

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

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2012

**SOLID WASTE SERVICE DISTRICT
For the Year Ended June 30, 2012**

**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	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

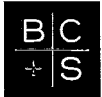
Registered Agent

Debbie Clark

SOLID WASTE SERVICE DISTRICT

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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, 2012, 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.

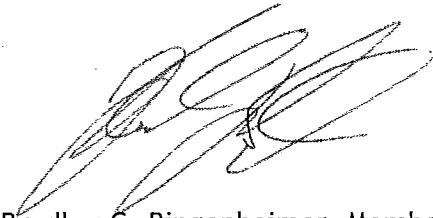
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, 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, 2012 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.

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 14, 2012

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

Bradley G. Bingenheimer, Member

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOLID WASTE SERVICE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

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, 2012, by \$2,674,490 (net assets). Of this amount \$2,455,401 was invested in capital assets and \$219,089 was unrestricted.

The District's net assets decreased by \$142,158.

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, 2012, are \$2,674,490. 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, 2012 and 2011 are as follows:

NET ASSETS

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current assets	\$ 1,389,745	\$ 1,709,608
Capital assets, net	<u>2,455,401</u>	<u>2,156,940</u>
Total assets	<u>3,845,146</u>	<u>3,866,548</u>
<u>Liabilities</u>		
Other liabilities	241,711	246,305
Landfill post-closure care liability	<u>928,945</u>	<u>803,595</u>
Total liabilities	<u>1,170,656</u>	<u>1,049,900</u>
<u>Net assets</u>		
Invested in capital assets	2,455,401	2,156,940
Unrestricted	<u>219,089</u>	<u>659,708</u>
Total net assets	<u>\$ 2,674,490</u>	<u>\$ 2,816,648</u>

The net assets of the District decreased during the year ended June 30, 2012, by \$142,158. The key elements of the changes in net assets for the years ended June 30, 2012 and 2011 are as follows:

CHANGE IN NET ASSETS

	2012	2011
Operating revenues	\$ 1,474,866	\$ 1,408,720
Operating expenses	1,997,550	1,863,490
Operating (loss)	(522,684)	(454,770)
Nonoperating revenues and capital contributions	380,526	461,452
Change in net assets	(142,158)	6,682
Net assets - beginning	2,816,648	2,809,966
Net assets - ending	\$ 2,674,490	\$ 2,816,648

FINANCIAL ANALYSIS OF FUNDS

As of June 30, 2012, the District's operating proprietary fund had a budgetary basis fund balance of \$156,175, which is a decrease of \$384,241 from June 30, 2011.

The District's other proprietary funds (Solid Waste Sinking and Post Closure Reserve) had budgetary basis fund balances of \$661,411 and \$292,473.

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, 2012, changes in capital assets included \$401,118 incurred on construction in progress for a household hazardous waste facility and \$83,104 for a waterline at the Tillamook transfer station. Additionally, depreciation expense for the year was \$103,216. The District has no bonded indebtedness.

CAPITAL ASSETS AT JUNE 30, 2012 AND 2011, NET OF DEPRECIATION

	<u>2012</u>	<u>2011</u>
Land	\$ 125,000	\$ 125,000
Construction in progress	16,793	99,338
Land improvements	620,572	645,719
Buildings and equipment	<u>1,693,036</u>	<u>1,286,883</u>
	<u>\$ 2,455,401</u>	<u>\$ 2,156,940</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, 2012

	<u>Business-type Activities / Enterprise Funds</u>			<u>Totals</u>
	<u>Solid Waste</u>	<u>Sinking</u>	<u>Post Closure Reserve</u>	
<u>ASSETS</u>				
Current assets				
Cash and investments	\$ 155,937	\$ 661,411	\$ 292,473	\$1,109,821
Receivables	<u>279,924</u>	<u>-</u>	<u>-</u>	<u>279,924</u>
Total current assets	435,861	661,411	292,473	1,389,745
Capital assets:				
Land and construction in progress	141,793	-	-	141,793
Other capital assets, net	<u>2,313,608</u>	<u>-</u>	<u>-</u>	<u>2,313,608</u>
TOTAL ASSETS	<u>2,891,262</u>	<u>661,411</u>	<u>292,473</u>	<u>3,845,146</u>
<u>LIABILITIES</u>				
Current liabilities				
Accounts payable and accrued expenses	133,185	-	-	133,185
Current portion of landfill post-closure care liability	<u>108,526</u>	<u>-</u>	<u>-</u>	<u>108,526</u>
Total current liabilities	241,711	-	-	241,711
Landfill post-closure care liability	<u>928,945</u>	<u>-</u>	<u>-</u>	<u>928,945</u>
TOTAL LIABILITIES	<u>1,170,656</u>	<u>-</u>	<u>-</u>	<u>1,170,656</u>
<u>NET ASSETS</u>				
Invested in capital assets	2,455,401	-	-	2,455,401
Unrestricted	<u>(734,795)</u>	<u>661,411</u>	<u>292,473</u>	<u>219,089</u>
TOTAL NET ASSETS	<u>\$ 1,720,606</u>	<u>\$ 661,411</u>	<u>\$ 292,473</u>	<u>\$2,674,490</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, 2012

	<u>Business-type Activities / Enterprise Funds</u>			<u>Totals</u>
	<u>Solid Waste</u>	<u>Solid Waste Sinking</u>	<u>Post Closure Reserve</u>	
REVENUES				
Charges for services	\$ 1,474,866	\$ -	\$ -	\$ 1,474,866
OPERATING EXPENSES				
Personal services	90,556	-	-	90,556
Other supplies and expenses	1,802,914	864	-	1,803,778
Depreciation	103,216	-	-	103,216
Total operating expenses	1,996,686	864	-	1,997,550
Operating (loss)	(521,820)	(864)	-	(522,684)
NON-OPERATING REVENUES (EXPENSES)				
Assessments	303,199	-	-	303,199
Interest and investment earnings	1,139	3,123	806	5,068
Miscellaneous	72,259	-	-	72,259
Total non-operating revenue (expenses)	376,597	3,123	806	380,526
Income (loss) before capital contributions and transfers	(145,223)	2,259	806	(142,158)
Transfers in (out)	(6,657)	(285,010)	291,667	-
Change in net assets	(151,880)	(282,751)	292,473	(142,158)
Total net assets - beginning	1,872,486	944,162	-	2,816,648
Total net assets - ending	\$ 1,720,606	\$ 661,411	\$ 292,473	\$ 2,674,490

See notes to basic financial statements

SOLID WASTE SERVICE DISTRICT

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012**

	<u>Business-type Activities/Enterprise Funds</u>			
	<u>Solid Waste</u>	<u>Solid Waste Sinking</u>	<u>Post Closure Reserve</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,402,170	\$ -	\$ -	\$ 1,402,170
Payments to suppliers	(1,664,947)	(16,457)	-	(1,681,404)
Payments to employees	(92,174)	-	-	(92,174)
Other	72,259	-	-	72,259
Net cash (used in) operating activities	<u>(282,692)</u>	<u>(16,457)</u>	<u>-</u>	<u>(299,149)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Assessments of property owners	303,199	-	-	303,199
Transfers in	-	116,667	291,667	408,334
Transfers out	<u>(408,334)</u>	<u>-</u>	<u>-</u>	<u>(408,334)</u>
Net cash provided by (used in) non-capital financing activities	<u>(105,135)</u>	<u>116,667</u>	<u>291,667</u>	<u>303,199</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	<u>-</u>	<u>(401,677)</u>	<u>-</u>	<u>(401,677)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	<u>1,139</u>	<u>3,123</u>	<u>806</u>	<u>5,068</u>
Net increase (decrease) in cash and cash equivalents	(386,688)	(298,344)	292,473	(392,559)
Cash and cash equivalents - beginning of year	<u>542,625</u>	<u>959,755</u>	<u>-</u>	<u>1,502,380</u>
Cash and cash equivalents - end of year	<u>\$ 155,937</u>	<u>\$ 661,411</u>	<u>\$ 292,473</u>	<u>\$ 1,109,821</u>
Reconciliation of operating (loss) to net cash (used in) operating activities				
Operating (loss)	\$ (521,820)	\$ (864)	\$ -	\$ (522,684)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities				
Depreciation	103,216	-	-	103,216
Other	72,259	-	-	72,259
(Increase) in receivables	(72,696)	-	-	(72,696)
Increase (decrease) in liabilities				
Accounts payable and accrued expenses	1,904	(15,593)	-	(13,689)
Accumulated compensated absences	(1,618)	-	-	(1,618)
Landfill post-closure care liability	<u>136,063</u>	<u>-</u>	<u>-</u>	<u>136,063</u>
Net cash (used in) operating activities	<u>\$ (282,692)</u>	<u>\$ (16,457)</u>	<u>\$ -</u>	<u>\$ (299,149)</u>

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 \$401,677.

SOLID WASTE SERVICE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

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.

The District is a component unit of Tillamook County. 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 the District's organization and activities:

- Financial interdependency – Tillamook 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.

Tillamook County is financially accountable for the operations of the District. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. The management of Tillamook County has determined that the District should be included as a blended component unit, in the Comprehensive Annual Financial Report of Tillamook County for the year ended June 30, 2012.

b. *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

b. *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.

c. *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, 2012. 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.

d. *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

e. *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, 2012. 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.

f. *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)

g. *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

h. *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.

i. *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.

j. *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.

Post Closure Reserve – accounts for resources held for future costs associated with the closed landfill

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, 2012, 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	\$ 13,730,279
Procter & Gamble Co NTS	8/1/12	Aa3/AA-	191,182
XTO Energy Inc.	8/1/12	Aaa/AAA	205,603
Wells Fargo & Co.	1/31/13	A2/A+	1,040,038
Credit Suisse First Boston USA Inc.	8/15/13	A1/A+	1,062,712
Certificates of Deposit	4/12/13-4/26/13	Not Rated	1,685,793
Pension Trust Investments:			
Certificates of Deposit	7/11/12-12/10/13	Not Rated	1,128,969
U.S. Treasury Notes	8/15/13-2/15/17	AAA	7,736,663
Mutual Funds	N/A	Not Rated	<u>32,367,405</u>
Total			<u>\$ 59,148,644</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. 77 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 \$4,185,328 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, 2012, \$2,638,863 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, 2012 are as follows:

	<u>Tillamook County</u>	<u>Allocable to Solid Waste Service District</u>
Total investments	\$ 59,148,644	\$ 715,439
Cash on hand	19,581	100
Deposits with financial institutions	<u>3,775,299</u>	<u>394,282</u>
Total deposits and investments	<u>\$ 62,943,524</u>	<u>\$ 1,109,821</u>

Deposits and investments by fund:

Solid Waste	\$ 155,937
Solid Waste Sinking	661,411
Post Closure Reserve	<u>292,473</u>
Total deposits and investments	<u>\$ 1,109,821</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

3. Receivables

The District's receivables at June 30, 2012 are as follows:

	<u>Solid Waste</u>
Property assessments	\$ 159,568
Accounts	<u>120,356</u>
	<u>\$ 279,924</u>

4. Capital assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Balances</u>		<u>Reclassifications</u>	<u>Balances</u>
	<u>July 1, 2011</u>	<u>Additions</u>	<u>and Deletions</u>	<u>June 30, 2012</u>
<i>Business-type Activities</i>				
Capital assets not being depreciated				
Land	\$ 125,000	\$ -	\$ -	\$ 125,000
Construction in progress	<u>99,338</u>	<u>16,793</u>	<u>99,338</u>	<u>16,793</u>
Total capital assets not being depreciated	<u>\$ 224,338</u>	<u>\$ 16,793</u>	<u>\$ 99,338</u>	<u>\$ 141,793</u>
Capital assets being depreciated				
Land improvements	\$ 1,026,790	\$ -	\$ -	\$ 1,026,790
Buildings	2,515,234	484,222	-	2,999,456
Equipment	<u>215,698</u>	<u>-</u>	<u>-</u>	<u>215,698</u>
Total capital assets being depreciated	<u>3,757,722</u>	<u>484,222</u>	<u>-</u>	<u>4,241,944</u>
Less accumulated depreciation for:				
Land improvements	381,071	25,147	-	406,218
Buildings	1,328,080	72,848	-	1,400,928
Equipment	<u>115,969</u>	<u>5,221</u>	<u>-</u>	<u>121,190</u>
Total accumulated depreciation	<u>1,825,120</u>	<u>103,216</u>	<u>-</u>	<u>1,928,336</u>
Total capital assets being depreciated	<u>\$ 1,932,602</u>	<u>\$ 381,006</u>	<u>\$ -</u>	<u>\$ 2,313,608</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 \$233,876, and amortization of \$97,813 was reported to reflect an estimated liability of \$1,037,471 at June 30, 2012. 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, 2011	\$ 901,408
Additions	233,876
Expenditures	<u>(97,813)</u>
Balance, June 30, 2012	1,037,471
Current portion	<u>108,526</u>
Non-current portion	<u>\$ 928,945</u>

6. Interfund transfers

Amounts transferred to/from other funds are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Solid Waste		
Cash	\$ --	\$ 408,334
Noncash	401,677	--
Solid Waste Sinking		
Cash	116,667	--
Noncash	--	401,677
Post Closure Reserve		
Cash	291,667	--

The transfers from the Solid Waste Fund to the Solid Waste Sinking Fund and Post Closure Reserve Fund were 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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Assessments	\$ 215,000	\$ 230,503	\$ 15,503
Intergovernmental	39,800	-	(39,800)
Charges for services	1,714,000	1,474,866	(239,134)
Investment earnings	5,000	1,139	(3,861)
Miscellaneous	-	<u>72,259</u>	<u>72,259</u>
 TOTAL REVENUES	 <u>1,973,800</u>	 <u>1,778,767</u>	 <u>(195,033)</u>
EXPENDITURES			
Personal services	124,300	92,174	32,126
Materials and services	1,804,850	1,662,500	142,350
Contingency	<u>400,000</u>	<u>-</u>	<u>400,000</u>
 TOTAL EXPENDITURES	 <u>2,329,150</u>	 <u>1,754,674</u>	 <u>574,476</u>
 Excess (deficiency) of revenues over expenditures	 (355,350)	 24,093	 379,443
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(700,000)</u>	<u>(408,334)</u>	<u>291,666</u>
 Net change in fund balance	 (1,055,350)	 (384,241)	 671,109
Fund balance at beginning of year	<u>1,264,450</u>	<u>540,416</u>	<u>(724,034)</u>
 Fund balance at end of year	 <u>\$ 209,100</u>	 156,175	 <u>\$ (52,925)</u>
Reconciliation to generally accepted accounting principles:			
Receivables		279,924	
Capital assets, net		2,455,401	
Accounts payable and accrued expenses		(133,423)	
Landfill post-closure costs		<u>(1,037,471)</u>	
 Net assets at end of year		 <u>\$ 1,720,606</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, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Investment earnings	\$ 5,000	\$ 3,123	\$ (1,877)
EXPENDITURES			
Materials and services	71,850	71,833	17
Capital outlay	346,310	346,301	9
Contingency	<u>160,640</u>	<u>-</u>	<u>160,640</u>
TOTAL EXPENDITURES	<u>578,800</u>	<u>418,134</u>	<u>160,666</u>
Excess (deficiency) of revenues over expenditures	(573,800)	(415,011)	158,789
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>200,000</u>	<u>116,667</u>	<u>(83,333)</u>
Net change in fund balance	(373,800)	(298,344)	75,456
Fund balance at beginning of year	<u>533,800</u>	<u>959,755</u>	<u>425,955</u>
Fund balance at end of year	<u>\$ 160,000</u>	<u>\$ 661,411</u>	<u>\$ 501,411</u>

SOLID WASTE SERVICE DISTRICT

**POST CLOSURE RESERVE- ENTERPRISE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL
For the Year Ended June 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Investment earnings	\$ -	\$ 806	\$ 806
Excess (deficiency) of revenues over expenditures	-	806	806
OTHER FINANCING SOURCES (USES)			
Transfers in	500,000	291,667	(208,333)
Net change in fund balance	500,000	292,473	(207,527)
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ 500,000</u>	<u>\$ 292,473</u>	<u>\$ (207,527)</u>

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



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

Board of Directors
TILLAMOOK COUNTY 4H AND EXTENSION SERVICE DISTRICT
Tillamook, OR

We have audited the basic financial statements of the **TILLAMOOK COUNTY 4H AND EXTENSION SERVICE DISTRICT** as of and for the year ended June 30, 2012, and have issued our report thereon dated December 14, 2012. 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 **TILLAMOOK COUNTY 4H AND EXTENSION SERVICE DISTRICT** 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).

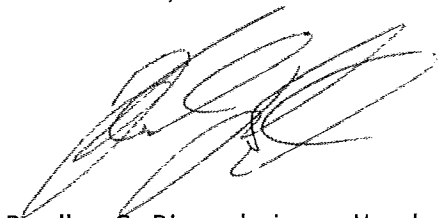
Board of Directors
SOLID WASTE SERVICE DISTRICT
Tillamook, OR

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 14, 2012

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