

**WESTPORT SEWER SERVICE DISTRICT**

Astoria, Oregon

**ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2013**

**This page intentionally left blank**

**WESTPORT SEWER SERVICE DISTRICT**

**OFFICERS AND MEMBERS OF THE GOVERNING BODY  
For the Year Ended June 30, 2013**

<b><u>District No.</u></b>	<b><u>Name and Address</u></b>	<b><u>Term Expires December 31,</u></b>
1	Scott Lee 800 Exchange St., Suite 410 Astoria, OR 97103	2014
2	Sarah Nebeker 800 Exchange St., Suite 410 Astoria, OR 97103	2016
3	Peter Huhtala 800 Exchange St., Suite 410 Astoria, OR 97103	2014
4	Dirk Rohne 800 Exchange St., Suite 410 Astoria, OR 97103	2016
5	Debra Birkby 800 Exchange St., Suite 410 Astoria, OR 97103	2014

**Registered Agent and Address**

Scott Somers, County Manager  
800 Exchange St., Suite 410  
Astoria, OR 97103

**This page intentionally left blank**

# WESTPORT SEWER SERVICE DISTRICT

## TABLE OF CONTENTS For the Year Ended June 30, 2013

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	A, B
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b> .....	<i>i - iv</i>
<b>BASIC FINANCIAL STATEMENTS</b>	
Enterprise Fund Financial Statements .....	
Statement of Net Position .....	1
Statement of Revenues, Expenses and Changes in Net Position.....	2
Statement of Cash Flows .....	3
Notes to Basic Financial Statements .....	4 – 11
<b>INDIVIDUAL FUND SCHEDULES</b>	
Schedules of Revenues, Expenditures, and Changes in Fund Balance (Budgetary Basis) – Budget and Actual:	
Operating .....	12
Equipment Replacement .....	13
<b>INDEPENDENT AUDITOR'S REPORT REQUIRED BY THE MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS</b> .....	14, 15

**This page intentionally left blank**



## INDEPENDENT AUDITOR'S REPORT

**Board of Commissioners**  
**WESTPORT SEWER SERVICE DISTRICT**  
Astoria, Oregon

We have audited the accompanying financial statements of each major enterprise fund of the **WESTPORT SEWER SERVICE DISTRICT**, *component unit of Clatsop County, Oregon*, as of and for the year ended June 30, 2013, 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 each major enterprise fund of the **WESTPORT SEWER SERVICE DISTRICT**, as of June 30, 2013, 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 i through iv 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 and are not a required part of the basic financial statements.

The individual fund schedules are the responsibility of management and were derived from and relates 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.

### **Report on Other Legal and Regulatory Requirements**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated January 27, 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  
January 27, 2014  
By:

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

Bradley G. Bingenheimer, Member



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

**This page intentionally left blank**

**WESTPORT SEWER SERVICE DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2013**

---

We offer readers of Westport Sewer Service District's financial statements the following narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the financial statements.

**Financial Highlights**

- Assets exceeded liabilities at the close of the current fiscal year by \$713,722 (*net position*). Note that with the current financial reporting model, the total net position includes capital assets net of accumulated depreciation.
- Total net position decreased by \$65,242.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, Statement of Cash Flows, and notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements.

The Statement of Net Position presents information on the District's assets and liabilities. The difference between the two is reported as net position. The Statement of Net Position also classifies the current portion of assets and liabilities. Current assets are defined as items that could be converted to cash within one year. Current liabilities are obligations expected to be paid within one year.

The Statement of Revenues, Expenses, and Changes in Net Position is presented on the accrual basis of accounting. This means that revenue is recognized when it is earned rather than when cash is collected and expenses are recognized when financial obligations are incurred rather than when cash is paid.

The Statement of Cash Flows shows the sources and uses of cash. It details cash flows from operating activities, non-capital financing activities, capital financing activities and investing activities.

The notes provide additional information that is essential to full understanding of the financial data provided in the financial statements.

## Financial Highlights

Net position may serve over time as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$713,722 at the close of the most recent fiscal year.

The largest portion of the District's net position reflects investment in capital assets (e.g. land, buildings, machinery and equipment). The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

The following tables summarize the District's net position for 2013 compared to 2012.

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Current assets	\$ 76,758	\$ 62,735
Capital assets, net	<u>726,273</u>	<u>809,691</u>
Total assets	<u>803,031</u>	<u>872,426</u>
<u>Liabilities</u>		
Current liabilities	7,928	6,960
Long-term obligations	<u>81,381</u>	<u>86,502</u>
Total liabilities	<u>89,309</u>	<u>93,462</u>
<u>Net position</u>		
Net investment in capital assets	639,771	718,209
Unrestricted	<u>73,951</u>	<u>60,755</u>
Total net position	<u>\$ 713,722</u>	<u>\$ 778,964</u>

The District's net position decreased by \$65,242 as follows:

	<u>2013</u>	<u>2012</u>
Operating revenues		
Charges for services	\$ 72,990	\$ 68,657
Non-operating revenues		
Interest	332	276
Miscellaneous	<u>221</u>	<u>221</u>
 Total revenues	 73,543	 69,154
Operating expenses	136,510	143,533
Interest expense	<u>2,275</u>	<u>3,086</u>
 Change in net assets	 (65,242)	 (77,465)
Net position, beginning	<u>778,964</u>	<u>856,429</u>
 Net position, ending	 <u><u>\$ 713,722</u></u>	 <u><u>\$ 778,964</u></u>

### Capital Assets

**Capital assets.** The District's investment in capital assets at year-end, amounts to \$726,273 (net of accumulated depreciation). This investment in capital assets includes land, buildings and other structures as follows:

	<u>2013</u>	<u>2012</u>
Land	\$ 22,039	\$ 22,039
Buildings, equipment and vehicles, net	<u>704,234</u>	<u>787,652</u>
 Total capital assets, net	 <u><u>\$ 726,273</u></u>	 <u><u>\$ 809,691</u></u>

Additional information on the District's capital assets can be found in Note 3.

**Long-Term Obligations.** At the end of this fiscal year, the District had total debt outstanding of \$86,502. This amount represents a loan from the State of Oregon Department of Environmental Quality, Clean Water State Revolving Fund for Wastewater treatment improvements.

DEQ Revolving Loan	<u><u>\$ 86,502</u></u>	<u><u>\$ 91,482</u></u>
--------------------	-------------------------	-------------------------

Additional information on the District's long-term obligations can be found in Note 4.

**Key Economic Factors and Budget Information for the Future.**

Increased personnel costs associated with cost-of-living adjustments, annual step increases, and increased medical insurance costs were factors considered in preparing the District's budget for fiscal year 2013-14 as well as projected increases in other operating cost.

**Request for Information**

This financial report is designed to provide a general overview of Westport Sewer Service District's finances for all those with an interest in the District's financial state. Questions concerning any of the information provided in this report or request for additional financial information should be directed to the following address:

Aaron BeMiller  
Clatsop County Budget & Finance  
800 Exchange Street, Suite #310  
Astoria, OR 97103

## **BASIC FINANCIAL STATEMENTS**

**This page intentionally left blank**



**WESTPORT SEWER SERVICE DISTRICT**

**STATEMENT OF NET POSITION  
ENTERPRISE FUNDS  
June 30, 2013**

	<b>Operating</b>	<b>Equipment Replacement</b>	<b>Totals</b>
<b><u>ASSETS</u></b>			
Current assets			
Cash and investments	\$ (2,879)	\$ 61,645	\$ 58,766
Receivables	17,992	-	17,992
	<u>15,113</u>	<u>61,645</u>	<u>76,758</u>
Total current assets			
Capital assets:			
Land and construction in progress	22,039	-	22,039
Other capital assets, net of depreciation	699,421	4,813	704,234
	<u>721,460</u>	<u>4,813</u>	<u>726,273</u>
Total capital assets, net			
	<u>736,573</u>	<u>66,458</u>	<u>803,031</u>
<b>TOTAL ASSETS</b>			
	<u>736,573</u>	<u>66,458</u>	<u>803,031</u>
<b><u>LIABILITIES</u></b>			
Current liabilities			
Accounts payable and accrued expenses	1,429	568	1,997
Accrued interest payable	-	810	810
Current portion of long-term obligations	-	5,121	5,121
	<u>1,429</u>	<u>6,499</u>	<u>7,928</u>
Total current liabilities			
Long-term obligations	-	81,381	81,381
	<u>1,429</u>	<u>87,880</u>	<u>89,309</u>
<b>TOTAL LIABILITIES</b>			
	<u>1,429</u>	<u>87,880</u>	<u>89,309</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	721,460	(81,689)	639,771
Unrestricted	13,684	60,267	73,951
	<u>735,144</u>	<u>(21,422)</u>	<u>713,722</u>
<b>TOTAL NET POSITION</b>			
	<u>\$ 735,144</u>	<u>\$ (21,422)</u>	<u>\$ 713,722</u>

*See accompanying notes*

**WESTPORT SEWER SERVICE DISTRICT**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
ENTERPRISE FUNDS  
For the Year Ended June 30, 2013**

	<b>Operating</b>	<b>Equipment Replacement</b>	<b>Totals</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 72,990	\$ -	\$ 72,990
<b>OPERATING EXPENSES</b>			
Personal services	9,150	-	9,150
Materials and services	33,399	4,904	38,303
Other	5,239	400	5,639
Depreciation	78,606	4,812	83,418
Total operating expenses	126,394	10,116	136,510
Operating (loss)	(53,404)	(10,116)	(63,520)
<b>NON OPERATING REVENUES (EXPENSES)</b>			
Interest	(2,275)	-	(2,275)
Investment earnings	23	309	332
Miscellaneous	221	-	221
Total non operating revenue (expenses)	(2,031)	309	(1,722)
(Loss) before transfers	(55,435)	(9,807)	(65,242)
Transfers in (out)	(27,241)	27,241	-
Change in net position	(82,676)	17,434	(65,242)
Net position - beginning	817,820	(38,856)	778,964
Net position - ending	\$ 735,144	\$ (21,422)	\$ 713,722

*See accompanying notes*

**WESTPORT SEWER SERVICE DISTRICT**

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

	<b>Operating</b>	<b>Equipment Replacement</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and users	\$ 69,808	\$ -	\$ 69,808
Payments to suppliers	(32,879)	(4,336)	(37,215)
Payments to employees	(9,150)	-	(9,150)
Other	(5,239)	(400)	(5,639)
	<u>22,540</u>	<u>(4,736)</u>	<u>17,804</u>
Net cash provided by (used in) operating activities			
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers in	-	22,000	22,000
Transfers out	(22,000)	-	(22,000)
	<u>(22,000)</u>	<u>22,000</u>	<u>-</u>
Net cash provided by (used in) non-capital financing activities			
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal payments on long term obligations	(4,980)	-	(4,980)
Interest paid on long-term obligations	(2,536)	-	(2,536)
	<u>(7,516)</u>	<u>-</u>	<u>(7,516)</u>
Net cash (used in) capital and related financing activities			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest	23	309	332
	<u>23</u>	<u>309</u>	<u>332</u>
Net increase (decrease) in cash and investments	(6,953)	17,573	10,620
Cash and investments - beginning of year	4,074	44,072	48,146
	<u>4,074</u>	<u>44,072</u>	<u>48,146</u>
Cash and investments - end of year	\$ (2,879)	\$ 61,645	\$ 58,766
	<u>(2,879)</u>	<u>61,645</u>	<u>58,766</u>
<b>Reconciliation of operating (loss) to net cash provided by (used in) operating activities</b>			
Operating (loss)	\$ (53,404)	\$ (10,116)	\$ (63,520)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities			
Depreciation	78,606	4,812	83,418
Other	221	-	221
(Increase) in receivables	(3,403)	-	(3,403)
Increase in accounts payable and accrued expenses	520	568	1,088
	<u>78,606</u>	<u>4,812</u>	<u>83,418</u>
Net cash provided by (used in) operating activities	\$ 22,540	\$ (4,736)	\$ 17,804
	<u>22,540</u>	<u>(4,736)</u>	<u>17,804</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS</b>			
Transfers in	\$ -	\$ 5,241	\$ 5,241
Transfers out	5,241	-	5,241
	<u>5,241</u>	<u>5,241</u>	<u>10,482</u>

*See accompanying notes*

**WESTPORT SEWER SERVICE DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2013**

**1. Summary of significant accounting policies**

*A. The District*

The **WESTPORT SEWER SERVICE DISTRICT** was formed for the purpose of providing sewer service to the residents of the unincorporated area of Westport, Oregon located 25 miles east of Astoria. The district serves 90 connections and is funded by user fees. The District is governed by a Board composed of the Clatsop County Commissioners.

The District is a component unit of Clatsop 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 – Clatsop County receives financial support or provides financial benefit to the organization.
- Authoritative appointment of governing authority – The Commissioners of Clatsop County are the organization's governing authority.

Clatsop 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 Clatsop County has determined that the District should be included as a blended component unit, in the annual financial report of Clatsop County for the year ended June 30, 2013.

*B. Basis of accounting*

The District is accounted for as two enterprise 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.

Enterprise 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 an enterprise fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### 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 members to the Budget Committee.. 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, makes appropriations, and declares the tax levy 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.

#### D. *Capital assets*

Capital assets are defined by the District as assets with an initial cost of more than \$5,000 and an estimated useful life of at least one year. Capital assets are stated at cost. Maintenance and repairs are expensed as incurred. Replacements which improve or extend the lives of property are capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in income.

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

Vehicles, machinery and equipment	5 years
Building and improvements	25 to 40 years

#### E. *Cash*

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

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### F. *Equity*

##### *Government-wide statements*

On the Statement of Net Position equity is classified as net assets and displayed in three components:

**Net investment in capital assets** – Consists of capital assets including restricted 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, net of related debt.”

In the government-wide financial statements, 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.

#### G. *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.

#### H. *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.

#### I. *Description of the District's funds*

The District reports each of its two enterprise funds as major funds. These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing the services to the general public on a continuing basis be financed primarily through user charges. The District reports the following enterprise funds:

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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

#### I. Description of the District's funds (continued)

*Operating* – accounts for disposal of solid waste generated from the Westport District of Clatsop County. The principal funding sources are collection fees and assessments from property owners.

*Equipment Replacement* – accounts for monies accumulated for future equipment acquisitions and loan service payments for prior waste water treatment improvements.

### 2. Deposits and investments

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

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

As of June 30, 2013, 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	\$ 24,593,804

*Interest Rate Risk.* The County's formal policy limits investment maturities to 18 months as a means of managing its exposure to fair-value losses arising from increases in interest rates.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 2. Deposits and investments (continued)

*Concentration of Credit Risk.* The County's formal policy places a limit on the amount that may be invested in any one issuer as follows:

State of Oregon Local Government Pool	100%
Certificates of Deposit	25%
United States Treasury Bills, Bonds, Notes	25%
Banker's Acceptance (BA's) OR Issue	25%
Repurchase Agreements (All to be fully Collateralized by US Government and US Obligation Marked to Market)	25%

*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. 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 Depositary Insurance Corporation (FDIC) provides insurance for the County'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, 2013, \$715,153 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.

A. The County's deposits and investments and the amount allocable to the District at June 30, 2013 are as follows:

	Clatsop County	Allocable to Westport Sewer Service District
Total investments	\$ 24,593,804	\$ 58,766
Cash on hand	3,019	-
Deposits with financial institutions	<u>366,014</u>	<u>-</u>
Total deposits and investments	<u>\$ 24,962,867</u>	<u>\$ 58,766</u>

B. Cash and investments by fund

Operating	\$ (2,879)
Equipment replacement	<u>61,645</u>
	<u>\$ 58,766</u>



## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 3. Capital assets

	Balances July 1, 2012	Increases	Balances June 30, 2013
Capital assets not being depreciated			
Land	<u>\$ 22,039</u>	<u>\$ -</u>	<u>\$ 22,039</u>
Capital assets being depreciated			
Buildings and improvements	2,332,748	-	2,332,748
Equipment and vehicles	<u>24,062</u>	<u>-</u>	<u>24,062</u>
Total capital assets being depreciated	<u>2,356,810</u>	<u>-</u>	<u>2,356,810</u>
Less accumulated depreciation for:			
Buildings and improvements	(1,554,721)	(78,606)	(1,633,327)
Equipment and vehicles	<u>(14,437)</u>	<u>(4,812)</u>	<u>(19,249)</u>
Total accumulated depreciation	<u>(1,569,158)</u>	<u>(83,418)</u>	<u>(1,652,576)</u>
Total capital assets being depreciated, net	<u>787,652</u>	<u>(83,418)</u>	<u>704,234</u>
Total capital assets, net	<u><u>\$ 809,691</u></u>	<u><u>\$ (83,418)</u></u>	<u><u>\$ 726,273</u></u>

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 4. Long-term obligations

A. Transactions for the year ended June 30, 2013 are as follows:

	Outstanding July 1, 2012	Additions	Reductions	Outstanding June 30, 2013	Balances Due Within One Year
Loan - Oregon Department of Environmental Quality, original amount \$112,250; payable in semi annual installments of \$3,758 including interest at 2.81 percent					
Principal	\$ 91,482	\$ -	\$ 4,980	\$ 86,502	\$ <u>5,121</u>
Interest	<u>1,071</u>	<u>2,275</u>	<u>2,536</u>	<u>810</u>	
	<u>\$ 92,553</u>	<u>\$ 2,275</u>	<u>\$ 7,516</u>	<u>\$ 87,312</u>	

B. The future maturities of the obligation outstanding as of June 30, 2013 are as follows:

Fiscal Year	Oregon Department of Environmental Quality		Total
	Principal	Interest	
2014	\$ 5,121	\$ 2,395	\$ 7,516
2015	5,266	2,250	7,516
2016	5,416	2,100	7,516
2017	5,568	1,947	7,515
2018-22	30,295	7,085	37,380
2023-27	<u>34,836</u>	<u>2,748</u>	<u>37,584</u>
	<u>\$ 86,502</u>	<u>\$ 18,525</u>	<u>\$ 105,027</u>

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 5. Retirement plan

The District has no employees. However, employees of Clatsop County perform services for the District. Employees of the County participate in the Oregon Public Employees Retirement Fund (OPERF) administered by the Oregon Public Employees Retirement System (PERS) and the County's other post employment benefits (OPEB). Detailed information concerning PERS and the OPEB can be found in the County's 2013 annual financial report and notes to the basic financial statements.

### 6. 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 County 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.

### 7. Excess of expenditures over appropriations

For the year ended June 30, 2013, the County had expenditures in excess of appropriations as follows:

<u>Fund/Category</u>	<u>Appropriation</u>	<u>Actual</u>	<u>Variance</u>
West Port Sewer Operating- Debt service	\$ 7,500	\$ 7,516	\$ (16)

**This page intentionally left blank**

## **INDIVIDUAL FUND SCHEDULES**

**This page intentionally left blank**

**WESTPORT SEWER SERVICE DISTRICT**

**OPERATING - ENTERPRISE FUND (MAJOR FUND)  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2013**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>			
Charges for services	\$ 74,000	\$ 72,990	\$ (1,010)
Investment earnings	100	23	(77)
Miscellaneous	<u>-</u>	<u>221</u>	<u>221</u>
<b>TOTAL REVENUES</b>	<u>74,100</u>	<u>73,234</u>	<u>(866)</u>
<b>EXPENDITURES</b>			
Personal services	10,900	9,150	1,750
Materials and services	38,100	33,399	4,701
Other	5,300	5,239	61
Debt service	7,500	7,516	(16)
Contingency	<u>1,300</u>	<u>-</u>	<u>1,300</u>
<b>TOTAL EXPENDITURES</b>	<u>63,100</u>	<u>55,304</u>	<u>7,796</u>
Excess (deficiency) of revenues over expenditures	11,000	17,930	6,930
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(22,000)</u>	<u>(22,000)</u>	<u>-</u>
Net change in fund balance	(11,000)	(4,070)	6,930
Fund balance at beginning of year	<u>11,000</u>	<u>17,754</u>	<u>6,754</u>
Fund balance at end of year	<u>\$ -</u>	<u>13,684</u>	<u>\$ 13,684</u>
<b>Reconciliation to generally accepted accounting principles:</b>			
Capital assets, net		<u>721,460</u>	
Net position at end of year		<u>\$ 735,144</u>	

**WESTPORT SEWER SERVICE DISTRICT**

**EQUIPMENT REPLACEMENT - ENTERPRISE FUND (MAJOR FUND)  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (BUDGETARY BASIS) - BUDGET AND ACTUAL  
For the Year Ended June 30, 2013**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>			
Investment earnings	\$ 200	\$ 309	\$ 109
<b>EXPENDITURES</b>			
Materials and services	12,500	4,904	7,596
Other	400	400	-
Capital outlay	8,000	-	8,000
Contingency	44,200	-	44,200
<b>TOTAL EXPENDITURES</b>	<u>65,100</u>	<u>5,304</u>	<u>59,796</u>
Excess (deficiency) of revenues over expenditures	(64,900)	(4,995)	59,905
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>22,000</u>	<u>22,000</u>	<u>-</u>
Net change in fund balance	(42,900)	17,005	59,905
Fund balance at beginning of year	<u>42,900</u>	<u>44,072</u>	<u>1,172</u>
Fund balance at end of year	<u>\$ -</u>	61,077	<u>\$ 61,077</u>
<b>Reconciliation to generally accepted accounting principles:</b>			
Capital assets, net		4,813	
Accrued interest		(810)	
Note payable		<u>(86,502)</u>	
Net Position at end of year		<u>\$ (21,422)</u>	



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

**This page intentionally left blank**

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

Board of Commissioners  
**WESTPORT SEWER SERVICE DISTRICT**  
Astoria, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the **WESTPORT SEWER SERVICE DISTRICT** as of and for the year ended June 30, 2013, and have issued our report thereon dated January 27, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the **WESTPORT SEWER SERVICE DISTRICT** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 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, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

Board of Commissioners  
**WESTPORT SEWER SERVICE DISTRICT**  
Astoria, Oregon

In connection with our testing, nothing came to our attention that caused us to believe the 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 except as follows:

1. The ensuing year's appropriations resolution did not appropriate expenditures by organizational unit or program in accordance with ORS 294.456.
2. The budget for the year ended June 30, 2013 was executed in compliance with legal requirements, except that disbursements in excess of appropriations (which is prohibited by ORS 294.435) were made as follows:

<u>Fund/Category</u>	<u>Appropriation</u>	<u>Actual</u>	<u>Variance</u>
West Port Sewer Operating- Debt Service	\$ 7,500	\$ 7,516	\$ (16)

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

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the auditing 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. Deficiencies, if any, were communicated separately.

This report is intended solely for the information and use of the board of commissioners and management of **WESTPORT SEWER 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  
January 27, 2014  
By:



Bradley G. Bingenheimer, Member