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**MADRAS AQUATIC CENTER RECREATION DISTRICT**  
**(Madras, Oregon)**

**FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2019**



**MADRAS AQUATIC CENTER RECREATION DISTRICT  
(Madras, Oregon)**

**DISTRICT OFFICIALS**

**JUNE 30, 2019**

**Chair**

Jinnell Lewis  
Madras, Oregon

**Vice Chair**

Greg Tippet  
Madras, OR

**Secretary**

Greg Williams  
Madras, Oregon

**Directors**

Martti Rahi  
Madras, Oregon

Steve Webb  
Madras, Oregon

**Registered Agent and Office**

Jeremy Green  
Bryant, Lovlien & Jarvis, PC  
591 SW Mill View Way  
Bend, Oregon 97702

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
(Madras, Oregon)**

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**JUNE 30, 2019**

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Board of Directors  
Madras Aquatic Center Recreation District  
Madras, Oregon

### **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the governmental activities and each major fund of Madras Aquatic Center Recreation District (the District), as of and for the year ended June 30, 2019, which collectively comprise the District's basic financial statements as listed in the table of contents. The financial statements of the District as of June 30, 2018, prior to restatement, were audited by other auditors whose report dated December 28, 2018, expressed an unqualified opinion on those statements.

#### **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.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Madras Aquatic Center Recreation District as of June 30, 2019, 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. We also audited the adjustments described in Note 13 that were applied to restate the June 30, 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

## **Emphasis of a Matter**

As discussed in Note 13 to the financial statements, management of the District discovered an error in their previously issued financial statements related to bond premium amortization, accrued compensated absences and cash allocation between funds. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis 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 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund 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 this fund 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*

The District has included summarized governmental fund financial statements for the prior year for comparison purposes. Another auditor previously audited the June 30, 2018 financial statements and expressed an unmodified opinion on each major fund in their report dated December 28, 2018. In our opinion, except for the effect of the restatement described in Note 13 to the financial statements, the summarized comparative information 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 February 4, 2020, 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.

*Brenda Bartlett*

Brenda Bartlett, CPA  
SGA Certified Public Accountants and Consultants, LLP

February 4, 2020

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



**MADRAS AQUATIC CENTER RECREATION DISTRICT  
(Madras, Oregon)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2019**

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, 2019.

**FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at June 30, 2019 by \$1,668,973, an increase of \$145,509 from the prior year.
- As of June 30, 2019, the District's General Fund reported an ending fund balance of \$265,677 of which \$244,826 is unassigned and available for spending at the District's discretion.
- The District's total bonded debt decreased by \$547,953 during the 2018-2019 fiscal year. The decrease was attributed to the payment of long-term obligations and amortization of bond premium.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis provided here are 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 most recent fiscal year. 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, unearned property taxes and earned but unused vacation leave will result in cash flows in future fiscal periods.

Both government-wide financial statements distinguish functions of the District that principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activity of the District is recreation.

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

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
(Madras, Oregon)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2019**

***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. Both the governmental fund balance and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains two governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund and debt service fund.

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 11 and 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 begin on page 15 of this report.

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
(Madras, Oregon)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2019**

**GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS**

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1,668,973, at the close of the most recent fiscal year.

	Governmental Activities		
	June 30, 2019	June 30, 2018 (As restated)	Change
Current and other assets	\$ 431,822	\$ 247,749	\$ 184,073
Capital assets, net	<u>5,875,560</u>	<u>6,265,217</u>	<u>(389,657)</u>
<b>Total Assets</b>	<u>6,307,382</u>	<u>6,512,966</u>	<u>(205,584)</u>
Current liabilities	840,804	598,899	241,905
Long-term liabilities	<u>3,797,605</u>	<u>4,390,603</u>	<u>(592,998)</u>
<b>Total Liabilities</b>	<u>4,638,409</u>	<u>4,989,502</u>	<u>(351,093)</u>
Net investment in capital assets	1,521,135	1,362,839	158,296
Restricted for debt service	85,961	130,534	(44,573)
Unrestricted	<u>61,877</u>	<u>30,091</u>	<u>31,786</u>
<b>Total Net Position</b>	<u>\$ 1,668,973</u>	<u>\$ 1,523,464</u>	<u>\$ 145,509</u>

The largest portion of the District's net position (92%) reflects its investment in capital assets (e.g., land, buildings, equipment, vehicles), less any related outstanding debt that was used to acquire those assets. The District uses these capital assets to provide services to the public. The \$158,296 increase over the prior year investment in capital assets is due to the ongoing payment of the bonds that funded the assets.

Net position of \$85,961 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 was \$61,877, an increase of \$31,786 from the prior year. The increase is generally attributable to increased property tax revenue and reduced spending.

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
(Madras, Oregon)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2019**

**Governmental Activities.** During the current fiscal year, net position increased by \$145,509 from the prior fiscal year. The reasons for the overall increase are the reduce expenditures related to the operations and no major capital projects. The following schedule compares the revenues and expenditure for the current and previous year.

**STATEMENT OF ACTIVITIES**

	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u> (As restated)	<u>Change</u>
Program revenues			
Charges for services	\$ 371,006	\$ 419,604	\$ (48,598)
Contributions/grants	460	61,500	(61,040)
General revenues			
Investment earnings	10,093	9,057	1,036
Property taxes	1,242,002	1,192,455	49,547
Other income	<u>9,939</u>	<u>135,267</u>	<u>(125,328)</u>
Total revenues	<u>1,633,500</u>	<u>1,817,883</u>	<u>(184,383)</u>
Expenses			
Recreation services	<u>1,487,991</u>	<u>1,542,161</u>	<u>(54,170)</u>
Changes in net position	<u>145,509</u>	<u>275,722</u>	<u>(130,213)</u>
Net position - beginning of year	<u>1,523,464</u>	<u>1,247,742</u>	<u>275,722</u>
Net position - end of year	<u>\$ 1,668,973</u>	<u>\$ 1,523,464</u>	<u>\$ 145,509</u>

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

As of June 30, 2019, the General Fund reported ending fund balance of \$265,677 and the Debt Service Fund reported \$85,961, all of which is restricted for debt service. The maintenance reserve fund had no activity during the year and continues to report a deficit fund balance of \$43,557. \$201,269 constitutes combined unassigned ending fund balance, which is available for spending at the District's discretion.

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
(Madras, Oregon)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2019**

**BUDGETARY HIGHLIGHTS**

There were no revisions made to the fiscal year 2018-2019 budget as adopted. In the General Fund, due to an oversight, no debt service appropriation was made. As a result, debt service expenditures exceeded appropriation in the amount of \$238,598. The maintenance reserve fund continues to report a deficit fund balance, which management intends to correct with general fund transfers in upcoming budget cycles as funds allow.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The District's investment in capital assets includes the aquatic center building, land, equipment and software. During the year the District's net investment in capital assets decreased by \$389,657. The decrease is attributed primarily to depreciation expense. No major capital additions were purchased in fiscal year 2018-2019. Additional information on capital assets is included in Note 3 to the financial statements.

At June 30, 2019, the District reported \$4,354,425 in long-term liabilities, consisting of \$3,850,000 bonded debt for the construction of the aquatic facility and \$287,358 note payable for building upgrades and operation costs. Total bonded debt is reduced by \$217,068 in bond premium, net of accumulated amortization. During the year, management obtained short-term financing in anticipation of property tax collections in the amount of \$200,000. This short-term note is required to be paid in full on December 2, 2019. Additional information on the District's debt is included in Note 5 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

- Economy is holding steady, and admissions and membership revenue up significantly. Expanded programs and increased patrons from out of district are 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 has driven fundraising down but support from grants and donations have increased during the current year.
- This year the District saw its last year of funding for the foreseeable future from the Bean Foundation.

**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, 2019**

	Total Governmental Activities	
	2019	2018 (As restated)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 296,800	\$ 169,624
Property taxes receivable	67,819	57,554
Accounts receivable	46,352	
Inventory	6,553	6,553
Prepaid expenses	14,298	14,018
Capital assets		
Depreciable capital assets, net	5,325,116	5,705,923
Land	550,444	559,294
	<u>6,307,382</u>	<u>6,512,966</u>
<b>LIABILITIES</b>		
Accounts payable	23,169	26,069
Payroll liabilities	27,847	24,791
Accrued interest payable	17,504	18,463
Unearned revenue	15,464	17,801
Short term note payable	200,000	
Noncurrent liabilities due within one year		
Building improvement debt	26,820	26,775
Bond payable	530,000	485,000
Noncurrent liabilities due within more than one year		
Building improvement debt	260,537	287,358
Bond premium, net	217,068	253,245
Bond payable	3,320,000	3,850,000
	<u>4,638,409</u>	<u>4,989,502</u>
<b>NET POSITION</b>		
Net investment in capital assets	1,521,135	1,362,839
Restricted for:		
Debt service	85,961	130,534
Unrestricted	61,877	30,091
	<u>\$ 1,668,973</u>	<u>\$ 1,523,464</u>

See notes to financial statements.

**MADRAS AQUATIC CENTER RECREATION DISTRICT**  
(Madras, Oregon)

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2019**

Functions/Program	Expenses	Program Revenues		Net (Expense) Revenue and Revenue and Changes in Net Position Governmental Activities	
		Charges for Services	Operating Grants and Contributions	2019	2018
Governmental Activities:					
Recreation services	\$ 1,487,991	\$ 371,006	\$ 460	\$ (1,116,525)	\$ (1,110,840)
General Revenues:					
Property taxes levied for general purposes				604,387	571,754
Property taxes levied for debt service				637,615	620,701
Earnings on investments				10,093	9,057
Loss on sale of capital assets				(10,284)	
Miscellaneous income				20,223	135,267
				1,262,034	1,336,779
Increase in net position				145,509	225,939
Net position - beginning				1,523,464	1,247,742
Prior period adjustment					49,783
Net position - beginning, as restated				1,523,464	1,297,525
Net position - ending				\$ 1,668,973	\$ 1,523,464

See notes to financial statements.



**MADRAS AQUATIC CENTER RECREATION DISTRICT**  
(Madras, Oregon)

**BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30,

	General	Debt Service	Maintenance Reserve	Total Government Funds	
				2019	2018 (As Restated)
<b>ASSETS</b>					
Cash and investments	\$ 216,401	\$ 80,399	\$	\$ 296,800	\$ 169,624
Property taxes receivable	32,239	35,581		67,820	57,555
Receivables	46,352			46,352	
Inventory	6,553			6,553	6,553
Prepaid items	14,298			14,298	14,018
Due from maintenance reserve fund	43,557	_____	_____	43,557	43,557
Total assets	\$ 359,400	\$ 115,980	\$	\$ 475,380	\$ 291,307
<b>LIABILITIES</b>					
Accounts payable	\$ 23,169	\$	\$	\$ 23,169	\$ 26,069
Payroll liabilities	27,847			27,847	24,791
Due to general fund	_____	_____	43,557	43,557	43,557
Total liabilities	51,016	_____	43,557	94,573	94,417
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unearned revenue	15,464			15,464	17,801
Unavailable property tax revenue	27,243	30,019	_____	57,262	48,007
Total deferred inflows of resources	42,707	30,019	_____	72,726	65,808
<b>FUND BALANCE</b>					
Nonspendable					
Prepaid expenditures	14,298			14,298	14,018
Inventory	6,553			6,553	6,553
Restricted for debt service		85,961		85,961	104,834
Unassigned	244,826	_____	(43,557)	201,269	5,677
Total fund balance	265,677	85,961	(43,557)	308,081	131,082
Total liabilities, deferred inflows of resources and fund balances	\$ 359,400	\$ 115,980	\$	\$ 475,380	\$ 291,307

See notes to financial statements.

MADRAS AQUATIC CENTER RECREATION DISTRICT  
(Madras, Oregon)

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2019

Fund balance of governmental funds.		\$	308,081
Capital assets are not financial resources and therefore are not reported in the governmental funds:			
Capital assets	\$ 10,210,496		
Accumulated depreciation	<u>(4,334,936)</u>		5,875,560
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			(4,554,425)
Accrued interest on long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			(17,504)
A portion of the District's revenues are collected after year-end, but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds			<u>57,261</u>
Net position of governmental activities		\$	<u>1,668,973</u>

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, 2019 AND SUMMARIZED INFORMATION FOR JUNE 30, 2018

	General	Debt Service	Maintenance Reserve	Totals	
				2019	2018 (As Restated)
Revenues					
Property taxes	\$ 599,451	\$ 633,297	\$	\$ 1,232,748	\$ 1,194,325
Intergovernmental	30,000			30,000	30,000
Grants					31,500
Charges for services	339,192			339,192	419,604
Other income	22,496			22,496	135,267
Investment earnings	2,732	7,361		10,093	9,057
<b>Total revenues</b>	<b>993,871</b>	<b>640,658</b>		<b>1,634,529</b>	<b>1,819,753</b>
Expenditures					
Current					
Recreation	964,455			964,455	1,039,615
Capital outlay	2,231			2,231	500,430
Debt service					
Principal	226,775	485,000		711,775	540,867
Interest	11,823	167,246		179,069	194,407
<b>Total expenditures</b>	<b>1,205,284</b>	<b>652,246</b>		<b>1,857,530</b>	<b>2,275,319</b>
Excess (deficiency) of revenues over (under) expenditures	(211,413)	(11,588)		(223,001)	(455,566)
Other financing sources (uses)					
Proceeds from short term financing	400,000			400,000	
<b>Total other financing sources (uses)</b>	<b>400,000</b>			<b>400,000</b>	
<b>Net changes in fund balances</b>	<b>188,587</b>	<b>(11,588)</b>		<b>176,999</b>	<b>(455,566)</b>
Fund balances - beginning of year	74,288	104,834	(43,557)	135,565	586,648
Prior period adjustment	2,802	(7,285)		(4,483)	
Fund balances - beginning, as restated	77,090	97,549	(43,557)	131,082	586,648
<b>Fund balances - end of year</b>	<b>\$ 265,677</b>	<b>\$ 85,961</b>	<b>\$ (43,557)</b>	<b>\$ 308,081</b>	<b>\$ 131,082</b>

See notes to financial statements.

**MADRAS AQUATIC CENTER RECREATION DISTRICT**  
(Madras, Oregon)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2019**

Net change in fund balance - total governmental funds		\$ 176,999
Amounts reported for governmental activities in the Statement of Activities are different because:		
Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied		
	9,255	
Long-term debt proceeds are reported as other financing sources in governmental funds. In the Statement of Activities, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Position. This is the amount by which repayments exceed proceeds.		
Short term debt financing proceeds	\$ (400,000)	
Debt principal repaid	<u>711,775</u>	311,775
Governmental funds report the effect of issuance costs, premiums and discounts when debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences.		
Amortization of premium		36,178
In Statement of Activities, interest is accrued on long-term debt, whereas in the government funds it is recorded as an expense when due.		
		959
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their allocated over their estimated useful lives and reported as depreciation expense. Asset disposals are reported as gain or loss on disposal of assets.		
Loss on disposal of assets	(10,284)	
Current year depreciation	<u>(379,373)</u>	<u>(389,657)</u>
Change in net position of governmental activities		<u>\$ 145,509</u>

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
(Madras, Oregon)**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

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

**Reporting Entity**

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. Under the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, the reporting entity consist of the primary government.

The District is governed by an independently elected board of directors and is legally separate from all other entities. It is also financially independent of other state and local governmental unit. It has the power to levy taxes, is responsible for its debts and is entitled to any surplus. The District is not a component unit of another entity.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United State of America as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial principles. The significant policies of the District are described below.

**Basis of Presentation**

*Government-Wide Financial Statements*

The government-wide financial statements include the statement of net position and the statement of activities and display information on all the activities of the District. 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. Other items not properly included among program revenues are reported instead as general revenues, including property taxes, other income and interest earnings.

Net position is reported as restricted when constraints placed on its use are either externally restricted, imposed by creditors (such as grantors, or laws) or through enabling legislation.

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, regardless of the time of the related cash flows.

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
(Madras, Oregon)**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Fund Financial Statements*

Government 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. Measurable is when the amount of the transaction can be determined. Available means collectable within sixty days of the current period. The revenues susceptible to accrual include property taxes, interest revenue and charges for services. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred if expected to be liquidated with available current resources.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. The fund accounts for all financial resources of the District, except those required to be account for in another fund. Principal revenue sources are property taxes, charges for services and local support.

The Debt Service Fund provided for the payment of principal and interest on bonds and note payable. Principal resources are property taxes and interest.

The Maintenance Reserve Fund is primarily for capital outlay projects that are capital in nature. Resources include transfers from the general fund.

**Budget Policy**

The District, organized under Oregon Revised Statutes Chapter 371, is not subject to Oregon Local Budget Law under the provisions of Oregon Revised Statutes Sections 294.305 to 294.565. The District prepares a budget each year for its own guidance and is required to certify its tax assessment each year to the County.

**Cash and Investments**

For financial reporting purposes, the District considers all highly liquid investments with original maturities of 90 days or less to be cash equivalents. Oregon Revised Statutes authorized the District to invest in obligations of the U.S. Treasury and Agencies, time certificates of deposit, bankers' acceptances, repurchase agreements, and the State of Oregon Local Government Investment Pool.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the governmental fund statements and the government-wide statements.

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
(Madras, Oregon)**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property Taxes**

Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15 and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. An allowance for doubtful accounts is not deemed necessary, as uncollectible taxes become a lien on the property.

In the government wide statements, all property tax receivables are recognized as revenue. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. All property taxes receivable is due from property owners within the District.

**Capital Assets**

In the government-wide statements, capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair value on the date donated. The District defines capital assets as assets with an initial cost of more than \$500 and an estimated useful life extending beyond one year. Interest and other costs incurred during construction are capitalized. Maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Equipment	5-15 years
Building and Improvements	10-30 years

In the governmental fund statements, capital assets are expended as incurred as capital outlay.

**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 are reported as a fund liability of a governmental fund.

MADRAS AQUATIC CENTER RECREATION DISTRICT  
(Madras, Oregon)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Equity Classification**

In government-wide financial statements, equity is classified and displayed in three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and is reduced by the outstanding balance of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net position – Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

In the fund financial statements, the District reports fund balance in accordance with *GASB No 54, Fund Balance Reporting and Governmental Fund Type Definitions*. As a result, in the fund financial statements governmental funds are categorized by the nature of the resources within the fund. The District reports fund balance using the following categories:

1. Nonspendable, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),
2. Restricted fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers or through enabling legislation,
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the 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.



**MADRAS AQUATIC CENTER RECREATION DISTRICT  
(Madras, Oregon)**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

**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.

**Accrued Compensated Absences**

Regular full- and part-time employees are permitted to accrue vacation time using a schedule based on years of service. Unused vacation time vests. The District reports a liability for accrued vacation time as a payroll related liability in the government wide and fund financial statements based on the hours accrued multiplied by the individual employee pay rates at year end.

**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.

**NOTE 2 – 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, 2019, was \$1,489,403,521 for reported public funds of \$2,339,141,395. 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**

**YEAR ENDED JUNE 30, 2019**

**NOTE 2 – CASH AND INVESTMENTS (continued)**

The District's cash at June 30, 2019, consisted of the following:

Demand deposits	\$	216,202
Cash on hand		200
Investment - Country Treasurer Investment Pool		<u>80,398</u>
	<u>\$</u>	<u>296,800</u>

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.

**NOTE 3 – CAPITAL ASSETS**

Changes in the District's capital assets for the year ended June 30, 2019, were as follows:

	Balance July 1, 2018	Additions	Dispositions	Balance June 30, 2019
Capital assets not subject to depreciation				
Land	\$ 550,444	\$	\$	\$ 550,444
Construction in progress	8,850		(8,850)	
Total capital assets not being depreciated	<u>559,294</u>		<u>(8,850)</u>	<u>550,444</u>
Capital assets subject to depreciation				
Building	6,721,460			6,721,460
Building improvements	2,696,437			2,696,437
Equipment	225,106		(9,915)	215,191
Software	26,964			26,964
Total capital assets being depreciated	<u>9,669,967</u>		<u>(9,915)</u>	<u>9,660,052</u>
Less accumulated depreciation	<u>(3,964,044)</u>	<u>8,481</u>	<u>(379,373)</u>	<u>(4,334,936)</u>
Total capital assets, net	<u>\$ 6,265,217</u>	<u>\$ 8,481</u>	<u>\$ (398,138)</u>	<u>\$ 5,875,560</u>

For the year ended June 30, 2019, depreciation expense of \$379,373 was directly charged to recreation services.

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
(Madras, Oregon)**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

**NOTE 3 – CAPITAL ASSETS (continued)**

Impairment of Capital Asset

The District has a bus which is listed as “Out of Service” and depreciation has stopped calculating as of December 10, 2018. The value of the bus is zero and management plans to salvage it in FY 2019-2020.

**NOTE 4 – NON-CANCELABLE OPERATING LEASES**

The District leases a copy machine under a non-cancelable operating lease. Future minimum lease payments for the machine are as follows:

<u>June 30,</u>	<u>Amount</u>
2020	\$ 1,620
2021	1,620
2022	1,620
2023	1,620
2024	540
Total	<u>\$ 7,020</u>

**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%.

Future maturities are as follows:

<u>Year Ending June 30,</u>	<u>Bond Principal</u>	<u>Bond Interest</u>
2020	\$ 530,000	\$ 147,950
2021	570,000	126,750
2022	620,000	103,950
2023	660,000	84,700
2024	710,000	58,800
2025	760,000	30,400
	<u>\$ 3,850,000</u>	<u>\$ 552,550</u>

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
(Madras, Oregon)**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

**NOTE 5 – LONG-TERM DEBT (continued)**

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

A government obligation contract was entered into during the year ended June 30, 2017, with KS State Bank, totaling \$400,000. The loan was used to facilitate building upgrades along with other building improvements related to 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%. Prepayment penalties may be imposed.

In the event of default, defined as insolvency or failure to make a scheduled payment within 15 days of the due date, the contract includes the following remedies:

- Return of the financed equipment in the condition required by the contract
- Acceleration of the contract term to be paid in full immediately
- Increase in the interest rate to the highest rate allowed by law

Future maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Notes Principal</u>	<u>Note Interest</u>
2020	\$ 226,820	\$ 13,411
2021	27,795	9,136
2022	28,805	8,126
2023	29,852	7,079
2024	30,936	5,994
2025-2029	<u>143,149</u>	<u>12,464</u>
	<u>\$ 487,357</u>	<u>\$ 56,210</u>

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

	<u>Balance July 1, 2018</u>	<u>Principal Matured and Paid</u>	<u>Interest Matured and Paid</u>	<u>Balance June 30, 2019</u>	<u>Due Within One Year</u>
<b>Bond</b>	\$ 4,335,000	\$ 485,000	\$ 165,858	\$ 3,850,000	\$ 530,000
<b>Contract</b>	<u>314,133</u>	<u>26,775</u>	<u>12,252</u>	<u>287,358</u>	<u>26,820</u>
	<u>\$ 4,649,133</u>	<u>\$ 511,775</u>	<u>\$ 178,110</u>	<u>\$ 4,137,358</u>	<u>\$ 556,820</u>

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
(Madras, Oregon)**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

**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 and fidelity bonding. Settled claims have not exceeded coverage in the prior three years.

**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 twelve months of continuous employment, permits them to defer a portion of their salary until future years.

Total employer contributions paid for the year ended June 30, 2019 were \$8,540.

The assets for the plan are held in trust for the exclusive benefit of the Plan participants and their beneficiaries. The plan is 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 the plan.

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
(Madras, Oregon)**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

**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 75 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.

*Funding Policy.* Although 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 the appropriate classification.

For the year ended June 30, 2019, the District made no contributions to the Plan and there were no retiree payments. There are currently three active employees who receive health care benefits. The District provides health insurance for full-time employees up to \$750 per month. The District has not conducted an actuarial study to determine its liability under this plan and feels any potential liability would be immaterial to the financial statements.

**NOTE 10 – CONTINGENCY**

In 2017, the District was awarded a \$20,000 grant from the Oregon Community Foundation which was restricted as to purpose for planning and developing a community playground structure and sand pit. The grant application stated that additional funding in the amount of \$155,000 was to be obtained from various donors to assist with project funding. The project was to have been completed at end of 2018. As of the report date, the project has not been completed. Management is unsure whether the grant funds received were fully spent on the project, though plans have been drawn up. Because the funds were to be dedicated to the playground project, which remains uncomplete, the grantor has the option to require repayment of the grant funds.

**NOTE 11 – BUDGETARY NON-COMPLIANCE**

Oregon law requires the District to be in compliance with provisions of Oregon Budget Law prescribed in the Oregon Revised Statutes Chapter 294. The District was out compliance with budget law in the following areas;

- Publishing requirements were not met.
- Debt service expenditures in the general fund were budgeted incorrectly as special payments and the short-term financing was not budgeted, resulting in legally unauthorized spending for debt service in the amount of \$238,598.

**MADRAS AQUATIC CENTER RECREATION DISTRICT  
(Madras, Oregon)**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2019**

**NOTE 12 – DEFICIT FUND BALANCE**

The deficit Maintenance Reserve fund balance of \$43,557 is expected be corrected in the coming years by transfer from the General Fund.

**NOTE 13 - PRIOR PERIOD ADJUSTMENTS**

Management corrected the following misstatements in its previously audited financial statements for June 30, 2018:

- Accrued compensated absences, \$4,483
- Accumulated amortization, bond premium, \$54,266

Additionally, the prior year cash allocation between the general and debt service funds was incorrect. An adjustment has been made to increase prior year ending cash balances in the general fund and decrease prior year ending cash balances in the debt service fund in the amount of \$7,285.

**NOTE 14 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through February 4, 2020.

**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, 2019**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual</b>	<b>Variance Over (Under) Budget</b>
<b>Revenues</b>			
Property taxes	\$ 597,000	\$ 599,451	\$ 2,451
Intergovernmental revenue	30,000	30,000	
Program revenues	280,850	301,623	20,773
Product sales	25,500	20,339	(5,161)
Facility income	15,000	17,230	2,230
Foundation support	25,000		(25,000)
Investment earnings		2,732	2,732
Miscellaneous	179,589	22,496	(157,093)
	<u>1,152,939</u>	<u>993,871</u>	<u>(159,068)</u>
<b>Total revenues</b>			
<b>Expenditures</b>			
Personnel services	614,836	509,461	(105,375)
Materials and services	499,874	454,994	(44,880)
Capital outlay	16,200	2,231	(13,969)
Special payments	76,931		(76,931)
Debt service		238,598	238,598
	<u>1,207,841</u>	<u>1,205,284</u>	<u>(2,557)</u>
<b>Total expenditures</b>			
Excess of revenues under expenditures	<u>(54,902)</u>	<u>(211,413)</u>	<u>(156,511)</u>
<b>Other financing sources (uses)</b>			
Loan proceeds		400,000	400,000
Interfund transfer out	(50,000)		50,000
	<u>(50,000)</u>	<u>400,000</u>	<u>450,000</u>
<b>Net change in fund balance</b>			
	(104,902)	188,587	293,489
Fund balance - Beginning of year	<u>122,651</u>	<u>77,090</u>	<u>(45,561)</u>
Fund balance - End of year	<u>\$ 17,749</u>	<u>\$ 265,677</u>	<u>\$ 247,928</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, 2019**

	<b>Original and Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance Over (Under) Budget</b>
Revenues			
Property taxes	\$ 652,000	\$ 633,297	\$ (18,703)
Interest on investments		7,361	7,361
Total revenues	652,000	640,658	(11,342)
Expenditures			
Debt service	652,350	652,246	(104)
Net change in fund balance	(350)	(11,588)	(11,238)
Fund balance - Beginning of year	68,977	104,834	35,857
Prior period adjustment		(7,285)	(7,285)
Fund balances - beginning, as restated	68,977	97,549	28,572
Fund balance - End of year	\$ 68,627	\$ 85,961	\$ 17,334

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, 2019

	Original and Final Budgeted Amounts	Actual Amounts	Variance Over (Under) Budget
Other financing sources			
Interfund transfer in	\$ 50,000	\$	\$ (50,000)
Net change in fund balance	50,000		(50,000)
Fund balance - Beginning of year	6,443	(43,557)	(50,000)
Fund balance - End of year	\$ 56,443	\$ (43,557)	\$ (100,000)

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

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certified public accountants  
& consultants

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

Board of Directors  
Madras Aquatic Center Recreation District  
Madras, Oregon

We have audited the financial statements of the governmental activities and each major fund of Madras Aquatic Center Recreation District (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 4, 2020. 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).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

We reviewed the District's procedures for preparation, adoption and execution of their budget for the year ended June 30, 2019, and procedures for preparation and adoption of the District's budget for the year beginning July 1, 2019, and found the following areas of non-compliance:

- The public notice for the budget hearing included the wrong date and the committee did not meet on the date published in the advertisement.
- The budget committee's approval of the proposed budget was not recorded in the committee minutes as required.
- The Board's appropriation resolution improperly categorized debt service expenditures as special payments.
- The LB-1 published on June 19, 2019 stated the total expenditures proposed by the committee was \$1,615,198. We determined this was the amount the budget committee approved for the general fund only and did not include the debt service fund amounts. The Board appropriated \$2,155,798, which included debt service fund expenditures.

**INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY OREGON STATE REGULATIONS (continued)**

- The District budgeted debt service payments under an appropriation category called "Special Payments", all debt service should be budgeted as debt service appropriation. Additionally, the District did not budget for the \$200,000 requirement related to short term financing during the year. As a result, there was no debt service appropriation and the \$238,958 of debt service payments made were not appropriated.

The District received grant funding during the previous fiscal year 2017-18 which was restricted by the donor for spending related to a children's playground. There is no accounting for the amounts spent under the grant and the project has been put on hold. It is unknown whether it will be completed or whether the full amount of the grant was spent in accordance with the donor's restrictions.

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 described in the preceding paragraphs.

*OAR 162-10-0230 Internal Control*

In planning and performing our audit of the financial statements for the governmental activities 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.

We noted certain matters that we consider to be material weaknesses in internal control and have reported those findings to the District in a separate letter dated February 20, 2020.

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.

*Brenda Bartlett*

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February 4, 2020