

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

Financial Statements - June 30, 2011 and 2010

(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 financial statements of Wasatch Integrated Waste Management District as of and for the years ended June 30, 2011 and 2010 as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011 and 2010, and the respective changes in net assets and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 30, 2011 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 10 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 management's discussion and analysis 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.

Our audit of the basic financial statements was made primarily to form an opinion on such financial statements taken as a whole. The supplementary information contained in Schedule 1 is presented for the purposes of additional analysis and, although not required for a fair presentation of financial position, results of operations, and cash flows, was subjected to the audit procedures applied in the audits of the basic financial statements. In our opinion, the supplementary information is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Crane Christensen & Ambrose
August 30, 2011

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

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, 2011. 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 265,000 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, 2011 members of the Administrative Control Board are:

Board Member	Position	Representing
Louenda Downs	Commissioner	Davis County
Brett Millburn	Commissioner	Davis County
John Petroff	Commissioner	Davis County
Sherri Lindstrom	Councilmember	Centerville City
Don Wood	Mayor	Clearfield City
Mitch Adams	Mayor	Clinton City
Scott Harbertson	Mayor	Farmington City
Todd Stevenson	Mayor	Fruit Heights City
Steve Hiatt	Mayor	Kaysville City
Steve Curtis	Mayor	Layton City
Tony London	Councilmember	Morgan City
Ned Mecham	Councilmember	Morgan County
Len Arave	Mayor	North Salt Lake City
Jeff Monroe	Mayor	South Weber City
Chad Bangerter	Mayor	Sunset City
Alan Clark	Councilmember	Syracuse City
James Bruhn	Councilmember	West Bountiful City
Erik Craythorne	Mayor	West Point City
Rick Earnshaw	Councilmember	Woods Cross City

The Administrative Control Board annually elects an executive committee including; Chairman, Vice Chairman and Secretary. As of June 30, 2011 members of the executive committee are:

John Petroff	Chairman
Todd Stevenson	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 63 full time employees and 1 part time employee.

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.

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. Substantial improvements have been made at the energy recovery facility 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, and installation of a wet drag conveyor for under-fire ash removal in 2009.

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. Two additional landfill phases are planned to be lined within the next five years.

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 Fruit Heights, Centerville, Woods Cross, Syracuse, and West Point are providing 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. Additional equipment and personnel will be required in the green waste recycling facility as the program is expanded to additional cities.

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.

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.

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. 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). Approximately 22 acres of flexible membrane was installed as a temporary cover over phase II of the lined landfill during September 2009 to improve landfill gas capture and control odor. At the same time major improvements were made to the landfill gas collection and conditioning system allowing for delivery of additional gas to HAFB.

Capital Projects Plan

The current expected life of the energy recovery facility is approximately 15 to 20 years. With continued operation of the energy recovery facility, as currently configured, the Davis Landfill will reach capacity in approximately 25 years. Some disposal capacity will need to be replaced within 10 to 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. In September 2009 the District purchased 10.7 acres of property in North Salt Lake for the planned construction of a residential recycling center, residential waste drop-off, and transfer station. A master plan has been developed for the site and the District is working with the City of North Salt Lake to obtain required permits and approvals.

Other Considerations

In 1986 the District implemented a flow control ordinance which requires all waste generated within the District service area to be delivered to District facilities as provided under the authority of the Utah Solid Waste Management Act. The flow control ordinances were required to provide assurance for the issuance of revenue bonds which were used for construction of the energy recovery facility. The 2008 Utah State Legislature amended the Utah Solid Waste Management Act to prohibit new flow control ordinances and make the District's current flow control ordinance invalid on January 1, 2013. Management currently estimates that the loss of flow control will result in an approximately \$2,000,000 loss of annual revenue for the District.

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 2011 the District has not incurred any additional long term debt other than the facilities closure and post closure 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. The District has maintained these rates since and has approved a 2012 fiscal year budget with no change in rates.
- The assets of the District exceeded liabilities at the close of the most recent fiscal year by \$56,497,782 (net assets). Of this amount, \$33,532,364 are capital assets, \$4,682,287 is temporarily restricted to meet landfill closure and post closure requirements and \$14,002,480 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 \$4,280,651 may be used to meet the District's ongoing services and obligations to customers, employees and creditors.
- The District's total net assets decreased by \$452,169 primarily due to \$840,123 net operating loss, \$3,697,934 depreciation and amortization, \$18,918 increase in accounts receivable, \$2,056 increase in inventory, \$340,913 increase in prepaid expenses, \$101,626 decrease in current liabilities and \$458,567 increase in 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 \$25,453,759 which was an increase of \$616,528 from the prior year.

- The Districts total liabilities increased by \$635,142 during the most recent fiscal year. The key factors being the increase of \$176,575 in current liabilities and an increase in closure/post closure liabilities of \$458,567.

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 \$56,497,782 at the close of the most recent fiscal year.

The largest portion of the District's net assets \$33,532,364 (59%) 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 \$615,546. This increase was due to a \$11,571 decrease in tipping fee revenue, \$169,405 increase in steam and energy sales, \$311,268 increase in recycling revenue and \$123,302 increase in other revenue.
- Total operating expenses increased by \$1,606,959. This increase resulted primarily from the maintenance schedule at the energy recovery facility.
- Non-operating revenues (expenses) decreased by \$312,914. This decrease is primarily due to a decrease in the sale of carbon financial instruments and a decrease in interest revenue. Non-operating revenue included a \$2,135 gain on the sale of equipment, \$122,351 in interest revenue and a \$263,658 gain on carbon financial instruments.
- Net assets decreased by \$452,169 compared to a \$852,158 increase the prior year.

The following tables summarize information presented in the financial statements:

Wasatch Integrated Waste Management Districts' Net Assets

	Total Change 2011 -2010	2011	2010	2009
Current and other assets	\$978,225	\$28,764,235	\$27,786,010	\$29,419,271
Capital assets	<u>(\$795,252)</u>	<u>33,532,364</u>	<u>34,327,616</u>	<u>31,242,849</u>
Total assets	182,973	62,296,599	62,113,626	60,662,120
Current and other liabilities	176,575	1,021,328	844,753	652,547
Long-term liabilities	<u>458,567</u>	<u>4,777,489</u>	<u>4,318,922</u>	<u>3,911,780</u>
Total liabilities	635,142	5,798,817	5,163,675	4,564,327
Net assets:				
Capital assets, net of debt	(795,252)	33,532,364	34,327,616	31,242,849
Restricted - temporary	24,760	4,682,287	4,657,527	4,626,720
Unrestricted - capital projects	(1,929,362)	14,002,480	15,931,842	16,878,200
Unrestricted	<u>2,247,685</u>	<u>4,280,651</u>	<u>2,032,966</u>	<u>3,350,024</u>
Total net assets	<u>(\$452,169)</u>	<u>\$56,497,782</u>	<u>\$56,949,951</u>	<u>\$56,097,793</u>

Wasatch Integrated Waste Management Districts' Change in Net Assets

	Total Change			
	2011-2010	2011	2010	2009
Operating Revenue	\$615,546	\$15,419,059	\$14,803,513	\$14,668,160
Less Operating expenses	<u>1,606,959</u>	<u>16,259,182</u>	<u>14,652,223</u>	<u>14,013,455</u>
Net operating income	(991,413)	(840,123)	151,290	654,705
Non operating revenues (expenses)	(312,914)	387,954	700,868	381,064
Change in net assets	(1,304,327)	(452,169)	852,158	1,035,769
Net assets - beginning of year	<u>852,158</u>	<u>56,949,951</u>	<u>56,097,793</u>	<u>55,062,024</u>
Net assets - end of year	(\$452,169)	\$56,497,782	\$56,949,951	\$56,097,793

Revenues

District revenues are generated from user fees and energy sales. No tax dollars are used in financing District operations. Pursuant to the provisions of the Special Service District Act and the Solid Waste Management Act, the District has the authority to control, supervise, and regulate the collection, transportation, and disposition of all solid waste generated within its jurisdiction and to require that all solid waste generated within its jurisdiction be delivered to a solid waste management facility until January 1, 2013. 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:

	2011	%	2010	%	2009	%
Operating revenues:						
Tipping fees	\$10,991,540	70%	\$10,979,969	71%	\$11,125,955	74%
Steam and energy	3,136,343	20%	2,966,938	19%	2,989,720	20%
Recycling	1,136,279	7%	825,011	5%	494,997	3%
Other	<u>154,897</u>	1%	<u>31,595</u>	0%	<u>57,488</u>	0%
Total operating revenue	15,419,059	98%	14,803,513	95%	14,668,160	97%
Non operating revenues (expenses)	<u>387,954</u>	2%	<u>700,868</u>	5%	<u>381,064</u>	3%
Total revenues	\$15,807,013	100%	\$15,504,381	100%	\$15,049,224	100%

Capital Assets

The District investment in capital assets increased by \$1,995,855 most of which was attributed to the acquisition of the following items:

- Green Waste Containers
- Excavator
- Pickup Truck
- Loader
- Landfill Cell
- Software
- Computer Equipment

Debt Administration

At the end of the fiscal year the District had \$1,021,328 in current liabilities and \$4,777,489 in long-term liabilities for landfill closure and post closure. The District had no bonded debt outstanding.

Economic Factors and Next Year's Budget and Rates

- The District prepared its 2012 budget anticipating minimal growth in households and no growth in tonnage of waste handled 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 a \$7,741,000 capital budget for fiscal year 2012 which includes the purchase of a loader, compactor, stacker, trommel and roll-off bins. The District is planning capital projects which include the development of an additional transfer station(s), a Fairfield entrance to the WTE facility and natural gas upgrade at the WTE.

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 Assets

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current assets:		
Cash (note 2)	\$ 588,039	828,862
Temporary cash investments (note 2)	24,865,720	24,008,369
Accounts receivable less allowance for doubtful accounts of \$20,000	1,216,325	1,197,597
Inventory (note 1)	1,622,898	1,620,842
Prepaid expenses and deposits	419,837	78,924
Total current assets	<u>28,712,819</u>	<u>27,734,594</u>
Other assets:		
Water rights	50,000	50,000
Carbon exchange instrument contracts (note 11)	1,416	1,416
Total other assets	<u>51,416</u>	<u>51,416</u>
Capital assets (notes 1 and 3)		
Less accumulated depreciation	(56,876,081)	(54,084,974)
Capital assets - net	<u>33,532,364</u>	<u>34,327,616</u>
Total assets	<u>62,296,599</u>	<u>62,113,626</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	443,748	297,933
Other accrued liabilities	577,580	546,820
Total current liabilities	<u>1,021,328</u>	<u>844,753</u>
Long-term debt:		
Land fill closure and post closure care costs	4,777,489	4,318,922
Total long-term debt	<u>4,777,489</u>	<u>4,318,922</u>
Total liabilities	<u>5,798,817</u>	<u>5,163,675</u>
<u>Net Assets</u>		
Invested in capital assets	33,532,364	34,327,616
Restricted - temporary for closure and post-closure costs	4,682,287	4,657,527
Unrestricted - designated for capital project requirements	14,002,480	15,931,842
Unrestricted	4,280,651	2,032,966
Total net assets	<u>\$56,497,782</u>	<u>56,949,951</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 Assets

Years Ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Tipping fees	\$10,991,540	10,979,969
Steam sales	3,136,343	2,966,938
Recycling	1,136,279	825,011
Other	<u>154,897</u>	<u>31,595</u>
Total operating revenues	<u>15,419,059</u>	<u>14,803,513</u>
Operating expenses:		
Professional services	234,194	258,476
Insurance	332,244	391,579
Salaries, wages, and temporary labor	3,755,478	3,515,344
Payroll taxes and fringe benefits	1,512,838	1,389,975
Miscellaneous	394,503	361,226
Utilities and telephone	381,892	359,363
Maintenance and repairs	3,825,680	3,183,924
Permits, licenses and fees	59,162	55,293
Operating supplies	1,606,690	1,330,887
Depreciation and amortization	3,697,934	3,399,014
Landfill closure and post closure adjustment	<u>458,567</u>	<u>407,142</u>
Total operating expenses	<u>16,259,182</u>	<u>14,652,223</u>
Net operating income (loss)	<u>(840,123)</u>	<u>151,290</u>
Non-operating revenues (expenses):		
Gain on sale of equipment	2,135	1,950
Interest revenue	122,351	147,379
Gain on carbon financial instrument credits (note 11)	263,658	553,154
Financing costs	<u>(190)</u>	<u>(1,615)</u>
Total non-operating revenues	<u>387,954</u>	<u>700,868</u>
Change in net assets	(452,169)	852,158
Net assets - beginning of year	<u>56,949,951</u>	<u>56,097,793</u>
Net assets - end of year	<u>\$56,497,782</u>	<u>56,949,951</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Receipts from customers	\$15,400,141	15,189,774
Payments to suppliers	(7,278,960)	(5,961,340)
Payments to employees	<u>(5,268,316)</u>	<u>(4,905,319)</u>
Net cash provided by operating activities	<u>2,852,865</u>	<u>4,323,115</u>
Cash flows from investing activities:		
Interest received	122,351	147,379
Sale of carbon exchange instrument contracts	<u>263,658</u>	<u>615,953</u>
Net cash provided by investing activities	<u>386,009</u>	<u>763,332</u>
Cash flows from capital and related financing activities:		
Sale of equipment	2,135	1,950
Purchase of capital assets	<u>(2,624,481)</u>	<u>(6,483,781)</u>
Net cash used by capital and related financing activities	<u>(2,622,346)</u>	<u>(6,481,831)</u>
Net increase (decrease) in cash and temporary cash investments	616,528	(1,395,384)
Cash and temporary cash investment - beginning of year	<u>24,837,231</u>	<u>26,232,615</u>
Cash and temporary cash investment - end of year	<u>\$25,453,759</u>	<u>24,837,231</u>
Reconciliation of operating income to net cash provided by operating activities:		
Net operating income (loss)	\$ (840,123)	151,290
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	3,697,934	3,399,014
(Increase) decrease in accounts receivable	(18,918)	386,261
Increase in inventory	(2,056)	(189,434)
Increase in prepaid expenses	(340,913)	(23,364)
Increase (decrease) in current liabilities	(101,626)	192,206
Increase in land closure and post closure care costs	<u>458,567</u>	<u>407,142</u>
Net cash provided by operating activities	<u>\$ 2,852,865</u>	<u>4,323,115</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, 2011 and 2010

(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.

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

Notes to Financial Statements - Continued

June 30, 2011 and 2010

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

Capital assets - Capital assets are recorded at cost of purchase or construction plus capitalized interest on qualifying property until October 15, 1988 (commercial operation date) in accordance with Statement of Financial Accounting Standards No. 62.

Depreciation - All property, plant and equipment is depreciated on the straight-line method over the following estimated useful lives: buildings 15-30, pollution 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.

Subsequent Events - Management has evaluated subsequent events through August 30, 2011, 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, 2011 were \$1,226,798, of which \$976,798 were uninsured and uncollateralized, and the District's deposits at June 30, 2010 were \$981,579, of which \$731,579 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 costs 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, 2011 and 2010

(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, 2011 PTIF Investments	\$24,865,720	81 days*	Not rated
June 30, 2010 PTIF Investments	<u>\$24,008,369</u>	73 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, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Land	\$ 9,112,884	-	-	9,112,884
Capital projects - in process	301,470	3,325,579	1,431,106	2,195,943
Buildings	20,369,230	58,865	19,009	20,409,086
Improvements and landscaping	12,788,026	139,422	15,993	12,911,455
Pollution equipment	19,668,317	-	-	19,668,317
Boilers and burning equipment	14,372,618	14,430	-	14,387,048
Computer equipment	1,373,070	69,821	270,629	1,172,262
Heavy mobile equipment	6,913,983	759,732	1,207,761	6,465,954
Other equipment	<u>3,512,992</u>	<u>1,455,194</u>	<u>882,690</u>	<u>4,085,496</u>
	88,412,590	5,823,043	3,827,188	90,408,445
Accumulated depreciation	<u>(54,084,974)</u>	<u>(4,636,617)</u>	<u>(1,845,510)</u>	<u>(56,876,081)</u>
Capital assets - net	<u>\$34,327,616</u>	<u>1,186,426</u>	<u>1,981,678</u>	<u>33,532,364</u>

(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 shall continue in effect for three years. The contract may be terminated at the option of either party. Estimated annual revenue is \$3,100,000.

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 non-hazardous solid waste landfill. If the property is developed as a non-hazardous 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.

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

Notes to Financial Statements - Continued

June 30, 2011 and 2010

(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, 2011 totaled \$6,078,861 and \$6,095,971 for fiscal year 2010. The District had receivables from these parties totaling \$529,543 as of June 30, 2011 and \$557,619 as of June 30, 2010.

(6) Pension Plans and Retirement Benefits

Plan Description

The Wasatch Integrated Waste Management District (District) contributes to the Local Governmental Non-contributory 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

In the Local Governmental Non-contributory Retirement System the District is required to contribute 13.37% of its annual covered salary. The contribution rate is actuarially determined. The contribution requirements of the System is authorized by statute and specified by the Board.

The District's contributions to the Non-contributory Retirement System for June 30, 2011, 2010 and 2009 were \$417,222, \$343,423 and \$311,377 respectively, and 401(K) contributions for June 30, 2011, 2010 and 2009 were \$115,541, \$132,898 and \$155,577 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>2011</u>	<u>2010</u>
Cash	\$ 588,039	828,862
Temporary cash investments	<u>24,865,720</u>	<u>24,008,369</u>
	<u>\$25,453,759</u>	<u>24,837,231</u>

(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

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

Notes to Financial Statements - Continued

June 30, 2011 and 2010

(8) Closure and Post-Closure Care Cost - Continued

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, 2011:

- The closure and post-closure liability was **\$4,777,489**
- The estimated total closure and post-closure costs remaining to be recognized was **\$6,320,052**
- The percentage of the landfill used to date was **57%**
- The estimated future life of the landfill was **12 years** (expected closure in the year 2024)

(9) Waste Control legislation

The 2008 Utah State Legislature passed Senate Bill 46 which provides that existing flow control ordinances, such as the District's, will be invalid on January 1, 2013 and is estimated to result in a loss of revenue to the District of approximately two million dollars annually.

(10) Landfill Contribution

During the year ended June 30, 2008, the District made a \$2,500,000 contribution to the Northern Utah Regional Landfill Authority (NURLA). NURLA is a jointly governed organization that is researching solid waste disposal options for the use of Logan City, Weber County, and the District. The District has no ongoing financial interest, financial responsibility, nor equity ownership in NURLA.

(11) Carbon Exchange Instrument Contracts/Climate Reserve Tons

On November 1, 2006, the District resolved to join the Chicago Climate Exchange (CCX) which is a voluntary, legally binding integrated trading system to reduce emissions of greenhouse gases (GHG). Members make a commitment to meet annual GHG emission reduction targets. Those who reduce GHG emissions below targets are issued exchange allowances. These have to do with the operation of the waste to energy facility. Exchange offsets are issued for the operation of qualifying offset projects. The collection and distribution of methane gas at the landfill creates exchange offsets. Both exchange allowances and exchange offsets are carbon financial instrument contracts (CFI). CFI contracts are issued only after third party verification and can be held or sold on an existing market. The value of the CFI contracts held at June 30, 2011 was \$1,416.

On July 30, 2009, the Davis Landfill Methane Offset Project was approved by the Climate Action Reserve (CAR). The CAR is a nonprofit organization which issues Climate Reserve Tons (CRTs) for independently verified GHG reducing projects. During the fiscal years ended June 30, 2011 and June 30, 2010, the District was issued and sold CRTs and CFI contracts realizing a gain of \$263,658 and \$553,154 respectively.

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

Schedule of Insurance Policies in Force

June 30, 2011

<u>Description</u>	<u>Insurance Company</u>	<u>Policy Number</u>	<u>Limits</u>	<u>Expiration Date</u>
Property	ACE America Insurance Co.	EUTN05095475		July 1, 2011
Policy limits			\$91,283,863	
Earthquake			50,000,000	
Flood			50,000,000	
Business interruption			1,200,000	
Steam turbine			3,500,000	
In transit			2,500,000	
Ordinance or law			5,000,000	
Contractors equipment			Included	
Extra expense			1,000,000	
Mechanical breakdown			Included	
General liability	ACE America Insurance Co.	PMGG25910862	\$ 1,000,000/Occurrence 5,000,000/Aggregate	July 1, 2011
Employee benefit liability			1,000,000/Occurrence 1,000,000/Aggregate	
Automobile	ACE America Insurance Co.	PMUH08302716		July 1, 2011
Liability			\$ 1,000,000	
Physical damage			Actual Cash Value	
Hired physical damage			50,000	
Workers compensation	Workers Compensation Fund	1167054	Statutory	October 1, 2011
Umbrella liability	ACE America Insurance Co.	XOOG23893009	\$20,000,000	July 1, 2011
Crime - employee theft	Fidelity & Deposit Ins. Co.	CCP106042316	\$ 800,000	July 1, 2011
Public officials bond	Cincinnati Insurance Co.	850860	\$ 775,000	July 1, 2011
Comprehensive General Liability (Including Public Officers Errors and Omissions)	Utah Local Governments Trust	14660-GL2011	\$ 5,000,000	July 1, 2011
Auto liability	Utah Local Governments Trust	14660-GL2011	\$ 5,000,000	July 1, 2011



Steven F. Crane, CPA
Kent R. Christensen, CPA
Jeffrey L. Ambrose, CPA
Chuck Palmer, CPA

Independent Auditors' Legal Compliance Report

Administrative Control Board
Wasatch Integrated Waste Management District
Layton, UT

We have audited the financial statements of Wasatch Integrated Waste Management District for the year ended June 30, 2011, and have issued our report thereon dated August 30, 2011.

Our audit included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Other Compliance Requirements
Special District Compliance Issues
Utah Retirement System Compliance

The District did not receive any major state grants during the year ended June 30, 2011.

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and *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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

Our audit does not provide a legal determination on the City's compliance with these requirements.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Wasatch Integrated Waste Management District complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2011.

Crane Christensen & Ambrose

August 30, 2011

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*

Administrative Control Board
Wasatch Integrated Waste Management District
Layton, UT

We have audited the financial statements of Wasatch Integrated Waste Management District as of and for the years ended June 30, 2011 and 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 30, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did identify a deficiency in internal control over financial reporting described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness.

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*.

This report is intended solely for the information and use of management, the Administrative Control Board, others within the entity, and federal and state funding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Crane Christensen & Ambrose

August 30, 2011

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2010

FINDING: The District's staff did not complete a year-end search for amounts that were owed vendors. As a result, a number of liabilities were not recorded.

QUESTIONED COSTS: None

RECOMMENDATION: The District's staff should search payments made after the fiscal year-end for amounts owed at year-end and record any liabilities found.

DISTRICT'S REPLY: The District's staff will search payments made after the fiscal year-end for amounts owed at year-end and record any liabilities found.



Steven F. Crane, CPA
Kent R. Christensen, CPA
Jeffrey L. Ambrose, CPA
Chuck Palmer, CPA

August 30, 2011

Administrative Control Board
Wasatch Integrated Waste Management District
P.O. Box 900
Layton, UT 84041-0900

We have audited the financial statements of Wasatch Integrated Waste Management District for the year ended June 30, 2011, and have issued our report thereon dated August 30, 2011. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 1, 2011, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements approved by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There were some significant liabilities that were not recorded as of June 30, 2011. These have been subsequently recorded.

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 only estimates affecting the financial statements were estimated useful lives of capital assets, allowance for doubtful accounts, and landfill closure costs.

We evaluated the key factors and assumptions used to develop the useful lives of capital assets, allowance for doubtful accounts, and 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. A misstatement was discovered during the audit. Unrecorded liabilities of \$285,596 were discovered and corrected.

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 August 30, 2011.

Other Audit Findings or Issues

As a result of observations we made during our field work, we found no 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. 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 Administrative Control Board 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.

Crane Christensen & Ambrose



Steven F. Crane, CPA
Kent R. Christensen, CPA
Jeffrey L. Ambrose, CPA
Chuck Palmer, CPA

August 30, 2011

Administrative Control Board
Wasatch Integrated Waste Management District
Layton, UT

In planning and performing our audit of the financial statements of Wasatch Integrated Waste Management District (the District) as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

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 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. We consider the following deficiency in the District's internal control to be a material weakness.

1. In completing the District's year-end accounting, no search for additional liabilities was conducted. As a result, a significant amount of liabilities went unrecorded.

This communication is intended solely for the information and use of management, Administrative Control Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Crane Christensen & Ambrose

CRANE, CHRISTENSEN & AMBROSE
Ogden, Utah

September 15, 2011

Administrative Control Board
Wasatch Integrated Waste Management District

The following represents a client response from the management of Wasatch Integrated Waste Management District to the management letter dated August 30, 2011 issued by Crane, Christensen & Ambrose in connection with their audit of the District's financial statements for the year ended June 30, 2011.

Findings: The District's staff did not complete a year-end search for amounts that were owed vendors. As a result, a number of liabilities were not recorded.

Recommendation: The District's staff should search payments made after the fiscal year-end for amounts owed at year-end and record any liabilities found.

We concur. Management will examine disbursements made after the fiscal year-end and record the liabilities in the proper period. Management will review policies regarding requisitioning, purchase orders and vendor invoice. Management will also work with and train staff to improve performance in this area and ensure there is correct recording of liabilities in the proper period.

Sincerely,



Nathan Rich
Executive Director



David Van De Graff
Controller