WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1

A COMPONENT UNIT OF WASHINGTON COUNTY, UTAH

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

FINANCIAL SECTION

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Independent Auditors' Report

Administrative Control Board
Washington County Solid Waste Special Service District #1
Washington, UT 84780

We have audited the accompanying basic financial statements of Washington County Solid Waste Special Service District #1, a component unit of Washington County, as of December 31, 2008, and for the year then ended, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic 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 opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Washington County Solid Waste Special Service District #1, as of December 31, 2008, 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 accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2009 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 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis information on pages 2 through 4 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States. 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. The statement of revenues and expenses by department is presented for purposes of additional analysis and is not a required part of the audited financial statements of Washington County Solid Waste Special Service District #1. The totals in the statement of revenues and expenses by department were subjected to the auditing procedures applied in the audit, but the allocation between departments was not audited.

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC
May 19, 2009

ST. GEORGE • 63 SOUTH 300 EAST, STE. 100, ST. GEORGE, UT 84770 OFFICE 435.628.3663 FAX 435.628.3668
CEDAR CITY • 337 SOUTH MAIN, STE 230, CEDAR CITY, UT 84720 OFFICE 435.865.7666 FAX 435.867.6111
CEDAR CITY • 360 WEST 200 NORTH, CEDAR CITY, UT 84721 OFFICE 435.586.9479 FAX 435.586.2530
RICHFIELD • 159 NORTH MAIN ST., RICHFIELD, UT 84701 OFFICE 435.896.5491 FAX 435.896.5493
HURRICANE • 48 SOUTH 2500 WEST, STE. 200, HURRICANE, UT 84737 OFFICE 435.635.5665 FAX 435.635.0552
MESQUITE • 590 WEST MESQUITE BLVD., STE. 201, MESQUITE, NV 89027 OFFICE 702.346.3462 FAX 702.346.3464
www.hintonburdick.com

WASHINGTON COUNTY SOLID WASTE
SPECIAL SERVICE DISTRICT #1

Management's Discussion and Analysis

As management of Washington County Solid Waste Special Service District #1, we offer readers of the District's financial statements this narrative overview and analysis of the District's financial performance for the year ending December 31, 2008. Please read it in conjunction with the Districts financial statements and additional information that we have furnished in the Independent Auditor's Report.

FINANCIAL HIGLIGHTS

The District's total assets as of December 31, 2008 are $19,515,551. The District's assets exceed its liabilities by $14,961,746 as of December 31, 2008. This amount will be used to meet the district's obligation to close the landfill cell and its ongoing obligations to customers, employees, and creditors.

The District's operating expenses are largely the result of the contract with Allied Waste, to pick up residential garbage, operation of the landfill, and the purchase and delivery of residential garbage containers.

The District's revenues are mainly garbage collection fees, commercial haulers fees, and landfill revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report includes the Independent Auditor's Report and the Basic Financial Statements of the District.

QuickBooks accounting program provides the financial records supporting the District's financial reports. These statements offer financial information about the District's activities. The Statement of Net Assets includes all of the District's assets and liabilities.

All of the current year's revenues and expenses are accounted for in our Statement of Revenues, Expenses and Changes in Net Assets. The District's operating expenses decreased by $1,750,566 from 2007 to 2008. The decrease was mostly attributed to a credit to net income due to a decrease in the post-closure liability. The District's also revenues decreased by $453,600 from 2007 to 2008. The decrease in revenues was due to lower interest rates on investments and less commercial hauling and commercial waste in Washington County as the economy declined.

The Statement of Cash Flows reports net cash provided by operating activities, net cash used by investing activities, and net cash from capital and related financing activities, if any. It also includes the net cash decrease for the period, cash at the beginning of the period and cash at the end of the period.

An income and expense by month graph, included at the end of this section, reports, by month, the District's income compared to its expenses, as well as a summary chart of significant expenses.

DEBT ADMINISTRATION

Washington County Solid Waste Special Service District #1 has accounts with the Utah Public Treasurer's Investment Fund held for the future closure of the current landfill cell. The post closure payable is the only long-term liability of the District.

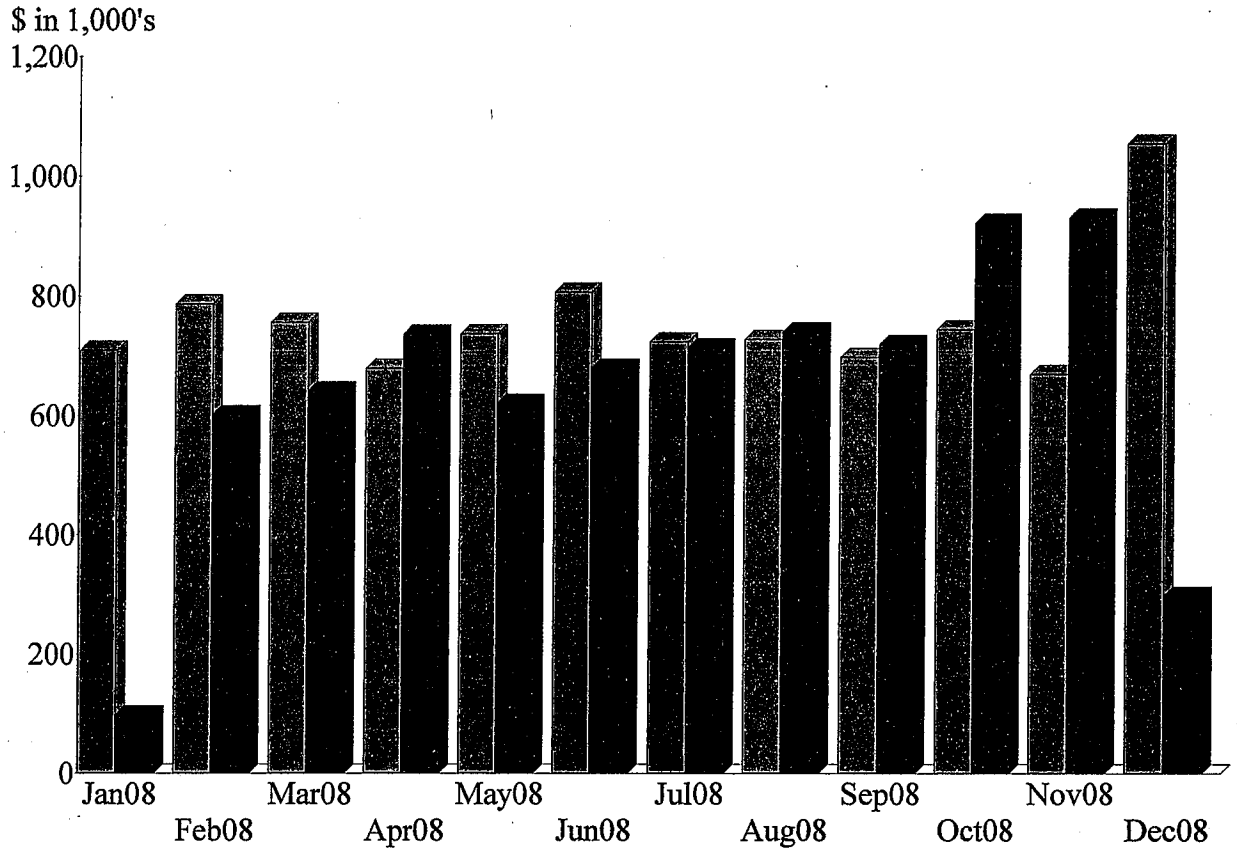
ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Washington County Solid Waste Special Service District #1 prepared its 2008 budget anticipating a nominal overall growth in tonnage of waste handled over the next year. The board may increase basic landfill fees as well.

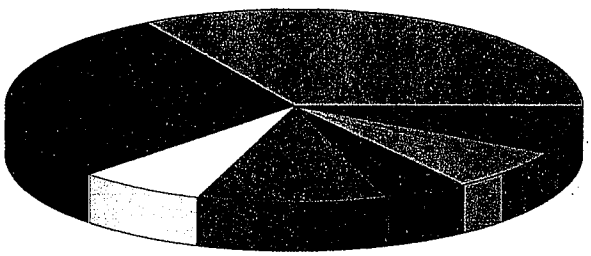
REQUEST FOR INFORMATION

This 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 request for additional financial information should be addressed to the district manager, Neil Schwendiman, 325 N. Landfill Rd., Washington, UT 84780.

Income and Expense by Month
January through December 2008



Expense Summary
January through December 2008



4590 · RESIDENTIAL COLLECTION	%35.68
4470 · OPERATIONS CONTRACT	30.77
4207 · CAPITAL OUTLAY	7.49
4250 · LAND,CELL CLOSURE FU.	$-509,447.22
4100 · SALARIES & WAGES	5.29
5100 · DEPRECIATION EXP	5.23
4340 · FUEL RECOVERY FEE	3.21
4591 · PAGE, AZ EXPENSE	2.27
4315 · COLLECTION STATION LIFT FEES	2.23
4110 · EMPLOYEE BENEFITS	1.72
Other	6.11
Sub-Total	$7,710,729.37

WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A Component Unit of Washington County, Utah)
Statement of Net Assets
December 31, 2008

	Proprietary Fund Type 2008
Assets	
Current assets:	
Cash and cash equivalents	$ 9,315,125
Accounts receivable, net of $3,000 allowance	781,821
Total current assets	10,096,946
Noncurrent assets:	
Restricted cash and cash equivalents	5,203,408
Property and equipment:	
Land	57,000
Buildings and improvements	3,558,989
Vehicles	232,558
Office furniture and fixtures	75,546
Machinery and equipment	3,432,442
Less: accumulated depreciation	(3,141,338)
Total noncurrent assets	9,418,605
Total assets	19,515,551
Liabilities	
Current liabilities:	
Accounts payable	639,312
Accrued liabilities	3,193
Accrued compensation	12,186
Total current liabilities	654,691
Noncurrent liabilities:	
Post closure payable	3,899,114
Total noncurrent liabilities	3,899,114
Total liabilities	4,553,805
Net Assets	
Invested in capital assets, net of related debt	4,215,197
Restricted for closure & post closure costs	5,203,408
Unrestricted	5,543,141
Total net assets	$ 14,961,746

The accompanying notes are an integral part of the financial statements.

WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A Component Unit of Washington County, Utah)
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended December 31, 2008

	Proprietary Fund Type 2008
Operating revenues	
Charges for services	$ 8,497,935
Operating expenses	
Auto expense	33,852
Board expense	8,297
Closure & post closure expense	(509,447)
Compost expense	85,791
Depreciation	429,615
Employee benefits	141,283
Fuel recovery	263,917
Insurance	35,193
Miscellaneous	105,728
Office expense	20,557
Operations contract	2,756,206
Postage and office supplies	26,804
Professional fees	45,074
Public notices	20,547
Rent and utilities expense	3,263
Repairs and maintenance	17,402
Road improvement contributions	615,909
Salaries & wages	435,119
Sanitation charges	3,120,156
Taxes - payroll	32,993
Taxes - tonnage	16,500
Tire disposal	5,971
Total operating expenses	7,710,730
Net operating income	787,205
Non-operating income (expenses)	
Interest income	351,795
Gain on sale of assets	807
Total nonoperating income (expenses)	352,602
Change in net assets	1,139,807
Total net assets--beginning	13,821,939
Total net assets--ending	$ 14,961,746

The accompanying notes are an integral part of the financial statements.

WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A Component Unit of Washington County, Utah)
Statement of Cash Flows
For the Year Ended December 31, 2008

	Proprietary Fund Type 2008
Cash flows from operating activities:	
Cash received from customers	$ 8,432,223
Cash paid to suppliers	(7,208,872)
Cash paid to employees	(608,008)
Net cash flows from operating activities	615,343
Cash flows from investing activities:	
Interest income	351,795
Net cash flows from investing activities	351,795
Cash flows from capital and related financing activities:	
Purchase of property and equipment	(1,541,044)
Proceeds from the sale of assets	807
Net cash flows from capital and related financing activities	(1,540,237)
Net change in cash and cash equivalents	(573,099)
Cash and cash equivalents at beginning of year, including restricted cash of $5,036,600	15,091,632
Cash and cash equivalents at end of year, including restricted cash of $5,203,408	$ 14,518,533
Reconciliation of operating income to net cash flows from operating activities:	
Net operating income (loss)	$ 787,205
Adjustments to reconcile net operating income (loss) to net cash flows from operating activities:	
Depreciation	429,615
Post closure expense	(509,447)
(Increase) decrease in accounts receivable	(65,712)
Increase (decrease) in accounts payable	(27,705)
Increase (decrease) in accrued liabilities	1,387
Net cash flows from operating activities	$ 615,343

The accompanying notes are an integral part of the financial statements.

Note 1. Summary of Significant Accounting Policies

The accounting and reporting policies of Washington County Solid Waste Special Service District Number 1 (the District) conform with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Reporting Entity - The District is the governmental entity providing solid waste disposal service to the residents and municipalities of Washington County and the City of Page, Arizona. There are no other agencies or component units that should be associated with these financial statements. The District is classified as a component unit of Washington County.

Fund Accounting - The District's accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's only fund is a proprietary type which accounts for the District's solid waste operations.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The only fund of the District is an enterprise fund. The accrual basis of accounting is generally followed as revenues are from services which are susceptible to accrual and expenditures are recorded when the liability is incurred. The District applies all applicable GASB pronouncements as well as FASB pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Note 1. Summary of Significant Accounting Policies, Continued

Budget Policy and Process - The Service District adopts an annual budget. The budget is prepared on the cash basis. The Service District is required to submit the budget to the Utah State Auditor's Office after it has been adopted by the Board. Budgetary information has not been amended during the year. Budget appropriations lapse at year-end.

Source of Revenues - Revenues are generated from solid waste sanitation disposal services contracted with the District and billed monthly, mainly to the communities within the District, on a per-residence basis.

Encumbrances - Encumbrance accounting is not used.

Cash and Cash Equivalents - The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Net Assets - Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors or grantors. A portion of net assets is restricted to provide funding to pay costs expected to close the District's landfill. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 2. Deposits and Investments

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

Note 2. Deposits and Investments, Continued

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

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. As of December 31, 2008, $7,506,506 of the District's bank balance of $8,006,506 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

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

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier' by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the

Note 2. Deposits and Investments, Continued

PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

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

As of December 31, 2008 the government had the following investments and maturities:

		Investments Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Local Government Pooled Investment Fund	$ 6,560,610	$ 6,560,610	$ -	$ -	$ -
Total Fair Value	$ 6,560,610	$ 6,560,610	$ -	$ -	$ -

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

At December 31, 2008 the District had the following investments and quality ratings:

		Quality Ratings			
Investment Type	Fair Value	AAA	AA	A	Unrated
Local Government Pooled Investment Fund	$ 6,560,610	$ -	$ -	$ -	$ 6,560,610
Total Fair Value	$ 6,560,610	$ -	$ -	$ -	$ 6,560,610

Note 3. Capital Assets and Depreciation

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method as follows:

	Useful Life (Years)	Balance 12/31/2007	Reclassification	Additions	Deletions	Balance 12/31/2008
Capital assets, not being depreciated:						
Land		$ 57,000	$ -	$ -	$ -	$ 57,000
Construction in Progress	-	225,156	-	-	225,156	-
Total capital assets, not being depreciated		282,156	-	-	225,156	57,000
Capital assets, being depreciated:						
Buildings and Improvements	10-40	2,713,158	(25,585)	871,416	-	3,558,989
Vehicles	5-7	78,645	5,040	166,163	17,290	232,558
Office Furniture and Fixtures	3-10	56,356	6,940	20,823	8,573	75,546
Machinery and Equipment - Landfill	5-15	2,776,896	13,605	707,799	65,858	3,432,442
Total capital assets, being depreciated		5,625,055	-	1,766,201	91,721	7,299,535
Less: accumulated depreciation for:						
Buildings and Improvements		(1,064,248)	22,102	(95,562)	-	(1,137,708)
Vehicles		(53,677)	(505)	(21,264)	(17,290)	(58,156)
Office Furniture and Fixtures		(40,629)	(2,892)	(8,172)	(8,573)	(43,120)
Machinery and Equipment - Landfill		(1,644,890)	(18,705)	(304,617)	(65,858)	(1,902,354)
Total accumulated depreciation		(2,803,444)	-	(429,615)	(91,721)	(3,141,338)
Total capital assets, being depreciated, net		2,821,611	-	1,336,586	-	4,158,197
Total capital assets, net		$ 3,103,767	$ -	$ 1,336,586	$ 225,156	$ 4,215,197

Note 4. Major Contracts

Garbage Collection Contract:

A garbage collection contract was entered into during 1999. It became effective on October 27 and allows for 10 years of landfill operation and garbage pickup.

The contract allowed charges from Allied Waste Transportation, Inc. at $4.80 per residence through December 31, 2002. The District added an administrative fee of $1.55 for pickup and $2.80 for landfill operations per residence, and the communities generally charge an additional fee of about $.50 per residence. Charges from Allied Waste Transportation, Inc. for monthly residential pickup were scheduled to increase according to the following schedule:

01/01/03 - 12/31/06	$5.05
01/01/07 - 12/31/09	5.30

During 2001, The District approved an amendment to the proposed rate increases. Because of rising fuel costs, $0.10 of the proposed 2003 rate increase of $0.25, was granted effective July 1, 2001. The remaining $0.15 increase took effect as scheduled on January 1, 2003. Therefore, charges from Allied Waste Transportation, Inc. for monthly residential pickup are as follows:

7/01/01 - 12/31/02	$4.90
1/01/03 - 12/31/06	5.05
1/01/07 - 12/31/09	5.30

In January of 2006, the District approved Allied's request for a fuel recovery fee, which is based on a sliding scale ranging from $.03 to $.48 per residence.

Under the contract, all residences are required to utilize the automated carts. The District controls the purchase, assembly and delivery of all carts.

Allied is responsible for obtaining bonding of $1,000,000 guaranteeing faithful performance of the contract and $500,000 guaranteeing payment of wages to all employees of Allied. Liability insurance etc. is also the responsibility of Allied.

Landfill Operation Agreement:

Effective May 1, 1999, the District entered into a contract with Allied Waste Transportation, Inc. for operation of the landfill. The contract term is from May 1, 1999 to December 31, 2009. Operations include compliance with all state and federal laws pertaining to the operation of landfills, obtaining and maintaining the necessary permits and licenses, operation of the composting project, repair and maintenance of all buildings and

Note 4. Major Contracts, Continued

improvements (except the gatehouse/scales), insurance coverage, and employment of necessary personnel.

The District will continue to operate the District office, gatehouse and scales; be responsible for controlling access to the landfill, weighing and keeping records of waste received at the landfill, and the billing/collecting of all fees charged for waste disposal at the landfill.

Per the operations agreement, Allied's monthly billings were calculated at 14.94 per ton, based on the annual rate of $1,352,660, divided by the 90,428 tons of waste taken in during 1999.

Allied is responsible for obtaining bonding of $2,000,000 guaranteeing faithful performance of the contract and $500,000 guaranteeing payment of wages to all employees of Allied. Liability insurance etc. is also the responsibility of Allied.

Amendment to the Landfill Operations Agreement:

Effective March 3, 2000, the Landfill Operation Agreement was amended. The original contract provides that no solid waste generated outside the boundaries of the District shall be accepted by Allied Waste Transportation, Inc. for disposal at the Washington County Landfill, except as approved or authorized by the District.

The contract has been amended to allow Allied to accept for disposal at the Washington County Landfill all municipal solid waste generated by the City of Page, Arizona and surrounding national park service areas, and hauled to the PSI transfer station in Page, Arizona, not to exceed 20,000 tons per year. The term of the addendum shall not exceed a period of 12 years.

The contract allows Allied to charge the District $11.80 per ton for the solid waste from the PSI transfer station.

Note 5. Defined Benefit Pension Plan

Plan Description

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

Note 5. Defined Benefit Pension Plan, Continued

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah 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 Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System, the District is required to contribute 11.62% of the employee's annual covered salary. The contribution rates are the actuarially determined rates, and are approved by the Board as authorized by Chapter 49.

The required contributions and amounts received for the 2008 calendar year and the two previous years are as follows:

	Year Ended 12/31	Employee paid contributions	Employer paid for employee contributions	Employer contributions	Salary subject to retirement contributions
Noncontributory System:					
Local Governmental Division					
	2008	$ -	$ -	$ 50,163.96	$ 431,703.49
	2007	-	-	41,779.95	359,929.34
	2006	-	-	30,935.60	271,869.53
Defined Contribution System:					
457 Plan	2008	$ 6,920.88	$ -		
	2007	6,205.00	-		
	2006	16,065.00	-		
401(k) Plan	2008	$ 3,953.48	$ 5,957.43		
	2007	8,555.00	5,020.90		
	2006	10,114.50	4,407.50		

The contributions were equal to the required contributions for each year.

Note 6. Closure and Post Closure Care Cost

State and federal laws and regulations require the District to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the District reports 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. The landfill is divided into various cells which will each be opened as the need arises for additional capacity. The $3,899,114 reported as landfill closure and post closure care liability at December 31, 2008, represents the cumulative amount of closure and post closure costs reported to date based on the use of the estimated capacity of the constructed portions of the landfill. An estimated 76.94% of the constructed capacity had been used by December 31, 2008. The District will recognize the remaining estimated cost of closure and post closure care of $1,168,840.01 as the remaining estimated capacity of the constructed cells is filled. These amounts are based on what it would cost to perform all closure and post closure care for the constructed cells in 2008. The District expects to close the entire landfill in the year 2041. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The District is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and post closure care. The District is in compliance with these requirements, and, at December 31, 2008, investments of $5,203,408 were held for these purposes.

The calculations of the changes in the liability for closure and post closure care and the current year's recognized cost rely on engineers' estimates of the eventual cost, in current year dollars, and the total estimated capacity of the landfill. The estimates of current cost are heavily reliant upon the total constructed acreage of the landfill, while the total estimated capacity is affected by factors such as density and maximum top height in addition to acreage. Thus, as is the case in 2008, it is possible for estimated capacity to increase more quickly than estimated current cost. Landfill density increased and the District revised its maximum top height upward during 2008. These changes are considered a change in estimate for financial statement purposes and result in a decrease in the "Post closure payable" liability shown on the statement of net assets and a credit balance in the "Closure & post closure expense" account on the statement of revenues, expenses, and changes in net assets of the District.

Note 7. Operating Lease

Beginning on July 8, 2008, the District entered into an operating lease as lessee of a 2007 International ProStar tractor. The term of the lease is 6 years. Either party may terminate the lease prior to expiration of its term on any anniversary of the vehicle's delivery date by giving to the other party at least sixty (60) days prior written notice. Base rent is $1,527 per month.

Future minimum lease payments:

Year Ending December 31,	Amount
2009	$18,324
2010	18,324
2011	18,324
2012	18,324
2013	18,324
Thereafter	13,743
Total future minimum lease payments due	$105,363

Note 8. Road Improvement Contributions

During 2008, the District reached an agreement with Washington City, Utah, to construct a new road in the vicinity of the landfill. Construction costs of these road improvements were $915,330. The lower portion of this road is for the sole use of the District, and as such was capitalized by the district in 2008 in the amount of $299,421. The upper portion is shared by the District and the public and was contributed by the District to Washington City in the amount of $615,909. The amounts to be capitalized by the District and contributed to the City were determined by multiplying the ratios of length of each portion of the road to total length of the road by the total cost of the road.

SUPPLEMENTARY INFORMATION

WASHINGTON COUNTY SOLID WASTE SPECIAL SERVICE DISTRICT #1
(A Component Unit of Washington County, Utah)
Statement of Revenues and Expenses by Department
For the Year Ended December 31, 2008

	Administrative	Landfill	Collection	Composting	Recycling	Total
Operating revenues						
Charges for services	$ 311,455	$ 3,865,812	$ 3,966,829	$ 70,948	$ 282,891	$ 8,497,935
Operating expenses						
Auto expense	4,621	-	15,585	-	13,646	33,852
Board expense	8,297	-	-	-		8,297
Capital outlay	1,282	619,983	(7,497)	-	2,141	615,909
Closure & post closure expense	-	(509,447)	-	-		(509,447)
Compost expense	-	-	-	85,791		85,791
Depreciation	429,615	-	-	-		429,615
Employee benefits	54,749	38,803	32,990	-	14,741	141,283
Fuel recovery	-	-	263,917	-	-	263,917
Insurance	2,344	26,392	-	-	6,457	35,193
Miscellaneous	17,251	52,602	(356,585)	-	392,460	105,728
Office expense	17,173	1,001	2,383	-	-	20,557
Operations contract	-	2,569,666	186,540	-		2,756,206
Postage and office supplies	13,734	9,354	213	-	3,503	26,804
Professional fees	45,074	-	-	-		45,074
Public notices	4,837	-	-	-	15,710	20,547
Rent and utilities expense	1,563	1,700	-	-		3,263
Repairs and maintenance	2,811	13,663	928	-	-	17,402
Salaries & wages	163,699	98,510	126,027	-	46,883	435,119
Sanitation charges	-	-	3,120,156	-		3,120,156
Taxes - payroll	12,036	7,610	9,722	-	3,625	32,993
Taxes - tonnage	-	16,500	-	-		16,500
Tire disposal	-	5,971	-	-		5,971
Total operating expenses	779,086	2,952,308	3,394,379	85,791	499,166	7,710,730
Net operating income (loss)	(467,631)	913,504	572,450	(14,843)	(216,275)	787,205
Non-operating income (expenses)						
Interest income	222,796	-	-	-	128,999	351,795
Gain on sale of assets	807	-	-	-	-	807
Total nonoperating income (expenses)	223,603	-	-	-	128,999	352,602
Net income (loss)	$ (244,028)	$ 913,504	$ 572,450	$ (14,843)	$ (87,276)	$ 1,139,807

OTHER COMMUNICATIONS

FROM

INDEPENDENT AUDITORS

HINTONBURDICK
HINTON BURDICK HALL & SPILKER PLLC
CPAs & ADVISORS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Administrative Control Board
Washington County Special Service District # 1
Washington, UT 84780

We have audited the basic financial statements of the Washington County Solid Waste Special Service District #1, a component unit of Washington County, and have issued our report thereon dated May 19, 2009. 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 opinion 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying schedule of findings and recommendations to be significant deficiencies in internal control over financial reporting:

07-01. Reconciliations and Year-End Adjustments
07-02. Financial Statement Preparation

ST. GEORGE • 63 SOUTH 300 EAST, STE. 100, ST. GEORGE, UT 84770 OFFICE 435.628.3663 FAX 435.628.3668
CEDAR CITY • 337 SOUTH MAIN, STE 230, CEDAR CITY, UT 84720 OFFICE 435.865.7666 FAX 435.867.6111
CEDAR CITY • 360 WEST 200 NORTH, CEDAR CITY, UT 84721 OFFICE 435.586.9479 FAX 435.586.2530
RICHFIELD • 159 NORTH MAIN ST., RICHFIELD, UT 84701 OFFICE 435.896.5491 FAX 435.896.5493
HURRICANE • 48 SOUTH 2500 WEST, STE. 200, HURRICANE, UT 84737 OFFICE 435.635.5665 FAX 435.635.0552
MESQUITE • 590 WEST MESQUITE BLVD., STE. 201, MESQUITE, NV 89027 OFFICE 702.346.3462 FAX 702.346.3464
www.hintonburdick.com

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

We noted a certain matter that we reported to the management of the District in a separate letter dated May 19, 2009.

The District's responses to the findings identified in our audit are described in the accompanying schedule of responses to the findings. We did not audit the District's response, and accordingly, we express no opinion on it.

While these reports are intended to be used by the specified parties, which include the applicable government regulatory bodies which require the reports, this report restriction does not alter the fact that the audit reports are public documents which, based on Utah laws, must be open to inspection by any interested person.

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC
May 19, 2009

HINTONBURDICK
HINTON BURDICK HALL & SPILKER PLLC
CPAs & ADVISORS

Independent Auditors' Report on
State of Utah Legal Compliance

Administrative Control Board
Washington County Solid Waste Special Service District #1
Washington, UT 84780

We have audited the basic financial statements of Washington County Solid Waste Special Service District #1, a component unit of Washington County, for the year ended December 31, 2008, and have issued our report thereon dated May 19, 2009. Our audit included test work on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Special Districts
Other General Compliance Issues
Asset Forfeiture

The District did not receive any major or nonmajor State grants during the year ended December 31, 2008.

The management of Washington County Solid Waste Special Service District #1 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.

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

In our opinion, Washington County Solid Waste Special Service District #1, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2008.

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC
May 19, 2009

HINTONBURDICK
HINTON BURDICK HALL & SPILKER PLLC
CPAs & ADVISORS

Findings and Recommendations
For the Year Ended December 31, 2008

Administrative Control Board
Washington County Solid Waste Special Service District #1
Washington, UT 84780

Professional standards require that we communicate, in writing, deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. During our audit of Washington County Solid Waste Special Service District #1 for the year ended December 31, 2008, we noted many improvements in the District's accounting and internal control systems and wish to commend the District for its achievements. We noted a few areas that, if improved, would strengthen the District's accounting system and control over its assets. These items are discussed below for your consideration.

Material Weakness Findings and Recommendations:

None noted.

Significant Deficiency Findings and Recommendations:

07-01. Reconciliations and Year-End Adjustments

During our audit we made recommendations for various journal entries that were necessary to record or correct transactions or to reclassify fixed assets between asset categories.

Recommendation

We recommend that management review the journal entries and discuss them with us to ensure they understand and are in agreement with the entries and that they understand the purpose and underlying accounting principles associated with each entry. We also recommend that the District exercise care to ensure all fixed asset additions and disposals are recorded and that changes recorded in the District's fixed asset and depreciation system are also recorded in the accounting system. This should be done by regularly reconciling the balances from fixed asset schedules to the balances of the general ledger fixed asset accounts.

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07-02. Financial Statement Preparation

Statement on Auditing Standards #112 indicates that it may be a significant deficiency in the District's internal controls when the District's personnel do not have sufficient expertise to select and apply generally accepted accounting principles. It is our opinion that the District's personnel lack the level of expertise in the governmental accounting field, specifically in the preparation of the District's financial statements and related notes to the financial statements.

Recommendations

We recommend the District consider providing its accounting personnel with the appropriate training to provide them with the needed accounting expertise after considering the cost effectiveness of providing such a level of expertise.

Compliance Findings and Recommendations:

None noted.

Responses

Please respond to the above findings and recommendations in letter form for submission to the State Auditor's office as required by State law.

This letter is intended solely for the use of the Superintendent, District Board, management and various federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the District this past year. We would like to express special thanks to each of you who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel it necessary and we look forward to a continued pleasant professional relationship.

Sincerely,

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC
May 19, 2009

Washington County Solid Waste

Special Service District Number 1

325 North Landfill Road – Washington, Utah 84780 – Office (435) 673-2813 – Fax (435) 673-8332

May 26, 2009

Hinton, Burdick, Hall, & Spilker, PLLC
63 South, 300 East, Suite 100
Saint George, Utah. 84770

Management responses to findings.

To Whom It May Concern:

Finding 07-01 Reconciliations and Year-End Adjustments

The District will continue to provide training opportunities to employees to ensure that all significant and material adjustments are posted to the general ledger before the annual audit. The District will also provide training opportunities for the newly acquired depreciation software and will reconcile the balances from fixed asset schedules to the balances of the general ledger fixed asset accounts.

Finding 07-02 Financial Statement Preparation

The District will evaluate the feasibility of providing accounting personnel with the appropriate training to provide them with the needed accounting expertise.

Sincerely,

Neil Schwendiman
District Manager
Washington County Solid Waste Special Service District #1