

PRICE
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MADRAS AQUATIC CENTER
MADRAS, OREGON

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016



January 30, 2017

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, 2016. 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 November 2, 2016. Professional standards also require that we communicate to you the following information related to our audit.

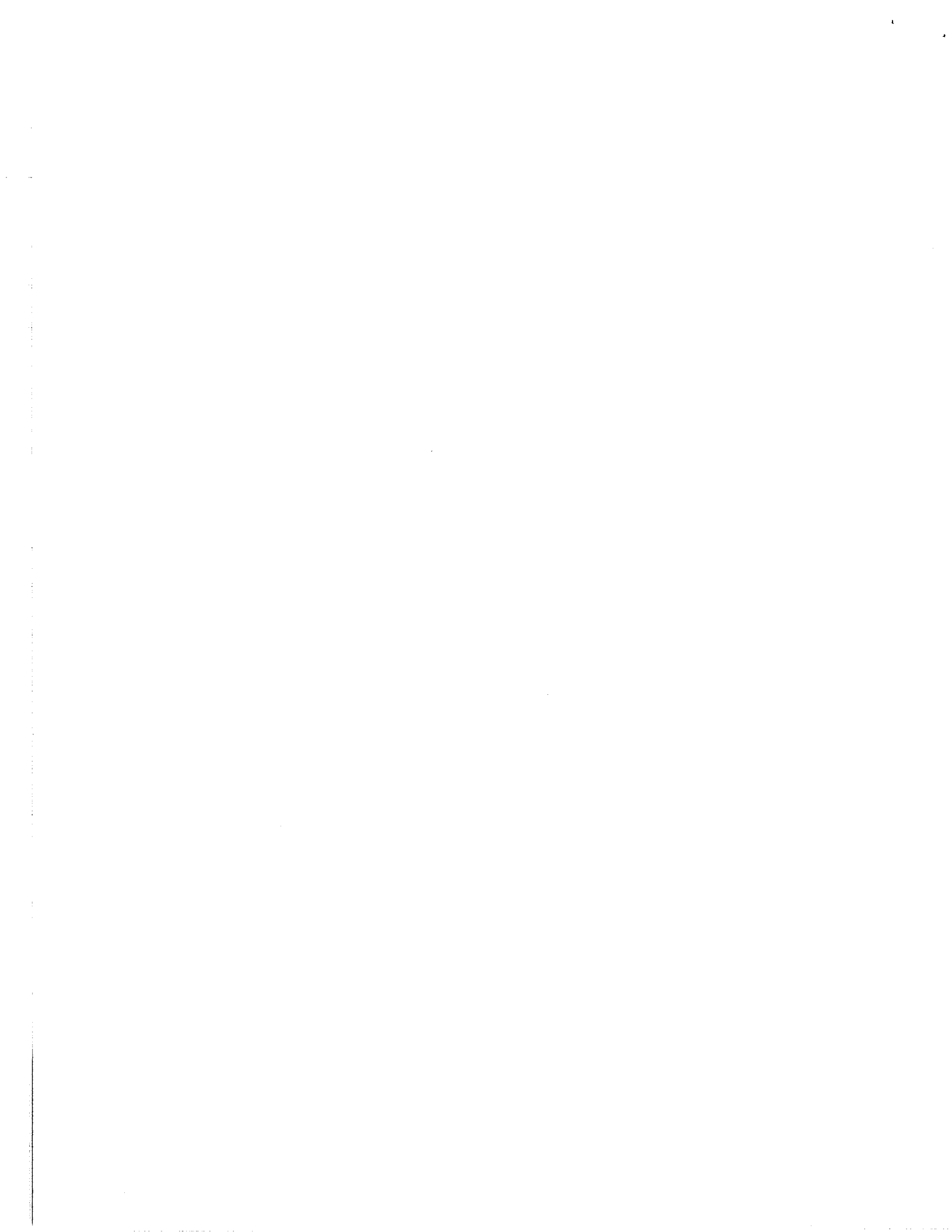
Significant Audit Findings

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, 2016. 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 30, 2017.

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.

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.

Restriction on Use

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.
Certified Public Accountants & Consultants

By: 
Candace S. Fronk – a partner

Client: 38220 - Madras Aquatic Center
 Engagement: 38220 - Madras Aquatic Center
 Period Ending: 6/30/2016
 Trial Balance: Trial Balance Database
 Workpaper: AJE - Adjusting Journal Entries Report

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
to adjust beginning equity			
1805	Property Taxes 13-17	4,060.08	
2020	Accounts Payable - Other	19,930.20	
2230	Unearned Revenue	7,628.25	
2600	Deferred Revenue General Taxes	1,172.39	
2610	Deferred Revenue Debt Svc	3,266.91	
4020	Fund Balance Debt Service	1,144.43	
4200	Retained Earnings	69,363.57	
7113	Program Supplies	203.86	
1800	Property Tax Rec -General		2,665.00
1810	Property Tax Rec - Debt		7,543.21
2020	Accounts Payable - Other		16,246.60
2605	Deferred Revenue 13-17		4,633.68
4010	Fund Balance MAC General		36,317.60
5305	Daily Admissions		2,407.25
7000	Salaries - Other		19,120.43
7061	Payroll Taxes		8,468.57
7411	Software Fees		8,700.00
7530	Other Expenses		667.35
Total		106,769.69	106,769.69

Adjusting Journal Entries JE # 2			
to adjust retained earnings to actual			
4010	Fund Balance MAC General	1,016.78	
4020	Fund Balance Debt Service	5,345.57	
4200	Retained Earnings		6,358.65
7113	Program Supplies		3.70
Total		6,362.35	6,362.35

Adjusting Journal Entries JE # 3			
to reverse prior year A/P entry			
2020	Accounts Payable - Other	16,246.60	
7113	Program Supplies	400.00	
7001	Salaries - Executive Director		639.55
7100	Legal		280.00
7112	Office Supplies		6.99
7113	Program Supplies		216.20
7115	Cleaning Supplies		194.00
7116	Pool Chemicals		1,551.16
7130	Concessions		338.44
7301	Sewer		9,465.41
7400	Advertising		652.39
7412	Licenses, Dues & Memberships		245.00

Client: 38220 - Madras Aquatic Center
Engagement: 38220 - Madras Aquatic Center
Period Ending: 6/30/2016
Trial Balance: Trial Balance Database
Workpaper: AJE - Adjusting Journal Entries Report

Account	Description	Debit	Credit
7420	Contractual Services		1,163.64
7440	Repairs & Maintenance		1,126.62
7500	Staff Development/Education		50.00
7505	Pre-employment Drug Screening		25.00
7510	Mileage		585.90
7520	Travel		106.30
Total		16,646.60	16,646.60

Adjusting Journal Entries JE # 4
to true up property taxes

1050	JC Treas 714 - Adm & Operating	1,171.54	
1051	JC Treas 716 - Levy	1,094.15	
1090	JC Treas - Debt	21,675.07	
1805	Property Taxes 13-17	1,179.47	
2600	Deferred Revenue General Taxes	1,562.98	
2610	Deferred Revenue Debt Svc	8,426.11	
9800	Debt Service Principal	495,000.00	
9810	Debt Service Interest	167,797.22	
1800	Property Tax Rec -General		1,562.78
1810	Property Tax Rec - Debt		4,268.58
2605	Deferred Revenue 13-17		1,179.51
5110	Current Year Taxes		670.82
5151	Current Year Taxes		910.19
5160	Property Tax Debt		685,898.08
5761	Interest - Debt Service		3,416.58
Total		697,906.54	697,906.54

Adjusting Journal Entries JE # 6
to reclass capital items to capital outlay expenditure

9700	Capital Outlay	17,607.89	
7113	Program Supplies		2,108.00
7120	Equipment		3,775.00
7411	Software Fees		1,395.90
7440	Repairs & Maintenance		8,529.99
7441	Landscaping		1,799.00
Total		17,607.89	17,607.89

Adjusting Journal Entries JE # 10
to write off old A/R

1110	Memberships Receivable	1,233.09	
5305	Daily Admissions	2,555.08	
1100	Accounts Receivable - Other		884.00
1111	Revenue Receipts		2,904.17

Client: 38220 - Madras Aquatic Center
 Engagement: 38220 - Madras Aquatic Center
 Period Ending: 6/30/2016
 Trial Balance: Trial Balance Database
 Workpaper: AJE - Adjusting Journal Entries Report

Account	Description	Debit	Credit
Total		<u>3,788.17</u>	<u>3,788.17</u>

Adjusting Journal Entries JE # 11

to adjust A/P to Prepaid

1605	Prepaid Expenses	13,816.71	
7440	Repairs & Maintenance	91.14	
7600	Insurance	145.85	
2000	Accounts Payable		14,053.70
Total		<u>14,053.70</u>	<u>14,053.70</u>

Adjusting Journal Entries JE # 12

to record prepaid expenses on Gov't Wide basis

1605	Prepaid Expenses	13,512.30	
7440	Repairs & Maintenance		2,030.00
7600	Insurance		11,482.30
Total		<u>13,512.30</u>	<u>13,512.30</u>

Adjusting Journal Entries JE # 13

to zero out negative ADP clearing asset

0001	ADP P/R Clearing	2,448.75	
7061	Payroll Taxes		2,448.75
Total		<u>2,448.75</u>	<u>2,448.75</u>

Adjusting Journal Entries JE # 15

to record bond refinance at fund level

9750	Series 2005 Principal Payments	5,905,000.00	
9810	Debt Service Interest	78,010.63	
9870	Bond Issuance Costs	78,766.92	
5950	Proceeds from Bond Issuance		5,700,000.00
5955	Premium received on Bond Issuance		361,777.55
Total		<u>6,061,777.55</u>	<u>6,061,777.55</u>

Adjusting Journal Entries JE # 17

to break out contractual services detail

7305	Telecommunications	912.00	
7415	Referee and Officiating Fees	8,161.53	
7427	Fees - Software Mgmt	1,715.00	
7430	Lease/Rentals	1,287.64	
7440	Repairs & Maintenance	850.00	
7420	Contractual Services		12,926.17
Total		<u>12,926.17</u>	<u>12,926.17</u>

Client: 38220 - Madras Aquatic Center
 Engagement: 38220 - Madras Aquatic Center
 Period Ending: 6/30/2016
 Trial Balance: Trial Balance Database
 Workpaper: AJE - Adjusting Journal Entries Report

Account	Description	Debit	Credit
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Adjusting Journal Entries JE # 19
to adjust deferred revenue to estimate

5310	Memberships	2,500.00	
2230	Unearned Revenue		2,500.00
Total		<u>2,500.00</u>	<u>2,500.00</u>

Adjusting Journal Entries JE # 20
to adjust intra-fund account through donations submitted to Trust

5600	Donations	6,068.78	
9999	Intra-Fund		6,068.78
Total		<u>6,068.78</u>	<u>6,068.78</u>

January 30, 2017

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, 2017, 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.

Our consideration of internal control was for the limited purpose described in the preceding 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. Accounts payable was recorded incorrectly, no capital outlay was recorded and property tax revenues and receivables were not updated.

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.

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.
Certified Public Accountants & Consultants

By: 
Candace S. Fronk – a partner

MADRAS AQUATIC CENTER
MADRAS, OREGON

FINANCIAL REPORT
YEAR ENDED JUNE 30, 2016

MADRAS AQUATIC CENTER

MADRAS, OREGON

DISTRICT OFFICIALS

JUNE 30, 2016

Chair

Steve Webb
Madras, Oregon

Vice Chair

Angela Madden
Madras, Oregon

Secretary

Jinnell Lewis
Madras, Oregon

Director

Jamie Hurd
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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Wesley B. Price III, CPA
Candace S. Fronk, CPA
Kara L. Pardue, CPA
Karen C. Anderson, CPA

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, 2016, 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.

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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, 2016, 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 2015 financial statements, and we expressed an unmodified opinion on each major fund in our report dated January 22, 2016. In our opinion, the summarized comparative information provided herein as of and for the year ended June 30, 2015, 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 30, 2017, 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 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

MADRAS AQUATIC CENTER
MADRAS, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

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, 2016.

Financial Highlights

- The assets of the Center exceeded its liabilities at June 30, 2016, by \$1,252,127 compared to \$1,096,691 at the end of the prior fiscal year.
- As of June 30, 2016, the Center's General Fund reported an ending fund balance of \$164,817 compared to \$59,235 at the end of the prior fiscal year.
- The Center has finalized an agreement with Kid's Club to bring in additional revenue, in upwards of \$40,000 a year.
- With additional advertising concentrations and increased program offerings, the Center has dramatically increased its profitability during the year.
- The Center refinanced its original issue Series 2005 Bonds with a better interest rate, saving additional funds.

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, 2016. 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.

MADRAS AQUATIC CENTER
MADRAS, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

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.

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 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, 2016. 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 24–26 of this report.

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

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

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 13–23 of this report.

Government-wide Financial Analysis

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

SUMMARIZED STATEMENT OF NET POSITION

	Governmental Activities		
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change</u>
Current and other assets	\$ 353,009	\$ 283,907	\$ 69,102
Capital assets, net	<u>6,496,252</u>	<u>6,845,745</u>	<u>(349,493)</u>
Total Assets	<u>6,849,261</u>	<u>7,129,652</u>	<u>(280,391)</u>
Current liabilities	463,445	483,288	(19,843)
Long-term liabilities	<u>5,133,689</u>	<u>5,549,673</u>	<u>(415,984)</u>
Total Liabilities	<u>5,597,134</u>	<u>6,032,961</u>	<u>(435,827)</u>
Net investment in capital assets	931,708	892,820	38,888
Restricted for debt service	151,613	133,554	18,059
Unrestricted	<u>168,806</u>	<u>70,317</u>	<u>98,489</u>
Total Net Position	<u>\$ 1,252,127</u>	<u>\$ 1,096,691</u>	<u>\$ 155,436</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 \$1,252,127 at June 30, 2016.

Net position of \$151,613 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 \$168,806 at year-end, an increase of \$98,489.

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

STATEMENT OF ACTIVITIES

	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>	<u>Change</u>
Program revenues			
Charges for service	\$ 293,157	\$ 232,653	\$ 60,504
Contributions/grants	105,155	86,436	18,719
General revenues			
Investment earnings	4,562	2,780	1,782
Property taxes	<u>1,202,458</u>	<u>1,120,003</u>	<u>82,455</u>
Total revenues	1,605,332	1,441,872	163,460
Expenses			
Recreation services	<u>1,449,896</u>	<u>1,457,364</u>	<u>(7,468)</u>
Changes in net position	<u>155,436</u>	<u>(15,492)</u>	<u>170,928</u>
Net position - Beginning of year	<u>1,096,691</u>	<u>1,112,183</u>	<u>(15,492)</u>
Net Position - End of year	<u>\$ 1,252,127</u>	<u>\$ 1,096,691</u>	<u>\$ 155,436</u>

Governmental Activities

Governmental activities generated \$1,605,332 of revenue and \$1,449,896 of expenses for a net increase of \$155,436 in the Center's net position for the year ended June 30, 2016.

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
MADRAS, OREGON

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

As of June 30, 2016, \$164,817 is the reported ending fund balance for the Center's General Fund and \$118,674 is the reported ending fund equity for the Center's Debt Service Fund, all of which is restricted for debt service. At June 30, 2016, the Center reported an ending fund deficit of \$22,903 in the maintenance reserve fund.

Budgetary Highlights

Changes to the originally adopted budget included a supplemental budget to record the transfer to the Maintenance Reserve, appropriate additional resources and reclassify contingency in the General Fund.

Capital Asset and Debt Administration

Capital Assets

The Center's investment in capital assets for its governmental activities as of June 30, 2016, is \$6,496,252 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 20 of this report.

Long-term Debt

At June 30, 2016, the Center had total bonded debt of \$5,205,000. The bond matures in fiscal year 2025. Additional information on the Center's debt is included in Note 5 on pages 20 and 21 of this report.

Key Economic Factors and Budget Information for the Future

- Economy is holding steady, increasing membership revenue including expanded programs and revenue avenues for the Center.
- 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.
- The Center made an agreement with Kid's Club, allowing for additional revenue in the future.

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, 2016

	Primary Government	Component Unit	Totals	
	Governmental Activities	The MAC Foundation, Inc.	2016	2015
ASSETS				
Cash and investments	\$ 257,950	\$ 45,527	\$ 303,477	\$ 256,952
Receivables	67,177		67,177	72,002
Inventory	553		553	553
Prepaid items	27,329		27,329	14,099
Capital assets				
Depreciable capital assets, net	5,945,808		5,945,808	6,295,301
Land	550,444		550,444	550,444
TOTAL ASSETS	6,849,261	45,527	6,894,788	7,189,351
LIABILITIES				
Accounts payable	2,588		2,588	52,536
Accrued interest	15,857		15,857	23,252
Unearned revenue	30,000		30,000	27,500
Bond payable - due in less than one year	415,000		415,000	380,000
Bond premium, net	343,689		343,689	24,673
Bond payable - due in more than one year	4,790,000		4,790,000	5,525,000
TOTAL LIABILITIES	5,597,134		5,597,134	6,032,961
NET POSITION				
Net investment in capital assets	931,708		931,708	892,820
Restricted for debt service	151,613		151,613	133,554
Unrestricted	168,806	45,527	214,333	130,016
TOTAL NET POSITION	\$ 1,252,127	\$ 45,527	\$ 1,297,654	\$ 1,156,390

See notes to financial statements

MADRAS AQUATIC CENTER
MADRAS, OREGON

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Primary Government Governmental Activities	Component Unit The MAC Foundation, Inc.	Totals	
			2016	2015
Expenses				
Recreation services	\$ 1,449,896	\$ 55,135	\$ 1,505,031	\$ 1,511,533
Program revenues				
Charges for services	293,157		293,157	264,333
Operating grants and contributions	105,155	40,963	146,118	113,159
Total program revenues	398,312	40,963	439,275	377,492
Net program revenue (expense)	(1,051,584)	(14,172)	(1,065,756)	(1,134,041)
General revenues				
Property taxes levied for general purposes	516,593		516,593	482,904
Property taxes levied for debt service	685,865		685,865	637,099
Earnings on investments	4,562		4,562	2,780
Total general revenues	1,207,020		1,207,020	1,122,783
Change in net position	155,436	(14,172)	141,264	(11,258)
Net position - Beginning of year	1,096,691	59,699	1,156,390	1,167,648
Net position - End of year	\$ 1,252,127	\$ 45,527	\$ 1,297,654	\$ 1,156,390

See notes to financial statements

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)**

	General	Debt Service	Maintenance Reserve	Totals	
				2016	2015
ASSETS					
Cash and investments	\$ 145,502	\$ 112,448	\$ -	\$ 257,950	\$ 197,253
Inventory	553			553	553
Prepaid items	27,329			27,329	
Accounts receivable					173
Property taxes receivable	28,012	39,165		67,177	71,829
Due from other fund	22,903			22,903	30,295
Total assets	\$ 224,299	\$ 151,613	\$ -	\$ 375,912	\$ 300,103
LIABILITIES					
Accounts payable	\$ 2,588	\$ -	\$ -	\$ 2,588	\$ 52,536
Unearned revenue	30,000			30,000	27,500
Due to other fund			22,903	22,903	30,295
Total liabilities	32,588		22,903	55,491	110,331
DEFERRED INFLOWS OF RESOURCES					
Unavailable property tax revenue	26,894	32,939		59,833	68,643
FUND BALANCE					
Nonspendable	27,882			27,882	553
Restricted for debt service		118,674		118,674	92,189
Unassigned	136,935		(22,903)	114,032	28,387
Total fund balance	164,817	118,674	(22,903)	260,588	121,129
Total liabilities, deferred inflows of resources and fund balances	\$ 224,299	\$ 151,613	\$ -	\$ 375,912	\$ 300,103
Fund balances, above				\$ 260,588	\$ 121,129
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.				6,496,251	6,845,745
Property taxes not collected within sixty days after year-end are not considered financial resources and, therefore, are not reported in the funds.				59,833	68,643
Certain prepaid expenses were reported as expenditures in the funds since they are a use of current financial resources.					14,099
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(5,564,545)	(5,952,925)
Net position of governmental activities, page 9.				\$ 1,252,127	\$ 1,096,691

See notes to financial statements

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)**

	General	Debt Service	Maintenance Reserve	Totals	
				2016	2015
Revenues					
Intergovernmental	\$ 36,576	\$	\$	\$ 36,576	\$ 40,163
Grants	68,579			68,579	46,273
Property taxes	516,593	685,865		1,202,458	1,119,808
Charges for services	293,157			293,157	232,653
Interest	1,145	3,417		4,562	2,780
Total revenues	916,050	689,282		1,605,332	1,441,677
Expenditures					
Current					
Recreation	785,468			785,468	804,259
Capital outlay			17,608	17,608	30,295
Debt service					
Principal		6,400,000		6,400,000	350,000
Interest		245,808		245,808	297,675
Bond issuance costs		78,767		78,767	
Total expenditures	785,468	6,724,575	17,608	7,527,651	1,482,229
Excess of revenues over					
Net increase (decrease) in fund balances	130,582	(6,035,293)	(17,608)	(5,922,319)	(40,552)
Other financing sources (uses)					
Bond proceeds		6,061,778		6,061,778	
Interfund transfers in			25,000	25,000	
Interfund transfers out	(25,000)			(25,000)	
	(25,000)	6,061,778	25,000	6,061,778	
Net changes in fund balances	105,582	26,485	7,392	139,459	(40,552)
Fund balances - Beginning of year	59,235	92,189	(30,295)	121,129	161,681
Fund balances - End of year	\$ 164,817	\$ 118,674	\$ (22,903)	\$ 260,588	\$ 121,129
Amounts reported for governmental activities are different because:					
Net change in funds balances - governmental funds, above				\$ 139,459	\$ (40,552)
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.				(349,491)	(327,586)
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 and the bond premium is amortized to interest expense over the life of the bond.				50,158	3,615
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.				(8,810)	194
Governmental funds report loan principal received as loan proceeds revenue in the funds.				(6,061,778)	
Governmental funds report prepaid expenses as expenditures in the funds.				(14,102)	(1,163)
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.				6,400,000	350,000
Change in net position of governmental activities, page 10.				\$ 155,436	\$ (15,492)

See notes to financial statements

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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 \$6,080 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 \$49,055 to benefit the Center's constituents.

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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),

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Equity – Continued

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.

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.

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 Debt Service Fund by \$47,889.

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, 2015, from which the summarized information was derived.

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.

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 – ORGANIZATION AND FUND STRUCTURE – CONTINUED

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, 2016, was \$1,425,656,743 for reported public funds of \$2,060,399,665. 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
MADRAS, OREGON

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 3 – CASH AND INVESTMENTS – CONTINUED

The Center's cash at June 30, 2016, consisted of the following:

	<u>Center</u>	<u>Foundation</u>
Demand deposits	\$ 153,998	\$ 45,527
Cash on hand	200	
Investment - Country Treasurer External Investment Pool	<u>103,752</u>	
	<u>\$ 257,950</u>	<u>\$ 45,527</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
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 – CAPITAL ASSETS

Changes in the Center’s capital assets for the year ended June 30, 2016, were as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 2016</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	17,608		2,251,416
Equipment	179,813			179,813
Software	17,100			17,100
Total capital assets being depreciated	<u>9,152,181</u>	<u>17,608</u>		<u>9,169,789</u>
Less accumulated depreciation	<u>(2,856,880)</u>	<u>(367,101)</u>		<u>(3,223,981)</u>
Capital assets, net	<u>\$ 6,845,745</u>	<u>\$ (349,493)</u>	<u>\$ -</u>	<u>\$ 6,496,252</u>

Depreciation expense for the year ended totaled \$367,101.

NOTE 5 – LONG-TERM DEBT

General Obligation Bond Payable

General obligation bonds totaling \$8,100,000, issued during the period ended June 30, 2005 for the construction of the aquatic facility have been refinanced during the current year (see below). The bonds matured serially through June 2025 and interest was payable semi-annually on June and December 1, at rates of 3% to 5%.

General obligation bonds totaling \$5,700,000 were issued during fiscal year ending 2016, as a refinance of existing bonds previously issued for the construction of the aquatic facility. The bonds mature serially through June 2025. Interest is payable semi-annually on June 1 and December 1, at rates between 2.5% and 4%.

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 – LONG-TERM DEBT – CONTINUED

General Obligation Bond Payable – Continued

Future maturities are as follows:

Fiscal Year Ending June 30,	Bond Principal	Bond Interest	Total
2017	\$ 415,000	\$ 193,450	\$ 608,450
2018	455,000	181,000	636,000
2019	485,000	167,350	652,350
2020	530,000	147,950	677,950
2021	570,000	126,750	696,750
2022-2025	2,750,000	277,850	3,027,850
	\$ 5,205,000	\$ 1,094,350	\$ 6,299,350

Changes in long-term debt for the period ended June 30, 2016, were as follows:

Principal balance - June 30, 2015	\$ 5,905,000
Called and paid	(5,905,000)
New bonds issued	5,700,000
Matured and paid	(495,000)
Principal balance - June 30, 2016	\$ 5,205,000

Total interest expense on long-term borrowings for the year amounted to \$245,808.

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%.

**MADRAS AQUATIC CENTER
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 – PROPERTY TAX LIMITATIONS – CONTINUED

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.

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, 2016 was \$5,742.

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

MADRAS AQUATIC CENTER
MADRAS, OREGON

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

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.

NOTE 11 – DEFICIT FUND BALANCE

The deficit fund balance of \$22,903 is expected to be corrected in coming years by transfers from the General Fund.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 30, 2017.

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, 2016

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Over (Under) Budget</u>
Revenues				
Property taxes	\$ 504,961	\$ 504,961	\$ 516,593	\$ 11,632
Intergovernmental revenue	40,000	40,000	36,576	(3,424)
Program revenues	188,500	188,500	243,236	54,736
Product sales	11,500	11,500	19,362	7,862
Facility income	14,000	14,000	19,559	5,559
Foundation support	41,000	61,723	6,080	(55,643)
Other income	39,250	39,250	74,644	35,394
	<u>839,211</u>	<u>859,934</u>	<u>916,050</u>	<u>56,116</u>
Total revenues				
Expenditures				
Personnel services		481,042	430,285	(50,757)
Materials and services		361,200	355,183	(6,017)
Administration	171,491			
Recreation	315,485			
Facility	283,767			
Board	19,500			
Contingency	31,278			
	<u>821,521</u>	<u>842,242</u>	<u>785,468</u>	<u>(56,774)</u>
Total expenditures				
Excess of revenues over (under) expenditures	17,690	17,692	130,582	112,890
Other financing uses				
Interfund transfer out		(25,000)	(25,000)	
Net change in fund balance	17,690	(7,308)	105,582	112,890
Fund balance - Beginning of year	25,000	50,000	59,235	9,235
Fund balance - End of year	<u>\$ 42,690</u>	<u>\$ 42,692</u>	<u>\$ 164,817</u>	<u>\$ 122,125</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, 2016**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Over (Under) Budget</u>
Revenues			
Property taxes	\$ 693,675	\$ 685,865	\$ (7,810)
Interest on investments		3,417	3,417
Total revenues	<u>693,675</u>	<u>689,282</u>	<u>(4,393)</u>
Expenditures			
Debt service	<u>693,675</u>	<u>6,724,575</u>	<u>6,030,900</u>
Total expenditures	<u>693,675</u>	<u>6,724,575</u>	<u>6,030,900</u>
Excess of revenues over (under) expenditures		(6,035,293)	(6,035,293)
Other financing sources			
Bond proceeds		<u>6,061,778</u>	<u>6,061,778</u>
Net change in fund balance		26,485	26,485
Fund balance - Beginning of year	<u>52,000</u>	<u>92,189</u>	<u>40,189</u>
Fund balance - End of year	<u>\$ 52,000</u>	<u>\$ 118,674</u>	<u>\$ 66,674</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, 2016**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Over (Under) Budget</u>
Revenues	\$	\$	\$
Total revenues			
Expenditures			
Capital outlay	25,000	17,608	(7,392)
Total expenditures	25,000	17,608	(7,392)
Excess of revenues over (under) expenditures	(25,000)	(17,608)	7,392
Other financing sources			
Interfund transfer in	25,000	25,000	
Net change in fund balance		7,392	7,392
Fund balance - Beginning of year		(30,295)	(30,295)
Fund balance - End of year	\$ -	\$ (22,903)	\$ (22,903)

MADRAS AQUATIC CENTER
MADRAS, OREGON

SCHEDULE OF EXPENDITURES AND APPROPRIATIONS
ALL FUNDS
YEAR ENDED JUNE 30, 2016

	<u>Actual</u>	<u>Appropriations</u>	<u>Actual Under (Over) Appropriation</u>
General Fund			
Personnel services	\$ 430,285	\$ 481,042	\$ 50,757
Materials and services	355,183	361,200	6,017
Interfund transfers	25,000	25,000	
	<u>\$ 810,468</u>	<u>\$ 867,242</u>	<u>\$ 56,774</u>
Debt Service Fund			
Debt service	<u>\$ 741,564</u>	<u>\$ 693,675</u>	<u>\$ (47,889)</u>
Maintenance Reserve Fund			
Capital outlay	<u>\$ 17,608</u>	<u>\$ 25,000</u>	<u>\$ 7,392</u>

AUDIT COMMENTS AND DISCLOSURES

REQUIRED BY STATE REGULATIONS

**INDEPENDENT AUDITOR'S REPORT
REQUIRED BY OREGON 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, 2016, 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 30, 2017. 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, 2016, and procedures for preparation and adoption of the Center's budget for the year beginning July 1, 2016, and found them to be in compliance with the statutory requirements with the exception of Debt Service Fund expenditures exceed appropriations by \$47,889. Also, 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 – partner

January 30, 2017

