

SOLID WASTE SERVICE DISTRICT
(A Component unit of Tillamook County)

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

**SOLID WASTE SERVICE DISTRICT
For the Year Ended June 30, 2009**

**Governing Body Under ORS 451.485
Tillamook County Board of Commissioners**

<u>Name</u>	<u>Term Expires December 31,</u>
Tim Josi 6740 Baseline Road Tillamook, Oregon 97141	2010
Charles J. Hurliman 1285 Hwy 101 South Tillamook, Oregon 97141	2012
Mark Labhart 9190 Mill Creek Road Tillamook, Oregon 97141	2012

Administrative Offices

Tillamook County Courthouse
201 Laurel Avenue
Tillamook, Oregon 97141

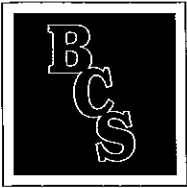
Registered Agent

Karen Richards-Dye

SOLID WASTE SERVICE DISTRICT

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BOLDT, CARLISLE & SMITH LLC

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERSHIP ■ ASSURANCE ■ INNOVATION

INDEPENDENT AUDITOR'S REPORT

Board of Directors
SOLID WASTE SERVICE DISTRICT
Tillamook, Oregon

We have audited the accompanying financial statements of the business-type activities and each major fund of the **SOLID WASTE SERVICE DISTRICT**, a Component Unit of Tillamook County, Oregon, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the **SOLID WASTE SERVICE DISTRICT** as of June 30, 2009 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages *a* through *d* is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Boldt, Carlisle & Smith LLC

Certified Public Accountants

Salem, Oregon

December 7, 2009

By:

Douglas C. Parham, Member

A

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Established - 1968

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MANAGEMENT'S DISCUSSION AND ANALYSIS

SOLID WASTE SERVICE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Solid Waste Service District is a Component Unit of Tillamook County. The District is included in the County's Comprehensive Annual Financial Report. This discussion and analysis presents the highlights of financial activities and financial position for the District.

FINANCIAL HIGHLIGHTS

The District's assets exceeded its liabilities at June 30, 2009, by \$2,681,989 (net assets). Of this amount \$2,112,011 was invested in capital assets and \$569,978 was unrestricted.

The District's net assets increased by \$43,131.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's annual financial report consists of various sections. Taken together they provide a comprehensive financial report of the District. The components of the report include the following:

Management's Discussion and Analysis. This section of the report provides financial highlights, overview and economic factors affecting the District.

Basic Financial Statements. Includes a Statement of Net Assets, revenues, expenses and changes in fund net assets and cash flows. The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

Individual Fund Schedules. Readers desiring additional information on the District's two funds can find it in this section of this report. Included within this section are: The schedules of revenues, expenditures and changes in fund balance – budget and actual for the Solid Waste and the Solid Waste Sinking Funds.

Audit comments and disclosures required by state regulations. Supplemental communication on district compliance and internal controls as required by Oregon statutes.

FINANCIAL SUMMARY AND ANALYSIS

As mentioned earlier, the District's net assets as of June 30, 2009, are \$2,681,989. Net assets are comprised of the District's current assets plus capital assets less accounts payable and landfill post-closure care liability.

The assets, liabilities and net assets of the District as of June 30, 2009 and 2008 are as follows:

NET ASSETS

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Current assets	\$ 1,701,527	\$ 2,172,558
Capital assets	<u>2,112,011</u>	<u>1,633,850</u>
Total assets	<u>3,813,538</u>	<u>3,806,408</u>
<u>Liabilities</u>		
Other liabilities	238,849	270,100
Landfill post-closure care liability	<u>892,700</u>	<u>897,450</u>
Total liabilities	<u>1,131,549</u>	<u>1,167,550</u>
<u>Net assets</u>		
Invested in capital assets	2,112,011	1,633,850
Unrestricted	<u>569,978</u>	<u>1,005,008</u>
Total net assets	<u>\$ 2,681,989</u>	<u>\$ 2,638,858</u>

The net assets of the District increased during the year ended June 30, 2009, by \$43,131. The key elements of the changes in net assets for the years ended June 30, 2009 and 2008 are as follows:

CHANGE IN NET ASSETS

	2009	2008
Operating revenues	\$ 1,487,102	\$ 1,703,151
Operating expenses	1,699,546	1,837,700
Operating (loss)	(212,444)	(134,549)
Nonoperating revenues	255,575	327,161
Change in net assets	43,131	192,612
Net assets - beginning	2,638,858	2,446,246
Net assets - ending	\$ 2,681,989	\$ 2,638,858

FINANCIAL ANALYSIS OF FUNDS

As of June 30, 2009, the District's operating proprietary fund had a budgetary basis fund balance of \$760,245, which is a decrease of \$52,761 from June 30, 2008.

The District's other proprietary fund (Solid Waste Sinking) had a budgetary basis fund balance of \$841,666, which is a decrease of \$398,300 from June 30, 2008 due primarily to the acquisition of capital assets net of a transfer of \$220,000 from the District's operating proprietary fund.

BUDGETARY HIGHLIGHTS

During the year, there were no changes in the budget for the operating proprietary fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

During the year ended June 30, 2009, the changes in capital assets included the construction of land improvements and buildings for a cost of \$477,121 and the purchase of equipment totaling \$67,752. Additionally, depreciation expense for the year was \$66,712. The District has no bonded indebtedness.

CAPITAL ASSETS AT JUNE 30, 2009 AND 2008, NET OF DEPRECIATION

	<u>2009</u>	<u>2008</u>
Land	\$ 125,000	\$ 125,000
Construction in progress	68,447	105,515
Land improvements	613,092	370,210
Buildings and equipment	<u>1,305,472</u>	<u>1,033,125</u>
	<u>\$ 2,112,011</u>	<u>\$ 1,633,850</u>

Additional information on the District's capital assets may be found in Note 4.

ECONOMIC FACTORS

The primary purpose of the Solid Waste Service District is to collect and dispose of solid waste generated in Tillamook County. Increases in tourism and full time population increase the amount of waste generated in the County. The District's funding sources are fees and assessments from property owners. These sources provide adequate funding for the program.

FINANCIAL CONTACT

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability.

If you have questions about the report or need additional financial information, please contact the County Treasurer's Office at 201, Laurel Ave., Tillamook, Oregon.

BASIC FINANCIAL STATEMENTS

SOLID WASTE SERVICE DISTRICT

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

June 30, 2009

	Business-type Activities / Enterprise Funds		
	Solid Waste	Sinking	Totals
<u>ASSETS</u>			
Current assets			
Cash and investments	\$ 761,459	\$ 841,666	\$ 1,603,125
Receivables	98,402	-	98,402
Total current assets	859,861	841,666	1,701,527
Capital assets:			
Land and construction in progress	193,447	-	193,447
Other capital assets, net of depreciation	1,918,564	-	1,918,564
TOTAL ASSETS	2,971,872	841,666	3,813,538
<u>LIABILITIES</u>			
Current liabilities			
Accounts payable and accrued expenses	119,824	4,068	123,892
Accumulated compensated absences	28,357		28,357
Current portion of landfill post-closure care liability	86,600	-	86,600
Total current liabilities	234,781	4,068	238,849
Landfill post-closure care liability	892,700	-	892,700
TOTAL LIABILITIES	1,127,481	4,068	1,131,549
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	2,112,011	-	2,112,011
Unrestricted	(267,620)	837,598	569,978
TOTAL NET ASSETS	\$ 1,844,391	\$ 837,598	\$ 2,681,989

See notes to basic financial statements

SOLID WASTE SERVICE DISTRICT

**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS**

PROPRIETARY FUNDS

For the Year Ended June 30, 2009

	<u>Business-type Activities / Enterprise Funds</u>		
	Solid Waste		Totals
	<u>Solid Waste</u>	<u>Sinking</u>	
REVENUES			
Charges for services	\$ 1,487,102	\$ -	\$ 1,487,102
OPERATING EXPENSES			
Personal services	93,761	-	93,761
Other supplies and expenses	1,487,317	51,756	1,539,073
Depreciation	66,712	-	66,712
Total operating expenses	<u>1,647,790</u>	<u>51,756</u>	<u>1,699,546</u>
Operating (loss)	<u>(160,688)</u>	<u>(51,756)</u>	<u>(212,444)</u>
NON-OPERATING REVENUES (EXPENSES)			
Assessments	202,768	-	202,768
Intergovernmental	5,757	-	5,757
Interest and investment earnings	20,264	24,820	45,084
Miscellaneous	1,966	-	1,966
Total non-operating revenue (expenses)	<u>230,755</u>	<u>24,820</u>	<u>255,575</u>
Income (loss) before transfers	70,067	(26,936)	43,131
Transfers in	<u>324,873</u>	<u>(324,873)</u>	<u>-</u>
Change in net assets	394,940	(351,809)	43,131
Total net assets - beginning	<u>1,449,451</u>	<u>1,189,407</u>	<u>2,638,858</u>
Total net assets - ending	<u>\$ 1,844,391</u>	<u>\$ 837,598</u>	<u>\$ 2,681,989</u>

See notes to basic financial statements

SOLID WASTE SERVICE DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended June 30, 2009

	<u>Business-type Activities/Enterprise Funds</u>		
	<u>Solid Waste</u>	<u>Solid Waste Sinking</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 1,490,311	\$ -	\$ 1,490,311
Payments to suppliers	(1,505,839)	(51,756)	(1,557,595)
Payments to employees	(64,749)	-	(64,749)
Other	1,966	-	1,966
	<u>(78,311)</u>	<u>(51,756)</u>	<u>(130,067)</u>
Net cash (used in) operating activities			
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Assessments of property owners	220,184	-	220,184
Grants	5,757	-	5,757
Transfers in	-	220,000	220,000
Transfers out	(220,000)	-	(220,000)
	<u>5,941</u>	<u>220,000</u>	<u>225,941</u>
Net cash provided by non-capital financing activities			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	-	(591,364)	(591,364)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest	20,264	24,820	45,084
	<u>(52,106)</u>	<u>(398,300)</u>	<u>(450,406)</u>
Net (decrease) in cash and cash equivalents			
Cash and cash equivalents - beginning of year	813,565	1,239,966	2,053,531
	<u>\$ 761,459</u>	<u>\$ 841,666</u>	<u>\$ 1,603,125</u>
Cash and cash equivalents - end of year			
Reconciliation of operating (loss) to net cash (used in) operating activities			
Operating (loss)	\$ (160,688)	\$ (51,756)	\$ (212,444)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities			
Depreciation	66,712	-	66,712
Other	1,966	-	1,966
Decrease in accounts receivable	3,209	-	3,209
Increase (decrease) in liabilities			
Accounts payable and accrued expenses	(12,617)	-	(12,617)
Accumulated compensated absences	28,357	-	28,357
Landfill post-closure care liability	(5,250)	-	(5,250)
	<u>(78,311)</u>	<u>(51,756)</u>	<u>(130,067)</u>
Net cash (used in) operating activities			

See notes to basic financial statements

SOLID WASTE SERVICE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2009

1. Summary of significant accounting policies

a. *The District*

The SOLID WASTE SERVICE DISTRICT (the District) was formed in June 1976 to dispose of solid waste generated in Tillamook County (the County). The principal funding sources are transfer station collection fees and assessments to property owners. The District collects municipal solid waste at a transfer station in order to transport it to the Coffin Butte Landfill in Corvallis, Oregon. The operations of the transfer station and transport of solid waste to the landfill are performed by a private company under contract with the District.

b. *Inclusion of the District in the Tillamook County Comprehensive Annual Financial Report*

All significant activities and organizations for which the County exercises oversight responsibility have been included in the County's basic financial statements. The following criteria from Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" regarding manifestation of oversight were considered by the County in its evaluation of organizations and activities:

- Financial interdependency – The County receives financial support or provides financial benefit to the organization.
- Authoritative appointment of governing authority – The Commissioners of Tillamook County are the organization's governing authority.

County management has determined that the District meets the criteria set forth above, and therefore, is a component unit of the County.

c. *Basis of accounting*

The District is accounted for as a Proprietary Fund for financial reporting purposes and its basic financial statements are prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Proprietary Funds have applied all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict or contradict Governmental Accounting Standards Board (GASB) pronouncements.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies

c. *Basis of accounting (continued)*

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

d. *Budgets*

The District is required by state law to budget its Proprietary Funds. Expenditures of a fund may not legally exceed the annual appropriations for the major object class expenditures as established by resolution of the Board of Commissioners. Appropriations by personal services, materials and services, capital outlay, and contingency for the District's funds are the levels of control established by the resolution. The detail budget document, however, is required to contain more specific detailed information for the above mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget.

A supplemental budget requires hearings before the public, publications in newspapers and approval by Tillamook County Commissioners. Original and supplemental budgets may be modified by the use of appropriations transfers between the levels of control. Such transfers require approval by the County Commissioners. There were no appropriation transfers during the year ended June 30, 2009. Appropriations lapse as of year end. The District budgets all funds on the cash basis of accounting, which is an acceptable budgetary practice under Oregon Local Budget Law.

e. *Cash*

For purposes of the statement of cash flows, the District considers its equity in the County's pooled cash and investments to be cash.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies

f. *Investments*

Statutes authorize investments in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year, at the time of purchase are stated at fair value at June 30, 2009. Fair value is determined at the quoted market price, if available, otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the state who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the County's position in the LGIP is the same as the value of the pool shares.

Investments are presented in three categories of credit risk as follows:

1. Insured or registered, or securities held by government or its agent in the government's name.
2. Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the government's name.
3. Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent, but not in the government's name.

g. *Assessments receivable*

Each unit of property within the County is assessed an annual \$12 fee to support solid waste collection and disposal operations. Assessments are recorded as revenues when levied.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

h. *Capital assets*

Capital assets are stated at cost. Maintenance and repairs are expensed as incurred. Replacements which improve or extend the lives of property are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in income.

The estimated useful lives of plant and equipment are as follows:

Buildings and land improvements	5 to 20 years
Machinery and equipment	5 years

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

j. *Risk management*

The District is exposed to various risks of loss related to errors and omissions; automobile; damage to and destruction of assets; bodily injury; and worker's compensation for which the District carries commercial insurance. There has been no significant reduction in insurance coverage from the prior year and settled claims have not reached the level of commercial coverage in any of the past three fiscal years.

k. *Description of the District's funds*

Solid Waste -- accounts for disposal of solid waste generated in Tillamook County. The principal funding sources are collection fees and assessments from property owners.

Solid Waste Sinking -- accounts for monies accumulated for future construction of a solid waste transfer station.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Deposits and investments

The District's deposits and investments are held by the Tillamook County Treasurer in a pool of cash and investments that are available for use by the District all funds of the County. The District's fund's portion of this pool is displayed on the financial statements as cash and investments. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year, at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available, otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the state who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the County's position in the LGIP is the same as the value of the pool shares.

Credit Risk. The County's policy on the credit risk of investments is based on Oregon statutes which authorize the County to invest in obligations of the U. S. Treasury and U. S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool. The pension trust is authorized to invest in a variety of debt and equity securities.

As of June 30, 2009, the County had the following investments:

	<u>Maturities</u>	<u>Rating</u>	<u>Fair Value</u>
State Treasurer's Investment Pool	N/A	Not Rated	\$ 12,701,034
Money market funds	N/A	Not Rated	209,931
Federal Home Loan Mortgage Corporation	10/28/10	AAA/AAA	1,289,725
First Star Bank National Association	12/01/09	Aa2/A+	1,028,285
Wachovia Corporation	6/01/10	A1/AA-	1,027,674
Certificates of Deposit	9/10/09-10/29/10	Not Rated	2,355,691
Pension Trust Investments:			
Certificates of Deposit	9/24/10-12/10/13	Not Rated	3,985,737
U.S. Treasury Notes	4/30/12-2/15/17	AAA	9,456,708
Mutual Funds	N/A	Not Rated	<u>17,569,344</u>
Total			<u>\$ 49,624,129</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Deposits and investments

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

Concentration of Credit Risk. The County does not have a formal policy that places a limit on the amount that may be invested in any one issuer. 68 percent of the County’s investments, other than the Pension Trust investments, are in the State Treasurer’s Investment Pool.

Custodial Credit Risk – Investments. This is the risk that, in the event of the failure of a counterparty, the County will not be able to recover the value of its investments that are in the possession of an outside party. Investments, other than the Pension Trust investments, amounting to \$18,612,340 has custodial credit risk because the related securities are uninsured, unregistered and held by the County’s brokerage firm, which is the counterparty to those securities. The County does not have a policy which limits the amount of investments that can be held by counterparties.

Custodial Credit Risk – Deposits. This is the risk that in the event of a bank failure, the District’s deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the District’s deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are considered fully collateralized. As of June 30, 2009, none of the District’s bank balances were exposed to custodial credit risk.

The County’s deposits and investments and the amount allocable to the District at June 30, 2009 are as follows:

	<u>Tillamook County</u>	<u>Allocable to Solid Waste Service District</u>
Total investments	\$ 49,624,129	\$ 771,254
Cash on hand	11,310	100
Deposits with financial institutions	<u>3,834,311</u>	<u>831,771</u>
Total deposits and investments	<u>\$ 53,469,750</u>	<u>\$ 1,603,125</u>

3. Receivables

The District’s receivables at June 30, 2009 are as follows:

Property assessments	\$ 19,681
Accounts	<u>78,721</u>
	<u>\$ 98,402</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

4. Capital assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balances			Balances
	June 30, 2008	Additions	Deletions	June 30, 2009
Capital assets not being depreciated				
Land	\$ 125,000	\$ -	\$ -	\$ 125,000
Construction in process	<u>105,515</u>	<u>68,447</u>	<u>105,515</u>	<u>68,447</u>
Total capital assets not being depreciated	<u>\$ 230,515</u>	<u>\$ 68,447</u>	<u>\$ 105,515</u>	<u>\$ 193,447</u>
Capital assets being depreciated				
Land improvements	688,775	264,865	-	953,640
Buildings	2,159,924	249,324	-	2,409,248
Machinery and equipment	<u>121,841</u>	<u>67,752</u>	<u>-</u>	<u>189,593</u>
Total capital assets being depreciated	<u>2,970,540</u>	<u>581,941</u>	<u>-</u>	<u>3,552,481</u>
Less accumulated depreciation for:				
Land improvements	318,438	22,110	-	340,548
Buildings	1,141,061	44,172	-	1,185,233
Machinery and equipment	<u>107,706</u>	<u>430</u>	<u>-</u>	<u>108,136</u>
Total accumulated depreciation	<u>1,567,205</u>	<u>66,712</u>	<u>-</u>	<u>1,633,917</u>
Total capital assets being depreciated net	<u>\$ 1,403,335</u>	<u>\$ 515,229</u>	<u>\$ -</u>	<u>\$ 1,918,564</u>

5. Solid waste landfill post-closure care liability

The Tillamook County Landfill ceased accepting solid waste in January 1989 and final cover was applied subsequently in conformity with state regulations. The District received a closed landfill permit from the Oregon Department of Environmental Quality in November 1992. State and federal laws and regulations require the District to perform certain maintenance and monitoring functions at the site for thirty years following closure.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5. Solid waste landfill post-closure care liability (continued)

The District has recorded a liability for the estimated cost of landfill post-closure care. Annually, the District evaluates the liability by examining the estimated costs needed to perform the post-closure care over the remaining life and adjusts the liability accordingly. During the current fiscal year, the balance was increased by \$81,850, and amortization of \$87,100 was reported to reflect an estimated liability of \$979,300 at June 30, 2009. The estimated future costs to maintain and monitor the landfill may change due to inflation or deflation, technology or changes to applicable laws or regulations.

The changes in the post-closure care costs are as follows:

	<u>Post-closure Costs</u>
Balance, July 1, 2008	\$ 984,550
Increase (decrease) in estimated costs	81,850
Expenditures	<u>(87,100)</u>
Balance, June 30, 2009	979,300
Current portion	<u>86,600</u>
Non-current portion	<u>\$ 892,700</u>

6. Interfund transfers

Amounts transferred to/from other funds are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Solid Waste		
Cash	\$ --	\$ 220,000
Noncash	544,873	--
Solid Waste Sinking		
Cash	220,000	--
Noncash	--	544,873

The transfer from the Solid Waste Fund to the Solid Waste Sinking Fund was made to set aside funds for post-closure care costs which will be paid for in future periods. The non-cash transfer was the result of the Solid Waste Sinking Fund purchasing capital assets which will be used in the operation of the Solid Waste Fund.

INDIVIDUAL FUND SCHEDULES

SOLID WASTE SERVICE DISTRICT

**SOLID WASTE - ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Assessments	\$ 215,000	\$ 220,184	\$ 5,184
Intergovernmental	66,000	5,757	(60,243)
Charges for services	1,700,000	1,490,311	(209,689)
Investment earnings	20,000	20,264	264
Miscellaneous	<u>2,500</u>	<u>1,966</u>	<u>(534)</u>
 TOTAL REVENUES	 <u>2,003,500</u>	 <u>1,738,482</u>	 <u>(265,018)</u>
 EXPENDITURES			
Personal services	83,815	65,404	18,411
Materials and services	1,792,450	1,505,839	286,611
Contingency	<u>527,235</u>	<u>-</u>	<u>527,235</u>
 TOTAL EXPENDITURES	 <u>2,403,500</u>	 <u>1,571,243</u>	 <u>832,257</u>
 Excess (deficiency) of revenues over expenditures	 (400,000)	 167,239	 567,239
 OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(220,000)</u>	<u>(220,000)</u>	<u>-</u>
 Net change in fund balance	 (620,000)	 (52,761)	 567,239
Fund balance at beginning of year	<u>800,000</u>	<u>813,006</u>	<u>13,006</u>
 Fund balance at end of year	 <u>\$ 180,000</u>	 760,245	 <u>\$ 580,245</u>
 Reconciliation to generally accepted accounting principles:			
Receivables		98,402	
Capital assets, net		2,112,011	
Accounts payable and accrued expenses		(146,967)	
Landfill post-closure costs		<u>(979,300)</u>	
 Net assets at end of year		 <u>\$ 1,844,391</u>	

SOLID WASTE SERVICE DISTRICT

**SOLID WASTE SINKING - ENTERPRISE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
 For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Investment earnings	\$ 20,000	\$ 24,820	\$ 4,820
EXPENDITURES			
Materials and services	101,575	51,701	49,874
Capital outlay	591,425	591,419	6
Contingency	<u>447,000</u>	<u>-</u>	<u>447,000</u>
TOTAL EXPENDITURES	<u>1,140,000</u>	<u>643,120</u>	<u>496,880</u>
Excess (deficiency) of revenues over expenditures	(1,120,000)	(618,300)	501,700
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>220,000</u>	<u>220,000</u>	<u>-</u>
Net change in fund balance	(900,000)	(398,300)	501,700
Fund balance at beginning of year	<u>1,100,000</u>	<u>1,239,966</u>	<u>139,966</u>
Fund balance at end of year	<u>\$ 200,000</u>	841,666	<u>\$ 641,666</u>
Reconciliation to generally accepted accounting principles:			
Accounts payable and accrued expenses		<u>(4,068)</u>	
Net assets at end of year		<u>\$ 837,598</u>	

**REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS
AS OUTLINED IN OREGON ADMINISTRATIVE RULES CHAPTER 162 [SECRETARY OF
STATE, AUDITS DIVISION], DIVISION 10 [MINIMUM STANDARDS FOR AUDITS OF
OREGON MUNICIPAL CORPORATIONS]**

Oregon Administrative Rules 162-10-050 through 162-10-320 incorporated in the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, and comments and disclosures required in audit reports. The required statements and schedules are set forth in preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth in the following pages.

- *Accounting Records and Internal Controls*
- *Collateral*
- *Indebtedness*
- *Budget*
- *Insurance and Fidelity Bonds*
- *Programs Funded from Outside Sources*
- *Investments*
- *Public Contracts and Purchasing*



SOLID WASTE SERVICE DISTRICT

**REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS
AS OUTLINED IN OREGON ADMINISTRATIVE RULES CHAPTER 162 [SECRETARY OF
STATE, AUDITS DIVISION], DIVISION 10 [MINIMUM STANDARDS FOR AUDITS OF
OREGON MUNICIPAL CORPORATIONS]
For the Year Ended June 30, 2009**

162-10-230 – ACCOUNTING RECORDS AND INTERNAL CONTROLS

1. Accounting records

The District's accounting records were reasonably maintained and adequate to support our audit of the basic financial statements.

Through other reports and communications to management and those charged with governance, we have identified situations or practices that could be improved.

2. Internal control

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

A 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America 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 District's internal control.

**REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS
AS OUTLINED IN OREGON ADMINISTRATIVE RULES CHAPTER 162 [SECRETARY OF
STATE, AUDITS DIVISION], DIVISION 10 [MINIMUM STANDARDS FOR AUDITS OF
OREGON MUNICIPAL CORPORATIONS] (Continued)**

162-10-230 – ACCOUNTING RECORDS AND INTERNAL CONTROLS (continued)

2. Internal control (continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results 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 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 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.

162-010-0240 – COLLATERAL

ORS 295 requires deposits with financial institutions in excess of the amount insured by the Federal Deposit Insurance Corporation be held at qualifying institutions under the Public Funds Collateralization Program and that public officials provide the Office of the Oregon State Treasurer with the names of all bank depositories in which the County currently deposits public funds.

The District has complied with the provisions of ORS 295 as it pertains to the collateralization of public funds.

162-010-0250 – INDEBTEDNESS

1. Limitations on the amount incurred

The general obligation bonded debt of the entity is in compliance with the limitation imposed by ORS.

2. Liquidation provisions, debt agreement provisions, and restricted assets

We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of the entity's long-term debt issues, and no breach of the debt agreements at June 30, 2009.

**REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS
AS OUTLINED IN OREGON ADMINISTRATIVE RULES CHAPTER 162 [SECRETARY OF
STATE, AUDITS DIVISION], DIVISION 10 [MINIMUM STANDARDS FOR AUDITS OF
OREGON MUNICIPAL CORPORATIONS] (Continued)**

162-010-0260 – BUDGET

1. Current year

A. Preparation and adoption

The budget was prepared and adopted in compliance with legal requirements.

B. Execution

The budget was executed in compliance with legal requirements,

2. Subsequent year

The budget was prepared and adopted in compliance with legal requirements.

3. Financial or organizational level of appropriations

The District established the levels of budgetary control by the objects of personal services, materials and services, capital outlay, debt service, transfers out and contingency for all other funds.

162-010-0270 – INSURANCE AND FIDELITY BONDS

1. Insurance

The District is included in Tillamook County's insurance coverage and the agent has confirmed that the following insurance coverage was adequate and in force at June 30, 2009:

Company	Policy No.	Coverage	Limit	Term
City County Insurance	08LTILC	General & Auto Liability	\$ 500,000	7/1/08 - 6/30/09
	08LTILC	Auto Physical Damage	500,000	7/1/08 - 6/30/09
	08LTILC	Excess Liability	4,500,000	7/1/08 - 6/30/09
	08PTILC	Building & Personal Property	56,512,713	7/1/08 - 6/30/09
	08BTILC	Boiler & Machinery	Various	7/1/08 - 6/30/09

**REQUIRED DISCLOSURES AND INDEPENDENT AUDITOR'S COMMENTS
AS OUTLINED IN OREGON ADMINISTRATIVE RULES CHAPTER 162 [SECRETARY OF
STATE, AUDITS DIVISION], DIVISION 10 [MINIMUM STANDARDS FOR AUDITS OF
OREGON MUNICIPAL CORPORATIONS] (Continued)**

162-010-0270 – INSURANCE AND FIDELITY BONDS (continued)

1. Fidelity bonds

ORS 210.120 to 220.150 establishes bonding requirements for District officials and employees. The District's Board of Commissioners has established the following bonds:

Treasurer	\$ 40,000
Assessor	40,000
Clerk	10,000
Sheriff	10,000
Commissioner Hurliman	20,000
Commissioner Josi	20,000
Commissioner Labhart	20,000
Justice of the Peace	30,000
Public Employee Performance Bond	20,000

162-010-0280 – PROGRAMS FUNDED FROM OUTSIDE SOURCES

1. General compliance

The County operates various programs funded wholly or partially by governmental agencies. In addition to our audit, these grants and projects are subject to further review by federal audit agencies.

162-010-0300 – INVESTMENTS

Funds of the District were invested in compliance with ORS 294.035.

162-010-0310 – PUBLIC CONTRACTS AND PURCHASING

1. Awarding of public contracts

The District properly awarded public contracts during the year as defined by ORS 279.

2. Construction of public improvements

The District properly constructed public improvements during the year as defined by ORS 279.

Boldt, Carlisle & Smith, LLC
Certified Public Accountants
Salem, Oregon
December 7, 2009