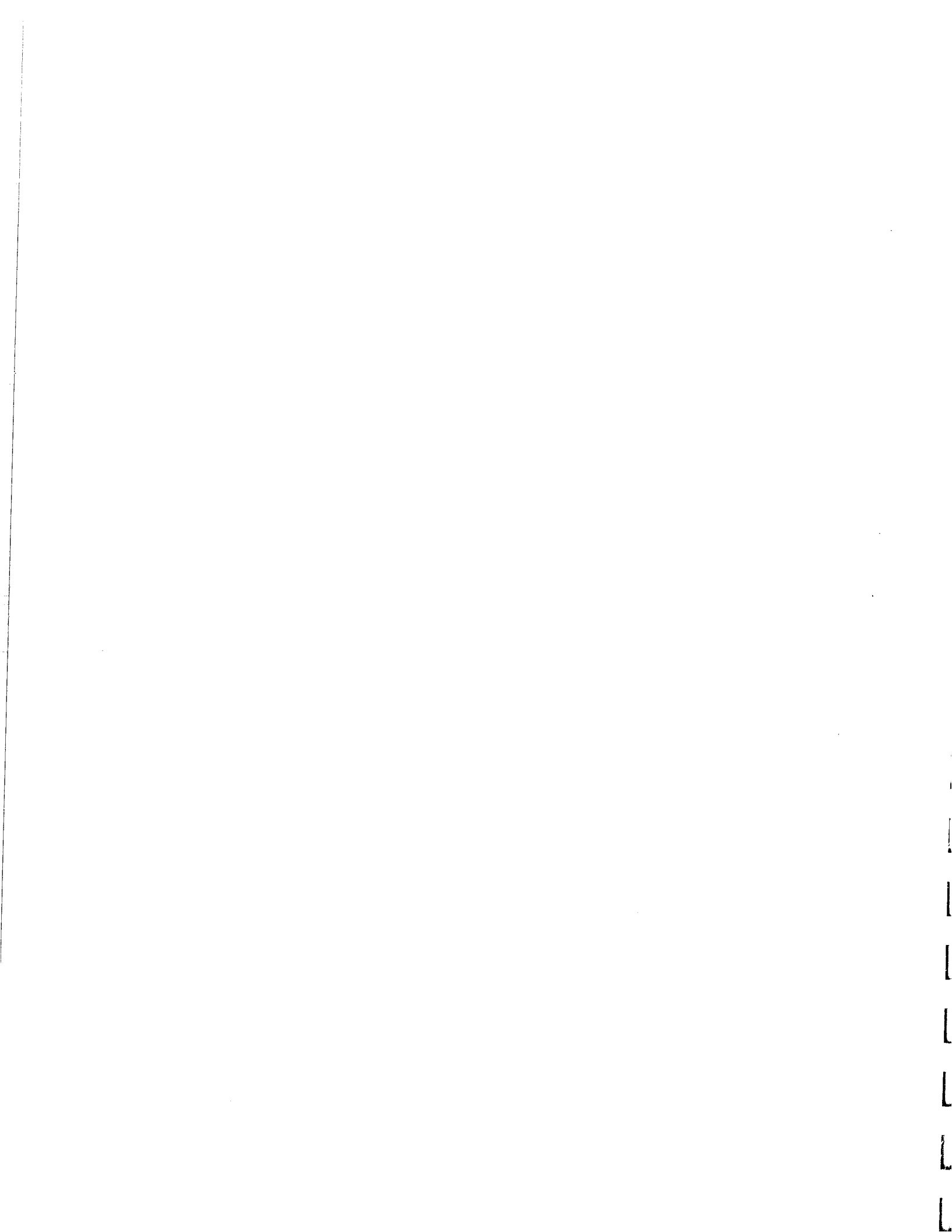


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**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015**



January 22, 2016

Board of Directors
Madras Aquatic Center
1195 SE Kemper Way
Madras, OR 97741

In planning and performing our audit of 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, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Center's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

Internal control is a process — effected by those charged with governance, management and other personnel — designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting. The term *financial reporting* relates to the preparation of reliable financial statements that are fairly presented in conformity with accounting principles generally accepted in the United States of America. The design and formality of an entity's internal control will vary depending on the entity's size, the industry in which it operates its culture and management's philosophy.

Even an effective internal control system, no matter how well designed, has inherent limitations, including the possibility of the circumvention or overriding of controls, and therefore can only provide reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, internal control system effectiveness may vary over time.

In an audit of financial statements, the auditor is not required to perform procedures to identify deficiencies in internal control or to express an opinion on the effectiveness of the entity's internal control. However, during the course of an audit, the auditor may become aware of deficiencies in internal control while obtaining an understanding of the entity and its environment, including its internal control, assessing the risks of material misstatement of the financial statements due to error or fraud, performing further audit procedures to respond to assessed risks, communicating with management or others (for example, internal auditors or governmental authorities), or otherwise. The auditors' awareness of deficiencies in internal control varies with each audit and is influenced by the nature, timing and extent of audit procedures performed, as well as other factors.



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, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 a 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 deficiencies in the Center's internal control to be material weaknesses:

Limited Knowledge of GAAP for Financial Reporting

Management has the responsibility for ensuring that the Center's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, including adequate disclosures and proper application of new accounting standards. Management currently relies heavily on the auditor to determine proper treatment and presentation of financial information for external financial reporting. Adequate internal control over financial reporting, however, requires that you meet this responsibility through individuals within your organization or, where appropriate, other consultants, excluding your independent auditor. As your auditor, we may provide technical assistance to aid you in the proper application of accounting principles but you must make your own informed decisions about how and when accounting principles apply to the Center and how they should be presented on the Center's financial statements. The Center's personnel or consultant responsible for ensuring proper financial reporting should have an appropriate level of accounting experience, adequate training and access to the necessary technical resources. The Center should consider its options for improving or outsourcing its expertise in accounting and financial reporting and then weigh the related costs with the benefits that could be derived.

Numerous adjustments were necessary to correct balances for proper year-end reporting. No accounts payable were recorded and property tax revenues and receivables were not updated.

We also noted that the property tax revenue from the Bond levy was not reported in the current year. We also noted that the subsequent principal and interest payments were not recorded in QuickBooks. In order to ensure that such instances do not occur in the future, we recommend that procedures be put in place for proper recognition of debt service income and expenditures.

Board of Directors
Madras Aquatic Center
January 22, 2016
Page 3

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. We consider the following deficiency in the Center's internal control to be a significant deficiency:

Limited Segregation of Accounting Duties

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.

This communication is intended solely for the information and use of the management, the Board of Directors and others within the Center and is not intended to and should not be used by anyone other than the specified parties.

We would like to extend our appreciation to management and staff for their patience and support while we conducted our audit. Please contact us at (541) 382-4791 if you have any questions or concerns regarding the matters discussed above.



Price Fronk & Co.

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January 22, 2016

Board of Directors
Madras Aquatic Center
1195 SE Kemper Way
Madras, OR 97741

We have audited the financial statements of the governmental activities, discretely presented component unit and each major fund of Madras Aquatic Center (the Center) for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 11, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Principles

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Center are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2015. We noted no transactions entered into by the Center during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of depreciation of capital assets is based on the expected useful life of the Center's building, improvements and equipment.
- Management's estimate of deferred inflows of resources is based on the number and type of memberships and passes during the year, and also the value of the memberships and passes that is yet to be utilized.
- We evaluated the key factors and assumptions used to develop the estimates in determining that it is materially reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached Schedule I summarizes both material and immaterial misstatements detected as a result of audit procedures. Management has corrected all such misstatements. The uncorrected items, the effects of which management has determined to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole, are noted as a result of our audit procedures is included in Schedule II attached.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management letter dated January 22, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Center's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Center's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Board of Directors
Madras Aquatic Center
January 22, 2016
Page 3

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board and of management of the Center and is not intended to be and should not be used by anyone other than these specified parties.



Price Fronk & Co.

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JOURNAL ENTRIES FOR BOOK - ADJUSTED TRIAL BALANCE
38220 MADRAS AQUATIC CENTER - Jun. 30, 2015

Account Number	Account Name	Debit Amount	Credit Amount	P (-) & L (+) Effect
01 - Journal Entries				
AJE 001 - adjust prior year balances to actual				
4010	General Fund Balance		70,508.00	
4020	Debt Service Fund Balance	1,144.43		
4200	Retained Earnings	69,624.12		
7140	Merchandise Expense		260.55	-260.55
	Journal Entry Totals	70,768.55	70,768.55	-260.55
AJE 002 - true up tax revenue and receivables				
1800	Property Taxes Rec General		2,665.00	
1805	Property Taxes Rec L.O. Levy	4,060.08		
1810	Property Taxes Rec Debt		7,543.21	
2600	Deferred Inflows - General	1,172.39		
2605	Deferred Inflows - L.O. Levy		4,633.68	
2610	Deferred Inflows - Debt Service	3,266.91		
5110	Property Taxes - Current	1,128.29		1,128.29
5151	Property Taxes - LO Levy Current		374.98	-374.98
5160	Property Taxes Debt Service		640,366.30	-640,366.30
5750	Interest	243.69		243.69
5761	Interest - Debt Service		1,963.19	-1,963.19
9800	Debt Service Principal	350,000.00		350,000.00
9810	Debt Service Interest	297,675.00		297,675.00
	Journal Entry Totals	657,546.36	657,546.36	6,342.51
AJE 003 - reverse prior year A/P amounts				
2020	Accounts Payable - Other	19,930.20		
7111	Postage		54.60	-54.60
7112	Office Supplies		482.70	-482.70
7113	Program Supplies		32.45	-32.45
7115	Cleaning Supplies		333.00	-333.00
7116	Pool Chemicals		1,101.21	-1,101.21
7120	Small Equipment		47.91	-47.91
7130	Concessions Expense		355.80	-355.80
7130	Concessions Expense		311.52	-311.52
7301	Utilities		9,786.46	-9,786.46
7400	Advertising		1,921.25	-1,921.25
7411	Software Fees		1,607.57	-1,607.57
7420	Contractual Services		1,886.85	-1,886.85
7420	Contractual Services		154.00	-154.00
7440	Repairs & Maintenance		702.12	-702.12
7500	Staff Development		33.98	-33.98
7510	Mileage Reimbursement		952.33	-952.33
7530	Other Expenses		166.45	-166.45
	Journal Entry Totals	19,930.20	19,930.20	-19,930.20
AJE 004 - book current year A/P				
2020	Accounts Payable - Other		16,646.60	
7001	Salaries - Executive Director	639.55		639.55
7100	Legal	280.00		280.00
7112	Office Supplies	6.99		6.99
7113	Program Supplies	216.20		216.20
7115	Cleaning Supplies	194.00		194.00
7116	Pool Chemicals	1,551.16		1,551.16

JOURNAL ENTRIES FOR BOOK - ADJUSTED TRIAL BALANCE
38220 MADRAS AQUATIC CENTER - Jun. 30, 2015

Account Number	Account Name	Debit Amount	Credit Amount	P (-) & L (+) Effect
01 - Journal Entries				
AJE 004 - book current year A/P				
7130	Concessions Expense	338.44		338.44
7301	Utilities	9,465.41		9,465.41
7400	Advertising	652.39		652.39
7412	Licenses, Dues & Memberships	245.00		245.00
7420	Contractual Services	1,163.64		1,163.64
7440	Repairs & Mainenance	1,126.62		1,126.62
7500	Staff Develoment	50.00		50.00
7505	Pre-employment Screening	25.00		25.00
7510	Mileage Reimbursement	585.90		585.90
7520	Travel	106.30		106.30
	Journal Entry Totals	16,646.60	16,646.60	16,646.60
AJE 005 - record revenue booked in payroll expense accounts				
5500	Kid's Club Revenue		17,790.12	-17,790.12
7001	Salaries - Executive Director	5,833.31		5,833.31
7003	Salaries - Admin Assistant	2,916.69		2,916.69
7005	Salaries - Reception	9,040.12		9,040.12
	Journal Entry Totals	17,790.12	17,790.12	0.00
AJE 006 - reclass payroll processing fees from contractual services				
7070	Payroll Processing Fees	2,184.82		2,184.82
7420	Contractual Services		2,184.82	-2,184.82
	Journal Entry Totals	2,184.82	2,184.82	0.00
AJE 007 - book current year payroll accrual				
2100	Payroll Liabilities		27,589.00	
7000	Salaries - Other	19,120.00		19,120.00
7061	Payroll Taxes	8,469.00		8,469.00
	Journal Entry Totals	27,589.00	27,589.00	27,589.00
AJE 008 - clean up misc payroll items				
0001	ADP P/R Clearing	942.50		
0002	Salaries - Facility Manager		731.25	
7010	Salaries - Facility Manager	731.25		731.25
7070	Payroll Processing Fees		942.50	-942.50
	Journal Entry Totals	1,673.75	1,673.75	-211.25
AJE 009 - record software through capital outlay				
2900	Due on Software		8,700.00	
7411	Software Fees		8,400.00	-8,400.00
9700	Capital Outlay	17,100.00		17,100.00
	Journal Entry Totals	17,100.00	17,100.00	8,700.00
AJE 010 - reclass Daktronics timing equipment to capital outlay				
7120	Small Equipment		5,585.00	-5,585.00
9700	Capital Outlay	5,585.00		5,585.00
	Journal Entry Totals	5,585.00	5,585.00	0.00
AJE 011 - record field striper through capital outlay				
7113	Program Supplies		2,335.00	-2,335.00
9700	Capital Outlay	2,335.00		2,335.00
	Journal Entry Totals	2,335.00	2,335.00	0.00

JOURNAL ENTRIES FOR BOOK - ADJUSTED TRIAL BALANCE
 38220 MADRAS AQUATIC CENTER - Jun. 30, 2015

Account Number	Account Name	Debit Amount	Credit Amount	P (-) & L (+) Effect
01 - Journal Entries				
AJE 012 - reclass Vizio TV to capital outlay				
7120	Small Equipment		1,524.99	-1,524.99
9700	Capital Outlay	1,524.99		1,524.99
	Journal Entry Totals	1,524.99	1,524.99	0.00
AJE 013 - reclass income recorded in program supplies				
5205	Intergovernmental - Jeff Co. School		1,500.00	-1,500.00
5620	Grant Revenue		2,500.00	-2,500.00
7113	Program Supplies	4,000.00		4,000.00
	Journal Entry Totals	4,000.00	4,000.00	0.00
AJE 014 - reclass repairs and maint. entered as contract services				
7420	Contractual Services		8,386.85	-8,386.85
7440	Repairs & Maintenance	8,386.85		8,386.85
	Journal Entry Totals	8,386.85	8,386.85	0.00
AJE 015 - clean up expense items recorded in revenue accounts				
5230	Intergovernmental - City of Madras		576.00	-576.00
5302	Swim Team		1,680.00	-1,680.00
5760	Sports Leagues - Softball		750.00	-750.00
7117	Fees (entry, registration)	750.00		750.00
7117	Fees (entry, registration)	1,680.00		1,680.00
7560	Summer Camp Expenses	576.00		576.00
	Journal Entry Totals	3,006.00	3,006.00	0.00
AJE 016 - reclass Trust revenue from intra-fund account				
5620	Grant Revenue		2,500.00	-2,500.00
5999	Intra Fund	2,500.00		2,500.00
	Journal Entry Totals	2,500.00	2,500.00	0.00
AJE 017 - to adjust Kid's Club revenue out of office supplies				
5500	Kid's Club Revenue		1,750.00	-1,750.00
7112	Office Supplies	1,750.00		1,750.00
	Journal Entry Totals	1,750.00	1,750.00	0.00
AJE 018 - record pool vacuum through capital outlay				
7115	Cleaning Supplies		3,750.00	-3,750.00
9700	Capital Outlay	3,750.00		3,750.00
	Journal Entry Totals	3,750.00	3,750.00	0.00
AJE 019 - to adjust deferred revenue to agreed upon amount				
2230	Unearned Membership Revenue	7,628.25		
5310	Membership Income		7,628.25	-7,628.25
	Journal Entry Totals	7,628.25	7,628.25	-7,628.25
AJE 020 - clean up contractual services account				
7410	Bank Charges	224.00		224.00
7415	Referee and Officiating Fees	4,861.00		4,861.00
7420	Contractual Services		20,764.21	-20,764.21
7427	Fees - Software Mgmt	7,623.27		7,623.27
7430	Lease/Rentals	1,547.09		1,547.09
7440	Repairs & Maintenance	836.28		836.28
7530	Other Expenses	200.00		200.00
7800	Building Security Expense	912.00		912.00

JOURNAL ENTRIES FOR BOOK - ADJUSTED TRIAL BALANCE
 38220 MADRAS AQUATIC CENTER - Jun. 30, 2015

Account Number	Account Name	Debit Amount	Credit Amount	P (-) & L (+) Effect
<i>01 - Journal Entries</i>				
<i>AJE 020 - clean up contractual services account</i>				
8653	Landscaping	4,560.57		4,560.57
	Journal Entry Totals	20,764.21	20,764.21	0.00
Journal Entries Listed: 20	Journal Totals	892,459.70	892,459.70	31,247.86

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DESCRIPTION	ASSETS	LIABILITIES	EQUITY	P&L
<i>Prior Year Carry-forward Errors (in total)</i>				
Accrued Payroll Liabilities			6,250	(6,250)
<i>Current Year Known Errors</i>				
None Noted				
<i>Current Year Likely/Projected Errors (audits only)</i>				
None noted				
AGGREGATE EFFECT			6,250	(6,250)

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**FINANCIAL REPORT
YEAR ENDED JUNE 30, 2015**

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**DISTRICT OFFICIALS
JUNE 30, 2015**

Chair

Jamie Hurd
Madras, Oregon

Vice Chair

Steve Webb
Madras, Oregon

Secretary

Angela Madden
Madras, Oregon

Directors

Jinnell Lewis
Madras, Oregon

Anita Goodwin
Madras, Oregon

Registered Agent and Office

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

MADRAS AQUATIC CENTER

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Madras Aquatic Center
Madras, Oregon

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit and each major fund of Madras Aquatic Center (the Center), as of and for the year ended June 30, 2015, which collectively comprise the Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

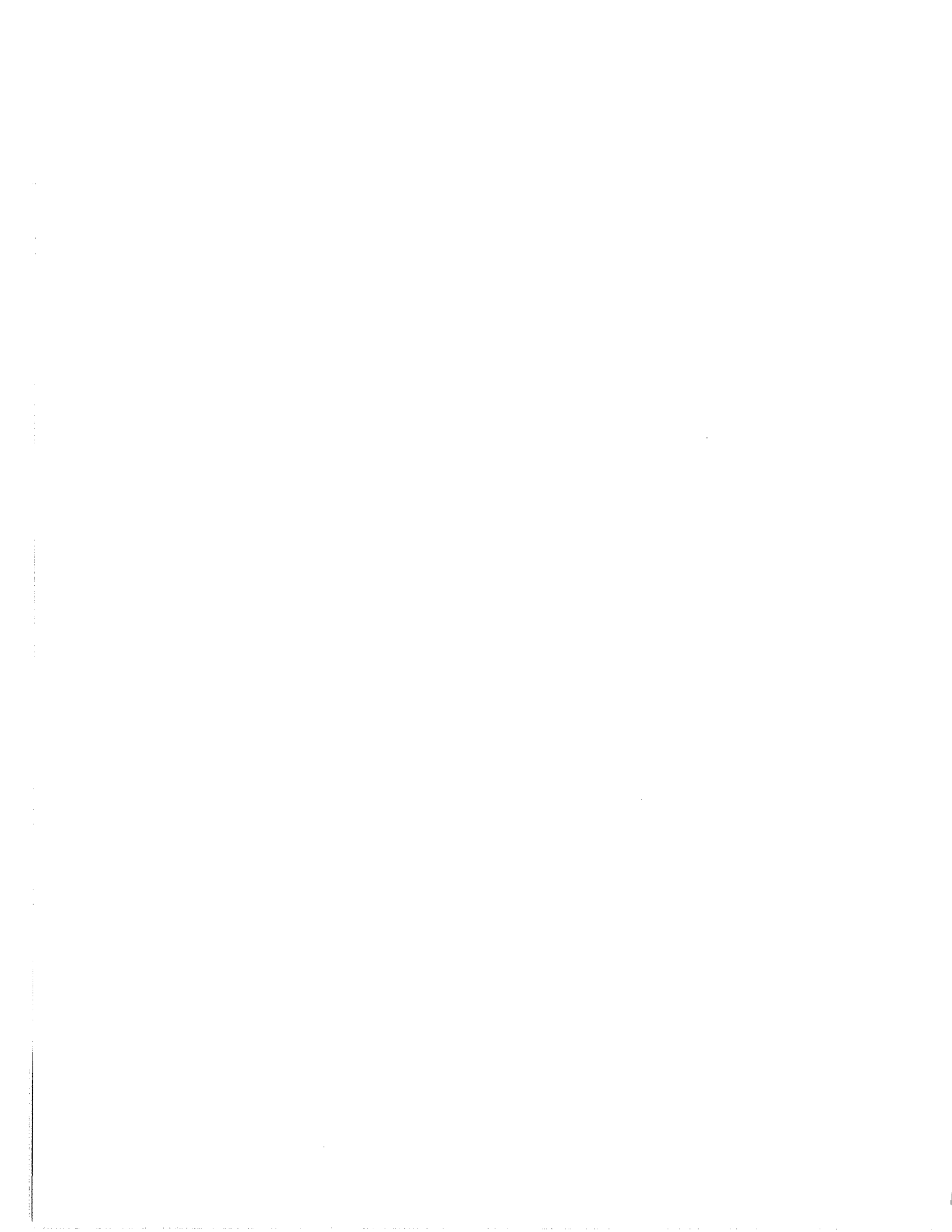
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair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

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, 2015, 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 relates 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.

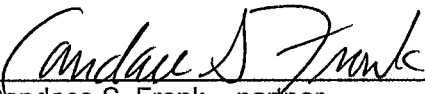
Prior-Year Comparative Information

We have previously audited the Center's 2014 financial statements, and we expressed an unmodified opinion on each major fund in our report dated December 15, 2014. In our opinion, the summarized comparative information provided herein as of and for the year ended June 30, 2014, 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 January 22, 2016, 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.

PRICE FRONK & CO.
Certified Public Accountants & Consultants

By: 
Candace S. Fronk – partner

January 22, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

MADRAS AQUATIC CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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, 2015.

Financial Highlights

- The assets of the Center exceeded its liabilities at June 30, 2015, by \$1,096,691 compared to \$1,112,183 at the end of the prior fiscal year.
- As of June 30, 2015, the Center's General Fund reported an ending fund balance of \$59,235 compared to \$64,146 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 the 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 the Center's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the 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 the Center is improving or deteriorating.

The *Statement of Activities* presents information showing how the Center's net position changed during the period ended June 30, 2015. 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 the Center that are supported primarily by taxes and inter-governmental revenues (*governmental activities*). The governmental activity of the Center is recreation.

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

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. The Center, like other state and local government entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Center funds are classified as governmental funds.

MADRAS AQUATIC CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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.

The Center reported activity in three governmental funds during the year ended June 30, 2015. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances.

The 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 23–25 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, 2015

Government-wide Financial Analysis

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

SUMMARIZED STATEMENT OF NET POSITION

	Governmental Activities		
	June 30, 2015	June 30, 2014	Change
Current and other assets	\$ 283,907	\$ 317,501	\$ (33,594)
Capital assets, net	<u>6,845,745</u>	<u>7,175,362</u>	<u>(329,617)</u>
Total Assets	<u>7,129,652</u>	<u>7,492,863</u>	<u>(363,211)</u>
Current liabilities	483,288	448,539	34,749
Long-term liabilities	<u>5,549,673</u>	<u>5,932,141</u>	<u>(382,468)</u>
Total Liabilities	<u>6,032,961</u>	<u>6,380,680</u>	<u>(347,719)</u>
Net investment in capital assets	892,820	868,821	23,999
Restricted for debt service	133,554	142,167	(8,613)
Unrestricted	<u>70,317</u>	<u>101,195</u>	<u>(30,878)</u>
Total Net Position	<u>\$ 1,096,691</u>	<u>\$ 1,112,183</u>	<u>\$ (15,492)</u>

Net position, at a specific point in time, serves as a useful indicator of an entity's financial position. In the case of the Center, assets exceeded liabilities by \$1,096,691 at June 30, 2015.

Net position of \$133,554 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 \$70,317 at year-end, a decrease of \$30,878.

MADRAS AQUATIC CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

STATEMENT OF ACTIVITIES

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Change</u>
Program revenues			
Charges for service	\$ 232,653	\$ 212,601	\$ 20,052
Contributions/grants	86,436	70,333	16,103
General revenues			
Investment earnings	2,780	2,938	(158)
Property taxes	<u>1,120,003</u>	<u>1,084,400</u>	<u>35,603</u>
Total revenues	1,441,872	1,370,272	71,600
Expenses			
Recreation services	<u>1,457,364</u>	<u>1,291,098</u>	<u>166,266</u>
Changes in net position	<u>(15,492)</u>	<u>79,174</u>	<u>(94,666)</u>
Net position - Beginning of year, as originally reported		<u>1,049,332</u>	<u>(1,049,332)</u>
Cumulative effect of change in accounting principle		<u>(16,323)</u>	<u>(16,323)</u>
Net Position - Beginning of year as restated	<u>1,112,183</u>	<u>1,033,009</u>	<u>79,174</u>
Net Position - End of year	<u>\$ 1,096,691</u>	<u>\$ 1,112,183</u>	<u>\$ (15,492)</u>

Governmental Activities

Governmental activities generated \$1,441,872 of revenue and \$1,457,364 of expenses for a net decrease of \$15,492 in the Center's net position for the year ended June 30, 2015.

Financial Analysis of the District's Funds

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

Governmental funds

The focus of the Center's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the 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.

MADRAS AQUATIC CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

As of June 30, 2015, \$59,235 is the reported ending fund balance for the Center's General Fund and \$92,189 is the reported ending fund equity for the Center's Debt Service Fund, all of which is restricted for debt service. At June 30, 2015, the Center reported an ending fund deficit of \$30,295 in the maintenance reserve fund.

Budgetary Highlights

There were no changes to the originally adopted budget in 2015. Two categories of expenditures exceeded appropriations in the General Fund by a total of \$88,210. The Debt Service Fund expenditures exceeded appropriations for \$14,000. Across all funds, expenditures were \$36,083 over appropriations.

Capital Asset and Debt Administration

Capital Assets

The Center's investment in capital assets for its governmental activities as of June 30, 2015, is \$6,845,745 consisting of the aquatic center building, land, equipment and software, net of accumulated depreciation and amortization. Additional information on capital assets is included in Note 4 on page 19 of this report.

Long-term Debt

At June 30, 2015, the Center had total bonded debt of \$5,905,000. The bond matures in fiscal year 2025. Additional information on the 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

- The Center will be refinancing its bond during the year ended June 30, 2016.
- Economy is holding steady, increasing membership revenue.
- The unemployment rate in the State of Oregon and Jefferson County continues to be high.
- The lack of volunteers and overall support has driven fundraising down.
- The Center regained funding from the Bean foundation during the current year as it is in good standing with reporting requirements.

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, 2015**

	Primary Government	Component Unit	Totals	
	Governmental Activities	The MAC Foundation, Inc.	2015	2014
ASSETS				
Cash and investments	\$ 197,253	\$ 59,699	\$ 256,952	\$ 281,203
Receivables	72,002		72,002	77,977
Inventory	553		553	553
Prepaid expense	14,099		14,099	13,233
Capital assets				
Depreciable capital assets, net	6,295,301		6,295,301	6,624,918
Land	550,444		550,444	550,444
TOTAL ASSETS	7,129,652	59,699	7,189,351	7,548,328
LIABILITIES				
Accounts payable	52,536		52,536	39,011
Accrued interest	23,252		23,252	24,400
Unearned revenue	27,500		27,500	35,128
Bond payable - due in less than one year	380,000		380,000	350,000
Bond premium	24,673		24,673	27,141
Bond payable - due in more than one year	5,525,000		5,525,000	5,905,000
TOTAL LIABILITIES	6,032,961		6,032,961	6,380,680
NET POSITION				
Net investment in capital assets	892,820		892,820	868,821
Restricted for debt service	133,554		133,554	142,167
Unrestricted	70,317	59,699	130,016	156,660
TOTAL NET POSITION	\$ 1,096,691	\$ 59,699	\$ 1,156,390	\$ 1,167,648

See independent auditors' report and notes to financial statements

MADRAS AQUATIC CENTER
MADRAS, OREGON

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Primary Government	Component Unit	Totals	
	Governmental Activities	The MAC Foundation, Inc.	2015	2014
Expenses				
Recreation services	\$ 1,457,364	\$ 54,169	\$ 1,511,533	\$ 1,336,131
Program revenues				
Charges for services	232,653	31,680	264,333	232,061
Operating grants and contributions	86,436	26,723	113,159	117,203
Total program revenues	319,089	58,403	377,492	349,264
Net program revenue (expense)	(1,138,275)	4,234	(1,134,041)	(986,867)
General revenues				
Property taxes levied for general purposes	482,904		482,904	470,856
Property taxes levied for debt service	637,099		637,099	613,544
Earnings on investments	2,780		2,780	2,938
Total general revenues	1,122,783		1,122,783	1,087,338
Change in net position	(15,492)	4,234	(11,258)	100,471
Net position - Beginning of year, as originally reported			1,167,648	1,083,500
Cumulative effect of change in accounting principle				(16,323)
Net position - Beginning of year, as restated	1,112,183	55,465	1,167,648	1,067,177
Net position - End of year	\$ 1,096,691	\$ 59,699	\$ 1,156,390	\$ 1,167,648

See independent auditors' report and notes to financial statements

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2014)**

	General	Debt Service	Maintenance Reserve	Totals	
				2015	2014
ASSETS					
Cash and investments	\$ 107,133	\$ 90,120	\$ -	\$ 197,253	\$ 225,738
Inventory	553			553	553
Accounts receivable	173			173	
Property taxes receivable	28,395	43,434		71,829	77,977
Due from other fund	30,295			30,295	
Total assets	\$ 166,549	\$ 133,554	\$ -	\$ 300,103	\$ 304,268
LIABILITIES					
Accounts payable	\$ 52,536	\$ -	\$ -	\$ 52,536	\$ 39,011
Unearned revenue	27,500			27,500	35,128
Due to other fund			30,295	30,295	
Total liabilities	80,036		30,295	110,331	74,139
DEFERRED INFLOWS OF RESOURCES					
Unavailable property tax revenue	27,278	41,365		68,643	68,448
FUND BALANCE					
Nonspendable	553			553	553
Restricted for debt service		92,189		92,189	97,535
Unassigned	58,682		(30,295)	28,387	63,593
Total fund balance	59,235	92,189	(30,295)	121,129	161,681
Total liabilities, deferred inflows of resources and fund balances	\$ 166,549	\$ 133,554	\$ -	\$ 300,103	\$ 304,268
Fund balances, above				\$ 121,129	\$ 161,681
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.				6,845,745	7,175,362
Property taxes not collected within sixty days after year-end are not considered financial resources and, therefore, are not reported in the funds.				68,643	68,448
Prepaid expenses are reported as expenditures in the funds since they are a use of current financial resources.				14,099	13,233
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(5,952,925)	(6,306,541)
Net position of governmental activities, page 9.				\$ 1,096,691	\$ 1,112,183

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, 2015
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)**

	General	Debt Service	Maintenance Reserve	Totals	
				2015	2014
Revenues					
Intergovernmental	\$ 40,163	\$	\$	\$ 40,163	\$ 37,500
Grants	46,273			46,273	32,833
Property taxes	479,442	640,366		1,119,808	1,087,868
Charges for services	232,653			232,653	212,601
Interest	817	1,963		2,780	2,938
Total revenues	799,348	642,329		1,441,677	1,373,740
Expenditures					
Current					
Recreation	804,259			804,259	631,127
Capital outlay			30,295	30,295	
Debt service					
Principal		350,000		350,000	361,572
Interest		297,675		297,675	311,677
Total expenditures	804,259	647,675	30,295	1,482,229	1,304,376
Net increase (decrease) in fund balances	(4,911)	(5,346)	(30,295)	(40,552)	69,364
Fund balances - Beginning of year	64,146	97,535		161,681	92,317
Fund balances - End of year	\$ 59,235	\$ 92,189	\$ (30,295)	\$ 121,129	\$ 161,681

Amounts reported for governmental activities are different because:

Net change in funds balances - governmental funds, above	\$ (40,552)	\$ 69,364
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.	(327,586)	(357,958)
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.	3,615	1,032
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.	194	(3,468)
Governmental funds report prepaid expenses as expenditures in the funds.	(1,163)	(7,691)
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.	350,000	361,572
Debt issue costs are no longer reported as assets on the statement of net position		16,323
Change in net position of governmental activities, page 10.	\$ (15,492)	\$ 79,174

See independent auditors' report and notes to financial statements

MADRAS AQUATIC CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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 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 \$11,289 to the Center for the year, which is included in the Statement of Financial Position and the Statement of Activities as a discretely presented component unit. It also spent \$42,880 to benefit the Center's constituents.

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, 2015

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, 2015

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, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Taxes and Deferred Inflows of Resources

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 inflows of resources 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 exceeded appropriations in the General Fund by \$3,156 and \$85,054 for administration and recreation, respectively. Expenditures exceeded appropriations by \$14,000 in the Debt Service Fund.

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.

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, 2014, from which the summarized information was derived.

MADRAS AQUATIC CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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.

Maintenance Reserve Fund

The Maintenance Reserve Fund is primarily for capital outlay and projects that are capital in nature with the Center. Resources of revenue will be a result of transfers from the General Fund when necessary.

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.

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, 2015, was \$1,446,787,655 for reported public funds of \$1,818,055,422. 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.

MADRAS AQUATIC CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 3 – CASH AND INVESTMENTS – CONTINUED

The Center's cash at June 30, 2015, consisted of the following:

	<u>Center</u>	<u>Foundation</u>
Demand deposits	\$ 114,605	\$ 59,699
Cash on hand	571	
Investment - County Treasurer External Investment Pool	<u>82,077</u>	
	<u>\$ 197,253</u>	<u>\$ 59,699</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.

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.

MADRAS AQUATIC CENTER

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 4 – CAPITAL ASSETS

Changes in the Center's capital assets for the year ended June 30, 2015, were as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 2015</u>
Capital assets not being depreciated				
Land	\$ 550,444	\$	\$	\$ 550,444
Total capital assets not being depreciated	<u>550,444</u>			<u>550,444</u>
Capital Assets being depreciated				
Building	6,721,460			6,721,460
Building improvements	2,233,808			2,233,808
Equipment	166,618	13,195		179,813
Software		17,100		17,100
Total capital assets being depreciated	<u>9,121,886</u>	<u>30,295</u>		<u>9,152,181</u>
Less accumulated depreciation	<u>(2,496,968)</u>	<u>(359,912)</u>		<u>(2,856,880)</u>
Capital assets, net	<u>\$ 7,175,362</u>	<u>\$ (329,617)</u>	<u>\$</u>	<u>\$ 6,845,745</u>

Depreciation expense for the year ended totaled \$359,912.

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:

<u>Fiscal Year Ending June 30,</u>	<u>Bond Principal</u>	<u>Bond Interest</u>	<u>Total</u>
2016	380,000	283,675	663,675
2017	420,000	264,675	684,675
2018	465,000	243,675	708,675
2019	505,000	220,425	725,425
2020	555,000	195,175	750,175
2021-2025	<u>3,580,000</u>	<u>518,125</u>	<u>4,098,125</u>
	<u>\$ 5,905,000</u>	<u>\$ 1,725,750</u>	<u>\$ 7,630,750</u>

MADRAS AQUATIC CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 5 – LONG-TERM DEBT – CONTINUED

General Obligation Bond Payable – Continued

Changes in long-term debt for the period ended June 30, 2015, were as follows:

Principal balance - June 30, 2014	\$ 6,255,000
Matured and paid	<u>(350,000)</u>
Principal balance - June 30, 2015	<u>\$ 5,905,000</u>

Total interest expense on long-term borrowing for the year amounted to \$297,675.

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 exceeding 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 in the prior three years.

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.

MADRAS AQUATIC CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8 – DEFERRED COMPENSATION AND DEFINED CONTRIBUTION PLAN – CONTINUED

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.

There were no benefits paid for the year ended June 30, 2015.

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.

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. 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 – 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.

MADRAS AQUATIC CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 11 – SUBSEQUENT EVENTS

In June, 2015, the Board adopted Resolution No. 1507 authorizing the issuance, sale and delivery of the Center's General Obligation Refunding Bonds, Series 2015 and the Center's execution and delivery of a Purchase Agreement for a new Bond. The Bond has an aggregate principal amount of \$5,700,000.

Subsequent events have been evaluated through January 22, 2016.

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, 2015**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Over (Under) Budget</u>
Revenues			
Property taxes	\$ 456,871	\$ 479,442	\$ 22,571
Intergovernmental revenue	36,000	40,163	4,163
Program revenues	204,700	204,224	(476)
Product sales	14,500	13,853	(647)
Facility income	15,100	14,576	(524)
Foundation support	55,000	11,289	(43,711)
Other income	20,300	35,801	15,501
	<u>802,471</u>	<u>799,348</u>	<u>(3,123)</u>
Total revenues			
Expenditures			
Administration	145,695	148,851	3,156
Recreation	338,979	424,033	85,054
Facility	237,721	231,375	(6,346)
Board	18,000		(18,000)
Contingency	22,076		(22,076)
	<u>762,471</u>	<u>804,259</u>	<u>41,788</u>
Total expenditures			
Net change in fund balance	40,000	(4,911)	(44,911)
Fund balance - Beginning of year	50,000	64,146	14,146
Fund balance - End of year	<u>\$ 90,000</u>	<u>\$ 59,235</u>	<u>\$ (30,765)</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, 2015

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Over (Under) Budget</u>
Revenues			
Property taxes	\$ 606,000	\$ 640,366	\$ 34,366
Interest on investments		1,963	1,963
Total revenues	<u>606,000</u>	<u>642,329</u>	<u>36,329</u>
Expenditures			
Debt service	<u>633,675</u>	<u>647,675</u>	<u>14,000</u>
Total expenditures	<u>633,675</u>	<u>647,675</u>	<u>14,000</u>
Net increase (decrease) in fund balance	(27,675)	(5,346)	22,329
Fund balance - Beginning of year	<u>50,000</u>	<u>97,535</u>	<u>47,535</u>
Fund balance - End of year	<u>\$ 22,325</u>	<u>\$ 92,189</u>	<u>\$ 69,864</u>

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAINTENANCE RESERVE FUND
YEAR ENDED JUNE 30, 2015**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Over (Under) Budget</u>
Revenues			
Miscellaneous	\$ _____	\$ _____	\$ _____
Total revenues	_____	_____	_____
Expenditures			
Capital outlay	50,000	30,295	(19,705)
Total expenditures	50,000	30,295	(19,705)
Net increase (decrease) in fund balance	(50,000)	(30,295)	19,705
Fund balance - Beginning of year	_____	_____	_____
Fund balance - End of year	\$ (50,000)	\$ (30,295)	\$ 19,705

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**SCHEDULE OF EXPENDITURES AND APPROPRIATIONS
ALL FUNDS
YEAR ENDED JUNE 30, 2015**

	<u>Actual</u>	<u>Appropriations</u>	<u>Actual Under (Over) Appropriation</u>
General Fund			
Administration	\$ 148,851	\$ 145,695	\$ (3,156)
Recreation	424,033	338,979	(85,054)
Facility	231,375	237,721	6,346
Board		18,000	18,000
Contingencies		22,076	22,076
	<u>\$ 804,259</u>	<u>\$ 762,471</u>	<u>\$ (41,788)</u>
Debt Service Fund			
Debt service	\$ 647,675	\$ 633,675	\$ (14,000)
	<u>\$ 647,675</u>	<u>\$ 633,675</u>	<u>\$ (14,000)</u>
Maintenance Reserve Fund			
Capital outlay	\$ 30,295	\$ 50,000	\$ 19,705
	<u>\$ 30,295</u>	<u>\$ 50,000</u>	<u>\$ 19,705</u>

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS
GENERAL FUND
YEAR ENDED JUNE 30, 2015**

Tax Year	Beginning Balance and 2014-15 Levy	Net Adjustments	Interest (Discounts)	Collections	Uncollected June 30, 2015
Original Levy					
2014-15	\$ 218,579	\$ (325)	\$ (5,333)	\$ 205,704	\$ 7,217
2013-14	7,576	(43)	232	4,149	3,616
2012-13	4,530	(27)	333	2,596	2,240
2011-12	3,022	(27)	440	2,384	1,051
2010-11	1,845	(31)	421	1,934	301
2009-10	120	(30)	15	51	54
2008-09	89	(12)	8	24	61
2007-08	68			25	43
2006-07	76		12	21	67
2005-06	42		11		53
	<u>235,947</u>	<u>(495)</u>	<u>(3,861)</u>	<u>216,888</u>	<u>14,703</u>
Local Option Levy					
2013-2017					
2014-15	275,423	(410)	(6,719)	259,199	9,095
2013-14	9,632	(54)	441	5,421	4,598
Totals	<u>\$ 521,002</u>	<u>\$ (959)</u>	<u>\$ (10,139)</u>	481,508	<u>\$ 28,396</u>
				Collections within sixty days of the year ended June 30, 2014	(3,184)
				Collections within sixty days of the year ended June 30, 2015	<u>1,118</u>
				Modified accrual basis tax revenue	<u>\$ 479,442</u>

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2015**

<u>Tax Year</u>	<u>Beginning Balance and 2014-15 Levy</u>	<u>Net Adjustments</u>	<u>Interest (Discount)</u>	<u>Collections</u>	<u>Uncollected June 30, 2015</u>
2014-15	\$ 650,118	\$ (967)	\$ (15,860)	\$ 611,823	\$ 21,468
2013-14	22,343	(126)	683	12,236	10,664
2012-13	13,215	(77)	972	7,572	6,538
2011-12	9,084	(81)	1,322	7,165	3,160
2010-11	5,255	(89)	1,199	5,504	861
2009-10	332	(84)	41	140	149
2008-09	274	(38)	24	75	185
2007-08	148				148
2006-07	211		33	71	173
2005-06	115		29	57	87
	<u>\$ 701,095</u>	<u>\$ (1,462)</u>	<u>\$ (11,557)</u>	644,643	<u>\$ 43,433</u>
				Collections within sixty days of the year ended June 30, 2014	(6,345)
				Collections within sixty days of the year ended June 30, 2015	<u>2,068</u>
				Modified accrual basis tax revenue	<u>\$ 640,366</u>

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

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

Board of Directors
Madras Aquatic Center
Madras, OR

We have audited 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, 2015, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements and have issued our report thereon dated January 22, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

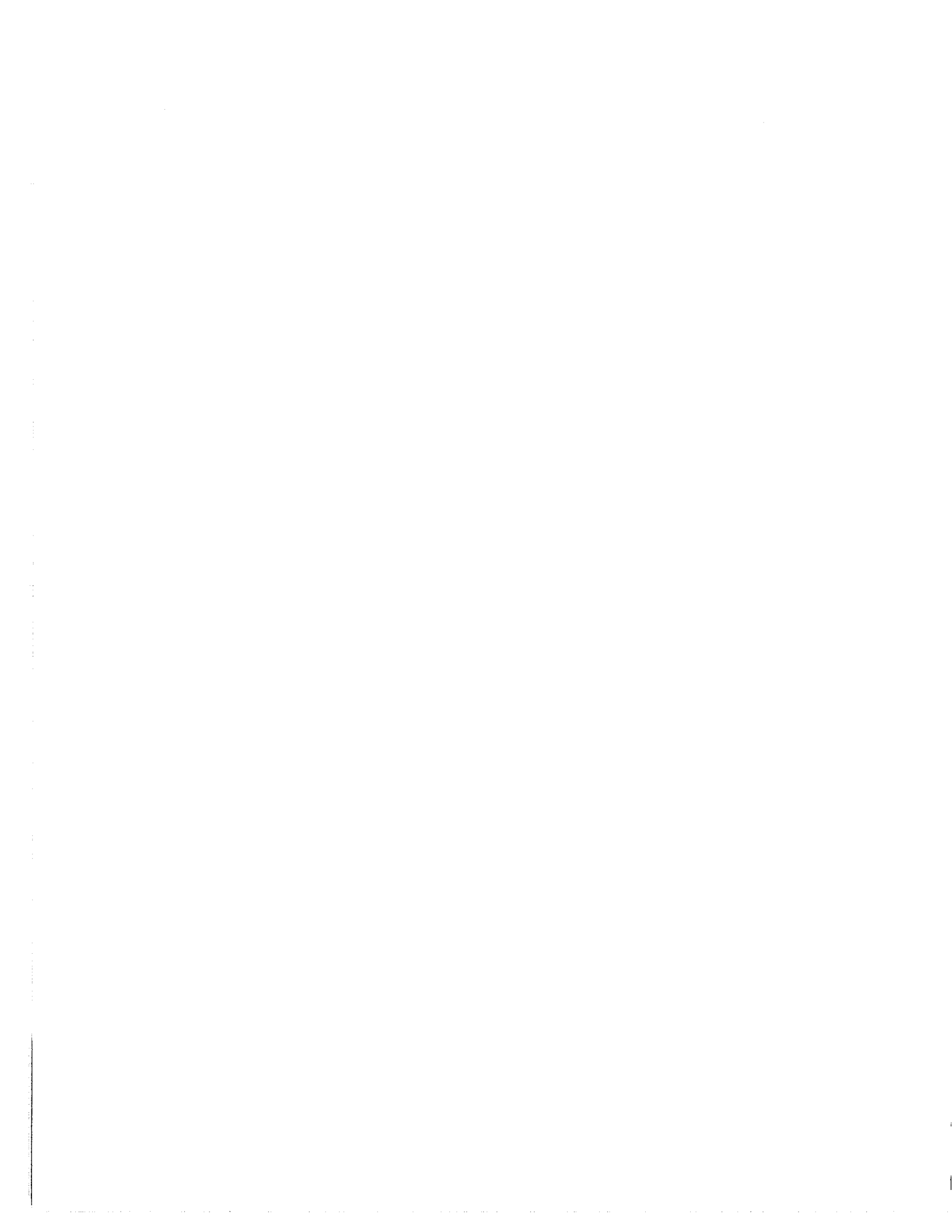
Compliance

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Budgets legally required (ORS Chapter 294)**
- **Insurance and fidelity bonds in force or required by law**
- **Authorized investment of surplus funds (ORS Chapter 294)**

In connection with our testing nothing came to our attention that caused us to believe the Center was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative



Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as follows:

We reviewed the Center's procedures for preparation, adoption and execution of their budget for the year ended June 30, 2015, and procedures for preparation and adoption of the Center's budget for the year beginning July 1, 2015, and found them to be in compliance with the statutory requirements with the exception of (1) General Fund expenditures which exceeded appropriations in administration and recreation by \$3,156 and \$85,054, respectively and (2) Debt Service Fund expenditures exceed appropriations by \$14,000. Lastly, the budget adopted for the Maintenance Reserve Fund was not in balance.

OAR 162-10-0230 Internal Control

In planning and performing our audit of the financial statements for the governmental activities, discretely presented component unit and each major fund, 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. Control deficiencies will be communicated to management in a separate letter.

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.

PRICE FRONK & CO.
Certified Public Accountants & Consultants

By: *Candace S. Fronk*
Candace S. Fronk – partner

January 22, 2016

