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

FINANCIAL STATEMENTS

JUNE 30, 2019 and 2018

WASATCH INTEGRATED WASTE MANAGEMENT DISTRICT
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KEDDINGTON & CHRISTENSEN, CPAS
CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Wasatch Integrated Waste Management District (the District), as of and for the years ended June 30, 2019 and 2018, 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 statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 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 financial position of Wasatch Integrated Waste Management District as of June 30, 2019, and 2018, and the respective changes in net position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Telephone (801) 590-2600
Fax (801) 265-9405

1455 West 2200 South, Suite 201
Salt Lake City, Utah 84119

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required supplementary information related to pensions, as noted in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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 of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Report Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report November 6, 2019 on our consideration of the District's internal control over financial reporting and on our tests of compliance with certain provisions of laws and 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keddington & Christensen, LLC

Keddington & Christensen, LLC
Salt Lake City, Utah
November 6, 2019

WASATCH INTEGRATED WASTE MANAGEMENT DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS

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, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the attached report.

MISSION

Provide sustainable, cost-effective, and environmentally sound solid waste management.

Guiding Principles:

- Maintain fiscal integrity with minimal financial risk. Consider long-term effects and life cycle costs. Maximize the value of assets.
- Recognize waste as a resource through reuse, reduction, recycling, and the production of fuels and energy, when financially viable. Manage waste destined for disposal with state-of-the-art landfill resources, operations, and long-term care.
- Make well-informed decisions based upon sound scientific and business judgment and ethical business practices.
- Aggressively pursue best available demonstrated technologies that minimize the volume and toxicity of wastes and protect the environment for future generations.
- Promote public education and awareness of effective and efficient municipal solid waste management practices.

OVERVIEW OF THE DISTRICT

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 Services 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 320,000 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, 2019 members of the Administrative Control Board are:

Board Member	Position	Representing
Bob Stevenson	Commissioner	Davis County
Lorene Kamalu	Commissioner	Davis County
Randy Elliott	Commissioner	Davis County
Clark Wilkinson	Mayor	Centerville City
Vern Phipps	Council Member	Clearfield City
Mitch Adams	Mayor	Clinton City
Jim Talbot	Mayor	Farmington City
John Pohlman	Mayor	Fruit Heights City
Katie Witt	Mayor	Kaysville City
Scott Freitag	Mayor	Layton City
Tony London	Council Member	Morgan City
Mike Newton	Council Member	Morgan County
Len Arave	Mayor	North Salt Lake City
Jo Sjoblom	Mayor	South Weber City
Howard Madsen	Mayor	Sunset City
Mike Gailey	Mayor	Syracuse City
James Bruhn	Council Member	West Bountiful City
Erik Craythorne	Mayor	West Point City
Wally Larrabee	Council Member	Woods Cross City

The Administrative Control Board annually elects an executive committee including; Chairman, Vice Chairman and Secretary. As of June 30, 2019 members of the executive committee are:

Bob Stevenson	Board Chair
Mike Gailey	Vice-Chair
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 37 full time employees and 3 part-time employees.

Operations

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

The District permanently ceased operation of the Davis Energy Recovery Facility on May 31, 2017 after nearly 30 years of operation. Resolution 17-03b, directing closure of the Davis Energy Recovery Facility, also directed management to update the District's 20-year Solid Waste Management Plan (Plan). The Plan update was completed by GBB, Solid Waste Management Consultants under the direction of an appointed Advisory Committee with the stated intent of replacing the capacity of the energy recovery facility while honoring the mission of the District. The Plan was approved by the Administrative Control Board on May 31, 2017 and is available at http://www.wasatchintegrated.org/news.

The Plan is being implemented and construction of a mixed waste processing facility and transfer station at the former location of the energy recovery facility is currently being completed. It is anticipated that the new facilities will be complete during the first quarter of 2020.

Davis Landfill

The Davis Landfill and administrative offices are located at 1997 East 3500 North in Layton. 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 V of the lined landfill cell was completed in December 2012 adding substantial additional capacity to the landfill. As of June 30, 2019, the landfill had remaining capacity of 6,845,493 cubic yards of MSW which is estimated to last 15 years if all waste were to continue to be directly landfilled. 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. With closure of the Davis Energy Recovery facility, waste placement rates at the landfill have increased and will remain elevated for a period of time while the transfer station and mixed waste processing facilities are completed, providing the means to extend the commercial life of the Davis Landfill.

Bayview Landfill

On October 11, 2016 Wasatch participated in the joint purchase of the Bayview Landfill by the Northern Utah Environmental Resource Agency (NUERA). The Bayview Landfill, located near Elberta, Utah has many years of capacity and will be operated as a municipally owned regional landfill providing long term disposal capacity for the participating entities which include Wasatch, Trans-Jordan Cities, North Pointe Solid Waste Special Service District, and South Utah Valley Solid Waste District. The Bayview Landfill is a fully lined facility located on over 640 acres of land leased from the State Institutional Trust Land Administration. The landfill is expected to serve the participating communities for over 80 years.

Green Waste Recycling Facility

The Green Waste Recycling Facility is located at the Davis Landfill and was first operated in 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. Active composting is achieved using an Aerated Static Pile (ASP) composting system which was completed in June 2013. The purchase of a larger windrow turner during 2017 effectively increased the capacity of the composting facility by allow for the use of larger windrows.

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. Landfill personnel then haul waste into the landfill for disposal. Recycling opportunities are also provided as part of the citizen drop off facility.

Landfill Thrift Store

The landfill thrift store opened in 2015 and was operated in partnership with the Pioneer Adult Rehabilitation Center (PARC) until October 2018 when the District assumed operation of the facility. Usable items are separated from incoming waste at the landfill and delivered to the landfill thrift store where they are sold to the general public. The landfill thrift store also accepts donations of usable items. This facility provides for the reuse of items and materials and diverts materials from the landfill.

Household Hazardous Waste and Electronic Waste Recycling Facilities

The household hazardous waste and electronic waste recycling facilities are co-located at the landfill thrift store and provide 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 generated by households within the District service area.

Landfill Gas to Energy Facility

During 2004 the District installed equipment at the Davis Landfill to compress and ship landfill gas, via pipeline, to HAFB for use in generating electricity. In January 2005 the project came online 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.

Davis Materials Recovery Facility and Transfer Station

Construction is currently underway on a new materials recovery facility and transfer station at the former site of the Davis Energy Recovery Facility. The property has been annexed into the city of Layton and is currently zoned for solid waste management activities including waste processing, recycling, and waste transfer. Planned facilities are scheduled for completion during the first quarter of 2020. The transfer station will make it possible to transfer waste to a regional landfill under certain conditions. The facility is designed to provide additional recycling and materials processing as approved by the Administrative Control Board.

Other Considerations

During the 2019 Fiscal Year, the District issued $17,725,000 in solid waste management revenue bonds, payable over a 20 year period, to finance construction of the transfer station and mixed waste processing facility. The Series 2019 Solid Waste Management Revenue Bonds have been rated “AA” from S&P Global Ratings (“S&P”). The District increased the household use fee by two dollars per can, per month, in order to support financing and construction of the new facilities.

FINANCIAL HIGHLIGHTS

2019 Results

- In fiscal year 2019 the District issued $17,725,000 of solid waste management bonds to help finance the construction of a new waste transfer facility, a new mixed waste processing facility, and a new education center and employee facility.
- The assets and deferred outflows of the District exceeded liabilities and deferred inflows at the close of the most recent fiscal year by $47,956,601 (net position). Of the total $47,956,601 of net position, $31,700,201 (66%) is related to capital assets, net of related debt (net investment in capital assets), $15,295,980 is temporarily restricted as unspent bond proceeds ($14,343,218), and to meet closure and post closure requirements ($952,762). See additional detail on the Statement of Net Position (page 12).
- The District's total net position increased by $2,426,863 primarily due a continued reduction in net operating cost resulting from closure of the Davis Energy Recovery Facility in 2017 and increases of tipping revenues of $871,346 over fiscal year 2018, and an increase in interest income of $351,654 due to increased cash balances from unspent bond proceeds and higher interest rates in the State's PTIF accounts.
- The District experienced an increase in operating expenses of $4,203,630 over the previous year due to changes in the landfill useable area which changed the landfill closure and post-closure estimate. The $2,089,779 of landfill closure and post-closure adjustments are a non-cash amortization of the overall landfill liability.
- At the close of the current fiscal year the District's combined ending cash and investments were $37,557,956 which was an increase of $17,827,082 from the prior year primarily due to the $14,343,218 of unspent bond proceeds on hand.
- The Districts total liabilities increased by $22,983,845 during the most recent fiscal year. The key factors being the issuance of $17,725,000 bonds including $2,506,297 of bond premiums, an increase of $1,002,035 of the landfill closure liability, and payables related to the projects in process at fiscal year-end.

2018 Results

- In fiscal year 2018 the District has not incurred any additional long term debt. The District's only long term debt consists of the facilities closure and post closure care costs, and net pension liability relating to the Utah State Retirement Systems pensions.
- The assets and deferred outflows of the District exceeded liabilities and deferred inflows at the close of the 2018 fiscal year by $45,529,738 (net position). Of this amount, $30,637,502 are capital assets, $1,795,059 is temporarily restricted to meet closure and post closure requirements and $9,258,984 is designated for capital project requirements as provided by District Title 9 Application of Funds set by resolution by the Administrative Control Board and to meet the District's ongoing services and obligations to customers, employees and creditors.
- The District's total net position increased by $5,793,097 primarily due to an operating expense savings of $9,913,061 which were offset by a reduction of $4,792,325 in steam sales revenue as result of the disposal of the Davis Energy Recovery Facility, a $2,506,515 reduction in expenses as a result of new engineering studies related to the landfill closure and post-closure care costs.
- At the close of the current fiscal year the District's combined ending funds cash and investments were $19,730,874 which was an increase of $3,826,321 from the prior year.
- The Districts total liabilities decreased by $3,757,602 during the 2018 fiscal year. The key factors being the decreases of $2,600,490 in closure and post-closure liabilities and a $1,095,449 reduction in the District's proportionate share of the Utah Retirement System's net pension liability.

OVERVIEW OF FINANCIAL STATEMENTS

The District's financial statements consist of:

- **The Statement of Net Position** presents information on all of the District's assets, deferred outflow of resources, liabilities and deferred inflows of resources. The difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- **The Statement of Revenues, Expenditures, and Changes in Net Position** presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position 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 the 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 position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by $47,959,129 at the close of the most recent fiscal year.

The largest portion of the District's net position $31,700,201 (66%) 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.

The following tables summarize information presented in the financial statements:

Wasatch Integrated Waste Management Districts' Net Position

	2019	2018	2017
Current and other assets	$ 39,053,153	$ 20,930,550	$ 17,540,019
Capital assets, net	37,588,280	30,637,502	30,923,955
Total Assets	76,641,433	51,568,052	48,463,974
Deferred outflows of resources	622,997	841,388	1,166,993
Current and other liabilities	3,023,636	829,316	890,979
Long-term liabilities outstanding	25,727,540	4,938,015	8,633,954
Total Liabilities	28,751,176	5,767,331	9,524,933
Defeered inflows of resources	556,653	1,112,371	369,393
Net investment in capital assets	31,700,201	30,637,502	30,923,955
Restricted	15,295,980	1,795,059	-
Unrestricted	960,420	13,097,177	8,812,686
Total Net Position	$ 47,956,601	$ 45,529,738	$ 39,736,641

Wasatch Integrated Waste Management Districts' Change in Net Position

	2019	2018	2017
Operating revenue	$ 12,830,408	$ 11,996,387	$ 17,702,297
Less: Operating expenses	10,871,749	6,668,119	19,633,031
Net operating income	1,958,659	5,328,268	(1,930,734)
Non operating revenues (expenses)	468,204	558,296	(1,344,690)
Special items	-	(93,467)	(10,373,727)
Change in position	2,426,863	5,793,097	(13,649,151)
Net Position - beginning of year	45,529,738	39,736,641	53,385,792
Net Position - end of year	$ 47,956,601	$ 45,529,738	$ 39,736,641

Revenues

The 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. A summary of the District's Revenues are:

	2019	%	2018	%	2017	%
Operating revenues:						
Tipping fees	$ 12,321,672	90%	$ 11,450,326	91%	$ 12,214,084	68%
Steam and energy	121,366	1%	119,645	1%	4,911,970	27%
Recycling	345,341	3%	346,090	3%	520,443	3%
Other	42,029	0%	80,326	1%	55,800	0%
Total operating revenue	12,830,408	93%	11,996,387	96%	17,702,297	99%
Non operating revenues	936,540	7%	558,296	4%	217,810	1%
Total revenues	$ 13,766,948	100%	$ 12,554,683	100%	$ 17,920,107	100%

Capital Assets

Below is a summary of the District's capital asset activity:

	June 30, 2019	June 30, 2018	Increase (Decrease)	June 30, 2017	Increase (Decrease)
Land	$ 11,882,395	$ 11,882,395	$ -	$ 11,882,395	$ -
Capital projects - single items	7,676,107	627,648	7,048,459	33,637	594,011
Buildings	8,964,917	8,959,717	5,200	8,966,874	(7,157)
Improvements	20,895,526	20,300,364	595,162	20,295,915	4,449
Waste to energy equipment	-	1,787,705	(1,787,705)	1,787,705	-
Mobile equipment	9,779,234	9,286,521	492,713	8,742,129	544,392
Containers	347,093	379,214	(32,121)	370,582	8,632
Computer equipment	280,589	458,229	(177,640)	499,900	(41,671)
Trucks and automobiles	1,166,352	1,150,548	15,804	1,354,709	(204,161)
Office furnishings and equipment	110,359	153,663	(43,304)	153,813	(150)
Attachments	388,646	425,931	(37,285)	435,090	(9,159)
Other equipment	3,206,626	1,256,910	1,949,716	1,266,468	(9,558)
Less: Accumulated depreciation	(27,109,564)	(26,031,343)	(1,078,221)	(24,865,262)	(1,166,081)
Total capital assets, net	$ 37,588,280	$ 30,637,502	$ 6,950,778	$ 30,923,955	$ (286,453)

The District's capital asset activity resulted in a net increase of $6,950,778. This activity included:

The acquisition of the following major items:
- Excavator
- Dozer
- Product Screen
- Loader
- Transfer Station Construction Costs
- Materials Recovery Facility Construction Costs
- Education Center and Employee Facility Construction Costs
- Geocycle Shredder Project
- Phase 3 Tie In
- Landfill Gas Flare Costs

The sale or disposal of the following items:
- Material Handler with Magnet
- Trommel
- Dozer

Debt Administration

At the end of the fiscal year the District had the following outstanding liabilities:

	June 30, 2018	Additions	Deletions	June 30, 2019
Revenue Bonds, Series 2019	$ -	$ 17,725,000	$ -	$ 17,725,000
Landfill closure liability	3,838,193	1,002,035	-	4,840,228
Net pension liability	1,099,822	146,193	-	1,246,015
Premium on Bonds Payable	-	2,506,297	-	2,506,297
Total long-term obligations	$ 4,938,015	$ 21,379,525	$ -	$ 26,317,540

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The District prepared its 2020 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 modern landfill technology, recycling, and composting.
- The District has planned a $22,715,000 capital budget for fiscal year 2020 which includes major items such as trailers, dollies, yard dog, loaders, trucks, material handler, compactor wheels, sheds, bins, and a water pump. Capital projects planned include building a transfer station, materials recovery facility, education center and employee facilities, completion of the new landfill gas flare, and other major site improvements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Wasatch Integrated Waste Management District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District Executive Director, Nathan Rich, 1997 East 3500 North, Layton, UT 84040.

BASIC FINANCIAL STATEMENTS

WASATCH INTEGRATED WASTE MANAGEMENT DISTRICT
STATEMENTS OF NET POSITION
June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets:		
Cash and cash equivalents	$ 17,421,748	$ 14,097,622
Accounts receivable less allowance for doubtful accounts	1,330,877	1,001,507
Inventory	80,460	95,657
Prepaid expenses and deposits	83,860	102,512
Restricted cash:		
Landfill closure and post-closure escrow	5,792,990	5,633,252
Unspent bond proceeds for capital projects	14,343,218	-
Total Current Assets	39,053,153	20,930,550
Noncurrent Assets:		
Capital assets	64,697,844	56,668,844
Less: Accumulated depreciation	(27,109,564)	(26,031,342)
Capital Assets, net	37,588,280	30,637,502
Total Assets	76,641,433	51,568,052
Deferred Outflows of Resources		
Deferred outflows of resources relating to pensions	622,997	841,388
Total Assets and Deferred Outflows of Resources	$ 77,264,430	$ 52,409,440

The accompanying notes are an integral part of this statement.

WASATCH INTEGRATED WASTE MANAGEMENT DISTRICT
STATEMENTS OF NET POSITION (Continued)
June 30, 2019 and 2018

	2019	2018
Liabilities		
Current Liabilities:		
Accounts payable	$ 1,557,361	$ 416,914
Accrued interest payable	248,550	-
Retainage payable	217,722	-
Other accrued liabilities	410,003	412,402
Bonds payable, current portion	590,000	-
Total Current Liabilities	3,023,636	829,316
Non-Current Liabilities:		
Land fill closure and post closure care costs	4,840,228	3,838,193
Bonds payable, non-current portion	19,641,297	-
Net pension liability	1,246,015	1,099,822
Total Long-term Liabilities	25,727,540	4,938,015
Total Liabilities	28,751,176	5,767,331
Deferred Inflows of Resrouces		
Deferred inflows of resources relating to pensions	556,653	1,112,371
Net Position		
Net investment in capital assets	31,700,201	30,637,502
Restricted:		
Closure and post-closure costs	952,762	1,795,059
Unspent bond proceeds for capital projects	14,343,218	-
Unrestricted	960,420	13,097,177
Total Net Position	47,956,601	45,529,738
Total Liabilities, Deferred Inflows, and Net Position	$ 77,264,430	$ 52,409,440

The accompanying notes are an integral part of this statement.

WASATCH INTEGRATED WASTE MANAGEMENT DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For The Years Ended June 30, 2019 and 2018

	2019	2018
Operating Revenues		
Tipping fees	$ 12,321,672	$ 11,450,326
Steam sales	121,366	119,645
Recycling	345,341	346,090
Other	42,029	80,326
Total Operating Revenues	12,830,408	11,996,387
Operating Expenses		
Personnel	3,579,222	3,908,534
Depreciation and amortization	2,500,104	2,564,671
Maintenance	761,961	836,516
Supplies	859,057	762,503
Professional services	282,935	222,734
Utilities and telephone	280,790	329,745
Insurance	119,945	205,843
Environmental testing and permits	189,707	118,225
Training and travel	101,630	128,407
Miscellaneous	106,619	97,456
Landfill closure and post-closure adjustment	2,089,779	(2,506,515)
Total Operating Expenses	10,871,749	6,668,119
Net Operating Income	1,958,659	5,328,268
Nonoperating Revenues (Expenses)		
Gain on sale of equipment	283,449	256,859
Interest income	653,091	301,437
Bond issuance costs	(219,786)	-
Interest expense	(248,550)	-
Total Nonoperating Revenues (Expenses)	468,204	558,296
Special items:		
Disposal of Waste to Energy Facility	-	(93,467)
Total special items	-	(93,467)
Change In Net Position	2,426,863	5,793,097
Total Net Position, Beginning of Year	45,529,738	39,736,641
Total Net Position, End of Year	$ 47,956,601	$ 45,529,738

The accompanying notes are an integral part of this statement.

WASATCH INTEGRATED WASTE MANAGEMENT DISTRICT
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities		
Receipts from customers and users	$ 12,501,038	$ 12,465,334
Payments to suppliers	(2,616,092)	(2,783,062)
Payments to employees	(3,772,755)	(4,042,562)
Net Cash From Operating Activities	6,112,191	5,639,710
Cash Flows From Capital and Related Financing Activities		
Sale of equipment	-	27,029
Purchase of capital assets	(8,629,648)	(2,040,190)
Issuance of bonds for capital projects	20,231,297	-
Bond issuance costs	(219,786)	-
Net Cash From Capital and Related Financing Activities	11,381,863	(2,013,161)
Cash Flows From Investing Activity		
Interest income	333,028	199,772
Net Cash From Investing Activity	333,028	199,772
Net Increase (Decrease) in Cash and Cash Equivalents	17,827,082	3,826,321
Cash and Cash Equivalents, Beginning of Year	19,730,874	15,904,553
Cash and Cash Equivalents, End of Year	$ 37,557,956	$ 19,730,874
Reconciliation of Operating Income to Net Cash From Operating Activities:		
Net operating income	$ 1,958,659	$ 5,328,268
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation expense	2,500,104	2,564,671
(Increase) Decrease in assets		
Accounts receivable	(329,370)	468,947
Inventory	15,197	(36,327)
Prepaid expenses	18,652	3,170
Deferred outflows relating to pensions	218,391	325,605
Increase (Decrease) in current liabilities		
Accounts payable	1,140,447	45,499
Other accrued liabilities	(2,399)	(107,162)
Net pension liability	146,193	(1,095,449)
Deferred inflows relating to pensions	(555,718)	742,978
Landfill closure and post-closure care costs	1,002,035	(2,600,490)
Net Cash From Operating Activities	$ 6,112,191	$ 5,639,710

Summary of Non-cash transactions:
During the year, some assets retired from service were traded in for $303,750 of value on new asset purchases.

The accompanying notes are an integral part of this statement.

WASATCH INTEGRATED WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

Reporting Entity

Wasatch Integrated Waste Management District (the 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 was engaged in the operating of a solid waste disposal and resource recovery co-generation facility (the Facility). In the process of burning solid waste, the Facility generated steam which is sold as an energy source to the United States Government (Hill Air Force Base). During fiscal year 2017, the District closed down and disposed of the Facility.

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 the 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 the financial statements.

Summary of Significant Accounting Policies

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles. Financial reporting is based upon accounting guidance codified by GASB.

The following is a summary of the more significant policies.

Financial Statement Presentation and Basis of Accounting

The District is classified as a proprietary fund type and prepares its financial statements as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private businesses, where the intent is that all costs of providing certain goods and services to the general public be financed or recovered primarily through user charges, or where it has been deemed that periodic determination of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Accordingly, the District's financial statements are presented on the accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned and expenses are recorded when liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods and services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the District are tipping fees charged to residents. Operating expenses for the District include the costs of personnel, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Policies (Continued)

Reporting Entity
In evaluating how to define the District for financial reporting 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 the public service. Application for this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted with 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.

Cash and Cash Equivalents
The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and amounts deposited with State Utah's Public Treasurer's Investment Pool, and are stated at cost which approximates fair value. All such amounts are considered to be cash and cash equivalents for cash flow statement purposes.

Restricted Assets
The District maintains specific deposits held by the Utah Public Treasurer's Investment Pool for safekeeping of funds relating to landfill closure and post-closure escrow. Additionally, the District also held unspent bond proceeds which are restricted for the construction of the new waste transfer and waste sorting facility and a new mixed waste processing facility.

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.

Inventories
Inventories are stated at lower of cost (average cost) or market. Market is considered to be net realizable value. Inventory items are expensed as used.

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost, which includes capitalization of interest costs on qualifying property. Normal maintenance and repair expenses that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed asset. The net book value of property sold or otherwise disposed of is removed from the property and accumulated depreciation accounts and the resulting gain or loss is included as non-operating revenues or expenses.

Depreciation of property and equipment was computed using the straight-line method over the following estimated useful lives:

Buildings	15-30 years
Pollution control equipment	20 years
Improvements and landscaping	15-30 years
Computer equipment	3-5 years
Heavy mobile equipment	3-15 years
Other equipment	3-20 years

Vacation and Other Compensated Absences

District employees who regularly work at least 30 hours per week are entitled to certain compensated absences based on their length of employment. Forty-five days (360 hours) of vacation can be carried over to the next year. Personal leave is not accrued or carried over from year to year. The District has no post-retirement (health and life) insurance benefits.

Budgetary Accounting

The District adopts an annual budget, which is maintained on an accrual basis. All annual appropriations lapse at fiscal year-end.

Allowance for Doubtful Accounts

The District has set up an allowance for doubtful accounts for receivable of tipping fees of $10,000.

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 future period(s) and will not be recognized as an outflow of resources (expense) 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 future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

NOTE 1 SUMMARY OF ACCOUNTING POLICIES (Continued)

Summary of Significant Accounting Policies (Continued)

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.

Estimates and Assumptions

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Data and Reclassifications

Comparative date for the prior year have been presented in certain section of the accompanying financial statements in order to provide an understanding of changes in the District’s financial position and operations. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.

NOTE 2 CASH AND CASH EQUIVALENTS

The District’s deposit and investment policy is to follow the Utah Money Management Act. The District follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and investment transactions. This law 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 an agency of the Federal government and which has been certified by the state commissioner of financial institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Money Management Act also governs the scope of securities allowed as appropriate investments for the District and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

NOTE 2 CASH AND CASH EQUIVALENTS (Continued)

The following is a summary of the District's cash and investments as of June 30:

	2019 Carrying Amount	2018 Carrying Amount
Utah Public Treasurer's Investment Pool	$ 37,357,895	$ 18,879,068
Petty cash and checks held for collection	2,700	2,500
Cash in bank	197,361	849,306
Total Cash and Cash Equivalents	$ 37,557,956	$ 19,730,874
As reported on the Statement of net position:		
Cash and cash equivalents	$ 17,421,748	$ 14,097,622
Restricted cash and cash equivalents:		
Landfill closure and post-closure care escrow	5,792,990	5,633,252
Unspent bond proceeds	14,343,218	-
Total Cash and Investments	$ 37,557,956	$ 19,730,874

The District's cash and cash equivalents, and investments are exposed to certain risks as outlined below:

Custodial credit risk – deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. As of June 30, 2019 and 2018, the carrying amount of the District's deposits was $197,361 and $849,306, respectively, the balance per the bank statement was $202,690 and $841,788 respectively. Deposits are not collateralized nor are they required to be by state statute. However, the State Commissioner of Financial Institutions monitors financial institutions and establishes limits for the deposits of public money at individual financial institutions, and the District follows these recommendations. Of the amounts held in deposit at June 30, 2019 and 2018, $0 and $341,788 was uninsured and uncollateralized.

Custodial credit risk – investments is the risk that in the event of the failure of a counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. 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; obligation 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.

NOTE 2 CASH AND INVESTMENTS (Continued)

The district is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), and 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. Twice a year at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair valuation factor. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. The District's investment in the PTIF has no custodial credit risk. Additional information is available from the Utah State Treasurer's Office.

	Fair Value	Carrying Amount	Credit Rating (1)	Weighted Average to Maturity (2)
Cash on Hand	$ 2,700	$ 2,700	N/A	N/A
Cash on Deposit	197,361	197,361	N/A	N/A
	$ 200,061	$ 200,061		
Investments (3):				
Utah State Treasurer's Investment Pool	$ 17,292,775	$ 17,221,687	N/A	47.67
Restricted Cash				
Utah State Treasurer's Investment Pool	20,219,327	20,136,208	N/A	47.67
Total investments	$ 37,512,102	$ 37,357,895		
Total cash and cash equivalents	$ 37,712,163	$ 37,557,956		
Portfolio weighted average maturity				N/A

(1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.
(2) Interest Rate Risk is estimated using the weighted average days to maturity.
(3) All investments are considered cash equivalents on the financial statements.

Fair Value of Investments – Governmental accounting standards recognize a three-tiered fair value hierarchy for investments, as follows:

- Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities that the City has the ability to access. Since valuations are based on quoted process that are readily and regularly available in an active market, valuation of these does not entail any significant degree of judgment. Securities classified as Level 1 inputs include U.S. Government securities and certain other U.S. Agency and sovereign government obligations.

- Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Securities classified as Level 2 include corporate and municipal bonds, and "brokered" or securitized certificates of deposit.

NOTE 2 CASH AND INVESTMENTS (Continued)

- Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

At June 30, 2019, the District is only invested in the PTIF which is considered a Level 2 investment. The fair value of the PTIF investments approximates the value of its pool shares. Investments in the PTIF are considered cash and cash equivalents for financial statement reporting purposes.

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The District manages its exposure 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 and fair values of the District's investments are noted in the previous table. The fair value of the District's investment in the PTIF is $37,512,102 with a carrying value of $37,357,895.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District only invests in the Utah Public Treasurer's Investment Fund. As of June 30, 2019, the Utah Public Treasurer's Investment Fund was unrated.

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. The District's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

NOTE 3 CAPITAL ASSETS

The following summarizes the District's capital asset activity for the years ended June 30, 2019, and 2018:

	June 30, 2018	Additions	Deletions	June 30, 2019
Capital assets not being depreciated				
Land	$ 11,882,395	$ -	$ -	$ 11,882,395
Capital projects - single items	627,648	9,258,307	(2,209,848)	7,676,107
Total Capital Assets not being depreciated	12,510,043	9,258,307	(2,209,848)	19,558,502
Capital assets, being depreciated				
Buildings	8,959,717	5,200	-	8,964,917
Improvements	20,300,364	598,807	(3,645)	20,895,526
Waste to energy equipment	1,787,705	-	(1,787,705)	-
Mobile equipment	9,286,521	1,478,683	(985,970)	9,779,234
Containers	379,214	24,240	(56,361)	347,093
Computer equipment	458,229	65,875	(243,515)	280,589
Trucks and automobiles	1,150,548	42,848	(27,044)	1,166,352
Office furnishings and equipment	153,663	-	(43,304)	110,359
Attachments	425,931	-	(37,285)	388,646
Other equipment	1,256,910	2,000,613	(50,897)	3,206,626
Total Capital Assets, being depreciated	44,158,802	4,216,266	(3,235,726)	45,139,342
Less accumulated depreciation	(26,031,343)	(2,500,104)	1,421,883	(27,109,564)
Capital Assets, being depreciated, net	18,127,459	1,716,162	(1,813,843)	18,029,778
Property and Equipment, Net	$ 30,637,502	$ 10,974,469	$ (4,023,691)	$ 37,588,280

	June 30, 2017	Additions	Deletions	June 30, 2018
Capital assets not being depreciated				
Land	$ 11,882,395	$ -	$ -	$ 11,882,395
Capital projects - single items	33,637	2,353,889	(1,759,878)	627,648
Total Capital Assets not being depreciated	11,916,032	2,353,889	(1,759,878)	12,510,043
Capital assets, being depreciated				
Buildings	8,966,874	-	(7,157)	8,959,717
Improvements	20,295,915	4,449	-	20,300,364
Waste to energy equipment	1,787,705	-	-	1,787,705
Mobile equipment	8,742,129	1,585,282	(1,040,890)	9,286,521
Containers	370,582	36,360	(27,728)	379,214
Computer equipment	499,900	16,010	(57,681)	458,229
Trucks and automobiles	1,354,709	51,118	(255,279)	1,150,548
Office furnishings and equipment	153,813	-	(150)	153,663
Attachments	435,090	31,801	(40,960)	425,931
Other equipment	1,266,468	34,859	(44,417)	1,256,910
Total Capital Assets, being depreciated	43,873,185	1,759,879	(1,474,262)	44,158,802
Less accumulated depreciation	(24,865,262)	(2,564,671)	1,398,590	(26,031,343)
Capital Assets, being depreciated, net	19,007,923	(804,792)	(75,672)	18,127,459
Property and Equipment, Net	$ 30,923,955	$ 1,549,097	$ (1,835,550)	$ 30,637,502

NOTE 4 RISK MANAGEMENT

The District is exposed to various risks of loss including third party claims, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Real property and vehicles are insured through commercial policies. Settled claims have not exceeded the District's insurance coverage for any of the past five years.

NOTE 5 COMMITMENTS

The District has entered into contracts with the following companies that were not completed as of June 30, 2019. The remaining amounts on the contracts on June 30, 2019 are:

Contract Date	**Company**	**Description**	**Amount**
Aug 23, 2017	RRT Design & Construction	Design MW Processing Facility	$ 3,828
Sep 21, 2018	RRT Design & Construction	Education Ctr & Employee Facilities	69,763
May 2, 2019	GBB	MWPF Support	73,035
Jun 7, 2018	Stout Building Contractors	Transfer Station Construction	298,964
May 6, 2019	Valley Design & Construction	Materials Recovery Facility	12,858,553
May 17, 2019	Stout Building Contractors	Education Ctr & Employee Facilities	2,343,974
		Total	$15,648,117

NOTE 6 PENSION PLAN

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

Defined Benefit Plans

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

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

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

NOTE 6 PENSION PLAN (Continued)

Benefits Provided
URS provides retirement, disability, and death benefits.

Retirement benefits are as follows:

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 are non-compounding and are based on the original benefit except 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.*

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 June 30, 2019 are as follows:

	Employee	Employer	Employer 401(k)
Contributory System			
111 - Local Governmental Div - Tier 2	N/A	15.54%	1.15%
Noncontributory System			
15 - Local Governmental Div - Tier 1	N/A	18.47%	N/A
Tier 2 DC Only			
211 - Local Government	N/A	6.69%	10.00%

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

NOTE 6 PENSION PLAN (Continued)

For fiscal year ended June 30, 2019, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Nonconbtributory system	$ 245,955	N/A
Tier 2 Public Employees System	81,292	-
Tier 2 DC Only System	5,194	N/A
Total Contributions	$ 332,441	$ -

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

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

At June 30, 2019, we reported a net pension asset of $0 and a net pension liability of $1,246,015.

	(Measurement Date): December 31, 2018			December 31, 2017	
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share	Change (Decrease)
Noncontributory System	$ -	$ 1,228,723	0.1668616%	0.2496354%	-0.0827738%
Tier 2 Public Employees System	-	17,292	0.0403751%	0.0691251%	-0.0287500%
	$ -	$ 1,246,015			

The net pension asset and liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2019, we recognized pension expense of $ 141,251.

NOTE 6 PENSION PLAN (Continued)

At June 30, 2019, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 15,924	$ 26,491
Changes in assumptions	168,935	311
Net difference between projected and actual earnings on pension plan investments	261,315	-
Changes in proportion and differences between contributions and proportionate share of contributions	5,809	529,851
Contributions subsequent to the measurement date	171,014	-
Total	$ 622,997	$ 556,653

$171,014 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2018.

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

Year Ended December 31,	Deferred Outflows (inflows) of Resources
2019	$ (53,722)
2020	(138,455)
2021	(38,367)
2022	123,783
2023	402
Thereafter	1,689

Actuarial Assumptions

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

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

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

NOTE 6 PENSION PLAN (Continued)

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

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

	Expected Return Arithmetic Basis		
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	40.00%	6.15%	2.46%
Debt securities	20.00%	0.40%	0.08%
Real assets	15.00%	5.75%	0.86%
Private equity	9.00%	9.95%	0.90%
Absolute return	16.00%	2.85%	0.46%
Cash and cash equivalents	0.00%	0.00%	0.00%
Totals	100.00%		4.75%
	Inflation		2.50%
	Expected arithmetic nominal return		7.25%

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

Discount Rate

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

NOTE 6 PENSION PLAN (Continued)

Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate

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

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	$ 2,518,218	$ 1,228,723	$ 154,913
Tier 2 Public Employees System	69,274	17,292	(22,826)
Total	$ 2,587,492	$ 1,246,015	$ 132,087

Pension Plan Fiduciary Net Position

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

Defined Contribution Savings Plans

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

Wasatch Integrated Waste Management participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

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

NOTE 6 PENSION PLAN (Continued)

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30, were as follows:

Plan	2019	2018	2017
401(k) Plan			
Employer Contributions	$ 82,231	$ 80,844	$ 154,360
Employee Contributions	71,179	74,057	141,742
457 Plan			
Employer Contributions	$ -	$ -	$ -
Employee Contributions	19,421	13,958	20,853
Roth IRA Plan			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	$ 4,951	$ 2,692	$ 12,857
Traditional IRA			
Employer Contributions	N/A	N/A	N/A
Employee Contributions	$ 130	$ 155	$ 1,130

NOTE 7 CLOSURE AND POST-CLOSURE CARE COST

The District is required by the 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 care 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).

NOTE 7 CLOSURE AND POST-CLOSURE CARE COST (Continued)

The District accounts for closure and post-closure care costs in accordance with Statement 18 of the Government 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 Statement of Net Position date of June 30, 2019:

	2019	
Closure and post-closure liability	$ 4,840,228	
Estimated total closure and post-closure care costs remaining to recognized	$ 4,695,162	
Percentage of active landfill used to date	47.1%	
Estimated future life of active landfill	23	(expected closure in year 2042)

The District's estimates of closure and post-closure care costs are based on assumptions which are affected by such things as inflation, types of technology and the related costs, and applicable laws or regulations, all of which are subject to change. As a result, actual results could differ from those estimates.

NOTE 8 LONG-TERM DEBT

Below is a summary of the District's long-term obligations as of June 30, 2019:

	June 30, 2018	Additions	Deletions	June 30, 2019	Due within one year
Revenue Bonds, Series 2019	$ -	$ 17,725,000	$ -	$ 17,725,000	$ 590,000
Landfill closure liability	3,838,193	1,002,035	-	4,840,228	-
Net pension liability	1,099,822	146,193	-	1,246,015	-
Premium on Bonds Payable	-	2,506,297	-	2,506,297	-
Total long-term obligations	$ 4,938,015	$ 21,379,525	$ -	$ 26,317,540	$ 590,000

The net pension liability is more fully discussed in Note 6. The landfill closure liability is more fully discussed in Note 7.

Solid Waste Management Revenue Bonds, Series 2019

In March 2019, the District issued $17,725,000 of Solid Waste Management Revenue Bonds, Series 2019. The issuance resulted in a premium of $2,506,297. The Bonds mature in 2039 and carry an interest rate of 5.000% each year except 2035 which carry an interest rate of 3.125%. Interest payments are due each March 1st and September 1st, with principal payments due each March 1st. Payments begin on September 1, 2019. The Series 2019 bonds are secured by a pledge of the revenues generated from the District's operations.

NOTE 8 LONG-TERM DEBT (Continued)

Significant events of default consist of (a) failure to make the due and punctual payments of the bond principal, (b) failure to make installment of interest payments, (c) failure to observe any covenants, agreements, or conditions contained in the resolution of bond issuance, and failure to remedy the same for a period of 60 days, and (d) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings. Upon the occurrence of an event of default, the maturity of the Bonds may be accelerated and become due and payable immediately.

Below is the maturity schedule of the Series 2019 Bonds:

Year Ended June 30,	Principal	Interest	Total
2020	$ 590,000	$ 794,890	$ 1,384,890
2021	570,000	814,631	1,384,631
2022	595,000	786,131	1,381,131
2023	625,000	756,381	1,381,381
2024	660,000	725,131	1,385,131
2025-2029	3,815,000	3,097,906	6,912,906
2030-2034	4,865,000	2,044,156	6,909,156
2035-2039	6,005,000	907,031	6,912,031
Totals	$ 17,725,000	$ 9,926,259	$ 27,651,259

NOTE 9 PARTICIPATION IN NORTHERN UTAH ENVIRONMENTAL RESOURCE AGENCY

During fiscal year 2017, the District became a member of the Northern Utah Environmental Resource Agency (NUERA). The purpose of NUERA, among other things, is to explore options for solid waste disposal and solid waste management. Within that scope, NUERA purchased a solid waste landfill and equipment. The District's contribution for that purchase was $1,562,500. Participation in the purchase of the solid waste landfill and equipment allows the District access to use that landfill in its efforts to provide waste management to the residents of Davis County and the surrounding area.

NOTE 10 SUBSEQUENT EVENTS

Subsequent to June 30, 2019 and as of November 6, 2019 the Transfer Station has reached substantial completion and the Mixed Waste Processing Facilities are under construction.

REQUIRED SUPPLEMENTARY INFORMATION

WASATCH INTEGRATED WASTE MANAGEMENT DISTRICT
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
UTAH RETIREMENT SYSTEMS
December 31, 2018
Last 10 Fiscal Years*

For the year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
Noncontributory Retirements System					
2018	0.1668616%	$ 1,228,723	$ 1,388,223	88.51%	87.0%
2017	0.2496354%	1,093,727	2,041,808	53.57%	91.9%
2016	0.3403374%	2,185,383	2,838,210	77.00%	87.3%
2015	0.3559117%	2,013,922	2,973,360	67.73%	87.8%
2014	0.3649307%	1,584,615	3,067,508	51.66%	90.2%
Tier 2 Public Employees Retirement System					
2018	0.0403751%	$ 17,292	$ 472,759	3.66%	90.8%
2017	0.0691251%	6,095	679,340	0.90%	97.4%
2016	0.0886394%	9,888	726,912	1.36%	95.1%
2015	0.0659891%	(144)	426,358	-0.03%	100.2%
2014	0.0575852%	(1,745)	282,777	-0.62%	103.5%

** This schedule will be built out prospectively to show a 10-year history.*

WASATCH INTEGRATED WASTE MANAGEMENT DISTRICT
SCHEDULE OF CONTRIBUTIONS
UTAH RETIREMENT SYSTEMS
Last 10 Fiscal Years**

As of fiscal year ended June 30,	Actuarial determined contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered Payroll	Contributions as a percentage of covered payroll
Noncontributory System					
2019	$ 245,955	$ 245,955	-	$ 1,332,609	18.46%
2018	255,899	255,899	-	1,386,772	18.45%
2017	500,097	500,097	-	2,709,147	18.46%
2016	539,305	539,305	-	2,921,826	18.46%
2015	567,020	567,020	-	3,072,519	18.45%
2014	515,530	515,530	-	2,983,035	17.28%
Tier 2 Public Employees System*					
2019	$ 81,292	$ 81,292	-	$ 523,112	15.54%
2018	74,849	74,849	-	495,360	15.11%
2017	126,573	126,573	-	848,915	14.91%
2016	81,940	81,940	-	551,648	14.85%
2015	53,414	53,414	-	358,621	14.89%
2014	32,664	32,664	-	233,479	13.99%
Tier 2 Public Employees DC Only System*					
2019	$ 5,194	$ 5,194	-	$ 77,643	6.69%
2018	4,623	4,623	-	69,109	6.69%
2017	8,254	8,254	-	123,374	6.69%
2016	8,312	8,312	-	124,250	6.69%
2015	9,737	9,737	-	144,896	6.72%
2014	5,870	5,870	-	105,192	5.58%

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

*** This schedule will be built out prospectively to show a 10-year history.*

Changes in Assumptions

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

SUPPLEMENTAL REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

KEDDINGTON & CHRISTENSEN, CPAS
CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, CPA
Phyl R. Warnock, CPA
Marcus K. Arbuckle, CPA
Steven M. Rowley, CPA

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 the *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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 6, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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 statements 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

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Keddington & Christensen, LLC

Keddington & Christensen, LLC
Salt Lake City, Utah
November 6, 2019

KEDDINGTON & CHRISTENSEN, CPAS
CERTIFIED PUBLIC ACCOUNTANTS
Gary K. Keddington, CPA
Phyl R. Warnock, CPA
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Steven M. Rowley, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND REPORT ON INTERNAL CONTROLVER OVER COMPLIANCE AS REQUIRED BY THE *STATE COMPLIANCE AUDIT GUIDE*

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

Report On Compliance

We have audited Wasatch Integrated Waste Management District's (the District) compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, that could have a direct and material effect on the District for the year ended June 30, 2019.

State compliance requirements were tested for the year ended June 30, 2019 in the following areas:

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

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

Opinion on Compliance

In our opinion, Wasatch Integrated Waste Management District, complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2019.

Telephone (801) 590-2600
Fax (801) 265-9405
1455 West 2200 South, Suite 201
Salt Lake City, Utah 84119

Report on Internal Control over Compliance

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

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

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

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

Keddington & Christensen, LLC

Keddington & Christensen, LLC
Salt Lake City, Utah
November 6, 2019