

**SOLID WASTE SERVICE DISTRICT
Tillamook, Oregon
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014**

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**SOLID WASTE SERVICE DISTRICT
OFFICERS AND MEMBERS OF THE GOVERNING BODY**

For the Year Ended June 30, 2014

<u>Name</u>	<u>Term Expiration December 31,</u>
William Baertlein 4980 Sollie Smith Rd Tillamook, Oregon 97141	2016
Tim Josi 6740 Baseline Road Tillamook, Oregon 97141	2014
Mark Labhart 9190 Mill Creek Road Tillamook, Oregon 97141	2016

Administrative Offices

Tillamook County Courthouse
201 Laurel Avenue
Tillamook, Oregon 97141

Registered Agent

Debbie Clark

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SOLID WASTE SERVICE DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major enterprise fund of the **SOLID WASTE SERVICE DISTRICT**, component unit of Tillamook County, Oregon as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 enterprise fund of the **SOLID WASTE SERVICE DISTRICT**, as of June 30, 2014, and the respective changes in financial position and, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages a-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.

Other Information

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 is not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Oregon State Regulations

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 15, 2014, on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
December 15, 2014
By:



Bradley G. Bingenheimer, Member

MANAGEMENT'S DISCUSSION AND ANALYSIS

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SOLID WASTE SERVICE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended June 30, 2014

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, 2014, by \$2,605,503 (net position). Of this amount \$2,252,799 was invested in capital assets and \$352,704 was unrestricted.

The District's net position increased by \$122,702.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's annual financial report consists of various sections. Taken together they provide the annual 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 statements of net position, revenues, expenses and changes in net position, 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 schedules of revenues, expenditures and changes in fund balance – budget and actual for the Solid Waste, the Solid Waste Sinking and the Solid Waste Post-Closure Reserve Funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL SUMMARY AND ANALYSIS

As mentioned earlier, the District's net position as of June 30, 2014, is \$2,605,503. Net position is comprised of the District's current assets plus capital assets less accounts payable and landfill post-closure care liability.

The assets, liabilities and net position of the District as of June 30, 2014 and 2013 are as follows:

NET POSITION

	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current assets	\$ 1,708,456	\$ 1,449,875
Capital assets, net	<u>2,252,799</u>	<u>2,360,555</u>
Total assets	<u>3,961,255</u>	<u>3,810,430</u>
<u>Liabilities</u>		
Other liabilities	264,018	235,895
Landfill post-closure care liability	<u>1,091,734</u>	<u>1,091,734</u>
Total liabilities	<u>1,355,752</u>	<u>1,327,629</u>
<u>Net position</u>		
Net investment in capital assets	2,252,799	2,360,555
Unrestricted	<u>352,704</u>	<u>122,246</u>
Total net position	<u>\$ 2,605,503</u>	<u>\$ 2,482,801</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The net position of the District increased during the year ended June 30, 2014, by \$122,702. The key elements of the changes in net position for the years ended June 30, 2014 and 2013 are as follows:

CHANGE IN NET POSITION

	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 1,808,523	\$ 1,706,291
Operating expenses	<u>1,842,483</u>	<u>1,986,866</u>
Operating (loss)	(33,960)	(280,575)
Nonoperating revenues and capital contributions	<u>156,662</u>	<u>88,886</u>
Change in net position	122,702	(191,689)
Net position - beginning	<u>2,482,801</u>	<u>2,674,490</u>
Net position - ending	<u><u>\$ 2,605,503</u></u>	<u><u>\$ 2,482,801</u></u>

FINANCIAL ANALYSIS OF FUNDS

As of June 30, 2014, the District's operating fund (Solid Waste Fund) had a budgetary basis fund balance of \$239,912, which is an increase of \$40,002 from June 30, 2013.

The District's other funds, Solid Waste Sinking and Post Closure Reserve, had budgetary basis fund balances of \$666,476 and \$495,381, respectively..

BUDGETARY HIGHLIGHTS

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

During the year ended June 30, 2014, changes in capital assets included \$11,477 incurred on asphalt work at the Tillamook transfer station. Additionally, depreciation expense for the year was \$119,233. The District has no bonded indebtedness.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

CAPITAL ASSETS AT JUNE 30, 2014 AND 2013, NET OF DEPRECIATION

	<u>2014</u>	<u>2013</u>
Land	\$ 125,000	\$ 125,000
Land improvements	570,278	595,425
Buildings and equipment	<u>1,557,521</u>	<u>1,640,130</u>
	<u>\$ 2,252,799</u>	<u>\$ 2,360,555</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

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SOLID WASTE SERVICE DISTRICT

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

June 30, 2014

	Business-type Activities / Enterprise Funds			Totals
	Solid Waste	Solid Waste Sinking	Solid Waste Post Closure Reserve	
<u>ASSETS</u>				
Current assets				
Cash and investments	\$ 242,586	\$ 666,476	\$ 495,381	\$ 1,404,443
Receivables	<u>304,013</u>	<u>-</u>	<u>-</u>	<u>304,013</u>
Total current assets	546,599	666,476	495,381	1,708,456
Capital assets:				
Land and construction in progress	125,000	-	-	125,000
Other capital assets, net	<u>2,127,799</u>	<u>-</u>	<u>-</u>	<u>2,127,799</u>
TOTAL ASSETS	<u>2,799,398</u>	<u>666,476</u>	<u>495,381</u>	<u>3,961,255</u>
<u>LIABILITIES</u>				
Current liabilities				
Accounts payable and accrued expenses	152,666	-	-	152,666
Accumulated compensated absences	2,826	-	-	2,826
Current portion of landfill post-closure care liability	<u>108,526</u>	<u>-</u>	<u>-</u>	<u>108,526</u>
Total current liabilities	264,018	-	-	264,018
Landfill post-closure care liability	<u>1,091,734</u>	<u>-</u>	<u>-</u>	<u>1,091,734</u>
TOTAL LIABILITIES	<u>1,355,752</u>	<u>-</u>	<u>-</u>	<u>1,355,752</u>
<u>NET POSITION</u>				
Net investment in capital assets	2,252,799	-	-	2,252,799
Unrestricted	<u>(809,153)</u>	<u>666,476</u>	<u>495,381</u>	<u>352,704</u>
TOTAL NET POSITION	<u>\$ 1,443,646</u>	<u>\$ 666,476</u>	<u>\$ 495,381</u>	<u>\$ 2,605,503</u>

See accompanying notes

SOLID WASTE SERVICE DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Business-type Activities / Enterprise Funds			Totals
	Solid Waste	Solid Waste Sinking	Solid Waste Post Closure Reserve	
REVENUES				
Charges for services	\$ 1,808,523	\$ -	\$ -	\$ 1,808,523
OPERATING EXPENSES				
Personal services	134,772	-	-	134,772
Other supplies and expenses	1,588,478	-	-	1,588,478
Depreciation	119,233	-	-	119,233
Total operating expenses	1,842,483	-	-	1,842,483
Operating (loss)	(33,960)	-	-	(33,960)
NONOPERATING REVENUES (EXPENSES)				
Assessments	137,590	-	-	137,590
Interest and investment earnings	928	2,300	1,514	4,742
Miscellaneous	14,330	-	-	14,330
Total nonoperating revenue (expenses)	152,848	2,300	1,514	156,662
Income before capital contributions and transfers	118,888	2,300	1,514	122,702
Transfers in (out)	(100,000)	-	100,000	-
Change in net position	18,888	2,300	101,514	122,702
Total net position - beginning	1,424,758	664,176	393,867	2,482,801
Total net position - ending	\$ 1,443,646	\$ 666,476	\$ 495,381	\$ 2,605,503

See accompanying notes

SOLID WASTE SERVICE DISTRICT

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended June 30, 2014

	<u>Business-type Activities/Enterprise Funds</u>			
	<u>Solid Waste</u>	<u>Solid Waste Sinking</u>	<u>Solid Waste Post Closure Reserve</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,695,290	\$ -	\$ -	\$ 1,695,290
Payments to suppliers	(1,562,472)	-	-	(1,562,472)
Payments to employees	(132,655)	-	-	(132,655)
Other	14,330	-	-	14,330
Net cash provided by operating activities	<u>14,493</u>	<u>-</u>	<u>-</u>	<u>14,493</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Assessments of property owners	137,590	-	-	137,590
Transfers in	-	-	100,000	100,000
Transfers out	(100,000)	-	-	(100,000)
Net cash provided by non-capital financing activities	<u>37,590</u>	<u>-</u>	<u>100,000</u>	<u>137,590</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(11,477)	-	-	(11,477)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest	928	2,300	1,514	4,742
Net increase in cash and cash equivalents	41,534	2,300	101,514	145,348
Cash and cash equivalents - beginning of year	<u>201,052</u>	<u>664,176</u>	<u>393,867</u>	<u>1,259,095</u>
Cash and cash equivalents - end of year	<u>\$ 242,586</u>	<u>\$ 666,476</u>	<u>\$ 495,381</u>	<u>\$ 1,404,443</u>
Reconciliation of operating (loss) to net cash provided by operating activities				
Operating (loss)	\$ (33,960)	\$ -	\$ -	\$ (33,960)
Adjustments to reconcile operating (loss) to net cash provided by operating activities				
Depreciation	119,233	-	-	119,233
Other	14,330	-	-	14,330
(Increase) in receivables	(113,233)	-	-	(113,233)
Increase (decrease) in liabilities				
Accounts payable and accrued expenses	26,006	-	-	26,006
Accumulated compensated absences	2,117	-	-	2,117
Net cash provided by operating activities	<u>\$ 14,493</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,493</u>

See accompanying notes

SOLID WASTE SERVICE DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

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. 61, "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, 2014.

B. *Basis of accounting*

The District is accounted for in three Proprietary Funds 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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

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 services. Operating expenses for proprietary funds include the cost of 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.

The District reports the following major proprietary 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.

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

C. *Budgets*

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds of the District. The District uses the cash basis of accounting for all budgets. All annual appropriations lapse at fiscal year end.

The District begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The governing body adopts the budget and makes appropriations no later than June 30. Expenditure appropriations may not be legally over-expended, except in the case of grant receipts and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The District established the levels of budgetary control at the personal services, materials and services, capital outlay, operating contingencies, debt service, and all other requirement levels for all funds.

Budgeted amounts may be revised during the year. The governing body must authorize all appropriation transfers and supplementary budgetary appropriations.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

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.

E. *Property assessments*

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.

F. *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 nonoperating revenue.

The estimated useful lives of capital assets are as follows:

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

G. *Equity classifications*

On the statement of net position, equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

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.

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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Deposits and Investments (continued)

As of June 30, 2014, 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	\$ 24,075,980
Bear Stearns & Co Inc.	11/15/14	A3/A	1,026,355
Wachova Bank Natl Assn.	8/15/15	A1/A+	1,065,400
Pension Trust Investments:			
Money Market Fund	N/A	Not Rated	577,836
U.S. Treasury Notes	2/15/16-2/15/17	AAA	3,785,707
Mutual Funds	N/A	Not Rated	<u>48,708,254</u>
Total			<u>\$ 79,239,532</u>

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. 92 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 \$2,091,755 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, 2014, \$1,203,602 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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Deposits and Investments (continued)

The County's deposits and investments and the amount allocable to the District at June 30, 2014 are as follows:

	<u>Tillamook County</u>	<u>Allocable to Solid Waste Service District</u>
Total investments	\$ 79,239,532	\$ 1,152,819
Cash on hand	10,354	100
Deposits with financial institutions	<u>1,650,020</u>	<u>251,524</u>
Total deposits and investments	<u>\$ 80,899,906</u>	<u>\$ 1,404,443</u>

Deposits and investments by fund:

Solid Waste	\$ 242,586
Solid Waste Sinking	666,476
Solid Waste Post Closure Reserve	<u>495,381</u>
Total deposits and investments	<u>\$ 1,404,443</u>

3. Receivables

The District's receivables at June 30, 2014 are as follows:

	<u>Solid Waste</u>
Property assessments	\$ 20,148
Accounts	<u>283,865</u>
	<u>\$ 304,013</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

4. Capital assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balances July 1, 2013	Additions	Reclassifications and Deletions	Balances June 30, 2014
<i>Business-type Activities</i>				
Capital assets not being depreciated				
Land	\$ 125,000	\$ -	\$ -	\$ 125,000
Capital assets being depreciated				
Land improvements	\$ 1,026,790	\$ -	\$ -	\$ 1,026,790
Buildings	3,035,249	11,477	-	3,046,726
Equipment	215,698	-	-	215,698
Total capital assets being depreciated	<u>4,277,737</u>	<u>11,477</u>	<u>-</u>	<u>4,289,214</u>
Less accumulated depreciation for:				
Land improvements	431,365	25,147	-	456,512
Buildings	1,484,406	88,865	-	1,573,271
Equipment	126,411	5,221	-	131,632
Total accumulated depreciation	<u>2,042,182</u>	<u>119,233</u>	<u>-</u>	<u>2,161,415</u>
Total capital assets being depreciated	<u>\$ 2,235,555</u>	<u>\$ (107,756)</u>	<u>\$ -</u>	<u>\$ 2,127,799</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, there was no changes on an estimated liability of \$1,200,260 at June 30, 2014. 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, 2013	\$ 1,200,260
Additions	<u> --</u>
Balance, June 30, 2014	1,200,260
Current portion	<u>108,526</u>
Non-current portion	<u>\$ 1,091,734</u>

6. Interfund transfers

Amounts transferred between funds are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Solid Waste	\$ --	\$ 100,000
Solid Waste Post Closure Reserve	100,000	--

The transfer from the Solid Waste Fund to the Solid Waste Post Closure Reserve Fund was made to set aside funds for post-closure care costs which will be paid in future periods.

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INDIVIDUAL FUND SCHEDULES

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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, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Assessments	\$ 225,000	\$ 234,096	\$ 9,096
Charges for services	1,573,800	1,602,204	28,404
Investment earnings	2,000	928	(1,072)
Miscellaneous	<u>500</u>	<u>10,910</u>	<u>10,410</u>
TOTAL REVENUES	<u>1,801,300</u>	<u>1,848,138</u>	<u>46,838</u>
EXPENDITURES			
Personal services	135,700	130,125	5,575
Materials and services	1,693,700	1,559,281	134,419
Capital outlay	20,000	18,730	1,270
Contingency	<u>184,900</u>	<u>-</u>	<u>184,900</u>
TOTAL EXPENDITURES	<u>2,034,300</u>	<u>1,708,136</u>	<u>326,164</u>
Excess (deficiency) of revenues over expenditures	(233,000)	140,002	373,002
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net change in fund balance	(333,000)	40,002	373,002
Fund balance at beginning of year	<u>345,000</u>	<u>199,910</u>	<u>(145,090)</u>
Fund balance at end of year	<u>\$ 12,000</u>	239,912	<u>\$ 227,912</u>
Reconciliation to generally accepted accounting principles:			
Receivables		304,013	
Capital assets, net		2,252,799	
Accounts payable and accrued expenses		(149,992)	
Accumulated compensated absences		(2,826)	
Landfill post-closure care liability		<u>(1,200,260)</u>	
Net position at end of year		<u>\$ 1,443,646</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, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Investment earnings	\$ 3,000	\$ 2,300	\$ (700)
EXPENDITURES			
Contingency	<u>370,000</u>	<u>-</u>	<u>370,000</u>
Net change in fund balance	(367,000)	2,300	369,300
Fund balance at beginning of year	<u>667,000</u>	<u>664,176</u>	<u>(2,824)</u>
Fund balance at end of year	<u>\$ 300,000</u>	<u>\$ 666,476</u>	<u>\$ 366,476</u>

SOLID WASTE SERVICE DISTRICT

**SOLID WASTE 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, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Investment earnings	\$ 2,000	\$ 1,514	\$ (486)
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Net change in fund balance	102,000	101,514	(486)
Fund balance at beginning of year	<u>390,000</u>	<u>393,867</u>	<u>3,867</u>
Fund balance at end of year	<u>\$ 492,000</u>	<u>\$ 495,381</u>	<u>\$ 3,381</u>

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**INDEPENDENT AUDITOR'S REPORT REQUIRED BY
OREGON STATE REGULATIONS**

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
SOLID WASTE SERVICE DISTRICT
Tillamook, OR

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the **SOLID WASTE SERVICE DISTRICT** as of and for the year ended June 30, 2014, and have issued our report thereon dated December 15, 2014.

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 162-10-000 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 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY
OREGON STATE REGULATIONS (Continued)**

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 to determine the audit procedures that are appropriate in the circumstances 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting. Deficiencies in internal control, if any, were communicated separately.

Restriction on Use

This report is intended solely for the information and use of the board of 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
Certified Public Accountants
Salem, Oregon
December 15, 2014
By:

A handwritten signature in black ink, appearing to read 'B. Bingenheimer', written over a light blue horizontal line.

Bradley G. Bingenheimer, Member