

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
MADRAS, OREGON**

**FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2017**

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
MADRAS, OREGON**

**DISTRICT OFFICIALS  
JUNE 30, 2017**

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***Chair***

Steve Webb  
Madras, Oregon

***Vice Chair***

Jinnell Lewis  
Madras, Oregon

***Secretary***

Larry Layton  
Madras, Oregon

***Director***

Jamie Hurd  
Madras, Oregon

***Director***

Greg Tippett  
Madras, Oregon

***Registered Agent and Office***

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

# MADRAS AQUATIC CENTER RECREATION DISTRICT

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Madras Aquatic Center Recreation District  
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 Recreation District (the District), as of and for the year ended June 30, 2017, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### 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 opinion.

**Opinion**

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 Recreation District as of June 30, 2017, 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 9 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 District'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 District's 2016 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, 2016, 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, 2018, 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, 2018

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
MADRAS, OREGON**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

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As management of the Madras Aquatic Center Recreation District (the District), we offer readers of Madras Aquatic Center Recreation District's financial statements this narrative overview and analysis of the financial activities of Madras Aquatic Center Recreation District, for the year ended June 30, 2017.

**Financial Highlights**

- The assets of the District exceeded its liabilities at June 30, 2017, by \$1,247,742 compared to \$1,252,127 at the end of the prior fiscal year.
- As of June 30, 2017, the District's General Fund reported an ending fund balance of \$516,228 compared to \$164,817 at the end of the prior fiscal year.
- The District has financed \$400,000 for energy efficient building upgrades and additional repairs and improvements which will be made in the year ending June 30, 2018.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District'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 District's finances, in a manner similar to a private-sector business.

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

The *Statement of Activities* presents information showing how the District's net position changed during the period ended June 30, 2017. 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 District that are supported primarily by taxes and inter-governmental revenues (*governmental activities*). The governmental activity of the District is recreation.



**MADRAS AQUATIC CENTER RECREATION DISTRICT**  
**MADRAS, OREGON**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2017**

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The government-wide financial statements can be found on pages 10-11 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 District, like other state and local government entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District 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 District reported activity in three governmental funds during the year ended June 30, 2017. 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 District 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 26-28 of this report.

The Basic Governmental Funds Financial Statements can be found on pages 12-13 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 14-25 of this report.

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
MADRAS, OREGON**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**Government-wide Financial Analysis**

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

**SUMMARIZED STATEMENT OF NET POSITION**

	<b>Governmental Activities</b>		
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change</u>
Current and other assets	\$ 705,193	\$ 353,009	\$ 352,184
Capital assets, net	<u>6,148,008</u>	<u>6,496,252</u>	<u>(348,244)</u>
<b>Total Assets</b>	<u>6,853,201</u>	<u>6,849,261</u>	<u>3,940</u>
Current liabilities	598,260	463,445	134,815
Long-term liabilities	<u>5,007,199</u>	<u>5,113,689</u>	<u>(106,490)</u>
<b>Total Liabilities</b>	<u>5,605,459</u>	<u>5,597,134</u>	<u>8,325</u>
Net investment in capital assets	1,017,572	931,708	85,864
Restricted for debt service	141,559	151,613	(10,054)
Unrestricted	<u>88,611</u>	<u>168,806</u>	<u>(80,195)</u>
<b>Total Net Position</b>	<u>\$ 1,247,742</u>	<u>\$ 1,252,127</u>	<u>\$ (4,385)</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 District, assets exceeded liabilities by \$1,247,742 at June 30, 2017.

Net position of \$141,559 is restricted for debt service. The District 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 \$88,611 at year-end, a decrease of \$80,195.

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
MADRAS, OREGON**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

**STATEMENT OF ACTIVITIES**

	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Change</u>
Program revenues			
Charges for service	\$ 309,596	\$ 293,157	\$ 16,439
Contributions/grants	77,778	98,656	(20,878)
General revenues			
Investment earnings	7,239	4,562	2,677
Property taxes	1,145,166	1,202,458	(57,292)
Other income	105,240	6,499	98,741
	<u>1,645,019</u>	<u>1,605,332</u>	<u>39,687</u>
 Expenses			
Recreation services	<u>1,649,404</u>	<u>1,449,896</u>	<u>199,508</u>
 Changes in net position	<u>(4,385)</u>	<u>155,436</u>	<u>(159,821)</u>
 Net position - Beginning of year	<u>1,252,127</u>	<u>1,096,691</u>	<u>155,436</u>
 Net Position - End of year	<u>\$ 1,247,742</u>	<u>\$ 1,252,127</u>	<u>\$ (4,385)</u>

**Governmental Activities**

Governmental activities generated \$1,645,019 of revenue and \$1,649,404 of expenses for a net decrease of \$4,385 in the District's net position for the year ended June 30, 2017.

**Financial Analysis of the District's Funds**

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

**Governmental funds**

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Particularly, 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 RECREATION DISTRICT  
MADRAS, OREGON**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

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As of June 30, 2017, \$516,228 is the reported ending fund balance for the District's General Fund and \$113,977 is the reported ending fund equity for the District's Debt Service Fund, all of which is restricted for debt service. At June 30, 2017, the District reported an ending fund deficit of \$43,557 in the maintenance reserve fund.

The increase of \$351,411 in the General Fund ending balance resulted primarily from \$396,000 in ending fund balance that is restricted for the District's upcoming energy improvement project. The unassigned General Fund balance decreased by \$34,916 from the prior year, due primarily to increased expenditures.

**Budgetary Highlights**

There were no changes to the budget as adopted. Revenues and expenditures in the General Fund exceeded budgeted amounts for the year.

**Capital Asset and Debt Administration**

***Capital Assets***

The District's investment in capital assets for its governmental activities as of June 30, 2017, is \$6,148,008 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 21 of this report.

***Long-term Debt***

At June 30, 2017, the District had total bonded debt of \$4,790,000. The bond matures in fiscal year 2025. The District also had new debt amounting to \$400,000 which matures in 2029. Additional information on the District's debt is included in Note 5 on pages 21 and 22 of this report.

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

- Economy is holding steady, with membership revenue down slightly. Expanded programs are continued to be strong revenue avenues for the District.
- The unemployment rate in the State of Oregon and Jefferson County is much better than in years past.
- The lack of volunteers and overall support has driven fundraising down.
- The District regained funding from the Bean Foundation during the prior year when it became in good standing with reporting requirements. The upcoming fiscal year will be the last year of funding.
- The District has continued their agreement with Kid's Club, allowing for additional revenue in the future.

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
MADRAS, OREGON**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017**

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**Requests for Information**

This financial report is designed to provide a general overview to those parties interested in Madras Aquatic Center Recreation District'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 Recreation District, 1195 SE Kemper Way, Madras, Oregon 97741.

**BASIC FINANCIAL STATEMENTS**

**MADRAS AQUATIC CENTER RECREATION DISTRICT**  
**MADRAS, OREGON**

**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	Primary Government	Component Unit	Totals	
	Governmental Activities	The MAC Foundation, Inc.	2017	2016
<b>ASSETS</b>				
Cash and investments	\$ 629,302	\$ 72,674	\$ 701,976	\$ 303,477
Receivables	57,682		57,682	67,177
Inventory	4,753		4,753	553
Prepaid items	13,456		13,456	27,329
Capital assets				
Depreciable capital assets, net	5,597,564		5,597,564	5,945,808
Land	550,444		550,444	550,444
<b>TOTAL ASSETS</b>	<b>6,853,201</b>	<b>72,674</b>	<b>6,925,875</b>	<b>6,894,788</b>
<b>LIABILITIES</b>				
Accounts payable	15,988		15,988	2,588
Payroll liabilities	25,681		25,681	
Accrued interest	21,190		21,190	15,857
Unearned revenue	27,000		27,000	30,000
Current portion of building improvement debt	65,749		65,749	
Long-term portion of building improvement debt	334,251		334,251	
Bond payable - due in less than one year	455,000		455,000	415,000
Bond premium, net	325,600		325,600	343,689
Bond payable - due in more than one year	4,335,000		4,335,000	4,790,000
<b>TOTAL LIABILITIES</b>	<b>5,605,459</b>		<b>5,605,459</b>	<b>5,597,134</b>
<b>NET POSITION</b>				
Net investment in capital assets	1,017,572		1,017,572	931,708
Restricted for debt service	141,559		141,559	151,613
Restricted for grant programs		20,000	20,000	
Unrestricted	88,611	52,674	141,285	214,333
<b>TOTAL NET POSITION</b>	<b>\$ 1,247,742</b>	<b>\$ 72,674</b>	<b>\$ 1,320,416</b>	<b>\$ 1,297,654</b>

See notes to financial statements

**MADRAS AQUATIC CENTER RECREATION DISTRICT**  
**MADRAS, OREGON**

**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2017**

	Primary Government	Component Unit	Totals	
	Governmental Activities	The MAC Foundation, Inc.	2017	2016
<b>Expenses</b>				
Recreation services	\$ 1,649,404	\$ 36,735	\$ 1,686,139	\$ 1,505,031
<b>Program revenues</b>				
Charges for services	309,596		309,596	293,157
Operating grants and contributions	77,778	63,882	141,660	139,619
Total program revenues	387,374	63,882	451,256	432,776
Net program revenue (expense)	(1,262,030)	27,147	(1,234,883)	(1,072,255)
<b>General revenues</b>				
Property taxes levied for general purposes	544,515		544,515	516,593
Property taxes levied for debt service	600,651		600,651	685,865
Other Income	105,240		105,240	6,499
Earnings on Investments	7,239		7,239	4,562
Total general revenues	1,257,645		1,257,645	1,213,519
<b>Change in net position</b>	(4,385)	27,147	22,762	141,264
Net position - Beginning of year	1,252,127	45,527	1,297,654	1,156,390
Net position - End of year	\$ 1,247,742	\$ 72,674	\$ 1,320,416	\$ 1,297,654

See notes to financial statements



**MADRAS AQUATIC CENTER RECREATION DISTRICT**  
**MADRAS, OREGON**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)**

	General	Debt Service	Maintenance Reserve	Totals	
				2017	2016
<b>ASSETS</b>					
Cash and Investments	\$ 519,592	\$ 109,710	\$ -	\$ 629,302	\$ 257,950
Inventory	4,753			4,753	553
Prepaid Items	13,456			13,456	27,329
Property taxes receivable	25,834	31,849		57,683	67,177
Due from other fund	43,557			43,557	22,903
<b>Total assets</b>	<b>\$ 607,192</b>	<b>\$ 141,559</b>	<b>\$ -</b>	<b>\$ 748,751</b>	<b>\$ 375,912</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 15,988	\$ -	\$ -	\$ 15,988	\$ 2,588
Payroll liabilities	25,681			25,681	
Unearned revenue	27,000			27,000	30,000
Due to other fund			43,557	43,557	22,903
<b>Total liabilities</b>	<b>68,669</b>		<b>43,557</b>	<b>112,226</b>	<b>55,491</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable property tax revenue	22,295	27,582		49,877	59,833
<b>FUND BALANCE</b>					
Nonspendable	18,209			18,209	27,882
Restricted for debt service		113,977		113,977	118,674
Restricted for capital asset acquisitions	396,000			396,000	
Unassigned	102,019		(43,557)	58,462	114,032
<b>Total fund balance</b>	<b>516,228</b>	<b>113,977</b>	<b>(43,557)</b>	<b>586,648</b>	<b>260,588</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 607,192</b>	<b>\$ 141,559</b>	<b>\$ -</b>	<b>\$ 748,751</b>	<b>\$ 375,912</b>
Fund balances, above				\$ 586,648	\$ 260,588
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.				6,148,007	6,496,251
Property taxes not collected within sixty days after year-end are not considered financial resources and, therefore, are not reported in the funds.				49,877	59,833
Accrued interest on long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(21,190)	(15,857)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(5,515,600)	(5,548,688)
Net position of governmental activities, page 10.				\$ 1,247,742	\$ 1,252,127

See notes to financial statements

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
MADRAS, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2016)**

	General	Debt Service	Maintenance Reserva	Totals	
				2017	2016
<b>Revenues</b>					
Property taxes	\$ 544,515	\$ 600,651	\$	\$ 1,145,166	\$ 1,202,458
Intergovernmental	30,000			30,000	36,576
Grants	47,778			47,778	62,080
Charges for services	309,596			309,596	293,157
Other Income	105,240			105,240	6,499
Interest	4,158	3,081		7,239	4,562
<b>Total revenues</b>	<b>1,041,287</b>	<b>603,732</b>		<b>1,645,019</b>	<b>1,605,332</b>
<b>Expenditures</b>					
Current					
Recreation	1,089,876			1,089,876	785,468
Capital outlay			20,654	20,654	17,608
Debt service					
Principal		415,000		415,000	6,400,000
Interest		193,429		193,429	245,808
Bond issuance costs					78,767
<b>Total expenditures</b>	<b>1,089,876</b>	<b>608,429</b>	<b>20,654</b>	<b>1,718,959</b>	<b>7,527,651</b>
<b>Net increase (decrease) in fund balances</b>	<b>(48,589)</b>	<b>(4,697)</b>	<b>(20,654)</b>	<b>(73,940)</b>	<b>(5,922,319)</b>
<b>Other financing sources</b>					
Building improvement loan proceeds	400,000			400,000	
Bond proceeds					6,061,778
<b>Total other financing sources</b>	<b>400,000</b>			<b>400,000</b>	<b>6,061,778</b>
<b>Net changes in fund balances</b>	<b>351,411</b>	<b>(4,697)</b>	<b>(20,654)</b>	<b>326,060</b>	<b>139,459</b>
<b>Fund balances - Beginning of year</b>	<b>164,817</b>	<b>118,674</b>	<b>(22,903)</b>	<b>260,588</b>	<b>121,129</b>
<b>Fund balances - End of year</b>	<b>\$ 516,228</b>	<b>\$ 113,977</b>	<b>\$ (43,557)</b>	<b>\$ 586,648</b>	<b>\$ 260,588</b>

Amounts reported for governmental activities are different because:

Net change in funds balances - governmental funds, above	\$ 326,060	\$ 139,459
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.	(348,244)	(349,491)
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.	12,755	50,158
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.	(9,956)	(8,810)
Governmental funds report loan principal received as loan proceeds revenue in the funds.	(400,000)	(6,061,778)
Governmental funds report prepaid expenses as expenditures in the funds.		(14,102)
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.	415,000	6,400,000
Change in net position of governmental activities, page 11.	<u>\$ (4,385)</u>	<u>\$ 155,436</u>

See notes to financial statements

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***The District***

Madras Aquatic Center Recreation District (the District) was formed in November 2004, under the provisions of ORS Chapter 266. The District 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 District.

***Financial Reporting Entity***

The District's financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District'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 District holds the corporate powers of the organization.
- The District appoints a voting majority of the organization's board.
- The District is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the District.
- There is fiscal dependency by the organization on the District.

Based on the aforementioned criteria, the District 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 District. Accounting standards require such organizations to be included in the reporting entity for the District if: (1) the Foundation's economic resources are entirely or almost entirely for the direct benefit of the District or its constituents; (2) the District is entitled to or has the ability to otherwise access the majority of the Foundation's economic resources (as demonstrated by the District historically receiving a majority of the Foundation's resources or the Foundation previously honoring the District's requests for funds) and (3) the economic resources received from or held by the Foundation are significant to the District. The Foundation provided \$13,278 to the District 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 \$22,754 to benefit the District's constituents.

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**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 District 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 District'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 District 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 RECREATION DISTRICT**  
**MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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**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 related asset.

***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 RECREATION DISTRICT  
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**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 District's governing board (the District'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 District reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available. The District 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 District 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. Receivables at June 30, 2017, consist solely of property taxes receivable.

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Unearned Revenue***

The District 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 District 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. The Foundation is not subject to local budget law.

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

Expenditures exceeded appropriations in the General Fund for three appropriations totaling \$256,134.

***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, 2016, from which the summarized information was derived.

**NOTE 2 – ORGANIZATION AND FUND STRUCTURE**

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

**MADRAS AQUATIC CENTER RECREATION DISTRICT**  
**MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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**NOTE 2 – ORGANIZATION AND FUND STRUCTURE – CONTINUED**

***General Fund***

The General Fund is utilized to account for the operation of the District. 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 District. Resources of revenue will be a result of transfers from the General Fund when necessary.

**NOTE 3 – CASH AND INVESTMENTS**

The District'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 District purchased allowable investment instruments but did not participate in any repurchase or reverse repurchase agreements. The Foundation's investments are not regulated.

Custodial credit risk is the risk that in the event of a bank failure, the District'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, 2017, was \$1,270,579,839 for reported public funds of \$1,981,568,609. 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 District'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 RECREATION DISTRICT  
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3 – CASH AND INVESTMENTS – CONTINUED**

The District's cash at June 30, 2017, consisted of the following:

	District	Foundation
Demand deposits	\$ 528,272	\$ 72,674
Cash on hand	200	
Investment - Country Treasurer External Investment Pool	100,830	
	\$ 629,302	\$ 72,674

The District 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 District 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 District 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 District 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 RECREATION DISTRICT  
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 – CAPITAL ASSETS**

Changes in the District's capital assets for the year ended June 30, 2017, were as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 2017</u>
Capital assets not being depreciated				
Land	\$ 550,444	\$	\$	\$ 550,444
Construction in progress		6,125		6,125
Total capital assets not being depreciated	<u>550,444</u>	<u>6,125</u>		<u>556,569</u>
Capital Assets being depreciated				
Building	6,721,460			6,721,460
Building Improvements	2,251,416	14,529		2,265,945
Equipment	179,813			179,813
Software	17,100			17,100
Total capital assets being depreciated	<u>9,169,789</u>	<u>14,529</u>		<u>9,184,318</u>
Less accumulated depreciation	<u>(3,223,981)</u>	<u>(368,898)</u>		<u>(3,592,879)</u>
Capital assets, net	<u>\$ 6,496,252</u>	<u>\$ (354,369)</u>	<u>\$ -</u>	<u>\$ 6,148,008</u>

Depreciation expense for the year ended totaled \$368,898 and is included in recreation service expenses.

**NOTE 5 – LONG-TERM DEBT**

***General Obligation Bond Payable***

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 RECREATION DISTRICT  
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 5 – LONG-TERM DEBT – CONTINUED**

***General Obligation Bond Payable – Continued***

Future maturities are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Bond Principal</u>	<u>Bond Interest</u>	<u>Total</u>
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	620,000	103,950	723,950
2023-2025	2,130,000	173,900	2,303,900
	<u>\$ 4,790,000</u>	<u>\$ 900,900</u>	<u>\$ 5,690,900</u>

***Government Obligation Contract for Energy Efficient Upgrades and Improvements***

A general obligation contract was entered in to during the year with KS State Bank, totaling \$400,000. The loan was set up to help facilitate building upgrades along with other building improvements that help with energy efficiency. The debt matures in January 2029 with interest and principal payable semi-annually on July 1 and January 1 of each year. The rate on the loan is 3.53%. Early prepayment penalties may be imposed.

Future maturities are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 65,749	\$ 12,471	\$ 78,220
2019	25,354	11,577	36,931
2020	26,257	10,674	36,931
2021	27,192	9,739	36,931
2022	28,160	8,771	36,931
2023-2027	156,574	28,080	184,654
2028-2029	70,714	3,148	73,862
	<u>\$ 400,000</u>	<u>\$ 84,460</u>	<u>\$ 484,460</u>

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 5 – LONG-TERM DEBT – CONTINUED**

***Government Obligation Contract for Energy Efficient Upgrades and Improvements – Continued***

Changes in long-term debt during the year were as follows:

	<u>Balance July 1, 2017</u>	<u>New Issues</u>	<u>Principal Matured and Paid</u>	<u>Interest Matured and Paid</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Bond	\$ 5,205,000	\$	\$ 4,150,000	\$ 193,429	\$ 4,790,000	\$ 455,000
Contract		400,000			400,000	65,749
	<u>\$ 5,205,000</u>	<u>\$ 400,000</u>	<u>\$ 415,000</u>	<u>\$ 193,429</u>	<u>\$ 5,190,000</u>	<u>\$ 520,749</u>

**NOTE 6 – PROPERTY TAX LIMITATIONS**

The District 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 District 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 District 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.

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**NOTE 8 – DEFERRED COMPENSATION AND DEFINED CONTRIBUTION PLAN**

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

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

Total employer contributions paid for the year ended June 30, 2017, were \$4,759.

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 District has little administrative involvement and does not perform the investing functions for these plans.

**NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS**

*Plan Description.* The District does not have a formal post-employment benefits plan for any employee groups. However, the District 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 District 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 District 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 District 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 District 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 District's small size in relation to the other employers, the District'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 District does not report a liability for any potential accrued liability under GASB Statement 45.

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

The District 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 District's programs and activities.

**NOTE 11 – DEFICIT FUND BALANCE**

The deficit fund balance of \$43,557 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 22, 2018.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
MADRAS, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2017**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Over (Under) Budget</u>
Revenues				
Property taxes	\$ 531,682	\$ 531,682	\$ 544,515	\$ 12,833
Intergovernmental revenue	30,000	30,000	30,000	
Program revenues	205,500	205,500	275,719	70,219
Product sales	19,000	19,000	21,204	2,204
Facility income	18,500	18,500	12,673	(5,827)
Foundation support	45,000	45,000	17,778	(27,222)
Other income	39,840	39,840	139,398	99,558
	<u>889,522</u>	<u>889,522</u>	<u>1,041,287</u>	<u>151,765</u>
Total revenues				
Expenditures				
Administration	190,959	190,959	207,560	16,600
Recreation	398,721	398,721	592,677	193,956
Facility	275,385	275,385	227,561	(47,824)
Board	16,500	16,500	62,078	45,578
Contingency	37,500	37,500		(37,500)
	<u>919,065</u>	<u>919,065</u>	<u>1,089,876</u>	<u>170,810</u>
Total expenditures				
Excess of revenues over (under) expenditures	<u>(29,543)</u>	<u>(29,543)</u>	<u>(48,589)</u>	<u>19,046</u>
Other financing uses				
Building improvement loan proceeds			400,000	400,000
Interfund transfer out	<u>(25,000)</u>	<u>(25,000)</u>		
	<u>(25,000)</u>	<u>(25,000)</u>	<u>(400,000)</u>	<u>400,000</u>
Net change in fund balance	(54,543)	(54,543)	351,411	405,954
Fund balance - Beginning of year	<u>161,836</u>	<u>161,836</u>	<u>164,817</u>	<u>2,981</u>
Fund balance - End of year	<u>\$ 107,293</u>	<u>\$ 107,293</u>	<u>\$ 516,228</u>	<u>\$ 408,935</u>



**OTHER SUPPLEMENTARY INFORMATION**

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
MADRAS, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
DEBT SERVICE FUND  
YEAR ENDED JUNE 30, 2017**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance Over (Under) Budget</u>
Revenues			
Property taxes	\$ 623,450	\$ 600,651	\$ (22,799)
Interest on investments	1,000	3,081	2,081
Total revenues	<u>624,450</u>	<u>603,732</u>	<u>(20,718)</u>
Expenditures			
Debt service	<u>609,000</u>	<u>608,429</u>	<u>(571)</u>
Total expenditures	<u>609,000</u>	<u>608,429</u>	<u>(571)</u>
Net change in fund balance	15,450	(4,697)	10,753
Fund balance - Beginning of year	<u>52,000</u>	<u>118,674</u>	<u>66,674</u>
Fund balance - End of year	<u>\$ 67,450</u>	<u>\$ 113,977</u>	<u>\$ 77,427</u>

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
MADRAS, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
MAINTENANCE RESERVE FUND  
YEAR ENDED JUNE 30, 2017**

	<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	20,654	(4,346)
Total expenditures	25,000	20,654	(4,346)
Excess of revenues over (under) expenditures	(25,000)	(20,654)	4,346
Other financing sources			
Interfund transfer in	25,000		(25,000)
Net change in fund balance		(20,654)	(20,654)
Fund balance - Beginning of year		(22,903)	(22,903)
Fund balance - End of year	\$ -	\$ (43,557)	\$ (43,557)

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
MADRAS, OREGON**

**SCHEDULE OF EXPENDITURES AND APPROPRIATIONS  
ALL FUNDS  
YEAR ENDED JUNE 30, 2017**

	<u>Actual</u>	<u>Appropriations</u>	<u>Actual Under (Over) Appropriation</u>
<b>General Fund</b>			
Administration	\$ 207,560	\$ 190,960	\$ (16,600)
Recreation	592,677	398,721	(193,956)
Facility	227,561	275,385	47,824
Board	62,078	16,500	(45,578)
Contingency		37,500	37,500
	<u>\$ 1,089,876</u>	<u>\$ 919,066</u>	<u>\$ (170,810)</u>
<b>Debt Service Fund</b>			
Debt service	<u>\$ 608,429</u>	<u>\$ 609,000</u>	<u>\$ 571</u>
<b>Maintenance Reserve Fund</b>			
Capital outlay	<u>\$ 20,654</u>	<u>\$ 25,000</u>	<u>\$ 4,346</u>

**AUDIT COMMENTS AND DISCLOSURES**

**REQUIRED BY STATE REGULATIONS**

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

Board of Directors  
Madras Aquatic Center Recreation District  
Madras, OR

We have audited the financial statements of the governmental activities, discretely presented component unit and each major fund of Madras Aquatic Center Recreation District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated DATE. 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 District'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)**

**INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY OREGON STATE REGULATIONS – CONTINUED**

In connection with our testing nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations except as follows:

At June 30, 2017, the District had \$396,000 on deposit with KS State Bank. The Bank is not on the list of qualified depositories for Oregon public funds.

We reviewed the District's procedures for preparation, adoption and execution of their budget for the year ended June 30, 2017, and procedures for preparation and adoption of the District's budget for the year beginning July 1, 2017, and found them to be in compliance with the statutory requirements with the exception of the General Fund expenditures exceeded appropriations as follows:

Administration	\$	16,600
Recreation		193,956
Board		<u>45,578</u>
	\$	<u>256,134</u>

The budget adopted for the Maintenance Reserve Fund did not resolve the deficit balance in that fund.

***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 District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. Control deficiencies will be communicated to management in a separate letter.

**INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY OREGON STATE REGULATIONS – CONTINUED**

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, 2018