

CUSTER-FALL RIVER
REGIONAL WASTE MANAGEMENT DISTRICT
FINANCIAL REPORT
FOR THE TWO YEARS ENDING DECEMBER 31, 2017
WITH INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDIT SERVICES, P.C.

Benjamin Elliott, CPA
P.O. Box 262
Madison, South Dakota 57042

CUSTER-FALL RIVER REGIONAL WASTE MANAGEMENT DISTRICT
EDGEMONT, SOUTH DAKOTA

TABLE OF CONTENTS TO THE FINANCIAL REPORT
FOR THE TWO YEARS ENDING DECEMBER 31, 2017

FINANCIAL SECTION

1 Independent Auditor's Report

3 Management's Discussion and Analysis (MD&A)
(Required Supplementary Information)

Fund Financial Statements - Enterprise Fund:

7 Statement of Net Position as of December 31, 2017

Statement of Revenues, Expenses, and Changes in Net Position:
8 for the Year Ending December 31, 2017
8 for the Year Ending December 31, 2016

Statement of Cash Flows:
9 for the Year Ending December 31, 2017
9 for the Year Ending December 31, 2016

10 Notes to the Financial Statements

GOVERNMENTAL SECTION

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

20 Schedule of Prior Audit Findings

20 Schedule of Current Audit Findings and Responses

NOTE: All figures shown in this financial report are in U.S. dollars.
For space considerations, the "\$" symbol is not used.

INDEPENDENT AUDIT SERVICES, PC

Benjamin Elliott, CPA
P.O. Box 262
Madison, South Dakota 57042
605.270.3020

Governing Board
Custer-Fall River Regional Waste Management District
Edgemont, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of Custer-Fall River Regional Waste Management District (District), Custer and Fall River Counties, South Dakota, as of December 31, 2017, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America - this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unmodified audit opinion.

Unmodified Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Custer-Fall River Regional Waste Management District, Custer and Fall River Counties, South Dakota, as of December 31, 2017, and the respective changes in its financial position and cash flows thereof, for each of the years in the biennial period then ended, in accordance with accounting principles generally accepted in the United States of America.

Custer-Fall River Regional Waste Management District
Independent Auditor's Report -- Page Two

Other Matters - Required Supplementary Information

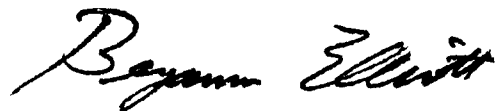
Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis (page 3 to 6) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the formation and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report (page 18) dated November 8, 2018 on my tests of Custer-Fall River Regional Waste Management District's compliance with certain provisions of laws, regulations, contracts and other matters and my consideration of its internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's compliance and internal control over financial reporting.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota

November 8, 2018



CUSTER-FALL RIVER REGIONAL WASTE MANAGEMENT DISTRICT
 EDGEMONT, SOUTH DAKOTA
 DECEMBER 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the Custer-Fall River Regional Waste Management District's (District) financial report presents our discussion and analysis of the District's financial performance during the two years ending December 31, 2017. Please read it in conjunction with the District's financial statements, which follow this section.

The District is permitted to operate a municipal solid waste Type IIB landfill situated in Fall River County, near Edgemont, South Dakota. Under this permit the landfill is allowed to accept up to 24,999 tons of waste per year for 5 years, until February 27, 2023. The permitted area is approximately 280 acres and the active disposal area is approximately 10 acres.

FINANCIAL HIGHLIGHTS

	2017	2016
Revenue:		
Charges for goods and services	539,376	565,076
Operating grants	0	0
Capital grants	6,190	53,186
Interest income	5,394	7,992
Insurance settlement		3,249
Interest (expense)	(2,242)	(5,211)
	-----	-----
Total	548,718	624,292
	-----	-----
Expenses:		
Management	96,000	96,000
Engineering	49,596	60,278
Equipment	95,053	56,478
Closure/Postclosure	114,522	25,111
Other	69,998	53,039
Depreciation	172,516	170,122
	-----	-----
Total	597,685	461,028
	-----	-----
(Decrease) Increase in Net Position	(48,967)	163,264
Net Position:		
December 31, 2015		2,179,103

December 31, 2016	2,342,367	2,342,367
	-----	=====
December 31, 2017	2,293,400	
	=====	

Financial highlights for 2017 are:

- * Accepted 8,485 tons of waste generating \$539,376 in tipping fees.
- * Received \$6,190 in grant funding from DENR for Phase III.
- * Completed construction of Phase III to open cell 4 and 5 for \$24,697.
- * Paid-off in full the \$298,900 DENR loan.
- * Purchased Caterpillar loader equipment for \$11,200.

Financial highlights for 2016 are:

- * Accepted 8,932 tons of waste generating \$565,076 in tipping fees.
- * Received \$53,186 in grant funding from DENR for Phase III.
- * Borrowed \$164,833 against a \$298,900 DENR loan for Phase III.
- * Continued construction of Phase III to open cell 4 and 5 for \$250,530.
- * Purchased a Caterpillar loader for \$246,930.
- * Purchased a 2012 Polaris Ranger side-by-side for \$8,000.

BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This District has no governmental funds so only enterprise fund financial statements are presented in these basic financial statements. Enterprise funds operate similar to a private business. The basic financial statements consist of: a Statement of Net Position, a Statements of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The accounting is full accrual with a focus on all economic resources of the District.

The basic financial statements consist of the:

STATEMENT OF NET POSITION - this statement includes all assets and liabilities, both financial and capital, and both short-term and long-term. Net position is displayed in three components:

1. Net Invested in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets.
2. Restricted Net Position - Consists of net position with constraints placed on their use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - All other net position that does not meet the criteria of 1 or 2 above.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - this statement has operating revenues (such as tipping fees), operating expenses (such as management and engineering fees), and non-operating revenue (such as state grants and interest income). This statement is full accrual and is not dependent on the receipt of cash.

STATEMENT OF CASH FLOWS - this statement shows the source and use of cash from (A) operations, (b) non-capital financing activities, (c) capital financing activities, and (d) investing activities. This statement also has a reconciliation of the operating income (loss) to the cash provided (used) by operating activities.

CONDENSED FINANCIAL INFORMATION COMPARING THE CURRENT YEAR TO THE PRIOR YEAR

Government-wide financial statements are NOT presented in these financial statements because it is a special purpose government with only one enterprise fund. As allowed by GASB Codification section 2200.161 the required financial statements presented are the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows. Condensed financial information for 2017, 2016, and 2016 is presented on page 6.

ANALYSIS OF THE DISTRICT'S OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS.

Using a threshold of \$50,000 significant changes from 2016 to 2017 are:

	Increase (Decrease)	Reason
Current assets	(220,129)	Paid in full a \$298,900 loan.
Capital assets	(136,619)	Phase III construction complete less depreciation of \$170,122.
Other assets	123,762	Restricted additional cash for closure/postclosure accrued liability.
Noncurrent liabilities	(184,378)	Paid in full a \$298,900 loan.
Closure/Postclosure costs	89,411	Tie to engineer's determination.

Using a threshold of \$50,000 significant changes from 2015 to 2016 are:

	Increase (Decrease)	Reason
Capital assets	335,338	Phase III construction less depreciation of \$172,516.
Noncurrent liabilities	172,622	Additional DENR loan proceeds.
Tipping fees	66,880	Tonnage increase of 544.37 tons.

SIGNIFICANT CAPITAL ASSET ACTIVITY

Significant capital asset is reported above. See page 16 for more information.

SIGNIFICANT LONG-TERM DEBT ACTIVITY

Significant long-term debt activity is reported above. See page 17 for more information.

CURRENTLY KNOWN FACTS

Effective July 1, 2013 South Dakota Senate Bill (SB 59) prohibits the storage or disposal of liquid oil and gas field wastes in earthen pits or open receptacles unless the facility is directly associated with the development of a specific well or production property. As a result the Custer-Fall River Waste Management District landfill can no longer accept oil well production water for disposal in its leachate pond.

In May 2018 the District was awarded a waste tire collection and disposal grant for \$60,000 or 80% of cost, whichever is less.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Linda Mines, Deputy Secretary-Treasurer at P.O. Box 11, Edgemont, South Dakota 57735.

CUSTER-FALL RIVER REGIONAL WASTE MANAGEMENT DISTRICT
 -- An Enterprise Fund --

TABLE 1 - NET POSITION (condensed)
 AS OF DECEMBER 31, 2017, 2016, and 2015

	2017	2016	2015
	-----	-----	-----
Assets:			
Current assets	805,921	1,026,050	1,067,505
Capital assets	1,420,357	1,556,976	1,221,638
Other assets	464,761	340,999	316,207
	-----	-----	-----
Total	2,691,039	2,924,025	2,605,350
	=====	=====	=====
Liabilities:			
Current liabilities	10,462	10,103	27,314
Noncurrent liabilities	387,177	571,555	398,933
	-----	-----	-----
Total	397,639	581,658	426,247
	=====	=====	=====
Net position:			
Net invested in capital assets	1,420,357	1,258,076	1,070,249
Restricted - future closures	69,413	60,173	60,492
Restricted - insurance deposit	8,171	8,171	8,171
Unrestricted	795,459	1,015,947	1,040,191
	-----	-----	-----
Total	2,293,400	2,342,367	2,179,103
	=====	=====	=====

TABLE 2 - CHANGES IN NET POSITION (condensed)
 FOR THE THREE YEARS ENDING DECEMBER 31, 2017

	2017	2016	2015
	-----	-----	-----
Revenues:			
Program revenues:			
Tipping fees	539,376	565,076	498,196
General revenues:			
Interest earnings	5,394	7,992	5,854
Insurance settlement		3,249	
	-----	-----	-----
Total revenues	544,770	576,317	504,050
	-----	-----	-----
Expenses:			
Management fees	96,000	96,000	96,000
Engineering services	49,596	60,278	36,215
Closure/Postclosure costs	114,522	25,111	40,589
Equipment costs	95,053	56,478	46,845
Other	69,998	53,039	59,604
Interest expense	2,242	5,211	
Depreciation	172,516	170,122	122,078
	-----	-----	-----
Total expenses	599,927	466,239	401,331
	-----	-----	-----
Revenues over (under) expenses	(55,157)	110,078	102,719
	-----	-----	-----
Capital contributions	6,190	53,186	37,847
	-----	-----	-----
Net position increase (decrease)	(48,967)	163,264	140,566
	-----	-----	-----
Net position:			
December 31, 2014			2,038,537

December 31, 2015		2,179,103	2,179,103
		-----	-----
December 31, 2016	2,342,367	2,342,367	
	-----	=====	
December 31, 2017	2,293,400		
	=====		

CUSTER-FALL RIVER REGIONAL WASTE MANAGEMENT DISTRICT

STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017

ASSETS

Current assets:

Cash	198,285
Savings	266,073
Certificates of deposit	302,709
Due from other governments	0
Accounts receivable, customers	38,854

Total current assets 805,921

Capital assets:

Land	26,600
Buildings	137,603
Improvements	1,999,111
Equipment	646,815
Accumulated depreciation	(1,389,772)

Total capital assets 1,420,357

Other assets:

Cash restricted by a third party:

Savings	69,413
Certificates of deposit	387,177
Insurance deposit	8,171

Total assets 2,691,039

LIABILITIES

Current liabilities:

Accounts payable	10,462
------------------	--------

Total current liabilities 10,462

Noncurrent liabilities:

Accrued closure and post closure cost	387,177
---------------------------------------	---------

Total liabilities 397,639

NET POSITION

Net invested in capital assets 1,420,357

Restricted:

Future closure and post closure cost	69,413
Insurance deposit	8,171

Unrestricted 795,459

Total net position 2,293,400

See accompanying notes.

CUSTER-FALL RIVER REGIONAL WASTE MANAGEMENT DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
FOR THE TWO YEARS ENDING DECEMBER 31, 2017

	2017	2016
Operating revenue:		
Landfill fees	539,376	565,076
	-----	-----
Total operating revenue	539,376	565,076
	-----	-----
Operating expenses:		
Management contract with Barker Concrete	96,000	96,000
Engineering services:		
Ground water testing	37,465	40,213
Other engineering services	12,131	20,065
Equipment costs	95,053	56,478
South Dakota tonnage fees	8,713	8,959
South Dakota sales tax	12,051	10,034
Closure/Postclosure costs	114,522	25,111
Commissioners	4,182	4,033
Accounting services	13,200	13,200
Audit services		4,000
Insurance	5,158	5,053
Utilities	4,779	4,873
Con-cover material	17,080	
Other	4,835	2,887
Depreciation	172,516	170,122
	-----	-----
Total operating expenses	597,685	461,028
	-----	-----
Total operating income	(58,309)	104,048
Nonoperating revenue (expense):		
Interest earnings	5,394	7,992
Insurance settlement	0	3,249
Interest expense	(2,242)	(5,211)
	-----	-----
Income (loss) before contributions	(55,157)	110,078
Capital contribution:		
State DENR grant - Phase III	6,190	53,186
	-----	-----
Change in net position	(48,967)	163,264
Net position:		
December 31, 2015		2,179,103

December 31, 2016	2,342,367	2,342,367
	-----	-----
December 31, 2017	2,293,400	
	=====	

See accompanying notes.

CUSTER-FALL RIVER REGIONAL WASTE MANAGEMENT DISTRICT

STATEMENT OF CASH FLOWS
FOR THE TWO YEARS ENDING DECEMBER 31, 2017

	2017	2016
Cash flows from:		
Operating activities:		
Receipts from customers	528,925	569,129
Payments to employees	(17,382)	(17,233)
Payments to suppliers	(292,907)	(254,525)
Net cash provided (used) by operating activities	----- 218,636	----- 297,371
Noncapital financing activities:		
Insurance settlement		3,249
Capital financing activities:		
State grant DENR - Phase III	6,190	46,269
State loan DENR - Phase III		164,833
Cash paid for Phase III	(24,696)	(250,530)
Cash paid for loader		(246,930)
Cash paid for Polaris Ranger		(8,000)
Cash paid for equipment	(11,200)	
Cash paid for debt - principal	(298,900)	
Cash paid for debt - interest	(2,242)	(5,211)
Investing activities:		
Interest earnings	5,394	7,992
Redeem investments		
Purchase certificates of deposit	(110,000)	(200,000)
Purchase certificates of deposit - interest	(6,127)	(5,117)
Net increase (decrease) in cash	----- (222,945)	----- (196,074)
Cash:		
December 31, 2015		952,790
December 31, 2016	756,716	756,716
December 31, 2017	----- <u>533,771</u>	----- <u> </u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	(58,309)	104,048
Closure expenses, accrued	114,522	25,111
Depreciation	172,516	170,122
(Increase) decrease in: Receivables, customers	(10,451)	4,053
Increase (decrease) in: Accounts payable	358	(5,963)
Net cash provided (used) by operating activities	----- <u>218,636</u>	----- <u>297,371</u>
Noncash investing, capital and financing activities: None		

See accompanying notes.

CUSTER-FALL RIVER REGIONAL WASTE MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Custer-Fall River Regional Waste Management District is a special purpose government and its accounting policies conform to generally accepted accounting principles applicable to such governments in the United States of America.

a. Reporting Entity:

The fund included in this report is controlled by or dependent upon the Custer-Fall River Regional Waste Management District's (District) Governing Board.

The District's officials at December 31, 2017 are:

Governing Board:

Larry Livingston, Chairman
Dee Andersen
Travis Bies
Jerry Dibble
Terry Kizer
Larry Maciejewski
Paul Nabholz
Bill O'Connell
Ron Richards

Deputy Secretary-Treasurer:

Linda Mines

The District was formed in 1995 under SDCL 34A-6 to address the municipal solid waste management needs of residents of Custer and Fall River Counties, South Dakota.

The District is comprised of one county commissioner from Custer County and one from Fall River County to represent the residents of unincorporated areas within their counties. Also the municipalities of Buffalo Gap, Custer, Edgemont, Fairburn, Hot Springs, Oelrichs, and Pringle each select one voting member from their respective boards to serve on the District's Board.

There are no component units or other organizations related to this special purpose government.

b. Basis of Presentation:

The District operates one enterprise fund which is a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenses. Enterprise funds are used to account for activity for which a fee is charged to external users for goods or services.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "what" transactions are recorded within the various financial statements. The "economic resources" measurement focus is applied to enterprise funds.

Basis of accounting refers to "when" revenues and expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus. The "accrual basis" of accounting is applied to enterprise funds. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

d. Capital Assets and Infrastructure assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations, and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

Infrastructure assets used in general governmental operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 2004, were not required to be capitalized by the District. Infrastructure assets acquired since January 1, 2004 are recorded at cost, and classified as "Improvements".

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. At December 31, 2017 none of the enterprise fund capital assets are determined by estimates of historical costs.

The cost of normal maintenance and repairs that do not add value to the assets, or materially extend asset lives, are not capitalized. Improvements that add value, or materially extend asset lives, are capitalized.

Interest cost incurred during construction of enterprise capital assets are capitalized with the capital asset cost.

Depreciation of all exhaustible capital assets is charged as an allocated expense against operations in the enterprise fund financial statements. Accumulated depreciation is reported in the Statement of Net Position.

The District's policy is to capitalize those assets with a useful life greater than one year and an initial acquisition cost of \$5,000 or more. All land and buildings are capitalized regardless of acquisition cost.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the enterprise funds are as follows:

	Estimated Threshold -----	Depreciation Method -----	Life in Years -----
Land	All		NA
Buildings	All	Straight-line	30
Improvements	5,000	Straight-line	10-30
Equipment and vehicles	5,000	Straight-line	5-15

Land is an inexhaustible capital asset and is not depreciated. The accounting for capital assets and depreciation is on the accrual basis.

There is no construction-in-progress at December 31, 2017.

e. Long-term Liabilities:

Long-term debt is accounted for on the accrual basis of accounting.

f. Enterprise Funds Revenue and Expense Classifications:

In the enterprise funds Statement of Revenues, Expenses, and Changes in Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as noncapital financing activities, capital and related financing activities, or investing activities are not reported as components of operating revenues or expenses.

g. Equity Classifications:

Equity is classified as net position and is displayed in three components:

1. Net Invested in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets.
2. Restricted Net Position - Consists of net position with constraints placed on their use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - All other net position that does not meet the criteria of 1 or 2 above.

h. Cash and Cash Equivalents:

For the purpose of the statement of cash flows the District considers all checking and savings deposits (including restricted assets) with a term to maturity of three months or less when purchased to be cash equivalents.

For the years ending December 31, 2016 and 2017, all deposits are considered to be cash and cash equivalent for purposes of the statement of cash flow except certificates of deposits with a maturity of more than 3 months. These amounts were \$573,759 in 2016 and \$689,886 in 2017.

i. Application of Net Position:

It is the District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred which can be charged to either restricted or unrestricted net position.

j. Allowance for Doubtful Accounts:

Because the write-off of unpaid tipping fees is minimal, it is not considered necessary to establish an allowance for doubtful accounts.

k. Accounting Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from these estimates. Following are estimates made by management during the 2016 and 2017 years:

- * Allowance for doubtful accounts - estimated uncollectables
- * Capital assets - estimated historical cost of certain items
- * Depreciation - estimated service lives
- * Closure and post closure costs

2. DEPOSITS, INVESTMENTS AND RISKS

The District follows the practice of aggregating deposits for cash management efficiency and returns, except for restricted cash and certificates of deposits purchased for landfill closure/postclosure costs.

Deposits - The District deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which

may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is an add-on type.

Actual bank balances at December 31, 2017 were as follows: Insured \$950,788, Collateralized ** \$275,416, for a total of \$1,226,204.

** Uninsured, collateral jointly held by state's/District's agent in the name of the state and the pledging financial institution.

The carrying amount of deposits at December 31, 2017 was \$1,223,657; with \$582,179 at First Interstate Bank, \$269,356 at Black Hills Federal Credit Union, and \$372,122 at Dakota Bank.

Investments - In general, SDCL 4-5-6 permits the District's money to be invested only in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or (c) in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent. The District had no investments during 2016 or 2017.

Certificates of deposit (if any), with a term to maturity of greater than 3 months when purchased are insured or collateralized and are considered deposits.

Investment Risk - State law limits eligible investments for the District as discussed above. The District has no investment policy that would further limit its investment choices.

Custodial Risk - The risk that, in the event of a depository failure, the District's deposits may not be returned to it. As of December 31, 2017, the District's deposits in financial institutions were not exposed to custodial credit risk.

Concentration of Credit Risk - the District places no limit on the amount that may be invested in any one institution, as shown above.

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

3. RECEIVABLES AND PAYABLES:

Receivables and payables are not aggregated in the financial statements. The District expects all receivables to be collected within one year. Allowance for estimated uncollectible accounts are not material to these financial statements.

4. CHANGES IN CAPITAL ASSETS (see schedule one, page 16)

A summary of the changes in capital assets is presented in schedule one at the end of these notes.

5. DEBT (see schedule two, page 17)

A summary of changes in long-term debt is presented in schedule two at the end of these notes. The District did not have any conduit debt or short-term debt during 2016 or 2017.

6. RESTRICTED NET POSITION

The South Dakota Department of Environment and Natural Resources has restricted investments of \$387,177 for accrued closure and postclosure cost liabilities.

The District is also holding an additional \$69,413 of restricted investments for future closure and post closure costs.

South Dakota Public Assurance Alliance is holding \$8,171 in cumulative reserve for the District.

7. MANAGEMENT AGREEMENT AND TIPPING FEES

In 2011 the District contracted with the Barker Concrete & Construction for operation of the landfill including the billing of users. The current agreement expires December 31, 2016 and has been extended for an additional two years to December 31, 2018 at a fee of \$96,000 for 2017 and \$103,200 for 2018.

The District's principal source of revenue are tipping fees paid by customers who use the landfill. Tipping fees are based on tonnage brought to the landfill. Tonnage is calculated from a truck's weigh ticket using a scale operated by a private business. Barker Concrete assembles these weigh tickets and bills customers at the end of the month. Barker Concrete also collects the tipping fees and deposited them into the District's checking account. Barker Concrete cannot withdraw from this checking account.

8. FEES PAID TO STATE

The landfill is regulated by South Dakota Department of Environmental and Natural Resources (DENR). As part of their regulation, the District pays the State of South Dakota a fee based on total tonnage.

During 2017 the District paid DENR a tonnage fee of \$8,713 for 8,485 tons. During 2016 the District paid DENR a tonnage fee of \$8,959 for 8,932 tons.

9. MAJOR CUSTOMERS

In 2016 and 2017 approximately 75% of the District's revenue came from 3 customers.

10. PERMIT

The District is permitted to operate a municipal solid waste Type IIB landfill situated in Fall River County, near Edgemont, South Dakota. Under this permit the landfill is allowed to accept up to 24,999 tons of waste per year for 5 years until February 27, 2023. The permitted area is approximately 280 acres and the active disposal area is approximately 10 acres.

11. LANDFILL CLOSURE AND REGULATORY COMPLIANCE

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 30 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 accrues a portion of these closure and post closure care costs as an operating expense, if needed, in each period based on landfill capacity used as of each balance sheet date.

Closure and post closure costs are not accrued as an operating expense in an accounting period if sufficient accrued liability for future closure and post closure cost have already been accrued.

At December 31, 2017 accrued closure and post closure cost recognized as a liability is \$387,177, which is \$6,187 more than than the engineer's calculated accrued liability of \$380,990 at May 2017. This amount is supported by restricted investments. The District also has additional restricted investments of \$69,413 for future closure and post closure cost.

At May 2017, cell 1 is filled and closed. At May 2017 the District estimates cells 2&3 to be 68% filled with an expected remaining life of 2.9 years. At May 2017 the District estimates cells 4&5 to be 0% filled with an expected remaining life of 9.0 years. The Districts total estimated remaining life of active cells is 11.9 years.

Actual closure and post closure costs may be higher or lower due to inflation, expansions, changes in technology, or changes in regulations.

On May 7, 2017 the Department of Environmental and Natural Resources (DENR) inspected the District's landfill and found "...the operation of the landfill to be conditionally acceptable." At December 31, 2017, DENR stated that "...the District was in compliance with their solid waste permit."

The District is required by the Department of Environmental and Natural Resources to deposit funds in a separate trustee account to finance closure and post closure costs. The District was in compliance with these requirements during 2016 and 2017 based on the above investments.

12. INSURANCE

The District is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; and natural disasters. During 2016 and 2017 the District managed its risks as follows:

Liability Insurance:

The District joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The District pays an annual premium to the pool to provide coverage for general liability, officials liability, and property insurance.

The agreement with the SDPAA provides that the above coverage's will be provided to a \$1,000,000 upper limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 to the upper limit. The District carries a \$500 maximum deductible for real and personal property coverage.

The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower cost for that coverage. The District's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the District. The District pays an annual premium, to provide liability coverage detailed above, under a claims-made policy and the premiums are accrued on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage.

The District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

13. OTHER DISCLOSURES AND SUBSEQUENT EVENTS

There is no material unallowed related party activity.

The District is not involved in any significant litigation.

Effective July 1, 2013 South Dakota Senate Bill (SB 59) prohibits the storage or disposal of liquid oil and gas field wastes in earthen pits or open receptacles unless the facility is directly associated with the development of a specific well or production property. As a result the Custer-Fall River Waste Management District landfill can no longer accept oil well production water for disposal in its leachate pond.

In May 2018 the District was awarded a waste tire collection and disposal grant for \$60,000 or 80% of cost, whichever is less.

CUSTER-FALL RIVER REGIONAL WASTE MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE
 CHANGES IN CAPITAL ASSETS
 FOR THE TWO YEARS ENDING DECEMBER 31, 2017

	Beginning 12-31-15	Adjustments	2016 Additions (Deletions)	2017 Additions (Deletions)	Ending 12-31-17	Accumulated Depreciation 12-31-15	Adjustments	2016 Depreciation (Additions) Deletions	2017 Depreciation (Additions) Deletions	Accumulated Depreciation 12-31-17	Remaining Cost 12-31-17
Capital assets:											
Land	26,600				26,600	0				0	26,600
Buildings	137,604	(1)			137,603	(42,437)		(4,587)	(4,587)	(51,611)	85,992
Improvements	1,524,673		449,741	24,697	1,999,111	(783,576)		(123,255)	(124,901)	(1,031,732)	967,379
Equipment	532,685		254,930	11,200	798,815	(373,121)		(42,281)	(43,027)	(458,429)	340,386
Equipment (1)			(152,000)		(152,000)			152,000		152,000	0
Construction-in-progress (2)	199,210		(199,210)		0	0				0	0
Totals	<u>2,420,772</u>	<u>(1)</u>	<u>353,461</u>	<u>35,897</u>	<u>2,810,129</u>	<u>(1,199,134)</u>	<u>0</u>	<u>(18,123)</u>	<u>(172,515)</u>	<u>(1,389,772)</u>	<u>1,420,357</u>

(1) Trade-in of CAT 950F loader

(2) Phase III - development of cells 4 and 5

CUSTER-FALL RIVER REGIONAL WASTE MANAGEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE TWO
 CHANGES IN LONG-TERM DEBT
 FOR THE TWO YEARS ENDING DECEMBER 31, 2017

	Beginning 12-31-15	2016 Additions (Deletions)	2017 Additions (Deletions)	Governmental Ending 12-31-17	Business-Type Ending 12-31-17	Principal Due in 2018
BUSINESS-TYPE						
2015 South Dakota Board of Water and Natural Resources Loan						
Solid Waste Management Program Loan # 2015L-SW-300						
Not to exceed \$298,900						
Due in 10 years with interest at 2.5%						
Semi-annual payments estimated to be \$33,967						
The loan can be prepaid at any time						
The loan was paid-off in full in March 2017						
This loan is payable from operations						
Paid by the District	151,389	164,833	(298,900)		0	0
		(17,322) <--less 12-31-2015 accrual				
Totals	151,389	147,511	(298,900)	0	0	0

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

Governing Board
Custer-Fall River Regional Waste Management District
Edgemont, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, 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, the financial statements of Custer-Fall River Regional Waste Management District (District), Custer and Fall River Counties, South Dakota, as of December 31, 2017 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued my report thereon dated November 8, 2018 which was unmodified.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether Custer-Fall River Regional Waste Management District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, and contracts 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 my audit and, accordingly, I do not express such an opinion.

The results of my tests did not disclose an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Custer-Fall River Regional Waste Management District's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of Custer-Fall River Regional Waste Management District's internal control.

A *deficiency in internal control* exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Custer-Fall River Regional Waste Management District's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency*, is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

I did identify a deficiency in internal control, described in the accompanying schedule of current audit findings and responses that I consider to be a significant deficiency. I consider the deficiency described in the accompanying schedule of current audit findings and responses as item 2017-01 to be a significant deficiency.

Management's response to the finding identified in my audit is described in the accompanying schedule of current audit findings and responses. I did not audit the management response and, accordingly, I express no opinion on it.

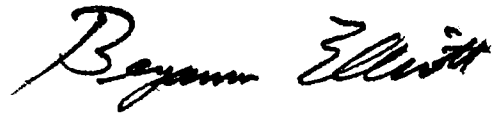
I did note other matters involving internal control that I reported to the governing body and management of the Custer-Fall River Regional Waste Management District in a separate Letter of Comments dated November 8, 2018.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on the effectiveness of the District's compliance or internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Custer-Fall River Regional Waste Management District's compliance and internal control over financial reporting. Accordingly this communication is not suitable for any other purpose.

However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Independent Audit Services, PC
Benjamin Elliott, CPA
Madison, South Dakota



November 8, 2018

SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit Findings: NONE

Prior Other Audit Findings:

2006-01: Preparation of financial statement: Repeated below as 2017-01

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

Type of auditor's report issued:	Unqualified
Noncompliance:	None Reported
Internal control over financial reporting: * Significant deficiency(ies) identified that are not considered to be material weaknesses?	Finding 2017-01
* Material weakness(es) identified?	None Reported

Finding 2017-01: Preparation of Financial Statements
(internal control)

Criteria:

A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements.

Condition:

The District has elected not to have an internal control system designed to provide for the preparation of the financial statement being audited. As the auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

Possible Effect:

This control deficiency could result in a misstatement of the financial statements that would not be prevented or detected.

Recommendations:

This situation is not unusual for an entity of the District's size. It is the responsibility of management, and those charged with governance, to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response:

Due to cost constraints, the District will continue to have the auditor draft the financial statements and accompanying notes to the financial statements.