

**SOLID WASTE SERVICE DISTRICT  
Tillamook, Oregon  
ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2015**

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

**For the Year Ended June 30, 2015**

| <u><b>Name</b></u>   | <u><b>Term Expiration<br/>December 31,</b></u> |
|--|--|
| William Baertlein<br>4980 Sollie Smith Rd<br>Tillamook, Oregon 97141 | 2016   |
| Tim Josi<br>6740 Baseline Road<br>Tillamook, Oregon 97141            | 2018   |
| Mark Labhart<br>9190 Mill Creek Road<br>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, 2015, 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, 2015, 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 and the schedules of the proportionate share of the net pension liability and contributions on pages 21 and 22 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 14, 2015, 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 14, 2015

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, 2015**

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, 2015, by \$2,324,430 (net position). Of this amount \$2,167,459 was invested in capital assets and \$156,971 was unrestricted.

The District's net position decreased by \$217,483.

#### **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, 2015, is \$2,324,430. 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, 2015 and 2014 are as follows:

|                                       | <u>2015</u>         | <u>2014</u>         |
|---------------------------------------|---------------------|---------------------|
| <u>Assets</u>                         |                     |                     |
| Current assets                        | \$ 1,600,297        | \$ 1,708,456        |
| Capital assets, net                   | <u>2,167,459</u>    | <u>2,252,799</u>    |
| Total assets                          | <u>3,767,756</u>    | <u>3,961,255</u>    |
| <u>Deferred outflows of resources</u> |                     |                     |
| Pension related items                 | <u>29,603</u>       | <u>22,112</u>       |
| <u>Liabilities</u>                    |                     |                     |
| Other liabilities                     | 278,379             | 264,018             |
| Long-term obligations                 | <u>1,175,023</u>    | <u>1,177,436</u>    |
| Total liabilities                     | <u>1,453,402</u>    | <u>1,441,454</u>    |
| <u>Deferred inflows of resources</u>  |                     |                     |
| Pension related items                 | <u>19,527</u>       | <u>-</u>            |
| <u>Net position</u>                   |                     |                     |
| Net investment in capital assets      | 2,167,459           | 2,252,799           |
| Unrestricted                          | <u>156,971</u>      | <u>289,114</u>      |
| Total net position                    | <u>\$ 2,324,430</u> | <u>\$ 2,541,913</u> |

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The net position of the District decreased during the year ended June 30, 2015, by \$217,710. The key elements of the changes in net position for the years ended June 30, 2015 and 2014 are as follows:

### CHANGE IN NET POSITION

|   | <u>2015</u>                | <u>2014</u>                |
|---|----------------------------|----------------------------|
| Operating revenues                              | \$ 1,743,254               | \$ 1,808,523               |
| Operating expenses                              | <u>2,213,733</u>           | <u>1,842,483</u>           |
| Operating (loss)                                | (470,479)                  | (33,960)                   |
| Nonoperating revenues and capital contributions | <u>252,996</u>             | <u>156,662</u>             |
| Change in net position                          | (217,483)                  | 122,702                    |
| Net position - beginning                        | <u>2,541,913</u>           | <u>2,419,211</u>           |
| Net position - ending                           | <u><u>\$ 2,324,430</u></u> | <u><u>\$ 2,541,913</u></u> |

## FINANCIAL ANALYSIS OF FUNDS

As of June 30, 2015, the District's operating fund (Solid Waste Fund) had a budgetary basis fund balance of \$161,730, which is a decrease of \$78,182 from June 30, 2014.

The District's other funds, Solid Waste Sinking and Post Closure Reserve, had budgetary basis fund balances of \$668,916 and \$597,350, 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, 2015, changes in capital assets included \$24,449 incurred on asphalt work at the Tillamook transfer station and \$9,468 for leachate treatment equipment. Additionally, depreciation expense for the year was \$119,256.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### CAPITAL ASSETS AT JUNE 30, 2015 AND 2014, NET OF DEPRECIATION

|                         | <u>2015</u>         | <u>2014</u>         |
|-------------------------|---------------------|---------------------|
| Land                    | \$ 125,000          | \$ 125,000          |
| Land improvements       | 545,131             | 570,278             |
| Buildings and equipment | <u>1,497,328</u>    | <u>1,557,521</u>    |
|                         | <u>\$ 2,167,459</u> | <u>\$ 2,252,799</u> |

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

The District's long-term obligations include the estimated amount for landfill post-closure care, and a proportionate share of Tillamook County's net other post-employment benefits and net pension liability.

Additional information on the District's long-term obligations may be found in Note 5.

### 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, 2015**

|   | <u>Business-type Activities / Enterprise Funds</u> |                            |   | <u>Totals</u>       |
|---|--|----------------------------|---|---------------------|
|   | <u>Solid Waste</u>                                 | <u>Solid Waste Sinking</u> | <u>Solid Waste Post Closure Reserve</u> |                     |
| <b><u>ASSETS</u></b>                                    |  |                            |   |                     |
| Current assets  |  |                            |   |                     |
| Cash and investments                                    | \$ 166,487   | \$ 668,916                 | \$ 597,350                              | \$ 1,432,753        |
| Receivables   | <u>167,544</u>                                     | <u>-</u>                   | <u>-</u>                                | <u>167,544</u>      |
| Total current assets                                    | 334,031  | 668,916                    | 597,350                                 | 1,600,297           |
| Capital assets:   |  |                            |   |                     |
| Land and construction in progress                       | 125,000  | -                          | -                                       | 125,000             |
| Other capital assets, net                               | <u>2,042,459</u>                                   | <u>-</u>                   | <u>-</u>                                | <u>2,042,459</u>    |
| <b>TOTAL ASSETS</b>                                     | <u>2,501,490</u>                                   | <u>668,916</u>             | <u>597,350</u>                          | <u>3,767,756</u>    |
| <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>            |  |                            |   |                     |
| Pension related items                                   | <u>29,603</u>                                      | <u>-</u>                   | <u>-</u>                                | <u>29,603</u>       |
| <b><u>LIABILITIES</u></b>                               |  |                            |   |                     |
| Current liabilities                                     |  |                            |   |                     |
| Accounts payable and accrued liabilities                | 163,870  | -                          | -                                       | 163,870             |
| Accumulated compensated absences                        | 5,983  | -                          | -                                       | 5,983               |
| Current portion of landfill post-closure care liability | <u>108,526</u>                                     | <u>-</u>                   | <u>-</u>                                | <u>108,526</u>      |
| Total current liabilities                               | 278,379  | -                          | -                                       | 278,379             |
| Other post-employment benefits                          | 10,990   | -                          | -                                       | 10,990              |
| Net pension liability                                   | 72,299   | -                          | -                                       | 72,299              |
| Landfill post-closure care liability                    | <u>1,091,734</u>                                   | <u>-</u>                   | <u>-</u>                                | <u>1,091,734</u>    |
| <b>TOTAL LIABILITIES</b>                                | <u>1,453,402</u>                                   | <u>-</u>                   | <u>-</u>                                | <u>1,453,402</u>    |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>             |  |                            |   |                     |
| Pension related items                                   | <u>19,527</u>                                      | <u>-</u>                   | <u>-</u>                                | <u>19,527</u>       |
| <b><u>NET POSITION</u></b>                              |  |                            |   |                     |
| Net investment in capital assets                        | 2,167,459  | -                          | -                                       | 2,167,459           |
| Unrestricted  | <u>(1,109,295)</u>                                 | <u>668,916</u>             | <u>597,350</u>                          | <u>156,971</u>      |
| <b>TOTAL NET POSITION</b>                               | <u>\$ 1,058,164</u>                                | <u>\$ 668,916</u>          | <u>\$ 597,350</u>                       | <u>\$ 2,324,430</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, 2015**

|  | <u>Business-type Activities / Enterprise Funds</u> |                            |   | <u>Totals</u>       |
|--|--|----------------------------|---|---------------------|
|  | <u>Solid Waste</u>                                 | <u>Solid Waste Sinking</u> | <u>Solid Waste Post Closure Reserve</u> |                     |
| <b>REVENUES</b>  |  |                            |   |                     |
| Charges for services                                     | \$ 1,743,254                                       | \$ -                       | \$ -                                    | \$ 1,743,254        |
| <b>OPERATING EXPENSES</b>                                |  |                            |   |                     |
| Personal services  | 182,111  | -                          | -                                       | 182,111             |
| Other supplies and expenses                              | 1,912,366  | -                          | -                                       | 1,912,366           |
| Depreciation   | 119,256  | -                          | -                                       | 119,256             |
| Total operating expenses                                 | <u>2,213,733</u>                                   | <u>-</u>                   | <u>-</u>                                | <u>2,213,733</u>    |
| Operating (loss)   | <u>(470,479)</u>                                   | <u>-</u>                   | <u>-</u>                                | <u>(470,479)</u>    |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                  |  |                            |   |                     |
| Assessments  | 241,701  | -                          | -                                       | 241,701             |
| Interest and investment earnings                         | 870  | 2,440                      | 1,969                                   | 5,279               |
| Miscellaneous  | 6,016  | -                          | -                                       | 6,016               |
| Total nonoperating revenue (expenses)                    | <u>248,587</u>                                     | <u>2,440</u>               | <u>1,969</u>                            | <u>252,996</u>      |
| Income (loss) before capital contributions and transfers | (221,892)  | 2,440                      | 1,969                                   | (217,483)           |
| Transfers in (out)                                       | <u>(100,000)</u>                                   | <u>-</u>                   | <u>100,000</u>                          | <u>-</u>            |
| Change in net position                                   | (321,892)  | 2,440                      | 101,969                                 | (217,483)           |
| Total net position - beginning                           | 1,443,646  | 666,476                    | 495,381                                 | 2,605,503           |
| Prior period adjustment                                  | <u>(63,590)</u>                                    | <u>-</u>                   | <u>-</u>                                | <u>(63,590)</u>     |
| Total net position - ending                              | <u>\$ 1,058,164</u>                                | <u>\$ 668,916</u>          | <u>\$ 597,350</u>                       | <u>\$ 2,324,430</u> |

*See accompanying notes*

**SOLID WASTE SERVICE DISTRICT**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

**For the Year Ended June 30, 2015**

|  | <b>Business-type Activities/Enterprise Funds</b> |                            |   | <b>Totals</b>       |
|--|--|----------------------------|---|---------------------|
|  | <b>Solid Waste</b>                               | <b>Solid Waste Sinking</b> | <b>Solid Waste Post Closure Reserve</b> |                     |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |                            |   |                     |
| Receipts from customers and users  | \$ 1,879,723                                     | \$ -                       | \$ -                                    | \$ 1,879,723        |
| Payments to suppliers  | (1,901,162)                                      | -                          | -                                       | (1,901,162)         |
| Payments to employees  | (169,104)  | -                          | -                                       | (169,104)           |
| Other  | 6,016  | -                          | -                                       | 6,016               |
| Net cash (used in) by operating activities   | <u>(184,527)</u>                                 | <u>-</u>                   | <u>-</u>                                | <u>(184,527)</u>    |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>                              |  |                            |   |                     |
| Assessments of property owners   | 241,701  | -                          | -                                       | 241,701             |
| Transfers in   | -  | -                          | 100,000                                 | 100,000             |
| Transfers out  | (100,000)  | -                          | -                                       | (100,000)           |
| Net cash provided by non-capital financing activities                                | <u>141,701</u>                                   | <u>-</u>                   | <u>100,000</u>                          | <u>241,701</u>      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                      |  |                            |   |                     |
| Purchases of capital assets  | (33,916)   | -                          | -                                       | (33,916)            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |  |                            |   |                     |
| Interest   | 870  | 2,440                      | 1,969                                   | 5,279               |
| Net increase (decrease) in cash and cash equivalents                                 | (75,872)   | 2,440                      | 101,969                                 | 28,537              |
| Cash and cash equivalents - beginning of year  | 242,586  | 666,476                    | 495,381                                 | 1,404,443           |
| Cash and cash equivalents - end of year  | <u>\$ 166,714</u>                                | <u>\$ 668,916</u>          | <u>\$ 597,350</u>                       | <u>\$ 1,432,980</u> |
| <b>Reconciliation of operating (loss) to net cash (used in) operating activities</b> |  |                            |   |                     |
| Operating (loss)   | \$ (470,479)                                     | \$ -                       | \$ -                                    | \$ (470,479)        |
| Adjustments to reconcile operating (loss) to net cash (used in) operating activities |  |                            |   |                     |
| Depreciation   | 119,256  | -                          | -                                       | 119,256             |
| Other  | 6,016  | -                          | -                                       | 6,016               |
| Decrease in receivables  | 136,469  | -                          | -                                       | 136,469             |
| (Increase) in deferred outflows of resources   | (7,491)  | -                          | -                                       | (7,491)             |
| Increase (decrease) in liabilities   |  |                            |   |                     |
| Accounts payable and accrued expenses  | 11,204   | -                          | -                                       | 11,204              |
| Accumulated compensated absences   | 3,157  | -                          | -                                       | 3,157               |
| Net other post-employment benefits   | 11,217   | -                          | -                                       | 11,217              |
| Net pension liability  | (13,403)   | -                          | -                                       | (13,403)            |
| Increase in deferred inflows   | 19,527   | -                          | -                                       | 19,527              |
| Net cash (used in) operating activities  | <u>\$ (184,527)</u>                              | <u>\$ -</u>                | <u>\$ -</u>                             | <u>\$ (184,527)</u> |

*See accompanying notes*

## SOLID WASTE SERVICE DISTRICT

### NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

#### 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, 2015.

##### 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.

#### J. *New accounting standards implemented*

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. This statement makes significant changes to accounting by pension plans by replacing the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*.

GASB Statement No. 67 separates funding from financial reporting and builds upon the existing framework for financial reports of defined benefit pension plans and enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. In addition, it requires the presentation of new information about the annual money-weighted rates of return on pension plan investments in the notes to the financial statements and in 10-year required supplementary information schedules.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement provides guidance for accounting for net pension liabilities, including definition of balances to be included in deferred inflows and deferred outflows of resources. The specific accounts impacting the County are detailed below.

**Net pension liability** – Previous standards defined pension liabilities in terms of the Annually Required Contribution. Statement No. 68 defines the net pension liability as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, net of the pension plan's fiduciary net position.

**Deferred inflows of resources and deferred outflows of resources** – Statement No. 68 includes recognition of deferred inflows and outflows of resources associated with the difference between projected and actual earnings on pension plan investments. These differences are to be recognized in pension expense using a systematic and rational method over a closed five-year period.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

#### J. *New accounting standards implemented (continued)*

Statement No. 68 is effective for financial statement periods beginning after June 15, 2014, with the effects of accounting change to be applied retroactively by restating the financial statements. The District adopted this new pronouncement in the current year and, accordingly, has restated amounts of effected balances within the financial statements as of June 30, 2014:

| <b>Statement of Net Position</b>                   | <u>As<br/>Originally<br/>Reported</u> | <u>As<br/>Restated</u> | <u>Effect of<br/>Change</u> |
|--|---------------------------------------|------------------------|-----------------------------|
| <u>Business-type activities / Solid Waste Fund</u> |                                       |                        |                             |
| Deferred outflows of resources                     | \$ --                                 | \$ 22,112              | \$ 22,112                   |
| Long-term obligations - net pension liability      | --                                    | 85,702                 | 85,702                      |
| Net position                                       | 2,605,503                             | 2,541,913              | (63,590)                    |

### 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, 2015, 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     | \$ 16,496,087        |
| Corporate Bonds                        |                   |               |                      |
| Wachovia Bank, N.A.                    | 8/15/15           | A+            | 1,023,970            |
| JP Morgan Chase                        | 3/1/16            | A             | 1,028,344            |
| GE Capital                             | 5/9/16            | AA+           | 1,023,689            |
| Berkshire Hathaway                     | 8/15/16           | AA            | 1,229,532            |
| US Bancorp                             | 11/15/16          | A+            | 1,019,990            |
| Municipal Bonds                        |                   |               |                      |
| Marion and Polk Co. OR School District | 6/30/16           | Aa3           | 1,002,881            |
| Oregon Community College District      | 2/24/16           | A2            | 1,061,205            |
| US Agency Securities                   |                   |               |                      |
| Federal Home Loan Mortgage Corp        | 12/23/16          | AA+           | 1,001,176            |
| Pension Trust Investments:             |                   |               |                      |
| Money Market Fund                      | N/A               | Not Rated     | 315,873              |
| U.S. Treasury Notes                    | 2/15/16-2/15/17   | AAA           | 3,645,620            |
| Mutual Funds                           | N/A               | Not Rated     | <u>49,500,934</u>    |
| Total                                  |                   |               | <u>\$ 78,349,300</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. 66 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, including those held in the Pension Trust investments, amounting to \$61,853,215 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, 2015, \$683,891 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, 2015 are as follows:

|                                      | <u>Tillamook<br/>County</u> | <u>Allocable to<br/>Solid Waste<br/>Service District</u> |
|--------------------------------------|-----------------------------|--|
| Total investments                    | \$ 78,349,300               | \$ 1,401,494   |
| Cash on hand                         | 15,972                      | 100  |
| Deposits with financial institutions | <u>1,116,032</u>            | <u>31,159</u>  |
| Total deposits and investments       | <u>\$ 79,481,306</u>        | <u>\$ 1,432,753</u>                                      |

Deposits and investments by fund:

|                                  |                     |
|----------------------------------|---------------------|
| Solid Waste                      | \$ 166,487          |
| Solid Waste Sinking              | 668,916             |
| Solid Waste Post Closure Reserve | <u>597,350</u>      |
| Total deposits and investments   | <u>\$ 1,432,753</u> |

### 3. Receivables

The District's receivables at June 30, 2015 are as follows:

|                      | <u>Solid Waste</u> |
|----------------------|--------------------|
| Property assessments | \$ 18,587          |
| Accounts             | <u>148,957</u>     |
|                      | <u>\$ 167,544</u>  |

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 4. Capital assets

Capital asset activity for the year ended June 30, 2015 was as follows:

|  | Balances<br>July 1, 2014 | Additions          | Reclassifications<br>and Deletions | Balances<br>June 30, 2015 |
|--|--------------------------|--------------------|------------------------------------|---------------------------|
| <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                              | 3,046,725                | 24,449             | -                                  | 3,071,174                 |
| Equipment                              | 215,698                  | 9,468              | -                                  | 225,166                   |
| Total capital assets being depreciated | <u>4,289,213</u>         | <u>33,917</u>      | <u>-</u>                           | <u>4,323,130</u>          |
| Less accumulated depreciation for:     |                          |                    |                                    |                           |
| Land improvements                      | 456,512                  | 25,147             | -                                  | 481,659                   |
| Buildings                              | 1,573,271                | 90,236             | -                                  | 1,663,507                 |
| Equipment                              | 131,632                  | 3,873              | -                                  | 135,505                   |
| Total accumulated depreciation         | <u>2,161,415</u>         | <u>119,256</u>     | <u>-</u>                           | <u>2,280,671</u>          |
| Total capital assets being depreciated | <u>\$ 2,127,798</u>      | <u>\$ (85,339)</u> | <u>\$ -</u>                        | <u>\$ 2,042,459</u>       |

### 5. Long-term obligations

A. Long-term obligation transactions for the year ended June 30, 2015, are as follows:

|                                      | July 1,<br>2014     | Additions        | Reductions      | June 30,<br>2015    | Due Within<br>One Year |
|--------------------------------------|---------------------|------------------|-----------------|---------------------|------------------------|
| Landfill post-closure care liability | \$ 1,200,260        | \$ -             | \$ -            | \$ 1,200,260        | \$ 108,526             |
| Net other post-employment benefits   | -                   | 10,990           | -               | 10,990              | -                      |
| Net pension liability                | -                   | 19,527           | -               | 19,527              | -                      |
| Compensated absences                 | 2,826               | 4,402            | 1,245           | 5,983               | 5,983                  |
|                                      | <u>\$ 1,203,086</u> | <u>\$ 34,919</u> | <u>\$ 1,245</u> | <u>\$ 1,236,760</u> | <u>\$ 114,509</u>      |

#### 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. Long-term obligations (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, 2015. 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<br/>Costs</u> |
|------------------------|-------------------------------|
| Balance, July 1, 2014  | \$ 1,200,260                  |
| Additions              | <u>          --</u>           |
| Balance, June 30, 2015 | 1,200,260                     |
| Current portion        | <u>108,526</u>                |
| Non-current portion    | <u>\$ 1,091,734</u>           |

Net other post-employment benefits

Net other post-employment benefits represents the accumulated differences between the annual required contribution to the other post-employment benefit plan and the amounts actually contributed to the plan as discussed more fully in note 8 below.

Net pension liability

Net pension liability represents the difference between the total pension liability for benefits earned by County employees and the net position held in trust for pension benefits of the Tillamook County Retirement Plan for Employees Pension Trust as more fully discussed in note 7 below.

**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.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 7. Defined benefit pension plan

#### A. Plan Description

Substantially all employees of the District are provided pensions through the Tillamook County Retirement Plan for Employees Pension (the Plan), a single employer defined benefit public employee retirement plan.

The Plan was established by the Tillamook County Commissioners who may amend the plan.

The County does not issue a separate financial report available to the public for this plan.

#### B. Plan Membership - County wide

All full-time employees are eligible to participate in the Plan after six months of employment. Benefits generally vest after five years of continuous service. As of June 30, 2015, there were 216 active plan members, 47 inactive plan members entitled to but not yet receiving benefits, 8 disabled plan members receiving benefits, and 157 retired plan members receiving benefits for a total of 428 plan members. Of the 216 active employees covered by the Plan, 73 were non-vested, 130 were vested, and 13 were over retirement age. Of the 47 terminated members, 11 were entitled to their account balances only and 36 were members with vested accrued benefits.

#### C. Description of benefit terms

##### Normal retirement

Members are able to receive benefits after attaining age 60 for uniformed members (police) or age 65 for all other members and 5 years of vesting service. Retirement benefits are calculated using a formula of 2.4 percent for uniformed members or 2.25 percent for all other employees time the average highest three consecutive years' July 1 pay rate during the last ten years of employment time the years of service after July 1, 1973. Retirement benefits are subject to annual cost of living adjustments up to 1.5 percent per year.

Additionally, members receive benefits from voluntary or unit contribution, if any.

##### Early retirement

Members are able to receive early retirement benefits after attaining age 50 for uniformed members or age 55 for all other members and 5 years of vesting service. Members may also retire after 30 years of service. Retirement benefits are reduced based upon the members age at retirement from 92 percent to 60 percent of the benefit that would result if they were of normal retirement age.

##### Late retirement

Members that continue working beyond the normal retirement age receive increases to their retirement benefits equal to the larger of benefit accruals past the normal retirement age or 7.2 percent for the first 5 years and 3.6 percent thereafter for each year the retirement date follows age 65.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 7. Defined benefit pension plan (continued)

#### C. Description of benefit terms (continued)

##### Disability

Uniformed members that become totally and permanently disabled in the course of duty or members with 10 years of service are entitled to disability benefits. The benefit is based on current monthly earnings rate of compensation as of the date of disability and years of service projected to the earliest retirement age, or the early retirement benefit available, whichever is greater but in no event less than \$100 per month.

##### Death benefits

The beneficiaries of members who have not begun to receive benefits under the plan are entitled to a lump-sum payment of the members account. Otherwise, the beneficiaries are entitled to a monthly benefit equal to 25 percent of the life annuity actuarially equivalent to the monthly benefit payable to the member immediately before the member's death.

#### D. Contributions

The County is required by the Plan's provisions to pay the employees' contribution to the Plan of seven percent of covered salaries (six percent if monthly base pay is less than \$1,500). In addition the County will contribute additional amount necessary to fund the Plan sufficient to pay benefits when due based on annual actuarial valuations. Plan members are permitted to contribute up to ten percent of their annual covered salary. County contributions to the plan for the year ended June 30, 2015 were \$2,582,295, of which \$16,149 were attributable to the District.

#### E. Net pension liability, changes in net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2015, the County reported a net pension liability of \$9,668,372, of which \$72,299 was allocable to the District. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date as follows:

|   |                     |
|---|---------------------|
| Total pension liability   | \$ 62,740,169       |
| Plan fiduciary net position                                       | <u>53,071,797</u>   |
| Net pension liability   | <u>\$ 9,668,372</u> |
| Allocable to the District   | <u>\$ 72,299</u>    |
| Fiduciary net position as a percentage of total pension liability | 84.6%               |

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**7. Defined benefit Pension plan (continued)**

E. Net pension liability, changes in net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions (continued)

Changes in the net pension liability for the County as a whole is as follows:

|  | <u>Total<br/>Pension<br/>Liability</u> | <u>Fiduciary<br/>Net<br/>Position</u> | <u>Net<br/>Pension<br/>Liability</u> |
|--|--|---------------------------------------|--------------------------------------|
| Beginning balances                     | \$ 57,770,013                          | \$ 46,309,270                         | \$ 11,460,743                        |
| Changes for the year:                  |  |                                       |                                      |
| Service cost                           | 1,728,883                              | --                                    | 1,728,883                            |
| Interest on total pension liability    | 4,089,355                              | --                                    | 4,089,355                            |
| Effect of economic/demographic losses  | 101,325                                | --                                    | 101,325                              |
| Effect of assumption changes or inputs | 1,209,681                              | --                                    | 1,209,681                            |
| Benefit payments                       | (2,653,815)                            | (2,653,815)                           | --                                   |
| Administrative expenses                | --                                     | (55,148)                              | 55,148                               |
| Member contributions                   | 494,727                                | 494,727                               | --                                   |
| Net investment income                  | --                                     | 6,514,529                             | (6,514,529)                          |
| Employer contributions                 | --                                     | 2,462,234                             | (2,462,234)                          |
| Ending balances                        | <u>\$ 62,740,169</u>                   | <u>\$ 53,071,797</u>                  | <u>\$ 9,668,372</u>                  |

For the year ended June 30, 2015, the County recognized pension expense of \$2,874,634 and the District \$14,782. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Difference between expected and actual experience         | \$ 69,661                                     | \$ --  |
| Changes of assumptions                                    | 831,656                                       | --   |
| Net difference between projected and actual earnings      |   |  |
| On pension plan investments                               | --  | (2,611,360)                                  |
| County's contributions subsequent to the measurement date | <u>3,057,451</u>                              | <u>--</u>                                    |
|   | <u>\$ 3,958,768</u>                           | <u>\$ (2,611,360)</u>                        |
| Allocable to the District                                 | <u>\$ 29,603</u>                              | <u>\$ (19,527)</u>                           |

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**7. Defined benefit pension plan (continued)**

E. Net pension liability, changes in net pension liability, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions (continued)

\$3,057,451 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ends June 30, | <u>Tillamook<br/>County</u> | <u>Allocable<br/>to District</u> |
|--------------------|-----------------------------|----------------------------------|
| 2016               | \$ (243,151)                | \$ (1,818)                       |
| 2017               | (243,151)                   | (1,818)                          |
| 2018               | (570,902)                   | (4,269)                          |
| 2019               | (652,839)                   | (4,882)                          |

F. Actuarial valuation

The County contributions are based on the accruing benefit costs measured using the individual entry age normal actuarial cost method. Under this method, a normal cost is determined for each active member. The normal cost is the annual contribution determined as a level percentage of base salary with would be paid from year of entry to year of retirement to fund the projected retirement benefit. The normal cost for the Plan is the sum of the individuals' normal costs. The actuarial accrued liability for active plan members is an accumulated of the normal costs from entry to the valuation date. The actuarial accrued liability for inactive members is the actuarial present value of the accrued benefits. The actuarial accrued liability for the Plan is the sum of the individual actuarial accrued liabilities. The unfunded actuarial liability is the difference between the actuarial accrued liability and the actuarial value of assets, which is amortized over 20 years on a closed level dollar basis.

G. Actuarial methods and assumptions used in developing total pension liability

|                            |   |
|----------------------------|---|
| Valuation Date             | June 30, 2014.  |
| Actuarial Cost Method      | Entry Age Normal, Level Percentage of Pay   |
| Amortization Method        | Amortized as a level dollar over a closed period of 20.   |
| Asset Valuation Method     | Market value of assets  |
| Actuarial Assumptions:     |   |
| Inflation Rate             | 1.5 percent   |
| Investment rate of return  | 7 percent   |
| Projected Salary Increases | Salaries for individuals are assumed to grow at 1.5 percent plus assumed rates of merit/longevity increases based on service of 5 percent |
| Mortality                  | Healthy retirees and beneficiaries:<br>RP-2000 Sex-distinct, generational per Scale AA  |



## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 7. Defined benefit pension plan (continued)

#### G. Actuarial methods and assumptions used in developing total pension liability (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

#### Discount Rate

The discount rate used to measure the total pension liability was 7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Plan was applied to all periods of projected benefit payments to determine the total pension liability.

#### Depletion Date Projection

GASB 67 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 67 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 67 (paragraph 43) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

Based on these circumstances, it is the Plan's independent actuary's opinion that the detailed depletion date projections outlined in GASB 67 would indicate that the Fiduciary Net Position will be depleted in the 2080-81 fiscal year.

#### Long-Term Expected Rate of Return

The long-term expected rate of return assumption of 7 percent is based on a blending of the projected return on plan assets and a 20-year tax-exempt, high quality general obligation municipal bond yield or index rate.

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**7. Defined benefit pension plan (continued)**

G. Actuarial methods and assumptions used in developing total pension liability (continued)

Sensitivity of the County net pension liability to changes in the discount rate

The following presents the County net pension liability calculated using the discount rate of 7 percent, as well as what the County’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate:

|   | <u>1 Percentage<br/>Point<br/>Lower</u> | <u>Current<br/>Discount<br/>Rate</u> | <u>1 Percentage<br/>Point<br/>Higher</u> |
|---|---|--------------------------------------|--|
| County's net pension asset or liability | \$ 11,390,171                           | \$ 9,668,372                         | \$ 3,192,670                             |

**8. Other post-employment benefits**

Plan description and benefits provided

The District provides, through Tillamook County, *other post-employment benefits* (OPEB) for employees, retirees, spouses and dependents through a single employer defined benefit plan in the form of group health insurance benefits. For employees hired before July 1, 2003 the County will pay the group health insurance for retired employees. As required by ORS 243.303(2) retirees who were hired after July 1, 2003 are allowed to continue, at the retirees’ expense, coverage under the group health insurance plan until age 65. The difference between the premium actually paid by retirees under the group insurance plan and the premium that they would pay if they were not included in the plan is considered to be an implicit subsidy under the provisions of GASB 45. The plan does not issue a separate stand-alone financial report.

Membership

The County’s membership in the plan at August 1, 2014 (the date of the latest actuarial valuation) consisted of the following:

|                                 |                   |
|---------------------------------|-------------------|
| Active employees                | 189               |
| Retirees, spouses or dependents | <u>149</u>        |
| Total                           | <u><u>338</u></u> |

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**8. Other post-employment benefits (continued)**

Funding policy and contributions

The County funds the plan only to the extent of current year insurance premium requirements on a pay-as-you-go basis. The average monthly premium requirements for the County are as follows:

|   |        |
|---|--------|
| For retirees hired before July 1, 2003 and less than age 65 | \$ 718 |
| For retirees hired before July 1, 2003 and age 65 or over   | 197    |

The County has not established an irrevocable trust to accumulate assets to fund the cost of the net OPEB obligation that arises from the implicit subsidy.

Annual OPEB cost and net OPEB Obligation

The County had its actuarial valuation performed as of August 1, 2014 to determine the *unfunded accrued actuarial liability* (UAAL), *annual required contribution* (ARC) and NOPEBO as of that date. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The annual OPEB cost is equal to the ARC as follows:

|                              |                    |
|------------------------------|--------------------|
| Normal cost                  | \$ 622,767         |
| Amortization of UAAL         | <u>2,441,901</u>   |
| Annual required contribution | <u>\$3,064,668</u> |

The net OPEB obligation as of June 30, 2015 was calculated as follows:

|  |                    |
|--|--------------------|
| Annual required contribution             | \$3,064,668        |
| Interest on prior year Net OPEB          | 202,218            |
| Adjustment to ARC                        | (694,711)          |
| Contributions made                       | <u>(1,102,562)</u> |
| Increase in net OPEB obligation          | 1,469,613          |
| Net OPEB obligation at beginning of year | <u>5,777,643</u>   |
| Net OPEB obligation at end of year       | <u>\$7,247,256</u> |
| Allocable to the District                | <u>\$ 10,990</u>   |

Three-year trend information

The County's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2015, 2014 and 2013 is as follows:

| <u>Fiscal<br/>Year Ended</u> | <u>Annual<br/>OPEB Cost</u> | <u>Percentage of<br/>Annual OPEB<br/>Cost Contributed</u> | <u>Net OPEB<br/>Obligation</u> |
|------------------------------|-----------------------------|---|--------------------------------|
| June 30, 2015                | \$ 2,572,175                | 43.56%  | \$ 7,247,256                   |
| June 30, 2014                | 2,659,749                   | 40.06%  | 5,777,643                      |
| June 30, 2013                | 1,675,198                   | 50.07%  | 4,183,357                      |
| June 30, 2012                | 1,630,926                   | 45.58%  | 3,346,853                      |

**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**8. Other post-employment benefits (continued)**

Actuarial methods and assumptions

Actuarial valuations will be performed every two years for the County's other post-employment benefit plan. Projections of benefits for financial reporting purposes are based on the plan as understood by the County and plan members, and include the types of benefits provided at the time of the valuation and historical patterns of sharing of benefit costs between the County and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

In the August 1, 2012 actuarial valuation, the projected unit credit cost method was used to determine contributions levels comprised of normal cost and amortization payments. The actuarial assumptions included a 3.5 percent rate for discounting future liabilities, a general inflation rate of 2.75 percent, a payroll growth of 2.75 percent per year, annual premium rate decreases from 7.25 percent initially to 5.25 percent in 2044, and participation rate of 100 percent of future retirees hired after July 1, 2003 electing coverage under the plan. The unfunded actuarial liability is being amortized using the level-dollar method over a rolling period of 15 years.

Funded status and funding progress

The schedule of funding progress presents information about the actuarial value of plan assets and the unfunded actuarial liability.

| Actuarial<br>Valuation<br>as of<br>August 1, | Actuarial<br>Value<br>of Assets | Actuarial<br>Accrued<br>Liability | Unfunded<br>Actuarial<br>Accrued<br>Liability | Funded<br>Ratio | Covered<br>Payroll | Unfunded<br>Actuarial<br>Accrued<br>Liability as<br>a Percentage<br>of Covered<br>Payroll |
|--|---------------------------------|-----------------------------------|---|-----------------|--------------------|---|
| 2014   | \$ -                            | \$ 16,191,036                     | \$ 16,191,036                                 | 0%              | \$ 13,007,697      | 124%  |
| 2012   | -                               | 19,366,295                        | 19,366,295                                    | 0%              | 10,509,420         | 184%  |
| 2010   | -                               | 15,137,898                        | 15,137,898                                    | 0%              | 10,050,564         | 151%  |
| 2008   | -                               | 10,623,438                        | 10,623,438                                    | 0%              | 9,426,660          | 113%  |
| 2006   | -                               | 9,928,424                         | 9,928,424                                     | 0%              | 9,624,036          | 103%  |

**REQUIRED SUPPLEMENTARY INFORMATION**

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**SOLID WASTE SERVICE DISTRICT**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TILLAMOOK COUNTY RETIREMENT PLAN FOR EMPLOYEES**

**Last 10 Years Ended June 30, \***

|  | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|
| Proportion of the collective net pension liability (asset)   | 0.747788%   | 0.747788%   |
| Proportionate share of the collective net pension liability (asset)  | \$ 72,299   | \$ 63,590   |
| Covered payroll  | \$ 85,966   | \$ 85,804   |
| Proportionate share of the collective net pension liability (asset) as a percentage of the covered payroll | 84.10%      | 74.11%      |
| Pension plan's fiduciary net position as a percentage of the total pension liability                       | 84.590%     | 80.161%     |

\* Information will be accumulated annually until 10 years is presented

**SOLID WASTE SERVICE DISTRICT**  
**SCHEDULE OF CONTRIBUTIONS**  
**TILLAMOOK COUNTY RETIREMENT PLAN FOR EMPLOYEES**  
**Last 10 Years Ended June 30, \***

|   | 2015      | 2014      |
|---|-----------|-----------|
| Contractually required contributions                                    | \$ 16,149 | \$ 11,198 |
| Contractually required contributions recognized by the pension plan     | \$ 16,149 | \$ 11,198 |
| Difference  | \$ -      | \$ -      |
| Covered payroll   | \$ 85,966 | \$ 85,804 |
| Contractually required contributions as a percentage of covered payroll | 18.785%   | 13.051%   |

\* Information will be accumulated annually until 10 years is presented



## **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, 2015**

|  | <u>Budget</u>    | <u>Actual</u>       | <u>Variance</u>   |
|--|------------------|---------------------|-------------------|
| <b>REVENUES</b>  |                  |                     |                   |
| Assessments  | \$ 225,000       | \$ 233,585          | \$ 8,585          |
| Charges for services   | 1,728,000        | 1,887,429           | 159,429           |
| Investment earnings  | 1,000            | 870                 | (130)             |
| Miscellaneous  | <u>2,750</u>     | <u>6,426</u>        | <u>3,676</u>      |
| <b>TOTAL REVENUES</b>  | <u>1,956,750</u> | <u>2,128,310</u>    | <u>171,560</u>    |
| <b>EXPENDITURES</b>  |                  |                     |                   |
| Personal services  | 175,130          | 167,851             | 7,279             |
| Materials and services   | 1,945,700        | 1,904,725           | 40,975            |
| Capital outlay   | <u>33,920</u>    | <u>33,916</u>       | <u>4</u>          |
| <b>TOTAL EXPENDITURES</b>  | <u>2,154,750</u> | <u>2,106,492</u>    | <u>48,258</u>     |
| Excess (deficiency) of revenues over expenditures                  | (198,000)        | 21,818              | 219,818           |
| <b>OTHER FINANCING SOURCES (USES)</b>                              |                  |                     |                   |
| Transfers out  | <u>(100,000)</u> | <u>(100,000)</u>    | <u>-</u>          |
| Net change in fund balance   | (298,000)        | (78,182)            | 219,818           |
| Fund balance at beginning of year                                  | <u>310,000</u>   | <u>239,912</u>      | <u>(70,088)</u>   |
| Fund balance at end of year  | <u>\$ 12,000</u> | 161,730             | <u>\$ 149,730</u> |
| <b>Reconciliation to generally accepted accounting principles:</b> |                  |                     |                   |
| Receivables  |                  | 167,544             |                   |
| Deferred inflows of resources                                      |                  | 29,603              |                   |
| Capital assets, net  |                  | 2,167,459           |                   |
| Accounts payable and accrued expenses                              |                  | (159,113)           |                   |
| Accumulated compensated absences                                   |                  | (5,983)             |                   |
| Net other post-employment benefits                                 |                  | (10,990)            |                   |
| Net pension liability  |                  | (72,299)            |                   |
| Landfill post-closure care liability                               |                  | (1,200,260)         |                   |
| Deferred outflows of resources                                     |                  | <u>(19,527)</u>     |                   |
| Net position at end of year  |                  | <u>\$ 1,058,164</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, 2015**

|                                   | <u>Budget</u>     | <u>Actual</u>     | <u>Variance</u>   |
|-----------------------------------|-------------------|-------------------|-------------------|
| <b>REVENUES</b>                   |                   |                   |                   |
| Investment earnings               | \$ 2,500          | \$ 2,440          | \$ (60)           |
| <b>EXPENDITURES</b>               |                   |                   |                   |
| Contingency                       | <u>369,000</u>    | <u>-</u>          | <u>369,000</u>    |
| Net change in fund balance        | (366,500)         | 2,440             | 368,940           |
| Fund balance at beginning of year | <u>666,500</u>    | <u>666,476</u>    | <u>(24)</u>       |
| Fund balance at end of year       | <u>\$ 300,000</u> | <u>\$ 668,916</u> | <u>\$ 368,916</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, 2015**

|                                       | <u>Budget</u>     | <u>Actual</u>     | <u>Variance</u> |
|---------------------------------------|-------------------|-------------------|-----------------|
| <b>REVENUES</b>                       |                   |                   |                 |
| Investment earnings                   | \$ 2,000          | \$ 1,969          | \$ (31)         |
| <b>OTHER FINANCING SOURCES (USES)</b> |                   |                   |                 |
| Transfers in                          | <u>100,000</u>    | <u>100,000</u>    | <u>-</u>        |
| Net change in fund balance            | 102,000           | 101,969           | (31)            |
| Fund balance at beginning of year     | <u>495,000</u>    | <u>495,381</u>    | <u>381</u>      |
| Fund balance at end of year           | <u>\$ 597,000</u> | <u>\$ 597,350</u> | <u>\$ 350</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, 2015, and have issued our report thereon dated December 14, 2015.

### 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 14, 2015

By:

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

Bradley G. Bingenheimer, Member