

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

Financial Statements - June 30, 2005 and 2004

(With Auditors' Report Thereon)

CRANE, CHRISTENSEN
& AMBROSE

*Certified Public Accountants
A Professional Corporation*

298 24th Street, Suite 300 • Ogden, Utah 84401

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

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2-10
Statement of Net Assets	11
Statement of Revenues Expenses and Changes in Net Assets	12
Statement of Cash Flows	13
Notes to Financial Statements	14-18
Supplementary Information:	
Schedule of Insurance Policies in Force - Schedule 1	19
Statement of Cash Receipts and Disbursements - By Bond Fund - Schedule 2	20
Independent Auditors' Legal Compliance Report	21
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	22
Independent Auditors' Solid Waste Management Revenue Refunding Bonds - Series 1999 Resolution Compliance Report	23



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

Independent Auditors' Report

Administrative Control Board
Wasatch Integrated Waste Management District

We have audited the accompanying statement of net assets of Wasatch Integrated Waste Management District (a Component Unit of Davis County) as of June 30, 2005 and 2004, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wasatch Integrated Waste Management District at June 30, 2005 and 2004, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits of the basic financial statements were made primarily to form an opinion on such financial statements taken as a whole. The supplementary information contained in Schedules 1 and 2 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.

In accordance with Government Auditing Standards, we have also issued a report dated August 10, 2005 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 and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Crane Christensen & Ambrose

August 10, 2005

298 24th Street, Suite 300 • Ogden, Utah 84401 • Telephone (801) 627-2060 FAX 627-2182
Member Division of CPA Firms, American Institute of Certified Public Accountants

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, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the independent Auditor’s report.

History and Background

The District was formed in 1984 under the name of 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 changed its name to Wasatch Integrated Waste Management District. The change was made as required by Utah law, to remove the word “County” from the name.

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 Special Service District Act provides that the District may not be dissolved nor may any area within the District be withdrawn from the District if any bonds, notes or other obligations of the District are outstanding and unpaid or if any contractual obligation of the District to provide services exists. The boundaries of the District include all of the municipalities in Davis County (other than certain areas within the City of Bountiful), the unincorporated area of Davis County, Morgan City and the unincorporated area of Morgan County, Utah. The District’s present boundaries encompass an area of approximately 268 square miles with an estimated population of 210,000 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. So long as the County Resolution is not repealed by the Board of County Commissioners, the Administrative Control Board is the governing authority of the District. Upon any repeal of the County Resolution, the Board of Davis County Commissioners would become the governing authority of the District.

The Administrative Control Board is presently composed of nineteen members; including the three Davis County Commissioners and one member from each of 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, 2005 members of the Administrative Control Board are:

Board Member	Position	Representing
Allan Hansen	Commissioner	Davis County
Dan McConkie	Commissioner	Davis County
Carol Page	Commissioner	Davis County
Michael Deamer	Mayor	Centerville City
Tom Waggoner	Mayor	Clearfield City
Lori Miller	Councilmember	Clinton City
Larry Haugen	Councilmember	Farmington City
Rick Miller	Mayor	Fruit Heights City
Brian Cook	Mayor	Kaysville City
Jerry Stevenson	Mayor	Layton City
Tony London	Councilmember	Morgan City
Dan Hancock	Commissioner	Morgan County
Kay Briggs	Mayor	North Salt Lake City
Val Peterson	Councilmember	South Weber City
Jan Galbraith	Mayor	Sunset City
Jon Jepperson	Councilmember	Syracuse City
Carl Martin	Mayor	West Bountiful City
JP Petroff	Mayor	West Point City
Jerry Larrabee	Mayor	Woods Cross City

The Administrative Control Board annually elects an executive committee including; Chairman, Vice Chairman, and Secretary. As of June 30, 2005 members of the executive committee are:

Jerry Stevenson	Chairman
Jerry Larrabee	Vice-Chairman
Dan McConkie	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 58 full time employees and 1 part time employee.

The District operates an integrated solid waste disposal system which consists of; a waste to energy facility (the "WTE Facility"), a subtitle D landfill (the "Landfill"), a composting operation (the "Green Waste Recycling Facility"), and a household hazardous waste drop-off facility (the "HHW Facility").

The WTE Facility is located on a tract of land in unincorporated Davis County located adjacent to Hill Air Force Base (HAFB) and Layton City, Utah. The WTE Facility includes two mass burn municipal waste combustion units, each with a nameplate capacity of 210 tons per day. The combustors are equipped with refractory wall furnaces and heat recovery boilers. The WTE Facility is equipped with a back pressure turbine generator rated at 1600 kW. 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 Landfill is located approximately 1.5 miles east of the WTE Facility and consists of two landfill cells. The historic landfill (unlined) cell began accepting waste in about 1952 and was closed in 1999. The historic landfill cell does not have a bottom liner component or leachate recovery system. The new (lined) landfill cell was constructed in 1998 to meet Federal Standards under the Resource Conservation Recovery Act (RCRA) Subtitle D and includes an engineered bottom liner and leachate collection system.

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 and produces up to 1,200 kW of electricity (power for about 900 homes).

The Green Waste Recycling Facility is located adjacent to the 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 HHW Facility became operational during 2003 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 used oil, batteries, and antifreeze, 2) product reuse, and 3) proper disposal for potentially hazardous materials.

Current expected life of WTE Facility and the Davis Landfill is approximately 20 years. Replacement of this disposal capacity will need to be acquired in the 10 to 15 year time frame. The District is currently putting into place a long term plan to provide for continued service beyond the life of the current facilities.

Financial Highlights

- A substantial rate reduction of approximately \$2.5 million was implemented at the beginning of the most recent fiscal year. The rate reduction was made in anticipation of final bond payment in June 2006 and was designed to reduce cash reserves of the District by \$5 million over the following two years.
- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$46,894,315 (net assets). Of this amount \$16,382,383 is temporarily restricted to meet 1999 Revenue Refunding Bond requirements, landfill closure and post closure requirements, and District Title 9, Application of Funds requirements as set by resolution by the Administrative Control Board. The remaining balance of \$30,511,932 may be used to meet the District's ongoing services and obligations to customers, employees, and creditors.
- The District's total net assets increased by \$1,524,957 due primarily to payment of bonds payable, higher than budgeted revenues in energy sales, recycling & salvage and outside district waste. Increased household growth in the district and stronger than expected interest revenue due to higher interest rates were also a factor to higher than budgeted revenues.
- At the close of the current fiscal year the District's combined ending funds cash balances were \$20,458,922, a decrease of \$1,015,726 in comparison with the prior year as a direct result of the rate reductions.
- The Green Waste Recycling Facility completed its second full year of operation adding value for customers of the District. The facility diverted 9,941 tons from the landfill and generated \$66,643 in sales of compost and mulch products. Also completing its second full year of operation this year was the HHW Facility which provides for collection of potentially hazardous wastes from residents at no charge. The LF Gas to Energy Facility, after five months of operations has generated \$23,879 in revenue and used thousands of pounds of landfill gas for electrical power generation.
- The Districts total liabilities decreased by \$2,848,537 during the most recent fiscal year. The key factors being the payment of \$4,515,000 in bonds payable and an increase in closure/post closure liabilities of \$441,693.
- The District purchased approximately 7 acres of land east of the WTE Facility and deeded approximately 2 acres north of the WTE Facility to Layton City for

the construction of a public road to access a new east gate entrance for HAFB and providing additional access to surrounding District property.

Overview of the Financial Statements

The District's financial statements consist of:

- **The Statement of Net Assets** present 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** present 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** The notes 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 the District's bond requirements as well as closure and post-closure care requirements for the Landfill and WTE 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 \$46,894,315 at the close of the most recent fiscal year.

By far the largest portion of the District's net assets (58 percent) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investments in capital assets is reported net of related debt, it should be noted that the resources needed to repay this

debt must be provided from other sources since the capital assets cannot be used to liquidate these liabilities.

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

- Total operating revenues decreased by \$3,334,406. This decrease was planned with rate reductions, but partially offset by strong energy sales.
- Total operating expenses increased by \$2,673,901. This increase resulted largely from an accelerated maintenance schedule at the WTE Facility.
- Non operating revenues increased by \$231,832
- Non operating expenses decreased by \$247,099
- Net assets increased by \$1,524,957, compared to a \$7,054,333 increase the prior year.

The following tables summarize information presented in the financial statements:

Wasatch Integrated Waste Management Districts' Net Assets

	2005	2004	Total Change 2005-2004
Current and other assets	\$23,692,942	\$24,866,272	\$(1,173,330)
Capital assets	<u>32,687,442</u>	<u>32,837,693</u>	<u>(150,251)</u>
Total assets	56,380,384	57,703,965	(1,323,581)
Current and other liabilities	6,896,966	5,357,196	1,539,770
Long-term liabilities	<u>2,589,103</u>	<u>6,977,410</u>	<u>(4,388,307)</u>
Total liabilities	9,486,069	12,334,606	(2,848,537)
Net assets:			
Net assets invested in			
Capital assets, net of debt	27,857,442	23,492,693	4,364,749
Restricted – temporary	16,382,383	5,078,115	11,304,268
Unrestricted	<u>2,654,490</u>	<u>16,798,551</u>	<u>(14,144,061)</u>
Total net assets	\$46,894,315	\$45,369,359	\$1,524,957

Wasatch Integrated Waste Management Districts' Change in Net Assets

	2005	2004	Total Change 2005-2004
Operating revenue	\$15,917,808	\$19,252,214	\$(3,334,406)
Operating expenses	<u>14,534,370</u>	<u>11,860,469</u>	<u>2,673,901</u>
Net operating income	1,383,438	7,391,745	(6,008,307)
 Non operating revenues (expenses)	 141,519	 (337,412)	 478,931
 Change in net assets	 1,524,957	 7,054,333	 (5,529,376)
 Net assets – beginning of year	 <u>45,369,359</u>	 <u>38,315,026</u>	 <u>7,054,333</u>
Net assets – end of year	\$46,894,316	\$45,369,359	\$1,524,957

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. 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:

	Amount	Percent
Operating Revenues:		
Tipping fees	\$12,197,254	75%
Steam / Energy sales	3,496,126	21%
Recycling and other	<u>224,428</u>	<u>1%</u>
Total operating revenue	15,917,808	97%
 Non operating revenues	 <u>562,312</u>	 <u>3%</u>
 Total revenues	 \$16,480,120	 100%

Capital Assets

The District acquired capital assets totaling \$2,207,775 most of which was attributed to the acquisition of the following items:

- Komatsu WA320-5L Loader
- International Roll off Truck
- Landfill Gas to Energy Project
- Expansion of Landfill Gas Collection
- Site Development for New Landfill Facilities
- Computer Equipment and Software
- Ash Extractor Replacement Project at WTE Facility
- Land
- Diesel Backup Generator at WTE Facility
- Windrow Turner
- Komatsu Dozer

Debt Administration

The District paid off \$4,515,000 on the outstanding 1999 Series Revenue Bonds outstanding. At the end of the fiscal year the District had bonded debt outstanding of \$4,830,000. The remaining debt is scheduled to be retired by June 2006.

Economic Factors and Next Year's Budget and Rates

- The District prepared its 2006 budget anticipating nominal growth in households and tonnage of waste handled over the next year. The District will continue to provide good customer service by maintaining and expanding District facilities and continually improving customer service. 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 \$9,117,000 capital budget for fiscal year 2006 which includes construction at the landfill of a maintenance shop, scale facilities, citizen drop-off facility, HHW facility and green waste recycling area. These facilities are being built for increased customer service and safety. Also replacement of some heavy equipment and vehicles is planned.

Request for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in 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, 650 East Highway 193, Layton, Utah 84041.

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

Statement of Net Assets

June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Current assets:		
Cash (note 2)	\$ 478,335	787,880
Temporary cash investments (note 2)	18,043,061	18,749,242
Accounts receivable less allowance for doubtful accounts of \$20,000 (note 7)	1,675,576	1,981,961
Inventory (note 1)	913,000	1,145,288
Prepaid expenses and deposits	<u>526,464</u>	<u>86,983</u>
Total current assets	<u>21,636,436</u>	<u>22,751,354</u>
Water rights	50,000	50,000
Bond reserve fund investments (notes 2, 3 and 5)	1,937,526	1,927,334
Property, plant and equipment (notes 1, 4, 5 and 6)	71,365,074	68,355,734
Less accumulated depreciation	<u>38,677,632</u>	<u>35,518,041</u>
Property, plant and equipment - net	<u>32,687,442</u>	<u>32,837,693</u>
Bond issuance costs, less accumulated amortization of \$440,869 (\$372,265 in 2004) (note 1)	<u>68,980</u>	<u>137,584</u>
Total assets	<u>56,380,384</u>	<u>57,703,965</u>
<u>LIABILITIES</u>		
Current liabilities:		
Current bond maturities (note 5)	4,830,000	4,515,000
Accounts payable	829,426	326,138
Other accrued liabilities	<u>1,228,359</u>	<u>498,762</u>
Total current liabilities	<u>6,887,785</u>	<u>5,339,900</u>
Liabilities payable from assets held by trustee:		
Accrued interest payable	<u>9,181</u>	<u>17,296</u>
Long-term debt:		
Bonds payable	-	4,830,000
Land fill closure and post closure care costs (note 10)	<u>2,589,103</u>	<u>2,147,410</u>
Total long-term debt	<u>2,589,103</u>	<u>6,977,410</u>
Total liabilities	<u>9,486,069</u>	<u>12,334,606</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	27,857,442	23,492,693
Restricted - temporary for bond and capital project requirements	16,382,383	5,078,115
Unrestricted	<u>2,654,490</u>	<u>16,798,551</u>
Total net assets	<u>\$46,894,315</u>	<u>45,369,359</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, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating revenues:		
Tipping fees	\$12,197,254	15,971,029
Steam sales	3,496,126	3,104,230
Recycling	129,657	145,224
Other	94,771	31,731
Total operating revenues	<u>15,917,808</u>	<u>19,252,214</u>
Operating expenses:		
Professional services	170,068	200,409
Insurance	513,524	535,054
Salaries and wages	2,853,735	2,664,767
Payroll taxes and fringe benefits	1,110,082	1,096,916
Miscellaneous	252,645	268,110
Utilities and telephone	303,818	399,840
Maintenance and repairs	4,254,946	1,951,678
Permits, licenses and fees	48,922	46,392
Operating supplies	958,896	867,908
Depreciation and amortization	3,626,041	3,422,045
Landfill closure and post closure adjustment (note 10)	441,693	407,350
Total operating expenses	<u>14,534,370</u>	<u>11,860,469</u>
Net operating income	<u>1,383,438</u>	<u>7,391,745</u>
Non-operating revenues (expenses):		
Gain (loss) on sale of equipment	(33,473)	(56,745)
Interest revenue	562,312	330,480
Interest expense	(386,445)	(610,050)
Financing costs	(875)	(1,097)
Total non-operating revenues (expenses)	<u>141,519</u>	<u>(337,412)</u>
Change in net assets	1,524,957	7,054,333
Net assets - beginning of year	<u>45,369,359</u>	<u>38,315,026</u>
Net assets - end of year	<u>\$46,894,316</u>	<u>45,369,359</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, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Receipts from customers	\$16,223,318	19,072,464
Payments to suppliers	(6,790,831)	(4,362,927)
Payments to employees	<u>(3,882,998)</u>	<u>(3,717,984)</u>
Net cash provided by operating activities	<u>5,549,489</u>	<u>10,991,553</u>
Cash flows from investing activities:		
Interest received	562,312	330,480
Sale (purchase) of investments	<u>(10,192)</u>	<u>3,662</u>
Net cash provided by investing activities	<u>552,120</u>	<u>334,142</u>
Cash flows from capital and related financing activities:		
Interest paid	(394,560)	(617,586)
Purchase of capital assets	(2,207,775)	(1,068,204)
Principal paid on bonds payable	<u>(4,515,000)</u>	<u>(4,245,000)</u>
Net cash used by capital and related financing activities	<u>(7,117,335)</u>	<u>(5,930,790)</u>
Net (decrease) increase in cash and temporary cash investments	(1,015,726)	5,394,905
Cash and temporary cash investment - beginning of year	<u>19,537,122</u>	<u>14,142,217</u>
Cash and temporary cash investment - end of year	<u>\$18,521,396</u>	<u>19,537,122</u>
Reconciliation of operating income to net cash provided by operating activities:		
Net operating income	\$ 1,383,438	7,391,745
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	3,626,041	3,422,045
Decrease (increase) decrease in accounts receivable	305,510	(179,750)
Decrease (increase) in inventory	232,288	(46,273)
(Increase) in prepaid expenses	(439,481)	(21,348)
Increase in other current liabilities	-	17,784
Increase in land closure and post closure care costs	<u>441,693</u>	<u>407,350</u>
Net cash provided by operating activities	<u>\$ 5,549,489</u>	<u>10,991,553</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, 2005 and 2004

(1) Organization and Summary of Significant Accounting Policies

A. Nature of Operations

Wasatch Integrated Waste Management District was established on September 24, 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.

B. Financial Reporting Model

The District has implemented a new 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, 2005 and 2004

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

Property, plant and equipment - The property, plant and equipment 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.

Bond issue costs - Amortization of bond issue costs is computed on the straight-line method over the term of the related Revenue Bonds.

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.

(2) Cash and Investments

The District's cash and investments are categorized as either (1) insured or registered or for which the securities are held by the District or its agent in the District's name, (2) uninsured and unregistered for which the securities are held by the counter-party's trust department or agent in the District's name or (3) uninsured and unregistered for which the securities are held by the counterparty or by its trust department or agent but not in the District's name. Interest earnings are included in the values shown. The District also invested in the Utah Treasurers Investment Fund which is not subject to credit risk classification. The following schedule details the distribution of the District's cash and investments.

	<u>Categories</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Investments in the Utah Public Treasurers Investment Fund	\$ -	-	-	\$19,980,587	19,980,587
Cash	100,000	-	378,335	<u>478,335</u>	<u>478,335</u>
Total cash and investments				<u>\$20,458,922</u>	<u>20,458,922</u>

The cash and investments is reconciled to the June 30, 2005 and 2004 balance sheet as follows:

	<u>2005</u>	<u>2004</u>
Cash	\$ 478,335	787,880
Temporary cash investment	19,543,061	20,264,531
Assets held by trustee	<u>437,526</u>	<u>412,045</u>
	<u>\$20,458,922</u>	<u>21,464,456</u>

(3) Assets Held by Trustee

The balance of assets held by the trustee in each fund (more fully described in note 5), at June 30, 2005 and 2004 were as follows:

	<u>2005</u>	<u>2004</u>
Debt service fund (note 4)	\$ <u>437,526</u>	<u>412,045</u>

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

Notes to Financial Statements - Continued

June 30, 2005 and 2004

(3) Assets Held by Trustee - Continued

The assets held by the trustee consisted of the following at June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Utah Public Treasurer Investment Fund	\$ <u>437,526</u>	<u>412,045</u>

(4) Property, Plant and Equipment

Changes in property, plant and equipment are as follows:

	<u>Balance June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
Land	\$ 5,028,301	386,840	28,427	5,386,714
Capital projects - in process	534,197	3,933,978	3,086,603	1,381,572
Buildings	13,557,767	62,228	-	13,619,995
Improvements and landscaping	8,530,334	657,801	160	9,187,975
Pollution equipment	19,438,287	-	-	19,438,287
Boilers and burning equipment	13,471,499	-	-	13,471,499
Computer equipment	1,484,631	138,437	225	1,622,843
Heavy mobile equipment	4,960,796	750,787	374,753	5,336,830
Other equipment	<u>1,349,922</u>	<u>594,735</u>	<u>25,298</u>	<u>1,919,359</u>
	<u>\$68,355,734</u>	<u>6,524,806</u>	<u>3,515,466</u>	<u>71,365,074</u>

(5) Long-Term Debt

The District has \$4,830,000 in revenue refunding bonds outstanding, with an average interest rate of 4.45%. The final payment is due in 2006 and will be financed from District operations. The debt maturity is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2006	\$ <u>4,830,000</u>	<u>209,445</u>	<u>5,039,445</u>

(6) Commitments

On July 6, 1998, 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 with seven one-year renewal options thereafter. The contract may be terminated at the option of either party by giving written notice of not less than 180 days in advance of the effective date of termination. Estimated annual revenue is \$2,737,000.

On June 28, 1993, the District entered into an agreement to purchase 1,120 acres in Box Elder County. Box Elder County was issued a solid waste plan approval (the Permit) for the construction and operation of a municipal solid waste landfill on the property by the Utah State Department of Environmental Quality (DEQ). The District has requested that the DEQ transfer the Permit to the District. Upon that transfer, the District has agreed to the following: pay Wangsgard Associates \$50,000; pay Wangsgard Associates 30 cents for each ton of solid waste delivered to the landfill for a period of 25 years; pay Wangsgard Associates \$100,000 in \$2,777.77 equal monthly installments without interest; upon operation of a non-hazard solid waste facility pay Box Elder County \$157,000.

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

Notes to Financial Statements - Continued

June 30, 2005 and 2004

(6) Commitments - Continued

Because of actions taken by the 1994 Utah State Legislature, a committee was formed to locate an alternative site in Box Elder County for a solid waste landfill for the District. Several alternative sites have been evaluated and other potential options are being looked at. The District has completed the purchase of the original 1,120 acres in the White's Valley area but the permit has not been transferred and the site has not been developed as a landfill at that location. Consequently, the agreements with Wangsgard Associates and Box Elder County have not gone into effect.

(7) 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, 2005 totaled \$7,263,453 and \$7,372,965 for fiscal year 2004. The District had receivables from these parties totaling \$1,015,204 as of June 30, 2005 and \$662,210 as of June 30, 2004.

(8) Pension Plans and Retirement Benefits

Plan Description

The Wasatch Integrated Waste Management District (District) contributes to the Local Governmental Noncontributory 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 Noncontributory 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 Noncontributory Retirement System the District is required to contribute 11.09% 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 Noncontributory Retirement System for June 30, 2005, 2004 and 2003 were \$261,803, \$210,838 and \$185,481 respectively, and 401(K) contributions for June 30, 2005, 2004 and 2003 were \$134,497, \$109,014 and \$100,430 respectively. The contributions were equal to the required contributions for each year.

(9) Cash and Temporary Cash Investment

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

	<u>2005</u>	<u>2004</u>
Cash	\$ 478,335	787,880
Temporary cash investments	<u>18,043,061</u>	<u>18,749,242</u>
	<u>\$18,521,396</u>	<u>19,537,122</u>

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

Notes to Financial Statements - Continued

June 30, 2005 and 2004

(10) Closure and Post-Closure Care Cost

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

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

The District accounts for closure and post-closure care costs in accordance with Statement 18 of the Governmental Accounting Standards Board. Statement 18 requires reporting a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. At the balance sheet date of June 30, 2005:

- The closure and post-closure liability was **\$2,589,103**
- The estimated total closure and post-closure costs remaining to be recognized was **\$7,723,015**
- The percentage of the landfill used to date was **45%**
- The estimated future life of the landfill was **18 years** (expected closure in the year 2024)

The estimated total closure and post-closure cost at June 30, 2004 was increased by 2.4% for June 30, 2005. This increase was based on the change in the consumer price index.

(A Component Unit of Davis County)

Schedule of Insurance Policies in Force

June 30, 2005

<u>Description</u>	<u>Insurance Company</u>	<u>Policy Number</u>	<u>Limits</u>	<u>Expiration Date</u>
Property	Travelers Insurance Co.	KTJCMB122D829303		July 1, 2005
Policy limits			\$85,000,000	
Earthquake			10,000,000	
Flood			10,000,000	
In transit			1,000,000	
Ordinance or law			5,000,000	
Contractors equipment			5,243,459	
Extra expense			1,000,000	
Business interruption			7,120,000	
General liability	Chubb Insurance Co.	35830687 DAL	\$ 1,000,000/Occurrence 2,000,000/Aggregate	July 1, 2005
Employee benefit liability				
Automobile Liability	Chubb Insurance Co.	0473528617	\$ 1,000,000 Varies	July 1, 2005
Physical damage			50,000	
Hired physical damage				
Workers compensation	Workers Compensation Fund	1167054	Statutory	October 1, 2005
Umbrella liability	St. Paul Insurance Co.	QK07200040	\$20,000,000	July 1, 2005
Crime - employee theft	Fidelity & Deposit Ins. Co.	CCP106042310	\$ 800,000	July 1, 2005
Public officials bond	Cincinnati Insurance Co.	850860	\$ 944,600	July 1, 2005
Equipment Breakdown	Travelers Insurance Co.	BM21229D3979TIL04		July 1, 2005
Policy limits			\$83,621,000	
Property damage			77,701,000	
Business interruption			7,120,000	
Expediting expenses			1,000,000	
Comprehensive General Liability (Including Public Officers Errors and Omissions)	Utah Local Governments Trust	14660-GL274-2004	\$ 5,000,000	Continuous

(A Component Unit of Davis County)

Statement of Cash Receipts and Disbursements - By Bond Fund

Year Ended June 30, 2005

	Total (Memo Only)	Revenue Fund	Debt Service Account	Extension and Repair Fund	Stabilization Fund	Capital Projects Fund
Cash balance - June 30, 2004	\$ 21,464,257	2,627,046	412,045	1,515,290	15,409,876	1,500,000
Receipts	39,140,003	23,217,399	4,935,040	-	370,034	10,617,530
Disbursements	<u>(40,145,338)</u>	<u>(23,673,101)</u>	<u>(4,909,559)</u>	<u>(15,290)</u>	<u>(11,547,388)</u>	<u>-</u>
Cash balance - June 30, 2005	<u>\$ 20,458,922</u>	<u>2,171,344</u>	<u>437,526</u>	<u>1,500,000</u>	<u>4,232,522</u>	<u>12,117,530</u>



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

We have audited the financial statements of Wasatch Integrated Waste Management District for the year ended June 30, 2005, and have issued our report thereon dated August 10, 2005. The District received the following non-major grant which is not required to be audited for specific compliance requirements: (However, this program was subject to test work as part of the audit of the District's financial statements.)

Landfill - Gas to Electricity Project (State of Utah Department of Natural Resources)

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

The District did not receive any major or non-major state grants during the year ended June 30, 2005.

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.

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, 2005.

August 10, 2005

298 24th Street, Suite 300 • Ogden, Utah 84401 • Telephone (801) 627-2060 FAX 627-2182
Member Division of CPA Firms, American Institute of Certified Public Accountants



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

Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

Administrative Control Board
Wasatch Integrated Waste Management District

We have audited the financial statements of Wasatch Integrated Waste Management District as of and for the year ended June 30, 2005, and have issued our report thereon dated August 10, 2005. 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.

Compliance

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 grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management and Board of Directors. However, this report is a matter of public record and its distribution is not limited.

Crane Christensen & Ambrose

August 10, 2005

298 24th Street, Suite 300 • Ogden, Utah 84401 • Telephone (801) 627-2060 FAX 627-2182
Member Division of CPA Firms, American Institute of Certified Public Accountants



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

Independent Auditors' Solid Waste Management Revenue
Refunding Bonds - Series 1999 - Resolution Compliance Report

U.S. Bank
Bond Trustee

We have audited the financial statements of Wasatch Integrated Waste Management District for the year ended June 30, 2005 and have issued our report thereon dated August 10, 2005. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

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, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with provisions of the Solid Waste Management Revenue Refunding Bonds Series 1999 Resolution in so far as it relates to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

We found the District's net revenues and other available funds for the year ended June 30, 2005 exceeded the rate covenant requirement for the year.

This report is intended solely for the information and use of the Bond Trustee and should not be used for any other purpose.

Crane Christensen & Ambrose

August 10, 2005

298 24th Street, Suite 300 • Ogden, Utah 84401 • Telephone (801) 627-2060 FAX 627-2182
Member Division of CPA Firms, American Institute of Certified Public Accountants