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# **ANNUAL RATE REVIEW PROCEDURES AND POLICIES MANUAL**

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# 2009 Annual Rate Review Procedures and Policies Manual

## I. Introduction

The purpose of the Annual Rate Review Procedures and Policies Manual (Manual) is to outline the process and procedures used by Washington County when conducting the annual review of costs associated with the collection of solid waste and recycling. The Manual outlines the role of the County and the responsibilities of the Washington County certificated haulers during the rate review process.

The policies and procedures contained in this Manual are intended to cover the preponderance of the actions undertaken in Washington County's annual rate review process. However, the procedures should not be viewed as "all-inclusive" and other analysis and adjustments may occur as warranted. In addition to this Manual, the Detailed Cost Report (outlined in detail in Section IV) contains explicit instructions on the annual financial reporting requirements for certificated haulers.

### Updates to Rate Review Policies

Over time, the Manual, Detailed Cost Report, or rate review methodologies may require updates and revisions. However, proposed changes to the Policy Manual, the Detailed Cost Report, or to general rate review policies or methodologies will only be considered outside the annual rate review process, typically during the summer or fall prior to the certificated haulers' submission of their annual reports.

### Washington County's Certificate System

Washington County Code Chapter 8.04 requires that certificated haulers obtain a certificate issued by the Board of Commissioners (Board) in order to collect, store, transport or dispose of solid waste in the unincorporated areas of the County. The issuance of the certificate provides the holder an exclusive territory from which to collect solid waste. In return for an exclusive collection territory, the certificated hauler agrees to provide collection services as prescribed by the County, to charge uniform collection rates set by the Board, and to pay quarterly certificate fees based on the gross receipts from the services provided.

## II. Annual Rate Review:

1. **General Description/Overview.** Washington County employs a cost-based system to set collection rates. Adjustments to rates are considered after conducting an annual review of the costs associated with the collection and disposal of solid waste and recycling. This review is conducted by staff with the assistance of a Certified Public Accountant consulting firm. Increases or decreases in the rates approved by the Board shall be made by the Board as provided in Washington County Code Chapter 8.04.

At the start of the process, certificated haulers submit financial information specific to their company in a format prescribed by the County. This information is then reviewed for each individual company. However, at the completion of the process, the data is compiled to create a group or "composite" return on revenue. This composite return on revenue is then analyzed in order to determine whether established rates properly reflect the current and forecasted cost of service.

2. **Objectives.** The objectives of the County's Annual Rate Review process are as follows:

- To ensure the use of appropriate and uniform accounting procedures by all certificated haulers.
- To provide an accurate method for allocating costs for each certificated hauler among differing types of service and across different service jurisdictions.
- To establish uniform rates for unincorporated Washington County.
- To assess trends within the collection system that may affect rates, such as the delivery of recycling services, differences in service area densities, variations in the size of the company, and variations in the mix of customer accounts.
- To work with individual certificated haulers to identify factors that may account for rates of return on revenue that are both below and above the average of all companies that have been included in the composite.

3. **Process.**

Submission of Certificated Hauler Costs and Revenues from Previous Year

Haulers certified to provide solid waste collection services within unincorporated Washington County submit a Detailed Cost Report (DCR) to the County each year as required by the Solid Waste and Recycling Administrative Rules. The DCR provides details on company operations, finances, labor, equipment, and customer accounts. The DCR is accompanied by a signed, dated and notarized statement from the certificated hauler. The statement certifies under oath that the DCR contains complete and accurate information on the hauler's overall and certificated Washington County business, that costs are properly presented according to allowability and category definitions outlined in the Financial Reporting Manual, and that supporting documentation for all operational and financial amounts presented in the DCR exists and will be made available for review by the County and its consultant(s), upon request.

Non-Site Review

Every certificated hauler's DCR is reviewed by the County and its consultant(s) in order to ensure that it is mathematically accurate and can be deemed complete. The County currently does not require that financial information submitted by the certificated haulers be from an audited source. Financial and operational information is self-reported by each certificated hauler, possibly with assistance from the certificated hauler's accountant.

Site Visits

In addition to initially reviewing all of the DCRs, the County also makes on-site visits to selected companies. During these on-site visits the County will verify and test information submitted by the certificated hauler by examining original records such as invoices, work papers, and property tax statements, and by developing an understanding of the certificated hauler's systems of capturing, recording and reporting accounting and operational information. At the time of the visits, the County will also conduct a more detailed analysis of the data submitted in the DCRs. In conducting these visits the County typically selects the five (5) largest certificated haulers by percentage of total revenue and may also randomly select another certificated hauler from the remaining group.

Analysis of Data

Certificated hauler data is reviewed for errors, irregularities or anomalies. Allocation factors are reviewed and tested for consistency. Certificated hauler data is then aggregated (each individual hauler data point is added together with all other haulers' data points) to create a "composite" or group profile. Costs are summarized into cost categories normal to the

industry (labor, truck, disposal, overhead, administrative, etc.). Each individual cost category for each certificated hauler will then be compared to the same cost category for the certificated hauler composite in an effort to determine reasonableness. Where reasonableness cannot be determined, adjustments will be made.

Line item costs and revenues are then inflated to project the current year's results twelve (12) months into the future. If the projected outcome is outside of the County's target range for return on revenue of six (6) to twelve (12) percent, rates may be adjusted in order to achieve a target return on revenue of eight (8) percent. An eight (8) percent return on revenue provides sufficient funds for a certificated hauler to pay its reasonable expenses, earn a reasonable profit, replace its operating assets, and provide good service to its customers.

4. **Return on Revenue ("ROR").** Return on revenue is used by the County as a measurement of the level of profitability of the composite (all certificated haulers combined) hauling operations. Return on revenue is equal to total composite income divided by total composite revenue (income/revenue = ROR). The financial assumption made by the County when setting rates is that an acceptable composite ROR for the certificated haulers falls within the range of six (6) to twelve (12) percent, with a target of eight (8) percent. A projected ROR of less than six (6) percent or greater than twelve (12) percent may indicate a need for a rate change. If rate adjustments are made, the target is to bring the composite ROR to eight (8) percent.
5. **Reasonableness.** The County evaluates the reasonableness of an individual certificated hauler's assumptions, expenses or costs. Certain cost categories are considered non-allowable for the purpose of establishing rates. Other cost categories may be allowable but a portion of the expense may be disallowed as "unreasonable". Further, DCR-reported amounts that have been reported according to Generally Accepted Accounting Principles (GAAP) or for tax purposes may still be found by the County to be unreasonable for the purposes of the annual rate review based upon regulatory policies outlined in County Code, Administrative Rules, Policy Manual, DCR, or other documents.

Certain expenses incurred by the certificated hauler in the performance of the certificate requirements may be allowed by the County as reimbursable by the ratepayer. Allowable expenses are allowable only to the extent that they are (1) known and measurable, (2) calculated according to generally accepted accounting principles (GAAP) on an accrual basis, (3) appropriately prorated or allocated to the hauler's operations within the County, and (4) are prudently incurred by the certificated hauler solely in the course of performing its obligations under the certificate.

- A. **Allowable Cost Categories.** These cost categories are identified in the Financial Manual Chart of Accounts (*beginning at page 7 of Appendix A to the Detailed Cost Report*).
- B. **Non-Allowable Cost Categories.** These cost categories are identified in the Financial Manual and consist of those costs that are not directly related to the provision of garbage or recycling collection and if incurred should be the responsibility of the owner. Non-allowable expenses include but are not limited to:
  - Route Purchase – Interest
  - Route Purchase – Amortization

- Contributions
- Federal/State/Local Taxes
- Officers' Life Insurance Premiums
- Directors' Fees
- Other Costs such as:
  - charitable donations
  - expenses not associated with the provision of solid waste and recycling collection

C. **Disallowed Costs.** A portion of the costs within a specific expense category may be adjusted or disallowed after applying a test of reasonableness. The County applies many different tests of reasonableness. For example, the County may evaluate the reasonableness of an individual certificated hauler's expenses or costs in relationship to the expenses or costs reflected in the total overall composite. Each individual cost category for each certificated hauler is compared to the same cost category contained within the composite cost. From this composite cost category comparison, staff may identify those costs that are in excess of one standard deviation of the average for each composite cost category (outlier costs). Adjustments to reported cost or revenue amounts are then made as necessary in order to bring the outlying data point to within one standard deviation of the average.

Additionally, in evaluating individual line items within a cost category, other tests of reasonableness may include using standards such as current market bank lending rates as determined during the rate review or determining whether the specific cost is associated with the direct provision of garbage and recycling collection service.

Examples of line items within cost categories that may be disallowed include but are not limited to:

- expenses submitted for subscriptions to hobby magazines
- the purchase of alcohol
- recreational trips
- other employee benefits such as flowers, gift cards, or contest winnings
- entertainment expenses
- fines and penalties
- cost of repairs due to certificated hauler negligence
- profit accruing to a related party entity through payments from the certificated hauler
- the portion of professional fees or dues associated with lobbying efforts
- the portion of professional fees or dues associated with rate advocacy costs
- related party wages and benefits in excess of County-provided salary guidelines

6. **Related Party/Affiliated Interests.** Transactions with certificated hauler affiliates and related parties are subject to special examination. All related party transactions must be disclosed in the DCR. Related party transactions should be conducted as an "arms-length"

basis (i.e., on equivalent terms as with an unrelated party in the conditions of a competitive, free market environment).

The County shall have the right to inspect the certificated hauler-provided documented support for the terms and conditions of the related party transactions. Such certificated hauler-provided documentation should include similar terms for market transactions, appraisals, economic and financial analysis. Information to be provided to the County may include historical information on property leased from related parties, date of acquisition, purchase price, and financing terms provided to the related party for the property or equipment.

Rental costs under leases between entities under common control are generally limited to normal ownership costs. In such circumstances, the allowed cost for the certificated hauler's rental of property from a related party would be limited to the related party's depreciation and other ownership costs that would have been allowed had the certificated hauler owned the property. In other words, rental or lease costs are allowed in the rate as pass-through costs.

Compensation *in total* must be reasonable. For those circumstances where one individual serves an owner, employee, or officer function in several different companies and is allocating time between those various companies, the appropriate allowable cost is not the full salary for each position held, but the compensation that is reasonable in total for one person to fulfill all such functions for all such companies. The resulting compensation cost should be allocated to the respective companies based on some time-based allocation method. In such cases, the certificated hauler is required to document its analysis and support the allowable compensation level and allocation.

The following table demonstrates a hypothetical example of compensation cost allocation:

	Compensation	% Time Spent at Hauler Company	% Time Spent at Company B	Compensation at Hauler Company	Compensation at Company B
Employee A	\$100,000	50%	50%	\$ 50,000	\$50,000
Employee B	\$150,000	75%	25%	\$112,500	\$37,500
TOTAL	\$250,000			\$162,500	\$87,500

7. **Projections.** The County projects the return on revenue for any given year based on the composite of costs and revenues for all certificated haulers. This projection process involves the estimation of future collection costs and revenues associated with growth, new programs, and changes in the economy. The County may consider anticipated changes in the cost of providing collection service, the need for equipment replacement, the need for additional equipment to meet service needs and the need for equipment to be in compliance with federal, state and local law.

In projecting certificated hauler revenue needs, the County typically utilizes a 12-month projection period. The County may consider anticipated inflation increases when calculating the projected costs. Examples of factors used in the projections include inflation indices, wage escalators, fuel price changes, and upcoming program changes. Projections may also be adjusted based on actual, verifiable information obtained from the certificated haulers such as specific provisions included in a signed union contract. Information provided by a certificated hauler regarding anticipated changes in the cost of providing services must be submitted to the County no later than April 30 in order to be considered in the projections.

### **III. Rate Review Timeline:**

1. **Purpose.** The County establishes an annual timeline for the completion of all tasks related to the rate review. The timeline establishes deadlines for filing submittals, completing tasks, and for comment periods. This timeline shall be provided to all certificated haulers at the time their DCR forms are distributed.
2. **Information Included.** The timeline shall establish all filing due dates, mandatory meeting dates, and deadline dates for action items.
3. **Mandatory Meetings.** As part of the annual rate review process, the County will schedule at least two meetings to review the process and the associated timeline with all certificated haulers. The first of these meetings will be held in January and will specifically focus on instructions for addressing the contents of the DCR. Prior to this meeting the DCR template will be distributed to all certificated haulers. The second meeting will typically be held in May and will focus on the rate review results (to be distributed to all certificated haulers prior to the meeting). The County requires mandatory attendance from all certificated haulers at these meetings. The date for each of these meetings will be set forth in the annual rate review timeline. Specific time and place details will be provided to all certificated haulers by the County at least two (2) weeks prior to each meeting.
4. **Timeline.** The annual rate review general timeline is set forth in the Table 1 below<sup>1</sup>. Each year a specific calendar will be developed following this general timeline and distributed to each certificated hauler at the time the DCR is distributed.

Table 1: Rate Review Timeline

Task	Deadline Date
Distribute Updated Policy Manual	November
Distribute Final Detailed Cost Report	January
*Mandatory Meeting Date (Detailed Cost Report)	January 28
Certificate Holders Submit Detailed Cost Report	March 15
Non-Site Review Begins	March 16
On-site Visits at Selected Certificated Haulers	April 5-21
Adjustments Sent to Certificated Haulers	April 30
Distribute Rate Analysis Report	2 <sup>nd</sup> week of May
*Mandatory Meeting Date (Adjustments/Projections)	3 <sup>rd</sup> week of May
Certificated Haulers Submit Final Disputes to County for Review by the SWAC	No later than 2 weeks prior to the SWAC meeting
SWAC Meeting, if necessary	2 <sup>nd</sup> Thursday of June or July
Board Meeting, if necessary	Final Meeting in June or July
Implement Rate Adjustments, if necessary	July or August
Review and Revise Detailed Cost Report or Policy Manual, if necessary	August - November

**IV. Detailed Cost Report:**

1. **Definition.** The Detailed Cost Report (DCR) is an end-of-the-year summary of financial and operational activity that each certificated hauler is required to file with the County. Each

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<sup>1</sup> The County reserves the right to adjust the dates provided in the timeline table.

certificated hauler, as a condition of its continued exclusive service territory granted by the County, is responsible for timely and accurate completion of its individual DCR.

2. **Filing Requirements.** A certificated hauler must file a complete and accurate DCR providing all requested information by March 15 of the succeeding year. If March 15 falls on a Saturday or Sunday, then the DCR is due on the following Monday. The DCR must comply with the County-provided template (including all formatting).

Information provided in the DCR must agree with the source documents and financial operational information systems maintained at the certificated hauler's offices. The DCR must be submitted both electronically as an excel document and as a signed, original hard copy. A certificated hauler is not allowed to file subsequent versions of the DCR after the due date unless directed to do so by the County or its consultant(s).

3. **Oath Statement.** The owner or duly authorized official of a certificated hauler must submit an original, signed, dated, and notarized statement as part of the filing of its DCR. The statement certifies under oath that the DCR contains complete and accurate information on the hauler's total company and certificated Washington County business, that costs are properly presented according to allowability and category definitions outlined in the Financial Reporting Manual, and that supporting documentation for all operational and financial amounts presented in the DCR exists and will be made available for review by the County and its consultant(s), upon request. By signing this statement, the owner or duly authorized official is stating that all information in the DCR, including both financial and operational data, is complete and correct.
4. **Accounting Requirements.** Certificated haulers are required to keep financial records in accordance with a uniform system or chart of accounts supplied by the County as a part of the DCR (*see Appendix A of the DCR*). The uniform system of accounts contains accounting definitions, listings, and explanations of various accounts. Regardless of what accounting system a certificated hauler uses, the certificated hauler must maintain its books and records in a manner sufficient to complete the County-issued DCR form, using amounts and classifications that reconcile and correspond with the uniform system of accounts, and to report results on the accrual basis of accounting in conformity with Generally Accepted Accounting Principles and to the principles and methods specific to the Washington County Solid Waste reporting conventions as outlined in Appendix A of the DCR (Financial Reporting Manual).
5. **Discontinuance of Operations.** A certificated hauler selling, cancelling, transferring, or in some other manner discontinuing operations must submit a DCR for that portion of the year in which the company operated.
6. **Availability of Information.** Physical copies of records needed to substantiate or verify information contained in the DCR must be provided to the County or to its consultant(s), upon request. The systems used for capturing, recording and reporting financial and operational information must also be made available to the County or to its consultant(s), upon request.
7. **Penalties.** The County may take action to issue penalty assessments or take action to suspend or revoke a certificate if a hauler fails to file its required DCR or submits an incomplete DCR.
8. **Procedures.** The County shall:

- A. Distribute annually, during the second week of January, a finalized DCR form and instructions to each certificated hauler at its address of record. Failure to receive the form does not relieve a certificated hauler of its obligation to complete and file its detailed cost report. A certificated hauler that does not receive a DCR form must contact the County to request a copy of the form.
- B. Convene a meeting annually during the third week of January at the County offices to discuss the DCR and financial reporting manual.
- C. Mandate attendance by all certificated haulers for the January meeting.
- D. Provide, as a part of the DCR, an updated financial reporting manual detailing the uniform system of accounts for solid waste collection companies (*see Appendix A of the DCR*).
- E. Provide, as a part of the DCR, an updated "Guidelines for Salaries of Related Parties" schedule. The County utilizes salary guidelines based on a number of labor market information sources and typically will use the same sources each year.
- F. Track all submissions of DCRs, noting date received.
- G. Verify completeness of information provided including the submission of all required schedules and a signed, dated "oath" sheet.
- H. Send written verification to each certificated hauler of receipt of the DCR.
- I. Reject submissions which do not comply with the County provided template (including all formatting), administrative rules, or financial reporting manual.
- J. Notify code enforcement regarding any certificated hauler's non-submittal of the DCR by the March 15 due date.
- K. Issue information requests as needed to clarify or validate reported data. Responses to information requests issued by the County, or its consultant(s), will not be accepted if hand-written and/or otherwise illegible.

**V. Non-Site Review:**

1. **Purpose of Review.** The County shall review each certificated hauler's DCR for the purpose of determining the reasonableness of expenses reported for the preceding rate period and the projected allowable expenses for the next succeeding rate period.
2. **Performance of Review.** The review shall be undertaken by County staff and the County's consultant(s).
3. **Source Documentation.** The County requires that information systems and original documents be made available upon request. Submittal of verified copies of original documents, attested to by an authorized official of the company, may be acceptable upon prior written approval of the County. Certificated haulers must make available all records, information systems, and individuals necessary to support the DCR-reported information.
4. **Certificated Hauler Contact.** From the filing of the completed DCR through the issuance of the final report, the County requires that each certificated hauler designate a specific individual (e.g. accounting manager or external C.P.A.) be made available on a continuous basis throughout the rate review process to respond timely to information requests, proposed adjustments, or other inquiries. This individual must possess both the expertise and the authority to respond timely to said requests, adjustments or inquiries. The name and contact

information of this individual shall be reported on the General Information page of the completed DCR.

5. **Non-Site Review Procedures.** The County shall:

- A. Review each certificated hauler's DCR for completeness, including program data sheets, financial schedules, supplemental detail schedules for specific line items such as miscellaneous expenses, allocation worksheets, and appendices (depreciation schedule and yardage calculation worksheets supplied as part of the DCR template) or suitable substitutes.
- B. Review each certificated hauler's data for obvious errors, irregularities, or anomalies.
- C. Verify that allocations have no material discrepancies from allocation ratios on the cost allocation worksheet.
- D. Verify that depreciation is in compliance with County guidelines as to depreciable lives and required salvage values (where applicable).
- E. Post adjustments, if any, that arose from site reviews of selected certificated haulers (See Section VI for procedures addressing this task).
- F. Compare each certificated hauler's report to the database of information collected in previous rate reviews.
- G. Summarize costs into various cost categories normal to the industry (i.e., labor costs, truck costs, disposal, overhead, administrative costs, etc.)
- H. Compare each certificated hauler's unit costs for each cost category to the composite averages and identify those that vary in excess of plus or minus (+/-) one standard deviation from the average composite.
- I. Perform analytical and substantive procedures necessary to determine the adequacy of the support for and the reasonableness of the DCR-reported information. Analytical procedures will include predictive tests to determine the reasonableness of amounts reported in the DCR. Substantive procedures will include testing the agreement of DCR-reported information with source documentation and systems. Predictive tests may be applied to determine if additional analysis is needed. A predictive test is not the sole justification for an adjustment as long as the County can verify its findings. If a certificated hauler does not allow the County to verify the results of a predictive test, an adjustment may be made based on the predictive test results.
- J. Evaluate, as needed, individual line items within a cost category using other standards. Examples of such standards include but are not limited to the percentage of a related cost line item to the composite or to an external standard (e.g. compare current bank lending rates to the certificated hauler's rates as determined during the rate review).
- K. Investigate identified deviations and discuss with the certificated hauler. Adjust data as needed.
- L. Send proposed revenue or expense adjustments to the certificated haulers for review.
- M. Allow seven (7) business days from the date sent by the County for comments, questions or other responses to the proposed adjustments. Adjustments will be considered final at the end of this five-day period if there has been no response from the certificated hauler.
- N. Evaluate certificated hauler disputed adjustments during the seven (7) business day period, and if appropriate, make modifications.

## **VI. On-Site Visits:**

1. **Number of Certificated Haulers Selected.** Each year the County shall select the certificated haulers that shall receive an on-site visit. On or about March 15 of each year, the County shall contact the selected certificated haulers for the purpose of scheduling the on-site visits to be completed within the period April 5 - 21.
2. **Selection Process.** The County typically selects the five (5) certificated haulers with the highest total revenue collected (as reported in the DCR) and may also randomly select an additional certificated hauler from the remaining haulers.
3. **Additional On-Site Visits.** Additional on-site visits may be necessary in order to verify information. If a certificated hauler refuses to allow an additional on-site visit, any proposed adjustment will be considered final and will not be subject to dispute. The failure of the certificated hauler to allow an additional on-site visit within five (5) business days of the request by the County will be deemed a refusal.
4. **Source Documentation.** The County requires that information systems and original documents be made available, upon request, for the on-site visit. Verified copies of original documents, attested to by an authorized official of the company, may be acceptable upon prior written approval of the County. Certificated haulers must make available all records, information systems, and individuals necessary to support the DCR-reported information during any site visit.
5. **Certificated Hauler Contact.** From the filing of the completed DCR through the issuance of the final report, the County requires that each certificated hauler designate a specific individual (e.g. accounting manager or external C.P.A.) be made available on a continuous basis throughout the rate review process to respond timely to information requests, proposed adjustments, or other inquiries. This individual must possess both the expertise and the authority to respond timely to said requests, adjustments or inquiries. The name and contact information of this individual shall be reported on the General Information page of the completed DCR.
6. **On-Site Visit Procedures.** The County shall:
  - A. Schedule the On-Site Visits with the selected certificated haulers.
  - B. Provide the selected certificated haulers with a list of the initial information requirements that the certificated hauler will be required to have ready at the time of the site visit. This list will be provided to the certificated hauler five (5) business days prior to the on-site visit. The County may require additional information be provided to support the DCR-reported information at the time of the site visit, depending on the inquiries, testing, and examination deemed necessary to complete the rate review process. If the additional information is not immediately available, the hauler will be allowed a reasonable time to provide the information.
  - C. Confirm the date and time with the selected certificated haulers prior to the initial on-site visit and any subsequent on-site visit.

- D. Document the certificated hauler's procedures for segregating and accumulating information for inclusion in the annual financial report, including accrual adjustments, customer counts, labor and truck hours, etc., and determine that the procedures were in place and used for the examination period.
- E. Make a determination as to the adequacy of the procedures.
- F. Perform analytical procedures to identify areas that may require additional investigation. This effort may require further procedures beyond those included in the work program.
- G. Perform analytical and substantive procedures necessary to determine the adequacy of the support for and the reasonableness of the DCR-reported information. Analytical procedures will include predictive tests to determine the reasonableness of amounts reported in the DCR. Substantive procedures will include testing the agreement of DCR-reported information with source documentation and systems.
- H. Quantify and document findings.
- I. Send proposed revenue or expense adjustments to the certificated haulers for review.
- J. Allow seven (7) business days from the date sent by the County for comments, questions or other responses to the proposed adjustments. Adjustments will be considered final at the end of this five-day period if there has been no response from the certificated hauler.
- K. Evaluate certificated hauler disputed adjustments during the seven (7) business day period, and if appropriate, make modifications.
- L. Provide each certificated hauler with the final set of adjustments and supporting documentation.

## **VII. Disputed Adjustments:**

1. **Definition.** Disputed adjustments are disagreements with County proposed adjustments to revenues and expenses that were reported in the certificated hauler DCRs. Disputed adjustments may be reviewed by the SWAC or by the Board of Commissioners, typically in executive session. Disputes do not include challenges to the rate review methodology.
2. **Filing Requirements.** Requests for SWAC review of disputed adjustments must first be submitted to the County, in a form prescribed by the County, no later than two weeks prior to the SWAC meeting. Each affected certificated hauler must individually submit a request for review and the request must be signed by the same person who signed the Oath Statement contained in the certificated hauler's DCR. Said requests may be presented by the Washington County Haulers Association to the SWAC for review.
3. **Information to be included.** All relevant supporting documentation must be filed with the request for review including any request for confidentiality. The County reserves the right to not allow disputes of adjustments when source documentation isn't provided or can't be verified.
4. **Independent Verification.** Independent verification of reported amounts and classifications of DCR reported items, absent audited financial statements, is obtained through the rate review procedures already established, which includes a review of source records and

information systems (for both financial and non-financial data) which are evaluated by the County and its consultant(s). .

A letter provided by a CPA firm in support of amounts or classifications of reported items, which does not reference *applicable professional standards for audit and other attest* engagements and does not explicitly state an *opinion on the fairness* of the reported amounts and presentations and or *compliance* with certain laws or regulations may only be used to provide *additional information* for the rate review process. If such *additional information* is provided, this information would still need to be independently evaluated by the County and its consultant(s).

An opinion letter or report provided by a CPA firm in support of amounts or classifications of reported items could provide a form of *assurance* in a process such as the rate review, if it were based on the performance of an *audit or other attest* engagement.

- A. An *audit or other attest* engagement requires the CPA firm to not only apply certain procedures to the amounts and classifications to be attested to, but also to consider the CPA firm's independence of the entity under the *applicable professional standards* (for CPAs).
- B. Such a letter or report would state that it has applied certain procedures *according to the applicable standards*, and it would *provide an opinion* as to the *fairness* of the reported amounts and presentation.
- C. Such a letter or report could also *attest to the entity's compliance* with laws, regulations, contracts, grants, etc.

#### **VIII. Annual Rate Review Results:**

- 1. **Accountant Report.** Each year the County's consultant(s) shall provide a *Solid Waste Rate Analysis* report including a compilation report; detailing the composite total costs, revenues and return on revenue as reported and adjusted; and the composite projected return on revenue.
- 2. **Solid Waste Advisory Committee.** The County's Solid Waste Advisory Committee (SWAC) reviews and advises on increases or decreases in rates established for certificate holders.
- 3. **Washington County Board of Commissioners.** Section 8.04.320 of the Washington County Code provides that the Board shall approve and establish rates.
- 4. **Annual Rate Review Results Procedures.** The County shall:
  - A. Provide a copy of the *Solid Waste Rate Analysis* report to each certificated hauler by June of each year.
  - B. Make available all source information that is not proprietary in nature.
  - C. Consolidate data from individual certificated hauler DCRs into a composite.

- D. Prepare a summary of operating margin for each service type and in the aggregate.
- E. Project revenues and costs (projecting increases for inflation using both known and estimated inflationary factors) and prepare a rate breakdown of costs plus profit.
- F. Perform analysis to determine if rate adjustments may be necessary.
- G. Make available the database used to perform the rate review analysis.
- H. Convene a meeting in May of each year to discuss the rate review results with the Washington County Haulers Association and individual certificated haulers.
- I. Mandate attendance by all certificated haulers for the May meeting.
- J. Prepare a staff report detailing the rate review results and rate recommendations to be presented to the Washington County SWAC.
- K. Prepare an appropriate agenda item and staff report to the Board of Commissioners if rate adjustments are recommended.
- L. Produce a notice to customers regarding any Board-approved rate adjustments for distribution by certificate holders.
- M. Update County solid waste and recycling rate schedules, if needed.

## Definitions

Affiliated Interest means:

- every corporation and person owning or holding directly or indirectly five percent or more of the voting securities of any certificated hauling company; or
- every corporation which has two or more officers or two or more directors in common with such certificated hauling company.

(To) Aggregate means the process of adding together individual certificated hauler statistics, costs, or revenues in order to form a total combined certificated hauler group.

(The) Composite means the combined group of certificated haulers.

Detailed Cost Report (DCR) means an end-of-the-year summary of financial and operational activity that each certificated hauler is required to file with the County.

Financial Reporting Manual means a uniform system or chart of accounts supplied by the County as a part of the DCR (*see Appendix A of the DCR*). The uniform system of accounts contains accounting definitions, listings, and explanations of various accounts.

Return on Revenue (ROR) means the measurement of the level of profitability of the composite (all certificated haulers' financial results combined) hauling operations. Return on revenue is equal to total composite income divided by total composite revenue ( $\text{income/revenue} = \text{ROR}$ ).