SOLID WASTE SPECIAL SERVICE DISTRICT #1

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A COMPONENT UNIT OF GRAND COUNTY)
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FOR THE YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

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

Ladies/Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Solid Waste Special Service District #1 (a component unit of Grand County), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Solid Waste Special Service District #1, as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information, schedule of proportionate share of the net pension liability and the schedule of contributions – pensions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2017, on our consideration of Solid Waste Special Service District #1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Solid Waste Special Service District #1's internal control over financial reporting and compliance.

SMUIN, RICH & MARSING

Price, Utah

July 17, 2017

SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A COMPONENT UNIT OF GRAND COUNTY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017. All of the financial activity results from "business-type" activities.

FINANCIAL HIGHLIGHTS

- Total operating revenues decrease to $669,670 in 2017 from $671,138 in 2016. This is a decrease of $1,468, or 0.22% under the prior year.

- Total operating expenses increased to $991,575 in 2017 up from $933,365 in 2016, an increase of $58,210, or 6.24%.

- Net position during 2017 increased by $82,761, or 3.62%. This increase in net position is due primarily to the slightly higher revenues from Governmental activities than expenses in 2017.

- Non-operating revenues and expense for the District were as follows:

  a. Interest earned in 2017 totaled $13,174 as compared to $9,652 in 2016. The increase in interest earnings is due to higher balances and interest rates.
  b. Revenue from governmental sources for 2017 was $400,000, an increase of $30,000 over the 2016 balance of $370,000, an increase of 8.11% over the prior year.

- In 2016, the District entered into a lease purchase agreement for the acquisition of a Caterpillar 962M Loader. For additional information see Note 12.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The financial reports; Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position, and Statement of Cash Flows, comprise pages 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 collection and storage of solid waste. Charges for these services are based on maximum fees that the local governmental bodies will allow to be charged to the general public. We realize that in order for the District to continue operations, we need to provide a low cost service to the community, without jeopardizing the operations of providing solid waste facilities that are in compliance with federal and state guidelines. The District is also involved in recycling efforts within the District. Charges for these services have been set by the District. The District receives TRT funds from Grand County that helps ensure the continual operation of the facilities. These funds have aided in purchasing needed equipment, and have provided reserves for closure and post-closure care and shortfalls in operational income.

REPORTING THE DISTRICT'S SIGNIFICANT FUND

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

The entity-wide financial statements, which begin on page 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		
	2016	2017	CHANGE INCREASE (DECREASE)
ASSETS & DEFERRED OUTFLOWS			
Current assets	$ 766,565	$ 1,411,810	$ 645,245
Noncurrent Assets	2,049,567	1,337,592	(711,975)
Deferred outflows of resources	91,708	96,857	5,149
Total assets and deferred outflows of resources	$ 2,907,840	$ 2,846,259	$ (61,581)
LIABILITIES & DEFFERED INFLOWS			
Current liabilities	$ 67,031	$ 60,275	$ (6,756)
Long-term liabilities	539,448	394,136	(145,312)
Deferred inflows of resources	13,824	21,550	7,726
Total liabilities and deferred inflows or resources	$ 620,303	$ 475,961	$ (144,342)
NET POSITION			
Net Investment in Capital Assets	$ 972,557	$ 1,058,092	$ 85,535
Restricted	606,970	640,388	33,418
Unrestricted	708,010	671,818	(36,192)
Total net position	$ 2,287,537	$ 2,370,298	$ 82,761

Total Net Position of the District is $2,370,298. *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 $671,818. This portion of net position is used to finance the continuing operations of providing services to the solid waste facilities.

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

A key financial ratio - the Current Ratio - is calculated by dividing current assets by current liabilities. This ratio is an indicator of liquidity and ability to pay current operational bills. The ratio for the year ending December 31, 2017 is 23.42. The District's ratio indicates a strong liquidity position.

	BUSINESS-TYPE ACTIVITIES		
	2016	2017	CHANGE INCREASE (DECREASE)
REVENUES			
Revenues:			
Charges for services	$ 671,138	$ 669,670	$ (1,468)
General Revenues:			
Interest income	9,652	13,174	3,522
Miscellaneous revenue	2,385	2,089	(296)
TRT revenue	370,000	400,000	30,000
Gain (Loss) on sale of fixed assets	(31,402)	846	32,248
Total revenues	$ 1,021,773	$ 1,085,779	$ 64,006
EXPENSES			
Program Expense:			
Salaries and benefits	$ 492,734	$ 518,781	$ 26,047
Professional services	9,650	17,342	7,692
Freight out	40,150	21,163	(18,987)
Materials and supplies	44,123	56,696	12,573
Utilities and telephone	11,283	11,073	(210)
Insurance	18,303	18,432	129
Depreciation	187,790	187,894	104
Repairs and maintenance	62,769	96,122	33,353
Fuel	22,739	30,361	7,622
Community Cleanup	14,719	8,153	(6,566)
Interest	10,904	11,443	539
Other	29,105	25,558	(3,547)
Total expenses	$ 944,269	$ 1,003,018	$ 58,749
Change in net position	$ 77,504	$ 82,761	$ 5,257
Net position - beginning	$ 2,210,033	$ 2,287,537	$ 77,504
Net position - ending	2,287,537	2,370,298	82,761
Change in net assets	$ 77,504	$ 82,761	$ 5,257

The District's increase in net position is due to higher revenues from TRT revenue than expenditures during 2017. The District is striving each year to provide sufficient revenue to cover the operating costs of the District. The ability to continue to operate efficiently and provide the necessary services for Grand County continues to be the main goal and focus of the District.

CASH SOURCES AND USES

Beginning cash balance as of January 1, 2017	$	1,290,666
Change in net position:	$	82,761
Depreciation		187,894
Accounts receivable increase (use of cash)		(128,783)
Prepaids decrease (source of cash)		18,983
Net pension assets (source of cash)		38
Deferred outflows of resources increase (use of cash)		(5,149)
Accounts payable increase (source of cash)		12,523
Acquisition of capital assets (use of cash)		(83,356)
Payroll liabilities increase (source of cash)		14,146
Compensated Absences decrease (use of cash)		(743)
Cash from disposal of capital assets (source of cash)		429
Deferred inflows of resources increase (source of cash)		7,726
Interest payable (use of cash)		(50)
Net pension liability increase (source of cash)		12,558
Debt payments principal (use of cash)		(190,502)
Total change in net position	$	(71,525)
Ending cash balance as of December 31, 2017	$	1,219,141

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

BUSINESS ACTIVITIES AND PURPOSES

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

DEBT MANAGEMENT

As of December 31, 2017, the District had $279,500 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.

During 2016, the District entered into a lease purchase agreement to purchase a 962M Caterpillar Loader. During 2017, the District paid off the lease in total.

BUDGETARY HIGHLIGHTS

The 2017 budget was adopted on December 21, 2016. Since the District operates as an enterprise fund, it is only required to comply with the budget on an entity wide basis. The original budget submitted to the Utah State Auditor's office was $1,404,862. The 2017 budget was amended on December 22, 2017 in the amount of $1,302,667. The District did not exceed their budget.

CAPITAL ASSETS

As of December 31, 2017, the District had net capital assets of $1,337,592. The decrease of $104,967 in net capital assets, in comparison to the prior year, is due to the net of acquisitions of assets over depreciation. Budgets have been created that account for the purchase of the capital assets and Board approval is needed for all major capital expenditures. The following table shows the balance of net capital assets at December 31, 2017:

Capital Assets at Year-end
(Net of Depreciation)
2017

	Business-Type Activities	
	2016	**2017**
Land	$ 247,576	$ 247,576
Land improvements	299,062	257,889
Buildings	22,500	20,656
Improvements other than buildings		
Equipment	873,421	811,471
Net capital assets	$ 1,442,559	$ 1,337,592

CAPITAL ASSETS (continued)

This year's major additions included:

Ford F-350 Truck	$	45,233
CAT Scraper Rebuild		22,852
CRC Concrete Extension		15,270
Total Additions	$	83,355

The District's 2018 fiscal year capital budget anticipates spending $333,607 for equipment and capital purchases.

ECONOMIC FORECAST AND FUTURE BUDGET

The Administrative Control Board relied on Transient Room Tax (TRT) revenue funds totaling $400,000 for the 2017 calendar year budget. For 2018, Grand County approved $400,000 in TRT funds for the District's operations. The District, as part of Best Management Practices, continues to analyze fees with the intent to adjust as needed for services rendered. For 2017, the ongoing analysis resulted in increasing fees for Moab Landfill, in particular for construction & demolition debris and tires. The District began composting operations in 2017 based on permit obtained from the Utah DEQ in late 2016, so fees were introduced for the potential sale of the resulting product of mulch and compost. For 2018, the tipping fees for the Klondike Landfill were increased from those identified and charged since 2010 or possibly earlier. The financial assurance costs required by the state for Utah for the two landfills include final covers for cells 1 through 3 at the Klondike Landfill and the final cover for the Moab Landfill once final grade elevations are obtained. In addition, the design and construction of cells 4 through 6 at the Klondike Landfill are a future cost for the District as well as related permit and state approval costs for those design and construction plans. In accordance with the current Utah DEQ issued permits, the city of Moab and Grand County are listed as financially responsible for costs beyond the financial assurance held by the District in restricted funds identified for closure and post-closure care of the two active landfills.

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

ECONOMIC FORECAST AND FUTURE BUDGET (continued)

Among changes implemented at the recycling center in 2017, fees for commercial cardboard recycling were imposed, especially on larger quantities brought to the center. Disposal fees were charged for all e-waste, regardless of generator source. Donations are still accepted for the household hazardous waste event from residents wishing to help offset the cost. Receipts for the donations will be issued and the funds will be deposited as part of the enterprise funds. The composting project begun in 2017 has not resulted in any significant income. The project is ongoing and several changes will be implemented over the next few years to refine and improve the product and productivity of the operations.

The budgeted revenues and operating expenses for 2018 are similar to 2017 taking into account inflationary costs for payroll, insurance, waste disposal for e-waste and household hazardous wastes, and supplies costs. A new mechanic work truck was purchased in 2017. The District did not set up a separate fund as planned to set aside money over the next three years to hold for potential impacts from Family Medical Leave Act employees as well as retirement or resignation payout for unused sick and annual leave for long term employees per the newly approved leave policy. However, the District did begin the fund in 2018.

The District began tracking expenses and revenues by six specific cost centers to assist in analysis and feasibility studies. The five cost centers are the Klondike Landfill, the Moab Landfill, the Recycling Center, Composting, Shop/Maintenance overhead and Administrative/Office. This tracking will be used to determine cost efficiency efforts as well as determining the true cost for the various services provided for the community. In 2019, the District will be converting the current account code system into a more manageable system allowing for cost codes to be consistent across the centers utilizing class as filtering rather than establishing a separate account code per function.

The District continues to operate both landfills and recycle center based on environmentally and fiscally sound solid waste management practices to include the hiring, training and retention of highly trained operators who will be encouraged to obtain related professional certifications such as the Manager of Landfill Operations (MOLO), Manager of Recycling Operations (MORO), and Manager of Compost Operations (MOCO). In addition, the District will continue to monitor and inspect the two closed landfills within the district boundary: Cisco and Thompson Springs. Drone flights were not conducted in 2017 as planned, although scheduling for 2018 is being considered to determine actual consumption of air space at both landfills. The cleanup of the illegal dump in Thompson Springs that was originally thought to be on District property was completed in 2017 with the District waiving the disposal fees to assist with the one time cleanup effort. No illegal dumping was found on either closed site. Future consideration for budget issues will be made for some remediation cover work by 2020 for the closed Cisco Landfill to maintain compliance with state and federal rules governing closed site. No work is needed for the Thompson Springs land.

The five year management plan has not been completed due to two significant events in 2017. The first was the China National Sword program imposing draconian contamination standards (0.5 percent) as well as rejection of plastics and mixed paper, the value of the commodities are severely depressed and will continue to be depressed for the next three to five years. The city of Moab is making a determination whether to require single stream/co-mingled curbside pickup as part of their Franchise Solid Waste Hauling Contract. If this becomes a reality, the District does not have the infrastructure to support a sorting facility. Such co-mingled material would need to be sent out of the district area for further processing and sale. The analysis of the future configuration of recycling is an ongoing effort and will be through 2019.

ECONOMIC FORECAST AND FUTURE BUDGET (continued)

In addition to the recycling conundrum, the District is also researching options for increased composting to include in-vessel as well as windrow to allow for food waste and similar organic diversion. Decision on these option will continue into 2019. The District is also working with local sustainable grass roots movements on options for the recycling center and composting operations. All of these efforts will be continuing into 2019.

The equipment maintenance program will continue to be expanded to improve efficiencies and tracking of operating costs. The District budgeted to purchase and install a truck scale by pursuing CIB grant/loan funding. A second capital improvement for 2018 is the purchase and installation of a new baler system, provided grant or similar funding resources are found. The District is also looking to purchase dump trailers to expedite transport of glass to the Moab Landfill for repurposed use as well as hauling materials for disposal to the Klondike Landfill from the recycling center. The cost of a dumping trailer is estimated at less than $5,000.

RESPONSE TO THE LEGISLATIVE AUDITOR GENERAL 27 POINT CHECKLIST

The District reviewed the twenty seven (27) point checklist developed by the Utah Legislative Auditor General in response to reviewing special districts accountability issues. A written report was presented to the Administrative Control Board listing the status of the district's accountability in accordance with that checklist. The report also detailed weak areas or management checks and balances implemented to reach a higher level of accountability and transparency.

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

EXHIBIT 1

SOLID WASTE SPECIAL SERVICE DISTRICT # 1
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND
	SOLID WASTE FACILITY
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 578,753
Cash and cash equivalents - restricted	640,388
Accounts receivable	192,669
Total current assets	$ 1,411,810
Noncurrent Assets:	
Capital assets: (net of accumulated depreciation)	
Land	$ 247,576
Land improvements	257,889
Buildings/Building improvements	20,656
Equipment	811,471
Total noncurrent assets	$ 1,337,592
Total assets	$ 2,749,402
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - related to pensions	$ 96,857
Total assets and deferred outflows of resources	$ 2,846,259

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

EXHIBIT 1
(Continued)

SOLID WASTE SPECIAL SERVICE DISTRICT # 1
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND
	SOLID WASTE FACILITY
LIABILITIES AND NET POSITION	
Current Liabilities:	
Accounts payable	$ 20,186
Payroll taxes payable	19,377
Accrued interest payable	712
Revenue bonds payable - Due within one year	20,000
Total current liabilities	$ 60,275
Noncurrent liabilities:	
Revenue bonds payable - Due in more than one year	$ 259,500
Net pension liability	134,636
Total noncurrent liabilities	$ 394,136
Total liabilities	$ 454,411
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of resources - related to pensions	$ 21,550
Total liabilities and deferred inflows of resources	$ 475,961
Net Position:	
Net Investment in capital assets	$ 1,058,092
Restricted for:	
Debt service and closure costs	640,388
Unrestricted	671,818
Total net position	$ 2,370,298
Total liabilities, deferred inflows of resources and net position	$ 2,846,259

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

EXHIBIT 2

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, 2017

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND
	SOLID WASTE FACILITY
Operating Revenues:	
Charges for services	$ 669,670
Total operating revenue	$ 669,670
Operating Expenses:	
Salaries and benefits	$ 518,781
Professional services	17,342
Freight out	21,163
Office supplies	11,380
Utilities and telephone	11,073
Travel and vehicle expense	4,513
Insurance	18,432
Depreciation	187,894
Public notices	631
Postage and freight	2,218
Training and memberships	11,023
Repairs and maintenance	96,122
Fuel	30,361
Shop supplies	45,316
Advertising	7,067
Bank charges	106
Community outreach	2,160
Community cleanup	5,993
Total operating expenses	$ 991,575
Operating income/(loss)	$ (321,905)
Non-operating revenues/(expenses):	
Interest income	$ 13,174
Governmental revenue	400,000
Miscellaneous revenue	2,089
Gain on the sale of capital equipment	846
Interest expense	(11,443)
Total non-operating revenues (expenses)	$ 404,666
Change in net position	$ 82,761
Total net position, January 1,	2,287,537
Total net position, December 31,	$ 2,370,298

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

EXHIBIT 3

SOLID WASTE SPECIAL SERVICE DISTRICT # 1
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Cash flows from operating activities:		
Cash received from customers	$ 540,887	
Cash payments to suppliers for goods and services	(253,394)	
Cash payments to employees for services	(490,205)	
Net cash provided (used) by operating activities		$ (202,712)
Cash flows from noncapital financing activities:		
Governmental funds	$ 400,000	
Miscellaneous revenue	2,089	
Net cash provided (used) by noncapital financing activities		402,089
Cash flows from capital and related financing activities:		
Acquisition of capital assets	$ (82,081)	
Principal paid on revenue bonds	(19,500)	
Principal paid on capital lease	(171,002)	
Interest paid on revenue bonds	(8,970)	
Interest paid on capital lease	(2,523)	
Net cash (used) for capital and related financing activities		(284,076)
Cash flows from investing activities:		
Interest on investments received	$ 13,174	
Net cash provided (used) by investing activities		13,174
Net increase (decrease) in cash and cash equivalents		$ (71,525)
Cash and cash equivalents at beginning of year		1,290,666
Cash and cash equivalents at end of year		$ 1,219,141

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

EXHIBIT 3
(Continued)

SOLID WASTE SPECIAL SERVICE DISTRICT # 1
(A COMPONENT UNIT OF GRAND COUNTY)
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)		$ (321,905)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	$ 187,894	
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(128,783)	
(Increase) decrease in prepaids	18,983	
(Increase) decrease in net pension assets	38	
(Increase) decrease in deferred outflows of resources	(5,149)	
Increase (decrease) in accounts payable	12,523	
Increase (decrease) in payroll taxes payable	14,146	
Increase (decrease) in compensated absences	(743)	
Increase (decrease) in deferred inflows of resources	7,726	
Increase (decrease) in net pension liability	12,558	
Total adjustments		119,193
Net cash provided by operating activities		$ (202,712)

"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, 2017

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.

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

Assets	Years
Buildings	7 – 30
Improvements	7 – 30
Equipment	5 – 7
Furniture and fixtures	5 – 10

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

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

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

F. Net Position

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

G. Pensions

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

H. Deferred Outflows/Inflows of Resources

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

I. Compensated Absences

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Budget and Budgetary Accounting

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

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

K. Accounting Method

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

2. DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At December 31, 2017, the District's bank balance of cash on deposit was $335,006. Of this amount $85,006 was uninsured.

Investments

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

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by a District of the Federal Government and which have been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council

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

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

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

2. DEPOSITS AND INVESTMENTS (Continued)

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses of the PTIF, – net of administration fees, are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

Fair value of Investments

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

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

At December 31, 2017, the District had the following recurring fair value measurements:

		Fair Value Measurements Using		
Investment by Fair Value Level	12/31/17	Level 1	Level 2	Level 3
Debt Securities				
State of Utah Public Treasurer's Investment Fund	$ 898,924		$ 898,924	
	$ 898,924	$ …	$ 898,924	$ …

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, 2017 fair value factor, as calculated by the Utah State Treasurer, to the District's average daily balance in the Fund

At December 31, 2017, 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, 2017, the District's investments had the following maturities:

		Invesment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	$ 898,924	$ 898,924			
Total Investments	$ 898,924	$ 898,924	$ …	$ …	$ …

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, 2017, the District had the following quality ratings:

Investment Type	Fair Value	AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	$ 898,924				$ 898,924
Total	$ 898,924	$ …	$ …	$ …	$ 898,924

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, 2017, the District had $898,924 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, 2017 was as follows:

	Balance 12-31-16	Additions	Adjustments & Retirements	Balance 12-31-17
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 247,576			$ 247,576
Total capital assets not being depreciated	$ 247,576	$ …	$ …	$ 247,576
Capital assets being depreciated:				
Land improvements	$ 1,196,583			$ 1,196,583
Buildings	78,543			78,543
Improvements, other				
Equipment	1,528,912	$ 83,356	$ (25,441)	1,586,827
Furniture and fixtures				
Total capital assets being depreciated	$ 2,804,038	$ 83,356	$ (25,441)	$ 2,861,953

3. CAPITAL ASSETS (Continued)

	Balance 12-31-16	Additions	Adjustments & Retirements	Balance 12-31-17
Business-type activities:				
Less accumulated depreciation for:				
Land improvements	$ 897,521	$ 41,173		$ 938,694
Buildings	56,043	1,844		57,887
Improvements other				
Equipment	655,491	144,877	$ (25,012)	775,356
Furniture and fixtures				
Total accumulated depreciation	$ 1,609,055	$ 187,894	$ (25,012)	$ 1,771,937
Total capital assets, being depreciated, net	$ 1,194,983	$ (104,538)	$ (429)	$ 1,090,016
Business-type activities capital assets, net	$ 1,442,559	$ (104,538)	$ (429)	$ 1,337,592

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of accrued waste collection billings. For the year ended December 31, 2017, no allowance for doubtful accounts had been recorded on the books.

5. PENSION PLANS

General Information about the Pension Plan

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

Defined Benefit Plans

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

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

5. PENSION PLANS (Continued)

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

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

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

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

Summary of Benefits by System

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

*with actuarial reductions

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

5. PENSION PLANS (Continued)

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, 2017 are as follows:

Utah Retirement Systems

	Employee	Employer	Employer 401(k)
Contributory System			
111 - Local Government Division Tier 2	N/A	15.11	1.58
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, 2017, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	$ 8,703	N/A
Tier 2 Public Employees System	30,093	
Tier 2 DC System	2,463	N/A
Total Contributions	$ 41,259	$ …

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, 2017, we reported a net pension asset of $0 and a net pension liability of $134,636.

	Measurement (Date: December 31, 2016				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2015	Change (Decrease)
Noncontributory System		$ 132,947	0.0207043%	0.0215744%	(0.0008701)%
Tier 2 Public Employees System		1,689	0.0151389%	0.0171922%	(0.0020533)%
Total Net Pension Asset/Liability		$ 134,636			

The net pension asset and liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016 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, 2017, we recognized pension expense of $56,329.

At December 31, 2017, 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	$ 2,888	$ 5,018
Changes in assumptions	19,050	4,481
Net difference between projected and actual earnings on pension plan investments	30,184	8,963
Changes in proportion and differences between contributions and proportionate share of contributions	3,476	3,088
Contributions subsequent to the measurement date	41,259	
Total	$ 96,857	$ 21,550

5. PENSION PLANS – (Continued)

$41,259 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, 2016.

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

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2017	$ 10,447
2018	10,563
2019	12,818
2020	(374)
2021	54
Thereafter	539

Actuarial assumptions: The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 Percent
Salary increases	3.35 - 10.35 percent, average, including inflation
Investment rate of return	7.20 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, 2016, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013.

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

5. PENSION PLANS – (Continued)

Asset Class	Target Asset Allocation	Expected Return Arithmetic Basis: Real Return Arithmetic Basis	Expected Return Arithmetic Basis: Long-Term expected portfolio real rate of return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
Inflation			2.60%
Expected arithmetic nominal return			7.83%

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60%, a real return of 4.60% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 7.20 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 was reduced to 7.20 percent from 7.50 percent from the prior measurement period.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.20 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

System	**1% Decrease (6.20%)**	**Discount Rate (7.20%)**	**1% Increase (8.20%)**
Noncontributory System	$ 275,378	$ 132,947	$ 14,096
Tier 2 Public Employees System	11,495	1,689	(5,771)
Total	$ 286,873	$ 134,636	$ 8,325

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:

401(K) Plan	2017	2016	2015
Employer Contributions	$ 6,989	$ 5,001	$ 1,978
Employee Contributions			

Pension Beginning and Ending Values

	Beginning values			Ending values		
GASB 68 Schedule	**NPA/(NPA)**	**Asset**	**Liability**	**NPA/(NPA)**	**Asset**	**Liability**
Noncontributory	$ 122,078		$ 122,078	$ 132,947		$ 132,947
Contributory						
Public Safety						
Firefighters						
Judges						
Governors & Legislators						
Tier 2 Public Employees	(38)	$ 38		1,689		1,689
Tier 2 Public Safety & Firefighters						
Total	$ 122,040	$ 38	$ 122,078	$ 134,636	$ …	$ 134,636

5. PENSION PLANS – (Continued)

Retirement System	Net Pension Liability/(Asset) at 12/31/2015 System Total NPL/(NPA)	Proportionate Share	Beginning Values	Net Pension Liability/(Asset) at 12/31/2016 System Total NPL/(NPA)	Proportionate Share	Beginning Values
Non Contributory						
Local Governement	$ 565,848,640	0.0215744%	$ 122,078	$ 642,122,385	0.0207040%	$ 132,947
Tier 2 Public Employees	(218,300)	0.0171922%	(38)	11,154,934	0.0151390%	1,689
Total			$ 122,040			$ 134,636

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 INVESTMENTS/NET POSITION

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

9. USE OF ESTIMATES

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

10. RISK MANAGEMENT

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

11. LONG-TERM DEBT

Business-type Activities

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

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
2018	$ 8,385	$ 20,000	$ 28,385
2019	7,785	21,000	28,785
2020	7,155	21,500	28,655
2021	6,510	22,000	28,510
2022	5,850	23,000	28,850
2023-2027	18,300	172,000	190,300
	$ 53,985	$ 279,500	$ 333,485

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2017 was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
Solid Waste Management Revenue Bonds 1997A	$ 299,000		$ (19,500)	$ 279,500	$ 20,000
Capital lease	171,002		(171,002)		
Net pension liability	122,078	$ 12,558		134,636	
	$ 592,080	$ 12,558	$ (190,502)	$ 414,136	$ 20,000

12. CAPITAL LEASE

In 2016, the District entered into a lease purchase agreement to finance the acquisition of a 962M Caterpillar Loader. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, it has been recorded at the present value of their future minimum lease payments as of the inception date. This lease was paid off during 2017.

SOLID WASTE SPECIAL SERVICE DISTRICT #1

Required Supplementary Information

SOLID WASTE SPECIAL SERVICE DISTRICT #1
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2017

		Proportion of the net pension liability (asset)	Proportionate share of the net liability (asset)	Covered employee payroll	Proportionate share of the net pension liab (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a % of its covered employee payroll
Noncontributory System	2014	0.0206504%	$ 89,669	$ 160,066	56.00%	90.20%
	2015	0.0215744%	122,078	152,410	80.10%	87.80%
	2016	0.0207043%	132,947	136,665	97.28%	87.30%
Tier 2 Public Employees System	2014	0.0131204%	$ (398)	$ 64,250	-0.60%	103.50%
	2015	0.0171922%	(38)	111,104	-0.03%	100.20%
	2016	0.0151389%	1,689	124,151	1.36%	95.10%

"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, 2017

	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%
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%
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%

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

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

CHANGES IN ASSUMPTIONS:

The following actuarial assumption changes were adopted January 1, 2016. The assumed investment return assumption was decreased from 7.50% to 7.20% and the assumed inflation rate was decreased from 2.75% to 2.60%. With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by 0.15% from the prior years assumption.

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, 2017

	ADMIN	RECYCLING	SHOP & MAINTENANCE	LANDFILL	TOTAL
OPERATING REVENUES:					
Charges for services		$ 107,075		$ 562,595	$ 669,670
Total operating revenues	$ …	$ 107,075	$ …	$ 562,595	$ 669,670
OPERATING EXPENSES					
Salaries and benefits	$ 230,743	$ 135,851	$ 11,530	$ 140,657	$ 518,781
Professional services	11,138			6,204	17,342
Freight out		21,163			21,163
Office supplies	10,943	437			11,380
Utilities and telephone	5,015	3,584	556	1,918	11,073
Travel and vehicle expense	4,513				4,513
Insurance	18,432				18,432
Depreciation	6,275	10,574	4,570	166,475	187,894
Public notices	631				631
Postage and freight	2,218				2,218
Training and memberships	11,023				11,023
Repairs and maintenance		34,382		61,740	96,122
Fuel		192	635	29,534	30,361
Shop supplies		10,686	27,695	6,935	45,316
Advertising	7,067				7,067
Bank charges	106				106
Community outreach		2,160			2,160
Community cleanup				5,993	5,993
Total operating expenses	$ 308,104	$ 219,029	$ 44,986	$ 419,456	$ 991,575
Operating income	$ (308,104)	$ (111,954)	$ (44,986)	$ 143,139	$ (321,905)
NON-OPERATING REVENUES (EXPENSES):					
Interest income	$ 13,174				$ 13,174
Governmental revenue	400,000				400,000
Miscellaneous revenue	2,089				2,089
Gain on sale of capital assets	846				846
Interest expense	(11,443)				(11,443)
Total non-operating revenues (expenses)	$ 404,666	$ …	$ …	$ …	$ 404,666
Change in net position	$ 96,562	$ (111,954)	$ (44,986)	$ 143,139	$ 82,761

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UTAH ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report On Compliance with State Compliance Requirements

We have audited Solid Waste Special Service District #1's compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide,* issued by the Office of the State Auditor, that could have a direct and material effect on Solid Waste Special Service District #1 for the year ended December 31, 2017.

State compliance requirements were tested for the year ended December 31, 2017 in the following areas:

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on Solid Waste Special Service District #1's compliance based on our audit of the 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 the 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 General State Compliance Requirements

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, 2017.

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 2017-1, 2017-2 and 2017-3. Our opinion on compliance is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of Solid Waste Special Service District #1 is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with 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 detect and correct noncompliance with a state compliance requirement on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a state compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

We noted matters involving internal control over compliance which we are submitting for your consideration. These matters are described in the accompanying letter to management as items 2017-1, 2017-2 and 2017-3. The District's response to the internal control over compliance findings identified in our audit is described in the accompanying letter to management. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

SMUIN, RICH & MARSING

Price, Utah

July 17, 2017

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

RE: Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Solid Waste Special Service District #1, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Solid Waste Special Service District #1's basic financial statements and have issued our report thereon dated July 17 , 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Solid Waste Special Service District #1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Solid Waste Special Service District #1's internal control. Accordingly, we do not express an opinion on the effectiveness of Solid Waste Special Service District #1's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards* and which are described in the accompanying management letter as item 2017-1, 2017-2 and 2017-3.

District's Response to Findings

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

Purpose of this Report

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

SMUIN, RICH & MARSING

Smuin, Rich & Marsing

Price, Utah

July 17, 2017

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

Board Members:

The following comments and recommendations are a result of our review of the accounting procedures and internal controls in connection with our examination of the financial statements of Solid Waste Special Service District #1 for the year ended December 31, 2017.

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

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

STATE COMPLIANCE

2017-1 Open and Public Meetings Act

According to UCA 52-4-202 and UCA 52-4-203, each District is required to make the following posting and notices to the Utah Public Notice Website:

- District should properly post notice of meeting at least 24 hours before each meeting to the Utah Public Notice Website.
- Make sure agendas are reasonably specific to enable a lay person to understand the topics on the agenda.
- No final actions may be taken on a topic in the meeting that is not listed as a topic on the agenda

The District has complied with all of the items listed above except for the requirement to post notice of meetings at least 24 hours before each meeting to the Utah Public Notice Website. We recommend the District review the requirements for posting meetings to the above stated website as required in the Utah Code and develop and implement internal control to make sure these postings have been made

District's Response

The District has reviewed the requirements for posting meetings to the Utah Public Notice Website as required in the Utah Code and will develop and implement internal control to make sure these postings will be made.

2017-2 Cash Management

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

We noted that the District has been submitting the Deposit and Investment Reports on a semi-annual basis however, the report submitted for December 31, 2017 reported amounts that were different than the PTIF account balances reported on the December 31, 2017 bank statements.

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

District's Response

In the future, reconciliations will be reviewed by one other District administrative staff and coordinated with the District's treasurer to reduce inconsistences between the report and the financial institutions statements.

2017-3 Failure To Reconcile Significant Accounts

Statement on Auditing Standards No. 115, and generally accepted accounting principles requires governmental entities to design and implement controls, which allow them to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles

The District has committed many hours of time to properly reconcile all of their accounts, but failed to accurately perform reconciliations of some of their accounts, including bank accounts, PTIF accounts and major payroll accounts. Prior audit adjustments have caused some of the reconciliation problems and these items needed to be addressed as part of the reconciliation process. Some of the accounts are not being accrued or reconciled to the general ledger accounts in a timely or accurate manner. Unless accounts are accrued accurately and significant account balances reconciled to the general ledger accounts in a timely manner, financial statements may not be prepared in accordance with generally accepted accounting principles. Material and other misstatements may occur in the financial statements because transactions may not be recorded, which may cause expenditures in excess of available financial resources.

We recommend the District adopt and implement internal controls, which give guidance on who is responsible for recording and processing payroll, bank and PTIF statement transactions and how these transactions are kept track of, recorded and reconciled with the District's general ledger. We also recommend that management monitor these procedures to ensure they are performed accurately and timely.

District's Response

The District has and will continue to review its current procedures for recording these transactions and make necessary adjustments, as required, to comply with generally accepted accounting principles. We have requested the assistance of our outside auditors to provide guidance in this process. We have had changes in key personnel during the year that has set us back, but feel we have personnel in place that will ensure these items are performed accurately and timely.

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
June 17, 2017