



October 21, 2014

Wasatch Integrated Waste Management District  
Layton, UT 84040

We have audited the financial statements of Wasatch Integrated Waste Management District for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 1, 2014. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Wasatch Integrated Waste Management District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during June 30, 2014. We noted no transactions entered into by Wasatch Integrated Waste Management District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The estimates affecting the financial statements were estimated useful lives of property and equipment and landfill closure costs.

We evaluated the key factors and assumptions used to develop the useful lives of property and equipment and the landfill closure costs in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are consistent and clear.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### *Corrected and Uncorrected Misstatement*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

##### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 21, 2014.

*Other Audit Findings or Issues*

We generally discuss a variety of other matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Wasatch Integrated Waste Management District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Wasatch Integrated Waste Management District and is not intended to be and should not be used by anyone other than these specified parties.

*Christensen, Palmer & Ambrose P.C.*

WASATCH INTEGRATED WASTE MANAGEMENT DISTRICT  
(A Component Unit of Davis County)

Financial Statements - June 30, 2014 and 2013

(With Auditors' Report Thereon)

WASATCH INTEGRATED WASTE MANAGEMENT DISTRICT  
(A Component Unit of Davis County)

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Independent Auditors' Report

Administrative Control Board  
Wasatch Integrated Waste Management District  
Layton, UT

We have audited the accompanying statement of net position of Wasatch Integrated Waste Management District as of June 30, 2014 and 2013, and the related statement of revenue, expenses and changes in net position and statement of cash flows for the years then ended, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Wasatch Integrated Waste Management District as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who

considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2014 on our consideration of Wasatch Integrated Waste Management District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wasatch Integrated Waste Management District's internal control over financial reporting and compliance.

*Christensen, Palmer + Ambrose P.C.*

October 21, 2014

# **Wasatch Integrated Waste Management District (A Component unit of Davis County)**

## **Management Discussion and Analysis**

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As Management of Wasatch Integrated Waste Management District (the “District”), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the attached report.

### **History and Background**

The District was established on September 24, 1984, by Resolution No. 84-200 adopted by the Board of County Commissioners of Davis County, Utah (the “County”), pursuant to the provisions of the Utah Special Service District Act, Title 17A, Chapter 2, Part 13, Utah Code Annotated 1953, as amended (the “Special Service District Act”). Under the Special Service District Act, the District constitutes a separate body politic and corporate and a quasi-municipal public corporation distinct from each county or municipality in which the District is located. Following the establishment of the District, in accordance with the provisions of the Special Service District Act, the governing body, of each of the cities now included within the boundaries of the District, adopted a resolution electing to be included within the District.

The District was formed in 1984 as the Davis County Solid Waste Management and Energy Recovery Special Service District. In the mid-1990s the District created a dba name of Wasatch Energy Systems. On July 1, 2004 the District legally changed its name to Wasatch Integrated Waste Management District.

The boundaries of the District include all of the municipalities in Davis County (other than the City of Bountiful), the unincorporated areas of Davis County, Morgan City and the unincorporated areas of Morgan County, Utah. The District’s present boundaries encompass an area of approximately 268 square miles with an estimated population of 289,000 persons.

The Utah Special Service District Act, as applied to the District, provides that the Board of County Commissioners of Davis County shall control, and have supervisory authority over all activities of the District, but that the Board of Davis County Commissioners may delegate to an administrative control board the governance of the District and the exercise of certain powers of the District under the Special Service District Act. Pursuant to Resolution No. 84-200 and Resolution No. 87-130, adopted by the Board of Davis County Commissioners (collectively, the “County Resolution”), the governance and the exercise of the powers of the District were delegated to the Administrative Control Board.

The Administrative Control Board is presently composed of nineteen members; including the three Davis County Commissioners and one member from each of the sixteen other political subdivisions of the State of Utah that are included within the District. Each member of the Administrative Control Board is appointed by the Governing body of the member's respective political subdivision for a four-year term. As of June 30, 2014 members of the Administrative Control Board are:

<b>Board Member</b>	<b>Position</b>	<b>Representing</b>
Louenda Downs	Commissioner	Davis County
Brett Millburn	Commissioner	Davis County
John Petroff	Commissioner	Davis County
John Higginson	Council Member	Centerville City
Mark Shepherd	Mayor	Clearfield City
Mitch Adams	Mayor	Clinton City
Jim Talbot	Mayor	Farmington City
Don Carroll	Mayor	Fruit Heights City
Steve Hiatt	Mayor	Kaysville City
Bob Stevenson	Mayor	Layton City
Tony London	Councilmember	Morgan City
Ned Mecham	Councilmember	Morgan County
Len Arave	Mayor	North Salt Lake City
Randy Hilton	Council Member	South Weber City
Beverly Macfarlane	Mayor	Sunset City
Mike Gailey	Council Member	Syracuse City
James Bruhn	Councilmember	West Bountiful City
Erik Craythorne	Mayor	West Point City
David Hill	Councilmember	Woods Cross City

The Administrative Control Board annually elects an executive committee including; Chairman, Vice Chairman and Secretary. As of June 30, 2014 members of the executive committee are:

John Petroff	Chairman
Mitch Adams	Vice-Chairman
James Bruhn	Secretary

Daily operations of the District are supervised by the Executive Director, Nathan Rich, who is appointed by and serves at the pleasure of the Administrative Control Board. District Staff currently consists of 64 full time employees.



## **Operations**

The primary components of the integrated solid waste disposal system operated by the District are the Davis Energy Recovery Facility and the Davis Landfill. Other components of the integrated system which are located at the Davis Landfill include; a green waste recycling facility, recycling drop off center, household hazardous waste drop-off facility, landfill gas to energy facility, maintenance shop, and the District administrative offices.

### **Davis Energy Recovery Facility**

The Davis Energy Recovery Facility is located on a tract of land in unincorporated Davis County adjacent to Hill Air Force Base (HAFB) and Layton, Utah. The facility includes two mass burn municipal waste combustors, each with a nameplate capacity of 210 tons per day. The combustors are equipped with refractory wall furnaces and heat recovery boilers. The energy recovery facility is equipped with a back pressure turbine generator rated at 1600 kilowatts. Steam generated from the combustion of waste is exported to HAFB for process and heating uses pursuant to the terms and conditions of the Utility Service Contract. Construction of the facility was completed and final acceptance of the facility occurred in October 1988. The sale of steam from the facility to HAFB is currently provided through a three year fixed price contract effective April 6, 2011 which has been extended to September 30, 2014. A ten year fixed price contract has been executed which will provide for the sale/purchase of steam for the period October 1, 2014 through September 30, 2024. Substantial improvements have been made at the energy recovery facility over the years including; installation of an upgraded air pollution control system in 2001, replacement of redesigned feed grates in 2001, installation of new ash extractors in 2005, installation of a wet drag conveyor for under-fire ash removal in 2009, and installation of natural gas fired auxiliary burners in 2012. The new 10 year contract is expected to support a series of capital improvements at the facility, primarily over the next five years.

### **Davis Landfill**

The Davis Landfill and administrative offices are located approximately 1.5 miles east of the energy recovery facility. The historic landfill (unlined) cell began accepting waste in about 1952 and was permanently closed in 1999. The historic landfill cell does not have a bottom liner component or leachate recovery system. The first phase of the new (lined) landfill cell was constructed in 1998 to meet Federal Standards under the Resource Conservation and Recovery Act (RCRA) Subtitle D and includes an engineered bottom liner and leachate collection system. Phase two of the lined landfill cell was constructed in July 2002. A final cap and cover system, including landfill gas recovery, was installed during June 2006 over approximately 12 acres of the lined landfill cell. Phase three of the lined landfill cell was also completed during August 2006 to provide for additional disposal capacity. Construction of Phase five of the lined landfill cell was completed in December 2012 adding substantial additional capacity to the landfill. Phase four of the lined landfill cell is scheduled for construction in approximately six years. As of June 30, 2014 the landfill had a remaining capacity of 5,701,051 cubic yards of MSW which is estimated to last 28 years under status quo operations. Approximately 54 acres of land, adjacent to the Davis Landfill, was purchased in December 2012 to serve as a buffer between landfill operations and the surrounding residential community.

### **Green Waste Recycling Facility**

The Green Waste Recycling Facility is located at the Davis Landfill and became operational in the fall of 2002. Recycling consists of processing of vegetative wastes to produce wood chip, mulch, and compost products which are available to the general public for sale at modest prices. The District has implemented a program for the curbside collection of green waste which is delivered to the Green Waste Recycling Facility. Currently the cities of Centerville, Fruit Heights, Kaysville, Sunset, Syracuse, West Point, and Woods Cross, are providing service for curbside collection of green waste. Expanded curbside collection of green waste will further improve operations at the energy recovery facility by removing grass clippings and other poorly combustible material from the municipal waste stream while providing additional feed stock for recycling and sale. Wasatch completed construction of, and is currently operating, an Aerated Static Pile (ASP) composting system which was completed in June 2013. The new facility is successfully increasing capacity and reducing odor emissions from composting operations.

### **Citizen Drop Off Facility**

The citizen drop off facility at the landfill was completed in June 2006 and provides a clean safe location where self-haul customers may drop off waste without having to enter the landfill cell. Waste is dropped on a large concrete pad and landfill personnel then haul it into the landfill for disposal. Several recycling opportunities are also provided as part of the citizen drop off facility.

### **Household Hazardous Waste and Recycling Facilities**

The recycling drop-off facility was opened in June 2010 and provides a quality recycling opportunity for residents and businesses within the District, at no charge. The household hazardous waste facility is co-located at the recycling drop-off center and provides a place for residents of the District to dispose of household quantities of potentially hazardous waste at no charge. Services provided include: (1) recycling of electronic waste, used oil, batteries and antifreeze, (2) product reuse, and (3) proper disposal for potentially hazardous materials.

### **Landfill Gas to Energy Facility**

During 2004 the District installed equipment at the landfill to compress and ship landfill gas, via pipeline, to HAFB for use in generating electricity. In January 2005 the project came on line and started putting waste gas, produced from decaying garbage, to beneficial use while reducing air pollution. The project was completed in partnership with HAFB, the U.S. Department of Energy, and the Utah Energy Office. This was the first operational landfill gas to energy project completed in the State of Utah. In March 2008 HAFB installed an additional generator, increasing capacity from 1.2 megawatts to 2.2 megawatts of renewable electricity (power for about 1500 homes). Flexible membrane has been installed as a temporary cover over all currently inactive areas of the lined landfill to improve landfill gas capture and control odor.

## Capital Projects Plan

A facility audit of the energy recovery facility conducted in 2011 indicated “It is anticipated that, given sufficient funding for maintenance, the plant can operate satisfactorily for another fifteen years at similar levels of availability and performance as is currently being achieved.” Several major capital projects at the energy recovery facility are scheduled over the next five years to support continued operations including the addition of ash treatment systems, replacement of generation banks, addition of pollution control systems for NOx and CO, improvements to the electrostatic precipitator, and replacement of the air cooled condenser.

With continued operation of the energy recovery facility, as currently configured, the Davis Landfill will reach capacity in approximately 28 years. Some disposal capacity will need to be replaced within 15 years. Replacement landfill capacity will likely be located at a considerable distance from the District service area in either Box Elder or Tooele County. The long distance transportation of waste will necessitate construction of one or more transfer stations within the District for the collection and transfer of waste in long-haul trucks. It is anticipated that the primary transfer station will be located at the current site of the energy recovery facility.

## Other Considerations

The current energy services contract with HAFB for the sale and purchase of steam from the energy recovery facility expires on September 30, 2014. The district has negotiated a new 10 year fixed price contract with HAFB effective October 1, 2014 that will support continued operation of the energy recovery facility including completion of the planned capital projects.

## Financial Highlights

- Final payment for the revenue refunding bonds issued to fund construction and operation of the WTE (Waste to Energy) facility was paid in June 2006. In fiscal year 2014 the District has not incurred any additional long term debt other than the facilities closure and post closure care costs.
- A substantial rate reduction was implemented during the fiscal year ended June 30, 2007. A reduction in the rate charged member cities for each residential can was reduced from \$7.25 per month to \$5.25 per month effective January 1, 2007 and to \$5.20 per month effective July 1, 2014.
- The assets of the District exceeded liabilities at the close of the most recent fiscal year by \$56,877,076 (net assets). Of this amount, \$36,270,666 are capital assets, \$5,236,637 is temporarily restricted to meet closure and post closure requirements and \$7,008,000 is designated for capital project requirements as provided by

District Title 9 Application of Funds set by resolution by the Administrative Control Board. The remaining balance of \$8,361,773 may be used to meet the District's ongoing services and obligations to customers, employees and creditors.

- The District's total net assets increased by \$4,113,247 primarily due to \$1,072,022 net operating gain which included \$4,001,001 depreciation and amortization, \$371,010 increase in accounts receivable, \$221,040 increase in inventory, \$19,043 increase in prepaid expenses, \$323,501 decrease in current liabilities and \$321,275 increase in closure and post closure care costs.
- At the close of the current fiscal year the District's combined ending funds cash and investments were \$23,302,448 which was an increase of \$5,874,099 from the prior year.
- The Districts total liabilities decreased by \$2,226 during the most recent fiscal year. The key factors being the decrease of \$323,501 in current liabilities and an increase in closure/post closure liabilities of 321,275.

## Overview of the Financial Statements

The District's financial statements consist of:

- **The Statement of Net Assets** presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- **The Statement of Revenues, Expenditures, and Changes in Net Assets** presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving raise to the change occurred, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected fees charged and earned but unused vacation leave).
- **The Statement of Cash Flows** presents the activities of the District on a cash-received and cash paid basis. This statement shows how cash was spent and reconciles the change in the cash accounts for the District from the prior year to the current year.
- **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements.
- **Other Information** - In addition to the basic financial statements and accompanying notes, this report presents certain supplementary information

concerning closure and post-closure care requirements for the landfill and energy recovery facility.

## Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$56,877,076 at the close of the most recent fiscal year.

The largest portion of the District's net assets \$36,270,666 (64%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment). The District uses these capital assets to provide services to its customers.

In comparison with the prior year, the following items should be noted:

- Total operating revenues increased by \$742,299. This increase was due to a \$300,508 increase in tipping fee revenue, \$436,328 increase in steam and energy sales, \$11,833 decrease in recycling revenue and \$17,296 increase in other revenue.
- Total operating expenses decreased by \$1,209,762. This decrease resulted primarily from a delay in the maintenance schedule at the energy recovery facility.
- Non-operating revenues (expenses) increased by \$260,558. This increase was primarily due to a \$41,730 decrease in interest revenue and \$302,288 increase in the gain on sale of equipment.
- Special Items were the return of \$2,500,000 in capital and \$149,059 in accrued interest from the Northern Utah Landfill Authority (NURLA).
- Net assets increased by \$4,113,247 compared to a \$748,431 decrease the prior year.

The following tables summarize information presented in the financial statements:

**Wasatch Integrated Waste Management Districts' Net Assets**

	<b>Total Change 2014 -2013</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Current and other assets	\$6,485,192	\$26,762,420	\$20,277,228	\$29,458,587
Capital assets	<u>(2,374,171)</u>	<u>36,270,666</u>	<u>38,644,837</u>	<u>32,365,688</u>
Total assets	4,111,021	63,033,086	58,922,065	61,824,275
Current and other liabilities	(323,501)	1,144,340	1,467,841	3,118,087
Long-term liabilities	<u>321,275</u>	<u>5,011,670</u>	<u>4,690,395</u>	<u>5,193,928</u>
Total liabilities	(2,226)	6,156,010	6,158,236	8,312,015
Net assets:				
Capital assets, net of debt	(2,374,171)	36,270,666	38,644,837	32,315,688
Restricted - temporary	26,301	5,236,637	5,210,336	5,176,264
Unrestricted - capital projects	1,799,344	7,008,000	5,208,656	15,422,600
Unrestricted	<u>4,661,773</u>	<u>8,361,773</u>	<u>3,700,000</u>	<u>597,708</u>
Total net assets	\$4,113,247	\$56,877,076	\$52,763,829	\$53,512,260

## Wasatch Integrated Waste Management Districts' Change in Net Assets

	Total Change 2014-2013	2014	2013	2012
Operating Revenue	\$742,299	\$15,811,448	\$15,069,149	\$15,588,823
Less Operating expenses	<u>(1,209,762)</u>	<u>14,739,426</u>	<u>15,949,188</u>	<u>18,984,192</u>
Net operating income	1,952,061	1,072,022	(880,039)	(3,395,369)
Non operating revenues (expenses)	260,558	392,166	131,608	409,847
Special Items	2,649,059	2,649,059	0	0
Change in net assets	4,861,678	4,113,247	(748,431)	(2,985,522)
Net assets - beginning of year	<u>(748,431)</u>	<u>52,763,829</u>	<u>53,512,260</u>	<u>56,497,782</u>
Net assets - end of year	\$4,113,247	\$56,877,076	\$52,763,829	\$53,512,260

## Revenues

District revenues are generated from user fees and energy sales. No tax dollars are used in financing District operations. The District collects a monthly container fee for residential household (automated side-load) containers and commercial (automated side-load) containers. A tipping fee is charged for all other waste received. The District also has entered into a utility service contract with the government of the United States providing for the delivery of steam to HAFB. A summary of the District's Revenues are:

	2014	%	2013	%	2012	%
Operating revenues:						
Tipping fees	\$11,045,322	59%	\$10,744,814	71%	\$10,961,678	69%
Steam and energy	3,639,884	19%	3,203,556	21%	3,095,277	19%
Recycling	1,058,418	6%	1,070,251	7%	1,156,649	7%
Other	<u>67,824</u>	0%	<u>50,528</u>	0%	<u>375,219</u>	2%
Total operating revenue	15,811,448	84%	15,069,149	99%	15,588,823	97%
Non operating revenues (expenses)	392,166	2%	131,608	1%	409,847	3%
Special items	<u>2,649,059</u>	14%	<u>0</u>	0%	<u>0</u>	0%
Total revenues	\$18,852,673	100%	\$15,200,757	100%	\$15,998,670	100%

## Capital Assets

The District investment in net capital assets decreased by \$2,374,171 which was attributed to depreciation and:

The sale of the following items:

- Tub-grinder

- Pick-up truck
- Computer equipment

The acquisition of the following items:

- Fork-lift
- Loader
- Roll-off truck
- Dump truck
- Pick-up truck
- Roll-off bins
- Litter fencing

## **Debt Administration**

At the end of the fiscal year the District had \$1,144,340 in current liabilities and \$5,011,670 in long-term liabilities for closure and post closure. The District had no bonded debt outstanding.

## **Economic Factors and Next Year's Budget and Rates**

- The District prepared its 2015 budget anticipating minimal growth in households over the next year. The District will continue to provide excellent customer service by maintaining and expanding District facilities and continually improving customer service facilities. The District will continue to promote an integrated waste management system for the handling of waste in the District that includes; waste to energy, modern landfill technology, recycling, and composting.
- The District has planned an \$8,305,000 capital budget for fiscal year 2015 which includes the purchase of a fork lift, loader, compactor, pick-up truck, Continuous Emission Monitoring System (CEMS) replacement and two major capital projects at the energy recovery facility which are 1) replacement of the generation bank of the boiler and 2) the installation of a new fly ash conditioning system.

## **Request for Information**

The financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Executive Director, Nathan Rich, P.O. Box 900 Layton, Utah 84041-0900.

WASATCH INTEGRATED WASTE MANAGEMENT DISTRICT  
(A Component Unit of Davis County)

Statement of Net Position

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b><u>Assets</u></b>		
Current assets:		
Cash (note 2)	\$ 950,975	264,931
Temporary cash investments (note 2)	22,351,473	17,163,418
Accounts receivable less allowance for doubtful accounts of \$20,000	1,539,308	1,168,298
Inventory (note 1)	1,791,007	1,569,967
Prepaid expenses and deposits	<u>129,657</u>	<u>110,614</u>
Total current assets	<u>26,762,420</u>	<u>20,277,228</u>
Capital assets (notes 1 and 3)		
Less accumulated depreciation	<u>(65,361,882)</u>	<u>(62,669,104)</u>
Capital assets - net	<u>36,270,666</u>	<u>38,644,837</u>
Total assets	<u>63,033,086</u>	<u>58,922,065</u>
<b><u>Deferred Outflows of Resources</u></b>		
	-	-
<b><u>Liabilities</u></b>		
Current liabilities:		
Accounts payable	444,730	808,222
Other accrued liabilities	<u>699,610</u>	<u>659,619</u>
Total current liabilities	<u>1,144,340</u>	<u>1,467,841</u>
Long-term debt:		
Land fill closure and post closure care costs	<u>5,011,670</u>	<u>4,690,395</u>
Total long-term debt	<u>5,011,670</u>	<u>4,690,395</u>
Total liabilities	<u>6,156,010</u>	<u>6,158,236</u>
<b><u>Deferred Inflows of Resources</u></b>		
	-	-
<b><u>Net Position</u></b>		
Net investment in capital assets	36,270,666	38,644,837
Restricted - temporary for closure and post-closure costs	5,236,637	5,210,336
Unrestricted - designated for capital project requirements	7,008,000	5,208,656
Unrestricted	<u>8,361,773</u>	<u>3,700,000</u>
Total net position	<u>\$ 56,877,076</u>	<u>52,763,829</u>

See independent auditors' report and notes to financial statements.



WASATCH INTEGRATED WASTE MANAGEMENT DISTRICT  
(A Component Unit of Davis County)

Statement of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Tipping fees	\$ 11,045,322	10,744,814
Steam sales	3,639,884	3,203,556
Recycling	1,058,418	1,070,251
Other	<u>67,824</u>	<u>50,528</u>
Total operating revenues	<u>15,811,448</u>	<u>15,069,149</u>
Operating expenses:		
Personnel	5,498,906	5,572,022
Depreciation and amortization	4,001,001	3,964,441
Maintenance	1,713,953	3,109,845
Supplies	1,398,773	2,027,533
Professional services	378,686	595,049
Utilities and telephone	639,913	473,419
Insurance	378,108	363,540
Environmental testing and permits	209,233	173,803
Training and travel	100,827	82,445
Miscellaneous	98,751	90,624
Landfill closure and post closure adjustment	<u>321,275</u>	<u>(503,533)</u>
Total operating expenses	<u>14,739,426</u>	<u>15,949,188</u>
Net operating income (loss)	<u>1,072,022</u>	<u>(880,039)</u>
Non-operating revenues (expenses):		
Gain on sale of equipment	303,170	882
Interest revenue	<u>88,996</u>	<u>130,726</u>
Total non-operating revenues	<u>392,166</u>	<u>131,608</u>
Special items:		
NURLA investment return	2,500,000	-
NURLA interest	<u>149,059</u>	<u>-</u>
Total special items	<u>2,649,059</u>	<u>-</u>
Change in net position	4,113,247	(748,431)
Net position - beginning of year	<u>52,763,829</u>	<u>53,512,260</u>
Net position - end of year	<u>\$ 56,877,076</u>	<u>52,763,829</u>

See independent auditors' report and notes to financial statements.

WASATCH INTEGRATED WASTE MANAGEMENT DISTRICT  
(A Component Unit of Davis County)

Statement of Cash Flows

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Receipts from customers	\$ 15,440,438	15,072,260
Payments to suppliers	(5,516,400)	(8,439,614)
Payments to employees	<u>(5,464,334)</u>	<u>(5,565,780)</u>
Net cash provided by operating activities	<u>4,459,704</u>	<u>1,066,866</u>
Cash flows from investing activities:		
Interest received	238,055	130,726
NRLA investment return	<u>2,500,000</u>	<u>-</u>
Net cash provided by investing activities	<u>2,738,055</u>	<u>130,726</u>
Cash flows from capital and related financing activities:		
Sale of equipment	303,170	882
Purchase of capital assets	<u>(1,626,830)</u>	<u>(10,243,570)</u>
Net cash used by capital and related financing activities	<u>(1,323,660)</u>	<u>(10,242,688)</u>
Net increase (decrease) in cash and temporary cash investments	5,874,099	(9,045,096)
Cash and temporary cash investment - beginning of year	<u>17,428,349</u>	<u>26,473,445</u>
Cash and temporary cash investment - end of year	<u>\$ 23,302,448</u>	<u>17,428,349</u>
Reconciliation of operating income to net cash provided by operating activities:		
Net operating income (loss)	\$ 1,072,022	(880,039)
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	4,001,001	3,964,441
(Increase) decrease in accounts receivable	(371,010)	3,111
Increase in inventory	(221,040)	(212,110)
(Increase) decrease in prepaid expenses	(19,043)	345,262
Decrease in current liabilities	(323,501)	(1,650,246)
Increase (decrease) in land closure and post closure care costs	<u>321,275</u>	<u>(503,533)</u>
Net cash provided by operating activities	<u>\$ 4,459,704</u>	<u>1,066,886</u>

See independent auditors' report and notes to financial statements.

WASATCH INTEGRATED WASTE MANAGEMENT DISTRICT  
(A Component Unit of Davis County)

Notes to Financial Statements

June 30, 2014 and 2013

(1) Organization and Summary of Significant Accounting Policies

**A. Nature of Operations**

Wasatch Integrated Waste Management District was established on October 13, 1984 by a resolution adopted by the Board of County Commissioners of Davis County, Utah, pursuant to the provisions of the Utah Special Service District Act.

The District is engaged in the operation of a solid waste disposal and resource recovery co-generation facility (the Facility). In the process of burning solid waste, the Facility generates steam which is sold as an energy source to the United States Government (Hill Air Force Base).

During fiscal year 1987, various cities deeded to the District property on which the District now operates a landfill. The landfill property, was deeded without charge to the District. Because fair market value was not determinable (and is deemed to be minimal), this land has not been reflected in the accompanying financial statements. Land purchased after 1987 is presented on financial statements.

**B. Financial Reporting Model**

The District has implemented a financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*.

**C. Accounting Policies**

*Fund Accounting* - The accounts of the District are organized as one proprietary fund type specifically as an enterprise fund. Proprietary funds account for the flow of economic resources and use the accrual basis for accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. The District applied all applicable FASB pronouncements in accounting and reporting for its proprietary operations. Enterprise funds account for operations that are financed and operated in a manner similar to private business or where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

*Reporting Entity* - In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of the ability is financial interdependency. Other manifestations of this ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application for this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units. The District has been determined to be a component unit of Davis County. The County has a minority position in the District's management in that three of the nineteen trustee positions are held by the County Commission. The County is considered to be the primary government for the District because the County was the creating entity and also has the statutory authority of dissolution.

*Deposits and investments* - The District's cash and cash equivalents are considered to be cash on hand and demand deposits. Investments are stated at cost.

*Inventory valuation* - Inventory is stated at lower of cost (average cost) or market. Market is considered to be net realizable value.

*Capital assets* - Capital assets are recorded at cost of purchase or construction plus capitalized interest on qualifying property.

WASATCH INTEGRATED WASTE MANAGEMENT DISTRICT  
(A Component Unit of Davis County)

Notes to Financial Statements - Continued

June 30, 2014 and 2013

(1) Organization and Summary of Significant Accounting Policies - Continued

*Depreciation* - All property, plant and equipment are depreciated on the straight-line method over the following estimated useful lives: buildings 15-30, pollution control equipment 20, improvements and landscaping 15-30, boilers and burning equipment 3-20, computer equipment 3-5, heavy mobile equipment 3-15, other equipment 3-20.

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

*Operating revenues and expenses* - Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues include charges for services and property taxes received. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities or result from ancillary activities.

*Subsequent Events* - Management has evaluated subsequent events through October 21, 2014, the date the financial statements were available to be issued.

(2) Deposits and Investments

Deposits and investments for the District are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

**A. Custodial Credit Risk**

*Deposits.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of District funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirement of the Act and adhering to the rules of the Utah Money Management Council.

The District's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The District's deposits at June 30, 2014 were \$975,930, of which \$475,930 were uninsured and uncollateralized, and the District's deposits at June 30, 2013 were \$742,196, of which \$252,381 were uninsured and uncollateralized.

**B. Credit Risk**

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government-sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The District is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

WASATCH INTEGRATED WASTE MANAGEMENT DISTRICT  
(A Component Unit of Davis County)

Notes to Financial Statements - Continued

June 30, 2014 and 2013

(2) Deposits and Investments - Continued

Following are the District's investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
June 30, 2014 PTIF Investments	\$22,351,473	66 days*	Not rated
June 30, 2013 PTIF Investments	<u>\$17,163,418</u>	74 days*	Not rated

\*Weighted-average maturity

**C. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the District's investments are noted in the previous table.

**D. Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy to limit this risk is to adhere to the rules of the Money Management Council and to invest most of its available funds in the PTIF. The Council rules do not limit the amount of investments a government may make in any one issuer except for Rule 2 regarding certain endowments and funds with a long-term perspective, and Rule 17 which limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the government's portfolio at the time of purchase.

(3) Capital Assets

Changes in capital assets are as follows:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Land	\$ 13,926,963	-	-	13,926,963
Capital projects - single items	2,700,410	1,363,240	3,882,410	181,240
Buildings	20,663,262	161,354	-	20,824,616
Improvements	16,950,362	2,784,255	-	19,734,617
Waste to energy equipment	35,032,303	799	-	35,033,102
Mobile equipment	7,526,463	531,895	1,016,196	7,042,162
Containers	260,549	78,595	-	339,144
Computer equipment	1,065,669	59,193	126,210	998,652
Trucks and automobiles	1,034,537	195,136	133,067	1,096,606
Office furnishings and equipment	162,488	6,146	-	168,634
Attachments	353,429	10,418	26,969	336,878
Other equipment	1,450,735	329,674	7,993	1,772,416
Leased property	-	39,510	-	39,510
Box Elder landfill - site	186,771	-	48,763	138,008
	<u>101,313,941</u>	<u>5,560,215</u>	<u>5,241,608</u>	<u>101,632,548</u>
Accumulated depreciation	<u>(62,669,104)</u>	<u>(4,001,001)</u>	<u>(1,308,223)</u>	<u>(65,361,882)</u>
Capital assets - net	<u>\$ 38,644,837</u>	<u>1,559,214</u>	<u>3,933,385</u>	<u>36,270,666</u>

WASATCH INTEGRATED WASTE MANAGEMENT DISTRICT  
(A Component Unit of Davis County)

Notes to Financial Statements - Continued

June 30, 2014 and 2013

(4) Commitments

On April 6, 2011, the District entered into a utility service contract with the United States Government for the sale of steam generated by the Facility. The contract will continue in effect for three years. The contract was extended for a period of six months on April 7, 2014. Estimated annual revenue is \$3,100,000.

On July 24, 2014, the District entered into a new ten year utility services agreement effective October 1, 2014. Estimated annual revenue under the new agreement is \$4,800,000 escalated annually at 2.4%.

On June 28, 1993, the District entered into an agreement to purchase 1,120 acres in Box Elder County for the development and operation of a nonhazardous solid waste landfill. If the property is developed as a nonhazardous solid waste landfill, the District has agreed to pay Wangsgard Associates the sum of thirty cents for each ton of solid waste delivered to the property for a period of 25 years.

(5) Related Party Transactions

The District received revenues from various cities and local counties whose mayors/representatives are on the Administrative Control Board of the District. These revenues for the year ended June 30, 2014 totaled \$6,232,787 and \$6,124,609 for fiscal year 2013. The District had receivables from these parties totaling \$549,141 as of June 30, 2014 and \$570,220 as of June 30, 2013.

(6) Pension Plans and Retirement Benefits

**Plan Description**

The Wasatch Integrated Waste Management District (District) contributes to the Utah Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The System is established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Non-contributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah, 84102 or by calling 1-800-365-8772.

**Funding Policy**

District members in the Contributory division are required to contribute 13.990% of their salary (all or part may be paid by the employer for the employee) and the District is required to contribute 12.740% of their annual salary and 17.290% of District members' annual salary in the Non-contributory division. The contribution rates are the actuarial determined rates. The contribution requirements of the System are authorized by statute and specified by the Board.

The District's contributions to the Contributory Retirement System for June 30, 2014, 2013, and 2012 were \$19,846, \$17,027, and \$9,275 respectively, contributions to the Non-contributory Retirement System for June 30, 2014, 2013, and 2012 were \$534,123, \$484,728 and \$473,129 respectively, and 401(K) contributions for June 30, 2014, 2013, and 2012 were \$146,074, \$134,741, and \$139,351 respectively. The contributions were equal to the required contributions for each year.

(7) Cash and Temporary Cash Investment

On the statement of cash flows, cash and temporary cash investments includes the following balance sheet amounts:

	<u>2014</u>	<u>2013</u>
Cash	\$ 950,975	264,931
Temporary cash investments	<u>22,351,473</u>	<u>17,163,418</u>
	<u>\$23,302,448</u>	<u>17,428,349</u>

WASATCH INTEGRATED WASTE MANAGEMENT DISTRICT  
(A Component Unit of Davis County)

Notes to Financial Statements - Continued

June 30, 2014 and 2013

(8) Closure and Post-Closure Care Cost

The District is required by State and Federal Law to provide both closure and post-closure care of the landfill facility and energy recovery facility. Closure costs that will be realized by the District when the landfill is no longer accepting waste include engineering and construction of a final cover system. Post-closure costs include: site inspection, record keeping, groundwater monitoring, gas monitoring and systems maintenance. Post-closure care of the closed facility is required for a minimum of 30 years.

The District is required by State and Federal Law to establish financial assurance sufficient to assure adequate closure, post-closure care and corrective action, if required, of the facility by compliance with one or more financial assurance mechanisms acceptable to and approved by the Executive Secretary of the Utah State Division of Solid and Hazardous Waste. The District currently provides financial assurance through the Local Government Financial Test UACR315-309-3(7) and a trust fund UACR315-309-4. The financial assurance mechanism is designed to provide for closure of the largest area of the facility ever requiring final cover at any one time during the active life of the landfill as specified in UACR315-309-2(3).

The District accounts for closure and post-closure care costs in accordance with Statement 18 of the Governmental Accounting Standards Board. Statement 18 requires reporting a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. At the balance sheet date of June 30, 2014:

- The closure and post-closure liability was **\$5,011,670**
- The estimated total closure and post-closure costs remaining to be recognized were **\$8,395,355**
- The percentage of the landfill used to date was **48.6%**
- The estimated future life of the landfill was **28 years** (expected closure in the year 2042)

(9) Special Items

The District made a contribution of \$2,500,000 in 2008 to the Northern Regional Landfill Authority (NURLA) for the purchase and construction costs of a landfill to be located in Box Elder County, Utah. NURLA is a jointly governed organization for researching solid waste disposal options for Logan City, Weber County, and the District. The proposed landfill project has been abandoned and the original contribution of \$2,500,000 plus \$149,059 for interest earnings was returned to the District.



Independent Auditor's Report on Compliance and on  
Internal Controls Over Compliance in Accordance With the  
State of Utah Legal Compliance Audit Guide

Administrative Control Board  
Wasatch Integrated Waste Management District  
Layton, UT

**REPORT ON COMPLIANCE**

We have audited the Wasatch Integrated Waste Management District's (the District) compliance with the general program compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2014.

The general compliance requirements applicable to the District are identified as follows:

- Budgetary Compliance
- Utah Retirement Systems
- Open and Public Meeting Act
- Special and Local Service District Board Members

The District did not receive any major assistance programs from the State of Utah during the year ended June 30, 2014.

***Management's Responsibility***

Compliance with the requirements referred to above is the responsibility of the District's management.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the District's compliance based on our audit.

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 of Utah Legal Compliance Audit Guide*. Those standards and the *State of Utah Legal Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the District and its major programs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

***Opinion***

In our opinion, the District complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2014.

**REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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 compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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 that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

***Purpose of 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.

*Christensen, Palmer + Ambrose P.C.*

October 21, 2014



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

To the Administrative Control Board  
Wasatch Integrated Waste Management District  
Layton, Utah

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 Wasatch Integrated Waste Management District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 21, 2014.

#### **Internal Control over Financial Reporting**

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

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

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

#### **Compliance and Other Matters**

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

#### **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.

*Christensen, Palmer & Ambrose P.C.*

October 21, 2014