

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

**ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2011**

**SOLID WASTE SERVICE DISTRICT  
For the Year Ended June 30, 2011**

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

<b><u>Name</u></b>	<b><u>Term Expires December 31,</u></b>
Tim Josi 6740 Baseline Road Tillamook, Oregon 97141	2014
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**

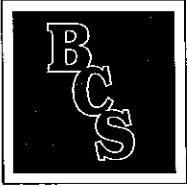
Debbie Clark

**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, 2011, 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, 2011 and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages a through d be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A

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Established - 1968

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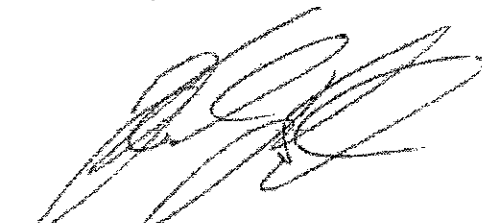
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The individual fund schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**Boldt, Carlisle & Smith LLC**

Certified Public Accountants

Salem, Oregon

December 6, 2011

A handwritten signature in black ink, appearing to read 'Bradley G. Bingenheimer', is written over a faint, illegible stamp or background.

Bradley G. Bingenheimer, Member

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## SOLID WASTE SERVICE DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2011

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, 2011, by \$2,816,648 (net assets). Of this amount \$2,156,940 was invested in capital assets and \$659,708 was unrestricted.

The District's net assets increased by \$6,682.

#### **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 statements 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, 2011, are \$2,816,648. 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, 2011 and 2010 are as follows:

### NET ASSETS

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current assets	\$ 1,709,608	\$ 1,741,317
Capital assets, net	<u>2,156,940</u>	<u>2,085,051</u>
Total assets	<u>3,866,548</u>	<u>3,826,368</u>
<u>Liabilities</u>		
Other liabilities	246,305	210,302
Landfill post-closure care liability	<u>803,595</u>	<u>806,100</u>
Total liabilities	<u>1,049,900</u>	<u>1,016,402</u>
<u>Net assets</u>		
Invested in capital assets	2,156,940	2,085,051
Unrestricted	<u>659,708</u>	<u>724,915</u>
Total net assets	<u>\$ 2,816,648</u>	<u>\$ 2,809,966</u>



The net assets of the District increased during the year ended June 30, 2011, by \$6,682. The key elements of the changes in net assets for the years ended June 30, 2011 and 2010 are as follows:

#### CHANGE IN NET ASSETS

	2011	2010
Operating revenues	\$ 1,408,720	\$ 1,416,944
Operating expenses	1,863,490	1,563,107
Operating (loss)	(454,770)	(146,163)
Nonoperating revenues and capital contributions	461,452	274,140
Change in net assets	6,682	127,977
Net assets - beginning	2,809,966	2,681,989
Net assets - ending	\$ 2,816,648	\$ 2,809,966

#### FINANCIAL ANALYSIS OF FUNDS

As of June 30, 2011, the District's operating proprietary fund had a budgetary basis fund balance of \$540,416, which is a decrease of \$91,411 from June 30, 2010.

The District's other proprietary fund (Solid Waste Sinking) had a budgetary basis fund balance of \$959,755, which is a decrease of \$15,234 from June 30, 2010.

#### 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, 2011, changes in capital assets included \$99,338 incurred on construction in progress for a household hazardous waste facility and \$73,150 for asphalt overlays. Additionally, depreciation expense for the year was \$100,599. The District has no bonded indebtedness.

## CAPITAL ASSETS AT JUNE 30, 2011 AND 2010, NET OF DEPRECIATION

	<u>2011</u>	<u>2010</u>
Land	\$ 125,000	\$ 125,000
Construction in progress	99,338	-
Land improvements	645,719	597,716
Buildings and equipment	<u>1,286,883</u>	<u>1,362,335</u>
	<u>\$ 2,156,940</u>	<u>\$ 2,085,051</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, 2011**

	<u>Business-type Activities / Enterprise Funds</u>		
		<b>Solid Waste</b>	
	<u>Solid Waste</u>	<u>Sinking</u>	<u>Totals</u>
<b><u>ASSETS</u></b>			
Current assets			
Cash and investments	\$ 542,625	\$ 959,755	\$ 1,502,380
Receivables	207,228	-	207,228
Total current assets	749,853	959,755	1,709,608
Capital assets:			
Land and construction in progress	224,338	-	224,338
Other capital assets, net	1,932,602	-	1,932,602
<b>TOTAL ASSETS</b>	<u>2,906,793</u>	<u>959,755</u>	<u>3,866,548</u>
<b><u>LIABILITIES</u></b>			
Current liabilities			
Accounts payable and accrued expenses	131,281	15,593	146,874
Accumulated compensated absences	1,618	-	1,618
Current portion of landfill post-closure care liability	97,813	-	97,813
Total current liabilities	230,712	15,593	246,305
Landfill post-closure care liability	803,595	-	803,595
<b>TOTAL LIABILITIES</b>	<u>1,034,307</u>	<u>15,593</u>	<u>1,049,900</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets	2,156,940	-	2,156,940
Unrestricted	(284,454)	944,162	659,708
<b>TOTAL NET ASSETS</b>	<u>\$ 1,872,486</u>	<u>\$ 944,162</u>	<u>\$ 2,816,648</u>

*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, 2011**

	<u>Business-type Activities / Enterprise Funds</u>		
	Solid Waste		
	<u>Solid Waste</u>	<u>Sinking</u>	<u>Totals</u>
<b>REVENUES</b>			
Charges for services	\$ 1,408,720	\$ -	\$ 1,408,720
<b>OPERATING EXPENSES</b>			
Personal services	92,685	-	92,685
Other supplies and expenses	1,613,487	56,719	1,670,206
Depreciation	100,599	-	100,599
Total operating expenses	<u>1,806,771</u>	<u>56,719</u>	<u>1,863,490</u>
Operating (loss)	<u>(398,051)</u>	<u>(56,719)</u>	<u>(454,770)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Assessments	301,969	-	301,969
Interest and investment earnings	2,808	4,543	7,351
Miscellaneous	105,932	-	105,932
Total non-operating revenue (expenses)	<u>410,709</u>	<u>4,543</u>	<u>415,252</u>
Income (loss) before capital contributions and transfers	12,658	(52,176)	(39,518)
Capital contributions	46,200	-	46,200
Transfers in (out)	<u>(27,512)</u>	<u>27,512</u>	<u>-</u>
Change in net assets	31,346	(24,664)	6,682
Total net assets - beginning	<u>1,841,140</u>	<u>968,826</u>	<u>2,809,966</u>
Total net assets - ending	<u>\$ 1,872,486</u>	<u>\$ 944,162</u>	<u>\$ 2,816,648</u>

*See notes to basic financial statements*

**SOLID WASTE SERVICE DISTRICT**

**STATEMENT OF CASH FLOWS**

**PROPRIETARY FUNDS**

**For the Year Ended June 30, 2011**

	Business-type Activities/Enterprise Funds		
	Solid Waste	Solid Waste Sinking	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 1,334,295	\$ -	\$ 1,334,295
Payments to suppliers	(1,598,002)	(47,289)	(1,645,291)
Payments to employees	(84,102)	-	(84,102)
Other	105,932	-	105,932
Net cash (used in) operating activities	(241,877)	(47,289)	(289,166)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Assessments of property owners	301,969	-	301,969
Transfers in	-	200,000	200,000
Transfers out	(200,000)	-	(200,000)
Net cash provided by non-capital financing activities	101,969	200,000	301,969
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital contributions	46,200	-	46,200
Purchases of capital assets	-	(172,488)	(172,488)
Net cash provided by (used in) capital and related financing activities	46,200	(172,488)	(126,288)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest	2,808	4,543	7,351
Net (decrease) in cash and cash equivalents	(90,900)	(15,234)	(106,134)
Cash and cash equivalents - beginning of year	633,525	974,989	1,608,514
Cash and cash equivalents - end of year	\$ 542,625	\$ 959,755	\$ 1,502,380
<b>Reconciliation of operating (loss) to net cash (used in) operating activities</b>			
Operating (loss)	\$ (398,051)	\$ (56,719)	\$ (454,770)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities			
Depreciation	100,599	-	100,599
Other	105,932	-	105,932
(Increase) in receivables	(74,425)	-	(74,425)
Increase (decrease) in liabilities			
Accounts payable and accrued expenses	15,485	9,430	24,915
Accumulated compensated absences	(125)	-	(125)
Landfill post-closure care liability	8,708	-	8,708
Net cash (used in) operating activities	\$ (241,877)	\$ (47,289)	\$ (289,166)

During the year, there was a non-cash transfer between the proprietary funds for capital assets acquired by the Solid Waste Sinking Fund in the amount of \$172,488.

*See notes to basic financial statements*

# SOLID WASTE SERVICE DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2011

### 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 with or contradict Governmental Accounting Standards Board (GASB) pronouncements. The District has elected to not follow FASB pronouncements issued after November 30, 1989.

## 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, 2011. 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, 2011. 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, 2011, 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	\$ 16,189,528
GE Capital Corp	11/15/11	Aa2/AA+	183,964
Berkshire Hathaway, Inc.	5/15/12	Aa2/AA+	208,662
Procter & Gamble Co NTS	8/1/12	Aa3/AA+	192,544
XTO Energy Inc.	8/1/12	Aaa/AAA	216,156
Federal Farm Credit Bank	10/5/11	Aaa/AAA	1,003,471
Certificates of Deposit	8/10/11-9/21/11	Not Rated	620,071
Pension Trust Investments:			
Certificates of Deposit	7/1/11-12/10/13	Not Rated	1,542,016
U.S. Treasury Notes	8/15/13-2/15/17	AAA	7,688,900
Mutual Funds	N/A	Not Rated	<u>29,644,428</u>
Total			<u>\$ 57,489,740</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. 87 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 \$2,424,868 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 collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2011, \$2,697,652 of the County's bank balances were exposed to custodial credit risk as they were collateralized with securities held by the pledging financial institution's agent but not in the County's name.

The County's deposits and investments and the amount allocable to the District at June 30, 2011 are as follows:

	<u>Tillamook County</u>	<u>Allocable to Solid Waste Service District</u>
Total investments	\$ 57,489,740	\$ 843,923
Cash on hand	20,524	100
Deposits with financial institutions	<u>5,542,795</u>	<u>658,357</u>
Total deposits and investments	<u>\$ 63,053,059</u>	<u>\$ 1,502,380</u>

**3. Receivables**

The District's receivables at June 30, 2011 are as follows:

Property assessments	\$ 86,391
Accounts	<u>120,837</u>
	<u>\$ 207,228</u>

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 4. Capital assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balances		Reclassifications	Balances
	July 1, 2010	Additions	and Deletions	June 30, 2011
<i>Business-type Activities</i>				
Capital assets not being depreciated				
Land	\$ 125,000	\$ -	\$ -	\$ 125,000
Construction in progress	-	99,338	-	99,338
Total capital assets not being depreciated	<u>\$ 125,000</u>	<u>\$ 99,338</u>	<u>\$ -</u>	<u>\$ 224,338</u>
Capital assets being depreciated				
Land improvements	\$ 953,640	\$ 73,150	\$ -	\$ 1,026,790
Buildings	2,515,233	-	-	2,515,233
Equipment	215,698	-	-	215,698
Total capital assets being depreciated	<u>3,684,571</u>	<u>73,150</u>	<u>-</u>	<u>3,757,721</u>
Less accumulated depreciation for:				
Land improvements	355,924	25,147	-	381,071
Buildings	1,260,460	67,620	-	1,328,080
Equipment	108,136	7,832	-	115,968
Total accumulated depreciation	<u>1,724,520</u>	<u>100,599</u>	<u>-</u>	<u>1,825,119</u>
Total capital assets being depreciated	<u>\$ 1,960,051</u>	<u>\$ (27,449)</u>	<u>\$ -</u>	<u>\$ 1,932,602</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 \$95,308, and amortization of \$86,600 was reported to reflect an estimated liability of \$901,408 at June 30, 2011. 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, 2010	\$ 892,700
Additions	95,308
Expenditures	<u>(86,600)</u>
Balance, June 30, 2011	901,408
Current portion	<u>97,813</u>
Non-current portion	<u>\$ 803,595</u>

**6. Interfund transfers**

Amounts transferred to/from other funds are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Solid Waste		
Cash	\$ --	\$ 200,000
Noncash	172,488	--
Solid Waste Sinking		
Cash	200,000	--
Noncash	--	172,488

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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Assessments	\$ 215,000	\$ 227,544	\$ 12,544
Intergovernmental	86,000	46,200	(39,800)
Charges for services	1,300,000	1,408,720	108,720
Investment earnings	20,000	2,808	(17,192)
Miscellaneous	-	105,932	105,932
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	1,621,000	1,791,204	170,204
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Personal services	96,035	92,810	3,225
Materials and services	1,674,550	1,586,805	87,745
Capital outlay	3,000	3,000	-
Contingency	376,175	-	376,175
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	2,149,760	1,682,615	467,145
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	(528,760)	108,589	637,349
	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	(200,000)	(200,000)	-
	<hr/>	<hr/>	<hr/>
Net change in fund balance	(728,760)	(91,411)	637,349
Fund balance at beginning of year	968,760	631,827	(336,933)
	<hr/>	<hr/>	<hr/>
Fund balance at end of year	<u>\$ 240,000</u>	540,416	<u>\$ 300,416</u>
	<hr/>	<hr/>	<hr/>
<b>Reconciliation to generally accepted accounting principles:</b>			
Receivables		207,228	
Capital assets, net		2,156,940	
Accounts payable and accrued expenses		(129,072)	
Accumulated compensated absences		(1,618)	
Landfill post-closure costs		<u>(901,408)</u>	
		<hr/>	
Net assets at end of year		<u>\$ 1,872,486</u>	

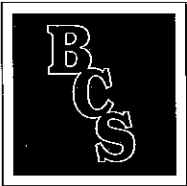


**SOLID WASTE SERVICE DISTRICT**

**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, 2011**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Investment earnings	\$ 20,000	\$ 4,543	\$ (15,457)
<b>EXPENDITURES</b>			
Materials and services	60,100	60,087	13
Capital outlay	404,900	159,690	245,210
Contingency	<u>265,000</u>	<u>-</u>	<u>265,000</u>
<b>TOTAL EXPENDITURES</b>	<u>730,000</u>	<u>219,777</u>	<u>510,223</u>
Excess (deficiency) of revenues over expenditures	(710,000)	(215,234)	494,766
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Net change in fund balance	(510,000)	(15,234)	494,766
Fund balance at beginning of year	<u>760,000</u>	<u>974,989</u>	<u>214,989</u>
Fund balance at end of year	<u>\$ 250,000</u>	959,755	<u>\$ 709,755</u>
<b>Reconciliation to generally accepted accounting principles:</b>			
Accounts payable and accrued expenses		<u>(15,593)</u>	
Net assets at end of year		<u>\$ 944,162</u>	

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY THE MINIMUM STANDARDS  
FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS**



# BOLDT, CARLISLE & SMITH LLC

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERSHIP ■ ASSURANCE ■ INNOVATION

## INDEPENDENT AUDITOR'S REPORT REQUIRED BY THE MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS

Board of Directors

### SOLID WASTE SERVICE DISTRICT

Tillamook, OR

We have audited the basic financial statements of the **SOLID WASTE SERVICE DISTRICT** as of and for the year ended June 30, 2011, and have issued our report thereon dated December 6, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

### Compliance

As part of obtaining reasonable assurance about whether the **SOLID WASTE SERVICE DISTRICT's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-240 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. As such, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the **SOLID WASTE SERVICE DISTRICT** was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-240 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

Board of Directors  
**SOLID WASTE SERVICE DISTRICT**  
Tillamook, OR

**Internal Control OAR 162-10-0230**

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.

This report is intended solely for the information and use of the County Commissioners and management of **SOLID WASTE SERVICE DISTRICT** and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

**Boldt, Carlisle & Smith, LLC**  
Certified Public Accountants  
Salem, Oregon  
December 6, 2011