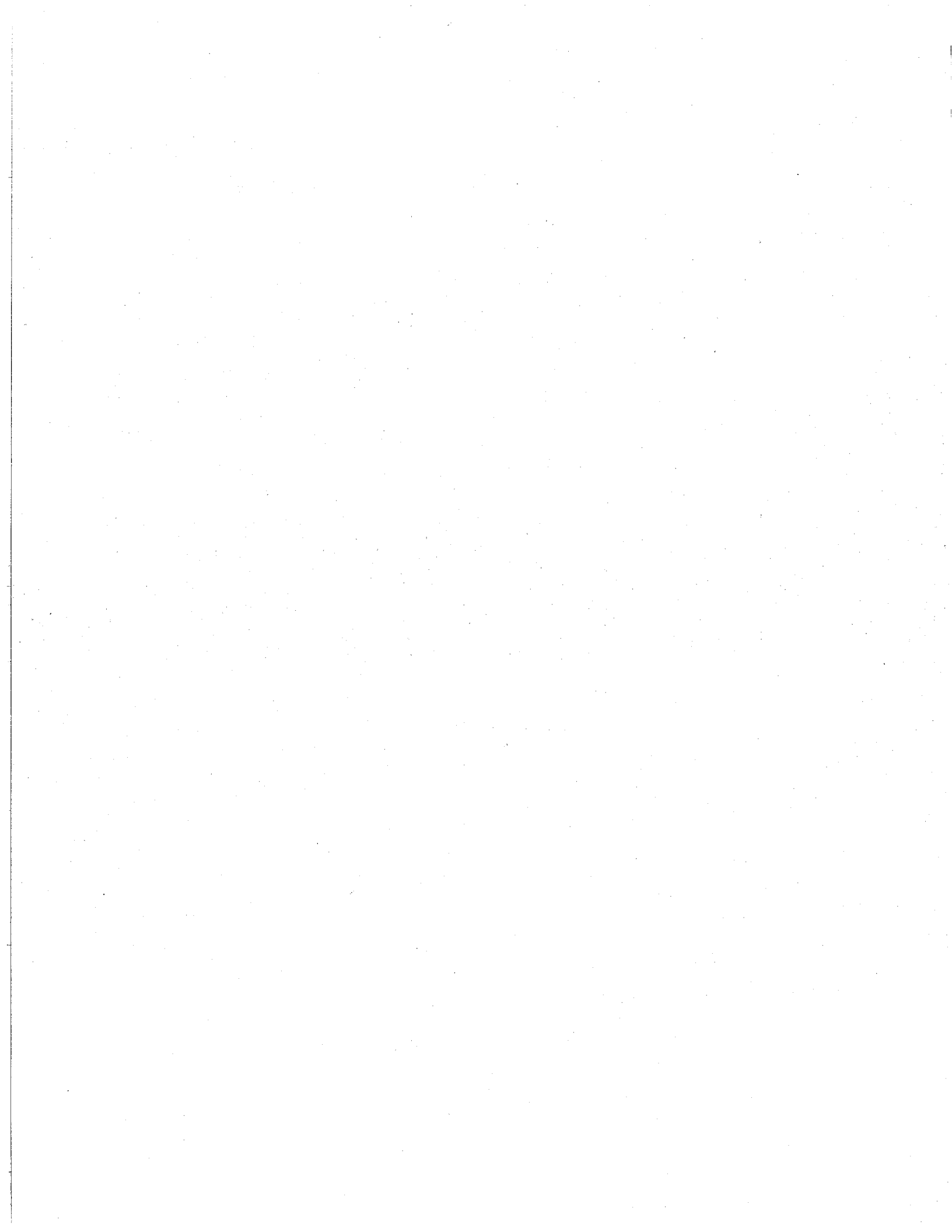


HARRIGAN PRICE FRONK & CO. LLP

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013**



**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013**

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**DISTRICT OFFICIALS
JUNE 30, 2013**

Chair

Sally Gauvin
Madras, Oregon

Vice Chair

Anita Goodwin
Madras, Oregon

Secretary

Stephen Hillis
Madras, Oregon

Directors

Martha Bewley
Madras, Oregon

Heidi Boyle
Madras, Oregon

Registered Agent and Office

Timothy R. Gassner
Glenn, Reeder & Gassner, LLP
205 SE Fifth Street
Madras, Oregon 97741



MADRAS AQUATIC CENTER

TABLE OF CONTENTS JUNE 30, 2013

	Page
DISTRICT OFFICIALS	
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	9
Statement of Activities.....	10
Fund Financial Statements	
Balance Sheet – Governmental Funds	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	12
Notes to Financial Statements.....	13
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	23
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund	24
Schedule of Expenditures and Appropriations – All Funds.....	25
Schedule of Property Tax Transactions – General Fund	26
Schedule of Property Tax Transactions – Debt Service Fund	27
AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS.....	28



INDEPENDENT AUDITORS' REPORT

John P. Harrigan, CPA

Wesley B. Price III, CPA

Candace S. Fronk, CPA

Kara L. Pardue, CPA

Karen C. Anderson, CPA

Board of Directors
Madras Aquatic Center
Madras, Oregon

We have audited the accompanying financial statements of the governmental activities, discretely presented component unit and each major fund of Madras Aquatic Center (the Center), as of and for the year ended June 30, 2013, which collectively comprise the Center's basic financial statements as listed in the table of contents.

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Suite 200
Bend, OR 97702

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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.

Auditors' 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 auditors' judgment, including the assessment of the risk 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 governmental activities, discretely presented component unit and each major fund of Madras Aquatic Center as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the management's discussion and analysis on pages 4 through 8 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.

The Required Supplementary Information (budgetary comparison information for the General Fund) as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison information for these funds has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing

procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting, and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Prior-Year Comparative Information

We have previously audited the Center's 2012 financial statements, and we expressed an unmodified opinion on each major fund in our report dated December 14, 2012. In our opinion, the summarized comparative information provided herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Other Legal and Regulatory Requirements

In accordance with the *Minimum Standards for Audits of Oregon Municipal Standards*, we have also issued a report titled "Audit Comments and Disclosure Required by State Regulations" dated December 13, 2013, which is also not a required part of the financial statements. The purpose of that report is to address specific matters required by the State of Oregon.

HARRIGAN PRICE FRONK & CO. LLP
Certified Public Accountants & Consultants

By: 
Candace S. Fronk - a partner

December 13, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

MADRAS AQUATIC CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

As management of the Madras Aquatic Center (the Center), we offer readers of Madras Aquatic Center's financial statements this narrative overview and analysis of the financial activities of Madras Aquatic Center, for the year ended June 30, 2013.

Financial Highlights

- The assets of the Center exceeded its liabilities at June 30, 2013, by \$1,049,332 compared to \$1,063,162 at the end of the prior fiscal year.
- As of June 30, 2013, Madras Aquatic Center's General Fund reported an ending fund deficit of \$6,362 compared to a deficit of \$58,762 at the end of the prior fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Madras Aquatic Center's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Madras Aquatic Center's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of Madras Aquatic Center's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Madras Aquatic Center is improving or deteriorating.

The *Statement of Activities* presents information showing how Madras Aquatic Center's net position changed during the period ended June 30, 2013. Changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash, or other financial assets, flows. Thus, revenues and expenses are reported in this statement for some items, for example, property taxes and accrued vacation that will result in cash flows in future fiscal periods.

Each of these government-wide financial statements, *Statement of Net Position* and *Statement of Activities*, show the functions of Madras Aquatic Center that are supported primarily by taxes and inter-governmental revenues (*governmental activities*). The governmental activity of Madras Aquatic Center is recreation.

The government-wide financial statements can be found on pages 9-10 of this report.

MADRAS AQUATIC CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Madras Aquatic Center, like other state and local government entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Madras Aquatic Center funds are classified as governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. A reconciliation from the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position and a reconciliation from the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-wide Statement of Activities have been included in this report.

Madras Aquatic Center reported activity in two governmental funds during the year ended June 30, 2013. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances.

Madras Aquatic Center adopts an annual budget for each of its funds. Budgetary comparison information has been provided for all funds to demonstrate compliance. This budgetary comparison information can be found on pages 23–24 of this report.

The Basic Governmental Funds Financial Statements can be found on pages 11–12 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13–22 of this report.

MADRAS AQUATIC CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Government-wide Financial Analysis

A comparison of the summarized government-wide financial statements follows:

SUMMARIZED STATEMENT OF NET POSITION

	Governmental Activities		
	June 30, 2013	June 30, 2012	Change
Current and other assets	\$ 238,715	\$ 215,504	\$ 23,211
Capital assets, net	7,533,320	7,908,962	(375,642)
Total Assets	7,772,035	8,124,466	(352,431)
Current liabilities	407,601	413,343	(5,742)
Long-term liabilities	6,315,102	6,647,961	(332,859)
Total Liabilities	6,722,703	7,061,304	(338,601)
Net investment in capital assets	861,706	915,891	(54,185)
Restricted for debt service	152,233	161,896	(9,663)
Unrestricted	35,393	(14,625)	50,018
Total Net Position	\$ 1,049,332	\$ 1,063,162	\$ (13,830)

Net position, at a specific point in time, serves as a useful indicator of an entity's financial position. In the case of Madras Aquatic Center, assets exceeded liabilities by \$1,049,332 at June 30, 2013.

Net position of \$152,233 is restricted for debt service. The Center will use the restricted net position to fund future debt service payments on the general obligation bond outstanding. Unrestricted net position had a balance of \$35,393 at year-end, an improvement of \$50,018.

MADRAS AQUATIC CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

STATEMENT OF ACTIVITIES

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>	<u>Change</u>
Program revenues			
Charges for service	\$ 224,292	\$ 258,808	\$ (34,516)
Contributions/grants	202,811	136,200	66,611
General revenues			
Investment earnings	2,637	3,369	(732)
Property taxes	800,997	834,965	(33,968)
Miscellaneous		8,532	(8,532)
	<u>1,230,737</u>	<u>1,241,874</u>	<u>(11,137)</u>
Total revenues			
Expenses			
Recreation services	<u>1,244,567</u>	<u>1,262,152</u>	<u>(17,585)</u>
Changes in net position	<u>(13,830)</u>	<u>(20,278)</u>	<u>6,448</u>
Net Position - Beginning of year	<u>1,063,162</u>	<u>1,083,440</u>	<u>(20,278)</u>
Net Position - End of year	<u>\$ 1,049,332</u>	<u>\$ 1,063,162</u>	<u>\$ (13,830)</u>

Governmental Activities

Governmental activities generated \$1,230,737 of revenue and \$1,244,567 of expenses for a net decrease of \$13,830 in Madras Aquatic Center's net position for the year ended June 30, 2013. Additional grants from The MAC Foundation, Inc. helped to offset decreases in program and property tax revenue.

Financial Analysis of the District's Funds

Madras Aquatic Center uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of Madras Aquatic Center's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing Madras Aquatic Center's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending as of the end of the fiscal year.

As of June 30, 2013, \$6,362 is the reported ending fund deficit for Madras Aquatic Center's General Fund and \$98,679 is the reported ending fund equity for the Center's Debt Service Fund, all of which is restricted for debt service.

MADRAS AQUATIC CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Budgetary Highlights

There were no changes to the originally adopted budget in 2013. Administration and program services expenditures exceeded appropriations in the General Fund. Overall, expenditures were \$168,755 under budget.

Capital Asset and Debt Administration

Capital Assets

Madras Aquatic Center's investment in capital assets for its governmental activities as of June 30, 2013, is \$7,533,320 consisting of the aquatic center Building, Land and Equipment, net of accumulated depreciation. Additional information on capital assets is included in Note 4 on page 19 of this report.

Long-term Debt

At June 30, 2013, the Center had total bonded debt of \$6,570,000. The bond matures in fiscal year 2025. The Center also has a secured note payable to Columbia State Bank for \$46,574 that matures in fiscal year 2014. Additional information on Madras Aquatic Center's debt is included in Note 5 on pages 19 and 20 of this report.

Key Economic Factors and Budget Information for the Future

- Economic downturn has adversely affected the sale of memberships.
- The unemployment rate in the State of Oregon and Jefferson County continues to be high.
- Economic turnaround in Central Oregon is not expected until mid-2014.
- The MAC started a recreation program for additional funding.
- Voters approved a local option levy that will increase property tax revenue approximately \$240,000 a year through June 30, 2018.

Requests for Information

This financial report is designed to provide a general overview to those parties interested in Madras Aquatic Center's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to General Manager, Madras Aquatic Center, 1195 SE Kemper Way, Madras, Oregon 97741.

BASIC FINANCIAL STATEMENTS

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**STATEMENT OF NET POSITION
JUNE 30, 2013**

	Primary Government Governmental Activities	Component Unit The MAC Foundation, Inc.
ASSETS		
Cash and investments	\$ 134,620	\$ 34,168
Receivables	80,075	
Inventory	627	
Prepaid expense	7,070	
Capital assets		
Depreciable capital assets, net	6,982,876	
Land	550,444	
Intangible assets		
Debt issue costs, net of accumulated amortization of \$10,882 in 2013 and \$8,161 in 2012	16,323	
TOTAL ASSETS	7,772,035	34,168
LIABILITIES		
Accounts payable	14,703	
Accrued interest	25,432	
Unearned revenue	36,386	
Note payable - due in less than one year	16,080	
Bond payable - due in less than one year	315,000	
Note payable - due in more than one year	30,494	
Bond premium	29,608	
Bond payable - due in more than one year	6,255,000	
TOTAL LIABILITIES	6,722,703	
NET POSITION		
Net investment in capital assets	861,706	
Restricted for debt service	152,233	
Unrestricted	35,393	34,168
TOTAL NET POSITION	\$ 1,049,332	\$ 34,168

See independent auditors' report and notes to financial statements

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

	<u>Primary Government Governmental Activities</u>	<u>Component Unit The MAC Foundation, Inc.</u>
Expenses		
Recreation services	\$ 1,244,567	\$ 166,636
Program revenues		
Charges for services	224,292	45,480
Operating grants and contributions	202,811	133,575
Total program revenues	<u>427,103</u>	<u>179,055</u>
Net program revenue (expense)	<u>(817,464)</u>	<u>12,419</u>
General revenues		
Property taxes levied for general purposes	204,486	
Property taxes levied for debt service	596,511	
Earnings on investments	2,637	
Total general revenues	<u>803,634</u>	
Change in net position	(13,830)	12,419
Net position - Beginning of year	<u>1,063,162</u>	<u>21,749</u>
Net position - End of year	<u>\$ 1,049,332</u>	<u>\$ 34,168</u>

See independent auditors' report and notes to financial statements

MADRAS AQUATIC CENTER
MADRAS, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2012)

	General	Debt Service	Totals	
			2013	2012
ASSETS				
Cash and investments	\$ 41,022	\$ 93,598	\$ 134,620	\$ 121,592
Inventory	627		627	2,000
Accounts receivable	1,311		1,311	
Property taxes receivable	20,129	58,635	78,764	85,141
Total assets	\$ 63,089	\$ 152,233	\$ 215,322	\$ 208,733
LIABILITIES				
Accounts payable	\$ 14,703	\$	\$ 14,703	\$ 66,088
Unearned revenue	36,386		36,386	19,829
Deferred revenue	18,362	53,554	71,916	76,968
Total liabilities	69,451	53,554	123,005	162,885
FUND BALANCE (DEFICIT)				
Nonspendable	627		627	2,000
Restricted for debt service		98,679	98,679	104,610
Unassigned	(6,989)		(6,989)	(60,762)
Total fund balance (deficit)	(6,362)	98,679	92,317	45,848
Total liabilities and fund balance	\$ 63,089	\$ 152,233	\$ 215,322	\$ 208,733
Fund balances, above			\$ 92,317	\$ 45,848
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			7,533,320	7,891,277
Debt issue costs recorded on the Statement of Net Position are not financial resources and, therefore, are not reported in the funds.			16,323	17,684
Property taxes not collected within sixty days after year-end are not considered financial resources and, therefore, are not reported in the funds.			71,916	76,968
Prepaid expenses are reported as expenditures in the funds since they are a use of current financial resources.			7,070	6,772
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			(6,671,614)	(6,975,387)
Net position of governmental activities, page 9.			\$ 1,049,332	\$ 1,063,162

See independent auditors' report and notes to financial statements

MADRAS AQUATIC CENTER
MADRAS, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2012)

	General	Debt Service	Totals	
			2013	2012
Revenues				
Intergovernmental	\$ 39,377	\$	\$ 39,377	\$ 45,000
Grants	163,434		163,434	136,200
Property taxes	205,806	600,243	806,049	828,565
Charges for services	224,292		224,292	250,214
Interest	736	1,901	2,637	3,368
Total revenues	633,645	602,144	1,235,789	1,263,347
Expenditures				
Current				
Recreation	558,488		558,488	602,216
Debt service				
Principal	15,290	285,000	300,290	279,710
Interest	7,467	323,075	330,542	338,925
Total expenditures	581,245	608,075	1,189,320	1,220,851
Net change in fund balances	52,400	(5,931)	46,469	42,496
Fund balances - Beginning of year	(58,762)	104,610	45,848	3,352
Fund balances (deficits) - End of year	\$ (6,362)	\$ 98,679	\$ 92,317	\$ 45,848
Amounts reported for governmental activities are different because:				
Net change in funds balances - governmental funds, above			\$ 46,469	\$ 42,496
Governmental funds report capital outlay as expenditures. However, in the government-wide statements, the costs of construction are capitalized and reported as assets to be depreciated over their estimated useful lives.			(357,958)	(356,508)
Governmental funds do not record an expenditure for interest until it is due. However, in the government-wide statements, interest is reported as an expenditure as it accrues.			1,017	852
Governmental funds do not record property taxes receivable as revenue unless they are collected within sixty days of year-end. However, in the government-wide statements, all taxes receivable are recorded as revenue.			(5,052)	6,400
Governmental funds report prepaid expenses as expenditures in the funds.			1,404	6,772
Governmental funds report principal payments on long-term debt as an expenditure, but in the government-wide statements, the payments are treated as a reduction of debt.			300,290	279,710
Change in net position of governmental activities, page 10.			\$ (13,830)	\$ (20,278)

See independent auditors' report and notes to financial statements

MADRAS AQUATIC CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Center

Madras Aquatic Center (the Center) was formed in November 2004, under the provisions of ORS Chapter 266. The Center was formed to construct and operate an aquatic facility in Madras, Oregon. The governing body is a board of five directors elected by the voters within the boundaries of the Center.

Financial Reporting Entity

The Center's financial statements include the accounts of all Center operations. The criteria for including organizations as component units within the Center's reporting entity, as set forth in Section 2100 of Government Accounting Standards Board's (GASB's) *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name).
- The Center holds the corporate powers of the organization.
- The Center appoints a voting majority of the organization's board.
- The Center is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the Center.
- There is fiscal dependency by the organization on the Center.

Based on the aforementioned criteria, the Center and is not a component unit of any other entity.

The MAC Foundation, Inc. (the Foundation) is a nonprofit organization with a separate board of directors incorporated in 2009 to conduct fundraising activities which will primarily benefit the Center. Accounting standards require such organizations to be included in the reporting entity for the Center if: (1) the Foundation's economic resources are entirely or almost entirely for the direct benefit of the Center or its constituents; (2) the Center is entitled to or has the ability to otherwise access the majority of the Foundation's economic resources (as demonstrated by the Center historically receiving a majority of the Foundation's resources or the Foundation previously honoring the Center's requests for funds) and (3) the economic resources received from or held by the Foundation are significant to the Center. The Foundation provided \$157,689 to the Center for the year is included in the Statement of Financial Position and the Statement of Activities as a discretely presented component unit.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Center has no business activities or fiduciary funds.

MADRAS AQUATIC CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-wide and Fund Financial Statements – Continued

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. It is the Center's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Center considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues received after this period, are considered unavailable. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and other post-employment benefits are recorded only when payment is due.

Capital Assets

Capital assets are reported in the government-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures as purchased. Purchased assets are recorded at cost and donated assets are recorded at estimated fair market value as of the date of the donation.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets when they are placed in service.

Interest incurred during the construction period is capitalized net of interest income and will be depreciated as part of the cost of the facility.

MADRAS AQUATIC CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Long-Term Obligations

In the government-wide financial statements, long-term debts are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations only the portion to be financed from expendable, available financial resources is reported as a fund liability of a governmental fund.

Fund Equity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54)*. This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

1. *Nonspendable*, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),
2. *Restricted* fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers or through enabling legislation,
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Center's governing board (the Center's highest level of decision-making authority),
4. *Assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

The Center reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available. The Center reduces committed amounts first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

MADRAS AQUATIC CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Taxes and Deferred Revenue

Property taxes are assessed on a July 1 – June 30 fiscal year. The taxes are levied July 1 and property owners have the option of paying the full amount by November 15 or February 15 less a discount, or paying in three installments on November 15, February 15 and May 15. Property taxes attach as an enforceable lien July 1 and are considered delinquent if not paid by the following May 15. The County Tax Collector is the tax collection agent for all taxing entities within the County.

Tax revenue is recognized when levied on the government-wide statements and when collected and available to the Center on the fund financial statements. Taxes receivable at June 30, less tax collections received within sixty days subsequent to year-end are recorded as deferred revenue on the modified accrual basis of accounting used in the governmental fund statements.

Unearned Revenue

The Center sells annual and quarterly memberships for use of its facilities. The unexpired portion of these is reported as a liability.

Appropriations and Budgetary Controls

The Center is subject to provisions of the Oregon Revised Statutes which set forth local budget law procedures. A budget is prepared for each fund on the accrual basis of accounting. Expenditure budgets are appropriated by major category in the fund. Budgeted expenditures at appropriation level may not be legally overspent.

Appropriations expire at June 30 each year. Encumbrances are not recorded.

Expenditures exceed appropriations in the following instances due to unforeseen expenses:

General Fund		
Administration	\$	20,995
Program services		64,866
Debt Service Fund		
Debt service		<u>401</u>
	\$	<u>86,262</u>

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MADRAS AQUATIC CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

New Accounting Pronouncement

The Center implemented Governmental accounting Standards Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position." GASB Statement No. 63 identifies net position rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Center's 2013 financial statements; however, there was no effect on beginning net position or fund balance.

NOTE 2 – ORGANIZATION AND FUND STRUCTURE

The Center operates using the following governmental funds each of which is considered to be a major fund.

General Fund

The General Fund is utilized to account for the operation of the Center. Grants, property taxes and interest on cash and investments are its principal sources of revenue. Administration and insurance are the major expenditures of the fund.

Debt Service Fund

The Debt Service Fund is utilized to account for debt payments. Property taxes are its principal source of revenue and debt service payments are the expenditures of the fund.

NOTE 3 – CASH AND INVESTMENTS

The Center's investment of cash funds is regulated by Oregon Revised Statutes. Under these guidelines, cash funds may be invested in bank accounts, general obligation issues of the United States and its agencies, certain states and certain guaranteed investments issued by banks. During the year, the Center purchased allowable investment instruments but did not participate in any repurchase or reverse repurchase agreements. The Center's investments are not regulated.

MADRAS AQUATIC CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 3 – CASH AND INVESTMENTS – CONTINUED

Custodial credit risk is the risk that in the event of a bank failure, the Center's deposits may not be returned to it. State statutes require that all bank deposits in excess of the FDIC or FSLIC insurance amounts be collateralized through the Oregon State Treasurer's Public Funds Collateralization Program. This program provides a structure for specified depositories to participate in a shared liability collateral pool. Securities pledged by individual institutions may range from 10% to 110% of public fund deposits depending on the financial institution's level of capitalization as determined by its federal regulatory authority. The aggregate Oregon public fund collateral pledged at June 30, 2013, was \$1,386,615,970 for reported public funds of \$1,636,140,722. The custodian, Federal Home Loan Bank of Seattle, is the agent for the depository bank. The securities pledged are designated as subject to the Pledge Agreement between the depository bank, custodian bank and Office of the State Treasurer (OST) and are held for the benefit of OST on behalf of the public depositors. The Center's funds were held by financial institutions that participated in the State Treasurer's program and were in compliance with statutory requirements.

The Center's cash at June 30, 2013, consisted of the following:

	<u>Center</u>	<u>Foundation</u>
Demand deposits	\$ 17,645	\$ 34,168
Cash on hand	3,303	
Investments - County Treasurer		
External Investment Pool	<u>113,672</u>	
	<u>\$ 134,620</u>	<u>\$ 34,168</u>

The Center participates in the Jefferson County Treasurer's external investment pool, a non-SEC regulated, open-ended, no-load diversified portfolio created under Oregon Revised Statutes Chapter 294.

The Treasurer has calculated the fair market value of the underlying investments of the pool, which approximates the carrying value. The portfolio's maturities are regulated by state statute and the County's investment policy.

Interest Rate Risk

The Center does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates beyond the limits provided in state statutes.

Credit Risk

State law limits investments to obligations of the United States Treasury and United States Government agencies and instrumentalities, certain bankers' acceptances, repurchase agreements, certain high-grade commercial paper and corporate bonds and obligations of states and municipalities. The Center has no investment policy that would further limit its investment choices.

MADRAS AQUATIC CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 3 – CASH AND INVESTMENTS – CONTINUED

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments that are in the possession of an outside party. The funds held with the County Treasurer are not deemed to be a security, which is a transferable financial instrument that evidences ownership and is, therefore, not subject to custodial credit risk.

NOTE 4 – CAPITAL ASSETS

Changes in the Center's capital assets for the year ended June 30, 2013, were as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital Assets				
Building	\$ 6,721,460	\$	\$	\$ 6,721,460
Building improvements	2,233,808			2,233,808
Equipment	166,618			166,618
Land	550,444			550,444
	<u>9,672,330</u>			<u>9,672,330</u>
Less accumulated depreciation	<u>(1,781,052)</u>	<u>(357,958)</u>		<u>(2,139,010)</u>
Capital assets, net	<u>\$ 7,891,278</u>	<u>\$ (357,958)</u>	<u>\$ -</u>	<u>\$ 7,533,320</u>

Depreciation expense for the year ended totaled \$357,958.

NOTE 5 – LONG-TERM DEBT

General Obligation Bond Payable

General obligation bonds totaling \$8,100,000 were issued during the period ended June 30, 2005, for the construction of the aquatic facility. The bonds mature serially through June, 2025. Interest is payable semi-annually on June and December 1, at rates of 3% to 5%. Future maturities are as follows:

MADRAS AQUATIC CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 5 – LONG-TERM DEBT – CONTINUED

General Obligation Bond Payable – Continued

<u>Fiscal Year Ending June 30,</u>	<u>Bond Principal</u>	<u>Bond Interest</u>	<u>Total</u>
2014	\$ 315,000	\$ 310,275	\$ 625,275
2015	350,000	297,675	647,675
2016	380,000	283,675	663,675
2017	420,000	264,675	684,675
2018	465,000	243,675	708,675
2019-2023	3,040,000	824,375	3,864,375
2024-2025	1,600,000	109,350	1,709,350
	<u>\$ 6,570,000</u>	<u>\$ 2,333,700</u>	<u>\$ 8,903,700</u>

Note Payable

The District borrowed \$150,000 from Columbia State Bank in April 2008. After initial interest only payments, the note was being repaid in monthly installments of \$2,817 including interest at 4.732%. The loan was refinanced in July 2011 with quarterly payments of \$4,500 and a balloon payment at December 31, 2014. The note is secured by accounts receivable, inventory and equipment and matures December 2014. Future maturities are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Note Principal</u>	<u>Note Interest</u>	<u>Total</u>
2014	\$ 16,079	\$ 1,921	\$ 18,000
2015	30,495	894	31,389
	<u>\$ 46,574</u>	<u>\$ 2,815</u>	<u>\$ 49,389</u>

Changes in long-term debt for the period ended June 30, 2013, were as follows:

Principal balance - June 30, 2012	\$ 6,916,864
Matured and paid	<u>(300,290)</u>
Principal balance - June 30, 2013	<u>\$ 6,616,574</u>

Short-Term Borrowing

During the year the Center borrowed and repaid \$90,000 in anticipation of tax receipts. The funds were deposited in the General Fund of the Center and utilized for operations. The beginning and ending balance of the short-term borrowing was \$0. Interest and fees on the note amounted to \$4,717.

Total interest expense on long-term and short-term borrowing for the year amounted to \$331,412.

MADRAS AQUATIC CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 6 – PROPERTY TAX LIMITATIONS

The Center is currently subject to constitutional property tax limitation provisions that specify a maximum allowable tax of \$5 for public schools and \$10 for other local government entities for each \$1,000 assessed value of property. The limitation does not include taxes to repay bonded debt or certain special assessments.

Under the constitutional limitation, the maximum taxable assessed value of property for 1997-98 was reduced to 90% of each property's assessed value for the 1995-96 year. Increases to the assessed value are limited to 3% per year, with exceptions for new property and certain improvements. For the 1997-98 tax year, the total of most taxing district operating levies in the state were reduced by approximately 17%.

For subsequent years, the tax rates for each taxing district are permanently fixed based on the 1997-98 levy. Voters of a local taxing district may approve special levies limited to five years exceed this limitation.

Elections related to tax levies or bond measures require 50% of the registered voters to cast ballots to be valid except in May and November elections.

NOTE 7 – RISK MANAGEMENT

The Center is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Center purchased commercial insurance for general liability up to \$500,000; excess liability of \$1,000,000 and fidelity bonding in the amount of \$100,000. Settled claims have not exceeded coverage.

NOTE 8 – DEFERRED COMPENSATION AND DEFINED CONTRIBUTION PLAN

The Center offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time Center employees with at least three months of continuous employment, permits them to defer a portion of their salary until future years.

The Center also offers its employees retirement benefits under Internal Revenue Code Section 401(a). The Plan, available to all full time Center employees after three months of continuous employment, provides for employer contributions based on employee contracts ranging from 5 to 10% per employee.

Total benefits paid for the year ended June 30, 2013, were \$5,048.

The assets for both of these plans are held in trust for the exclusive benefit of the Plan participants and their beneficiaries. The Plans are administered by AIG. The assets will not be diverted for any other purpose. The Center has little administrative involvement and does not perform the investing functions for these plans.

MADRAS AQUATIC CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS

Plan Description. The Center does not have a formal post-employment benefits plan for any employee groups. However, the Center is required by Oregon Revised Statutes 243.303 to provide retirees with group health insurance from the date of retirement to age 65 at the same rate provided to current employees. Although the Center does not pay any portion of the retirees' healthcare insurance, a retired employee receives the implicit benefit of a lower healthcare premium which is subsidized among the premium cost of coverage for active employees. GASB Statement 45 is applicable to the Center due only to this implicit rate subsidy. This "plan" is not a stand-alone plan, and therefore, does not issue its own financial statements. GASB Statement 45 is being implemented prospectively, beginning July 1, 2009.

Funding Policy. Although the Center does not currently have any retirees participating in their health insurance plan, it will, when applicable, collect insurance premiums from all retirees each month and deposit them. The Center will then pay healthcare insurance premiums for all retirees at the applicable rate for each family classification. Since the existing coverage is through a multiple-employer plan, given the Center's small size in relation to the other employers, the Center's rate is not affected by the age of its participants in the Plan. Therefore, there is no implicit benefit considered to be earned by current employees. As a result, the Center does not report a liability for any potential accrued liability under GASB Statement 45.

NOTE 10 – DEFICIT FUND BALANCE

The Center had a deficit fund balance in its General Fund at June 30, 2013. In May 2013, voters approved a local option levy that will increase property tax revenue approximately \$240,000 a year through June 30, 2018.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Center receives a substantial amount of its support from various granting agencies. A significant reduction in the level of this support, if this were to occur, may have an effect on the Center's programs and activities.

REQUIRED SUPPLEMENTARY INFORMATION

MADRAS AQUATIC CENTER
MADRAS, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2013

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Over (Under) Budget</u>
Revenues			
Property taxes	\$ 206,000	\$ 205,806	\$ (194)
Intergovernmental revenue	45,000	39,377	(5,623)
Grants	140,000	163,434	23,434
Charges for services	268,000	224,292	(43,708)
Flex tran loan	90,000		
Interest on investments	1,000	736	(264)
	<u>750,000</u>	<u>633,645</u>	<u>(26,355)</u>
Total revenues			
Expenditures			
Administration	60,000	80,995	20,995
Facilities	216,900	173,895	(43,005)
Program services	182,000	246,866	64,866
Board services	17,500	3,129	(14,371)
Fiscal services	43,600		(43,600)
MAC-REC program	97,000	53,603	(43,397)
Debt service	113,000	22,757	(90,243)
Contingency	20,000		(20,000)
	<u>750,000</u>	<u>581,245</u>	<u>(168,755)</u>
Total expenditures			
Net change in fund balance		52,400	142,400
Fund balance - Beginning of year		(58,762)	(58,762)
Fund balance (deficit) - End of year	<u>\$ -</u>	<u>\$ (6,362)</u>	<u>\$ 83,638</u>

OTHER SUPPLEMENTARY INFORMATION

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2013**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Over (Under) Budget</u>
Revenues			
Property taxes	\$ 590,000	\$ 600,243	\$ 10,243
Interest on investments	1,500	1,901	401
Total Revenues	<u>591,500</u>	<u>602,144</u>	<u>10,644</u>
Expenditures			
Debt service	<u>607,674</u>	<u>608,075</u>	<u>401</u>
Total expenditures	<u>607,674</u>	<u>608,075</u>	<u>401</u>
Net change in fund balance	(16,174)	(5,931)	10,243
Fund balance - Beginning of year	<u>74,237</u>	<u>104,610</u>	<u>30,373</u>
Fund balance - End of year	<u>\$ 58,063</u>	<u>\$ 98,679</u>	<u>\$ 40,616</u>

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**SCHEDULE OF EXPENDITURES AND APPROPRIATIONS
ALL FUNDS
YEAR ENDED JUNE 30, 2013**

	<u>Actual</u>	<u>Appropriations</u>	<u>Actual Under (Over) Appropriation</u>
General Fund			
Administration	\$ 80,995	\$ 60,000	\$ (20,995)
Facilities	173,895	216,900	43,005
Program services	246,866	182,000	(64,866)
Board services	3,129	17,500	14,371
Fiscal services		43,600	43,600
MAC-REC program	53,603	97,000	97,000
Other	22,757	113,000	90,243
Contingency		20,000	20,000
	<u>\$ 581,245</u>	<u>\$ 750,000</u>	<u>\$ 168,755</u>
Debt Service Fund			
Debt service	<u>\$ 608,075</u>	<u>\$ 607,674</u>	<u>\$ (401)</u>

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS
GENERAL FUND
YEAR ENDED JUNE 30, 2013**

<u>Tax Year</u>	<u>Beginning Balance and 2012-13 Levy</u>	<u>Net Adjustments</u>	<u>Interest (Discounts)</u>	<u>Collections</u>	<u>Uncollected June 30, 2013</u>
2012-13	\$ 208,444	\$ (386)	\$ (5,005)	\$ 194,023	\$ 9,030
2011-12	10,000	(40)	296	4,912	5,344
2010-11	5,933	(27)	318	2,413	3,811
2009-10	3,644	(49)	491	2,504	1,582
2008-09	1,825	(36)	458	2,093	154
2007-08	154	(16)	25	79	84
2006-07	106	(5)	16	38	79
2005-06	47		2	4	45
	<u>\$ 230,153</u>	<u>\$ (559)</u>	<u>\$ (3,399)</u>	206,066	<u>\$ 20,129</u>
				Collections within sixty days of the year ended June 30, 2012	(2,027)
				Collections within sixty days of the year ended June 30, 2013	<u>1,767</u>
				Modified accrual basis tax revenue	<u>\$ 205,806</u>

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2013**

<u>Tax Year</u>	<u>Beginning Balance and 2012-13 Levy</u>	<u>Net Adjustments</u>	<u>Interest (Discount)</u>	<u>Collections</u>	<u>Uncollected June 30, 2013</u>
2012-13	\$ 608,056	\$ (1,126)	\$ (14,600)	\$ 565,988	\$ 26,342
2011-12	30,056	(123)	890	14,762	16,061
2010-11	16,887	(76)	906	6,865	10,852
2009-10	10,088	(136)	1,360	6,931	4,381
2008-09	5,642	(113)	1,417	6,471	475
2007-08	334	(36)	56	174	180
2006-07	296	(13)	44	105	222
2005-06	128		5	11	122
	<u>\$ 671,487</u>	<u>\$ (1,623)</u>	<u>\$ (9,922)</u>	601,307	<u>\$ 58,635</u>
				Collections within sixty days of the year ended June 30, 2012	(6,145)
				Collections within sixty days of the year ended June 30, 2013	<u>5,081</u>
				Modified accrual basis tax revenue	<u>\$ 600,243</u>

AUDIT COMMENTS AND DISCLOSURES

REQUIRED BY STATE REGULATIONS

AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

Internal Control

We have audited, in accordance with auditing standards generally accepted in the United States of America the financial statements of the governmental activities, discretely presented component unit and each major fund of Madras Aquatic Center (the Center), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively compromise the Center's basic financial statements and have issued our report thereon dated December 13, 2013.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing 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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in the Center's internal control to be a material weakness:

The Center has limited segregation of duties (assigning the responsibility for authorizing transactions, recording transactions and maintaining custody of assets to different people within the Center) due to its small size. The Center does have compensating controls, such as management's review of the bank reconciliations, the Board's approval of expenditures and its review of financial statements that help mitigate the risk to the Center. We recommend that the Center continue to perform these compensating controls on a thorough and timely basis as well as watch for other opportunities to segregate such duties.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Accounting records

In general, we found the condition of the accounting records adequate for audit purposes.

Collateral

All cash on deposit with banks was in financial institutions enrolled in the Oregon State Treasurer's Public Funds Collateralization Program, and therefore, met the statutory requirement for adequate collateralization.



AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

Indebtedness

The Center's short-term and long-term debt was found to be within legal limitations on the amount of debt which may be incurred, liquidation of debts were within the prescribed period of time and indebtedness was in compliance with provisions of bond indentures and other agreements, including restrictions on the use of monies available to retire indebtedness.

Budgeting

We reviewed the Center's procedures for preparation, adoption and execution of the budget for the year ended June 30, 2013, and found them to be in compliance with statutory requirements with the following exceptions:

The Center's appropriation resolution did not agree to the detailed budget adopted.

Administration expenditures in the General Fund exceeded appropriations by \$20,995.

Program services expenditures in the General Fund exceeded appropriations by \$64,866.

Debt service expenditures in the Debt Service Fund exceeded appropriations by \$401.

We also reviewed the Center's procedures for preparation and adoption of its budget for the year beginning July 1, 2014, and found them to be in compliance with statutory requirements.

Insurance Coverage and Fidelity Bonds

We have reviewed the Center's insurance and fidelity bonds and found them to be in compliance with statutory requirements.

Programs Funded From Outside Sources

The Center had no programs funded from outside sources.

Public Contracts and Purchasing

Procedures for public contracts and purchasing were reviewed and found to be in compliance with statutory requirements.

Investments

Investments were reviewed and found to be in compliance with statutory requirements.

Financial Reporting Requirements

The Center was not required to file financial reports with governmental agencies.

**AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS**

Highway Funds

The Center received no motor vehicle tax or fee apportionments during the year.

This report is intended solely for the information and use of management, the board of directors and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these specified parties.

HARRIGAN PRICE FRONK & CO. LLP
Certified Public Accountants & Consultants

By: *Candace S. Fronk*
Candace S. Fronk - a partner

December 13, 2013

