were being considered by the District.

FINDING 2019 - 1 STALE CHECKS IN REGULAR ACCOUNT (continued)

Effect or Possible Effect:

If the District does not take care of stale checks in a timely fashion, they may face a penalty from the Utah Unclaimed Properties Division.

Recommendation:

We recommend District personnel review the outstanding reconciling items and determine the status of each item. The District then needs to take the appropriate action for each item – either void the check, issue a new check or send the payment to the State of Utah on the unclaimed property report.

District's Response:

The District will review the stale checks and take appropriate action per the above recommendation.

FINDING 2019 - 2 REQUIRED SIGNATURES FOR CHECKS

Criteria:

In *section 6* of Solid Waste Special Service District #1 bylaws and policy it states all checks, drafts, notes, and orders for the payment of money of the District shall be signed by two officers of the Board.

Statement of Condition:

While reviewing cleared checks, in adherence with the District bylaws and policy, we found over 30 checks that contained only one signature, when the District's bylaws and policy require two signatures on each check, draft, notes and orders for the payment of money.

Cause of Condition:

The District inadvertently sent out checks that were not in accordance with District bylaws and policy, which requires two signatures on all checks.

Effect or Possible Effect:

If the District does not follow policy and ensure multiple individuals are reviewing and signing checks there is a potential for misappropriation of funds, errors, and loss of resources to the District.

Recommendation:

We recommend the District abides by their bylaws and policy which requires all checks must have two signatures.

District's Response:

Although requested, an order of checks received by the District in 2019 did not contain two signature lines; they only contained one signature line thereby creating confusion during check reviews. The District will review all checks and make sure each check has two signatures before checks are mailed out.

FINDING 2019 - 3 MISUSE OF GOVERNMENT RESOURCES FOR PERSONAL GAIN, NOT FOLLOWING CONFLICT OF INTEREST/SOLICITATION AND PROHIBITED BEHAVIOR POLICIES

Criteria:

The District policy states employees may not use District time, equipment, property or supplies for private gain, District resources may not be used for personal profit.

Statement of Condition:

While reviewing District credit card activity we noted several transactions that were not in line with District policy.

Cause of Condition:

District personnel were not properly educated and trained on all District policies by previous District Management or District employee(s) knowledgeable of District policies made poor personal decisions.

Effect or Possible Effect:

If District personnel do not follow policy, there is a potential for personal gain and the potential establishment of inappropriate behavior or actions that could adversely affect the operation or the reputation of the District.

Recommendation:

We recommend the District personnel follow the District's conflict of interest/solicitations policy and that District Management provides adequate training on all employee policies.

District's Response:

The District will reiterate the District's policies regarding personal use of District resources and provide adequate training on all District policies for all current and future employees.

SUMMARY

We feel the accounting procedures, internal control items and State Compliance items mentioned above are some 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



Price, Utah
July 26, 2020