



RECREATION DISTRICT
FINANCIAL STATEMENTS

JUNE 30, 2018

SISTERS PARK AND RECREATION DISTRICT

Deschutes County, Oregon

DISTRICT OFFICIALS

June 30, 2018

Board Members

Bob Keefer - President
Sisters, Oregon

Jeff Tryens - Vice President
Sisters, Oregon

Peggy Tehan - Treasurer
Sisters, Oregon

Jayne Simmons- Secretary
Sisters, Oregon

Heath Foott - Board Member
Sisters, Oregon

All board members receive mail at the address listed below

Registered Agent

Todd R. Garrett- Executive Director
P.O. Box 2215
Sisters, Oregon 97759
541-549-2091

SISTERS PARK AND RECREATION DISTRICT

Deschutes County, Oregon

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sisters Parks and Recreation District

We have audited the accompanying financial statements of Sisters Parks and Recreation District as of and for the year ended June 30, 2018, and the related notes to the financial statements, 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Sisters Parks and Recreation District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT – CONTINUED

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of revenues, expenditures, and changes in fund balances – budget and actual and related notes (budgetary schedules), as listed in the table of contents, be presented 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sisters Parks and Recreation District's financial statements. The budgetary schedules described above are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The budgetary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sisters Parks and Recreation District's financial statements. The combining financial statements, schedule of operating expenses, and schedules of actual and budgeted transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 15, 2019, 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.

Barnett & Company CPAs

John M. Barnett, CPA

Barnett & Company CPAs
Bend, Oregon
February 18, 2019

By: John M. Barnett, CPA

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Sisters Park and Recreation District
Management’s Discussion and Analysis – Continued
For the Year Ended June 30, 2018**

As management of Sisters Park and Recreation District, we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follows.

Financial Highlights

- The assets of the District exceed its liabilities at June 30, 2018 by \$1,018,658 compared to \$1,061,781 in the prior fiscal year.
- As of June 30, 2018, the District’s General fund reported an ending fund balance of \$93,912 as compared to \$125,227 in the prior fiscal year.
- As of June 30, 2018, the District’s Community Partner Reserve fund reported an ending fund balance of \$78,257 as compared to \$79,111 in the prior fiscal year.

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:

- Government-wide financial statements
- Fund financial statements
- 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, 2018. 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 program revenues (governmental activities).

The government-wide financial statements can be found on pages 8 – 9 of this report.

**Sisters Park and Recreation District
Management's Discussion and Analysis – Continued
For the Year Ended June 30, 2018**

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 two governmental funds during the year ended June 30, 2018. 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 20 – 21 of this report.

The Basic Governmental Funds Financial Statements can be found on pages 10 – 11 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 12 – 19 of this report.

**Sisters Park and Recreation District
Management's Discussion and Analysis – Continued
For the Year Ended June 30, 2018**

Government-wide Financial Analysis

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

Summarized Statement Net Position at Fiscal Year-End

	2018	(Restated) 2017	Change
Assets			
Current and other assets	\$ 210,009	\$ 260,257	\$ (50,248)
Net capital assets	846,799	861,258	(14,459)
Total Assets	<u>1,056,808</u>	<u>1,121,515</u>	<u>(64,707)</u>
Liabilities			
Current liabilities	<u>38,150</u>	<u>59,733</u>	<u>(21,583)</u>
Total liabilities	38,150	59,733	(21,583)
Net Position			
Net investment in capital assets	846,799	861,258	(14,459)
Restricted	78,257	79,111	(854)
Unrestricted	<u>93,602</u>	<u>121,413</u>	<u>(27,811)</u>
Total net position	<u>\$ 1,018,658</u>	<u>\$ 1,061,782</u>	<u>\$ (43,124)</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 \$1,018,658 at June 30, 2018.

Net position of \$78,257 is restricted for community project partnerships. The District will use the restricted net position to fund future community projects. Unrestricted net position had a balance of \$93,602 at year-end, a decrease of \$27,811.

**Sisters Park and Recreation District
Management's Discussion and Analysis – Continued
For the Year Ended June 30, 2018**

Statement of Activities
For the Fiscal Year Ending June 30,

	2018	2017	Change
Revenues			
General Revenue			
Property taxes	\$ 287,281	\$ 272,172	\$ 15,109
Interest	136	182	(46)
Other	1,000	3,008	(2,008)
Program Revenues			
Charges for service	485,268	463,950	21,318
Grants and contributions	42,580	52,888	(10,308)
Total Revenues	816,265	792,200	24,065
Expenditures			
General and administrative	317,592	302,757	14,835
Programs	541,797	520,991	20,806
Total Expenditures	859,389	823,748	35,641
Change in Net Position	\$ (43,124)	\$ (31,548)	\$ (11,576)

Governmental Activities

Governmental activities generated \$816,265 in revenue and had \$859,389 in expenses for a net decrease of \$46,124 in the District's net position for the year ended June 30, 2018.

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.

As of June 30, 2018, \$93,912 is the reported ending fund balance for the District's General Fund and \$78,257 is the reported ending fund balance for the District's Community Partner Reserve fund.

The decrease of \$31,314 in the General Fund ending balance resulted primarily from increased administrative and program costs during the year.

**Sisters Park and Recreation District
Management's Discussion and Analysis – Continued
For the Year Ended June 30, 2018**

Budgetary Highlights

During the year changes were made to the original budget as adopted these changes can be seen in final budget which can be found in the supplemental information on pages 20-21. In both the general fund and community partner reserve fund total revenues and expenditures were below budgeted amounts.

Capital Assets

The District's investment in capital assets includes land lease, buildings and improvements, vehicles, furniture, fixtures and equipment. As of June 30, 2018 the District's capital assets were \$1,328,400, net of accumulated depreciation of \$481,603. During the year depreciation expense was \$47,334.

Key Economic Factors and Budgetary Information for the Future

- In May of 2018 the voter's passed a five-year levy which is expected to generate approximately \$200,000 each year for the District.

Requests for Information

This financial report is designed to provide a general overview of Sisters Park and Recreation Districts budget. Copies of the audit and budget can be obtained at the Sisters Park and Recreation District, P.O. Box 2215, Sisters, Oregon, 97759.

BASIC FINANCIAL STATEMENTS

SISTERS PARK AND RECREATION DISTRICT

Deschutes County, Oregon

STATEMENT OF NET POSITION

June 30, 2018

Assets

Current Assets

Cash and cash equivalents	\$ 187,626
Property taxes receivable	11,513
Prepaid expenses	<u>10,870</u>
Total Current Assets	<u>210,009</u>

Capital Assets

Depreciable capital assets, net of accumulated depreciation	<u>846,799</u>
Total Capital Assets	<u>846,799</u>
Total Assets	<u>1,056,808</u>

Liabilities

Current Liabilities

Accounts payable	21,035
Other current liabilities	1,967
Accrued compensated absences	5,622
Deposits	4,900
Work credits earned	<u>4,626</u>
Total Liabilities	<u>38,150</u>

Net Position

Net investment in capital assets	846,799
Restricted - Community Partnership	78,257
Unrestricted	<u>93,602</u>
Total Net Position	<u>\$ 1,018,658</u>

The accompanying notes are an integral part of these financial statements.

SISTERS PARK AND RECREATION DISTRICT

Deschutes County, Oregon

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2018

	Expenses	Program Revenues		Net (Expenses) Revenues
		Charges for Services	Grants and Contributions	
Governmental Activities				
Recreation Activities				
General and administrative	\$ 317,592	\$ -	\$ -	\$ (317,592)
Programs	<u>541,797</u>	<u>485,268</u>	<u>42,580</u>	<u>(13,949)</u>
Totals	<u>\$ 859,389</u>	<u>\$ 485,268</u>	<u>\$ 42,580</u>	<u>(331,541)</u>
General Revenues				
Property taxes				287,281
Interest				136
Other				<u>1,000</u>
Total General Revenues				<u>288,417</u>
Change in Net Position				(43,124)
Net Position - Beginning of Year (Restated)				<u>1,061,782</u>
Net Position - End of Year				<u>\$ 1,018,658</u>

The accompanying notes are an integral part of these financial statements.

SISTERS PARK AND RECREATION DISTRICT

Deschutes County, Oregon

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018

Assets	<u>General</u>	<u>Community Partner Reserve</u>	<u>Totals</u>
Cash and cash equivalents	\$ 88,458	\$ 99,168	\$ 187,626
Due from other funds	13,470	-	13,470
Prepaid expenses	10,870	-	10,870
Property taxes receivable	<u>11,513</u>	<u>-</u>	<u>11,513</u>
Total Assets	<u>\$ 124,311</u>	<u>\$ 99,168</u>	<u>\$ 223,479</u>
Liabilities, Deferred Inflows, and Fund Balance			
Liabilities			
Accounts payable	\$ 21,344	\$ -	\$ 21,344
Due to other funds	-	13,470	13,470
Other current liabilities	1,967	-	1,967
Work credits earned	4,626	-	4,626
Deposits	<u>4,900</u>	<u>-</u>	<u>4,900</u>
Total Liabilities	<u>32,837</u>	<u>13,470</u>	<u>46,307</u>
Deferred Inflow of Resources			
Unavailable property taxes	<u>5,312</u>	<u>-</u>	<u>5,312</u>
Fund Balance			
Restricted for Community Projects	-	78,257	78,257
Nonspendable	10,870	-	10,870
Unassigned	<u>83,042</u>	<u>-</u>	<u>83,042</u>
Total Fund Balance	<u>93,912</u>	<u>78,257</u>	<u>172,169</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 132,061</u>	<u>\$ 91,727</u>	<u>\$ 223,788</u>
Reconciliation of the Governmental Funds balance sheet to Statement of Net Position			
Total Fund Balance - Governmental Balance Sheet			\$ 172,169
Reconciling Items:			
Deferred property taxes not recorded as Governmental revenue			5,312
Accrued compensated absences			(5,622)
Capital assets not recorded as a Governmental asset			<u>846,799</u>
Total Net Position of Governmental Activities			<u>\$ 1,018,658</u>

The accompanying notes are an integral part of these financial statements.

SISTERS PARK AND RECREATION DISTRICT

Deschutes County, Oregon

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2018

	General	Community Partner Reserve	Totals
Revenues			
Property taxes	\$ 287,625	\$ -	\$ 287,625
Interest	136	-	136
Activity fees	286,125	176,606	462,731
Grants and donations	42,579	-	42,579
Facility rentals	8,313	-	8,313
Short Term Line of Credit	15,000	-	15,000
Other	1,000	-	1,000
	<u>640,778</u>	<u>176,606</u>	<u>817,384</u>
Total Revenues			
Expenditures			
Current			
Recreation and activities programs			
General and administrative	306,438	-	306,438
Debt Repayment	15,000	-	15,000
Capital outlays	5,700	30,025	35,725
Programs	359,179	133,211	492,390
	<u>686,317</u>	<u>163,236</u>	<u>849,553</u>
Total Expenditures			
Transfers In	14,224	-	14,224
Transfers out	-	(14,224)	(14,224)
	<u>-</u>	<u>(14,224)</u>	<u>(14,224)</u>
Net Change in Fund Balance	(31,315)	(854)	(32,169)
Fund Balance - Beginning of Year	125,227	79,111	204,338
	<u>125,227</u>	<u>79,111</u>	<u>204,338</u>
Fund Balance - End of Year	\$ 93,912	\$ 78,257	\$ 172,169
	<u>\$ 93,912</u>	<u>\$ 78,257</u>	<u>\$ 172,169</u>
Net Changes in Fund Balance - Governmental Fund			\$ (32,169)
Items to Reconcile Changes in Net Position			
Revenues			
Difference in property tax revenues between fund basis and government wide financials			(344)
Expense Items			
Accrued compensated absences			3,848
Capital assets reported as expenditures			32,875
Depreciation expense			<u>(47,334)</u>
Changes in Net Position - Statement of Activities			<u>\$ (43,124)</u>

The accompanying notes are an integral part of these financial statements.

SISTERS PARK AND RECREATION DISTRICT
Deschutes County, Oregon
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note A – Summary of Significant Accounting Policies

The financial statements of the Sisters Park and Recreation District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the District are described below.

Financial Reporting Entity

The District is a municipal corporation governed by a five-member Board of Directors elected at-large. The District was founded in 1998 with the purpose of providing recreational and cultural enrichment opportunities to the residents of the city of Sisters and surrounding areas.

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.

Government-Wide Statements 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

The Government-Wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are

SISTERS PARK AND RECREATION DISTRICT
Deschutes County, Oregon
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2018

Note A – Summary of Significant Accounting Policies, Continued

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 when they are both measurable and available. Revenues are considered to be available if they are received during the current period or soon enough thereafter to pay liabilities of the current period. The District considers this to be revenues collected within 60 days after the end of the current fiscal year. Expenditures are generally recorded when incurred, except interest on long-term debt and compensated absences are recorded at the time the payment is due.

Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". 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 as follows:

1. **Nonspendable:**
These are items such as fund balances associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless proceeds are restricted, committed or assigned).
2. **Restricted:**
This 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:**
This 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:**
This fund balance classification is intended to be used by the government for specific purposes but does not meet the criteria to be classified as restricted or committed.
5. **Unassigned:**
This 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.

SISTERS PARK AND RECREATION DISTRICT
Deschutes County, Oregon
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2018

Note A – Summary of Significant Accounting Policies, Continued

Organization and Fund Structure

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

- **General Fund** – The General fund accounts for the financial operation of the District’s activities and recreation program costs. Principal sources of revenue are property taxes and fees for programs and activities. Expenditures are for the cost of providing the program and activities of the District
- **Community Partner Reserve Fund** – This fund was established to account for revenues of various projects that are done within the community that are under the guidance of the District. Principal sources of revenue are for fees for various projects and activities with expenditures being primary for the various projects and activities.

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.

Budget Policy

The District prepares a budget for each fund on the modified basis of accounting. State Statues require a budget be prepared for each fund. A resolution authorizing appropriation for each fund sets the level by which expenditures cannot legally exceed appropriations. Total personnel service, materials and services, capital outlay, and other expenditures are the level of control established by resolution. The detailed budget document contains more specific information for the expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require the approval of the Board of Directors. Appropriation lapse at the end of each fiscal year.

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. Capital assets are defined by the District as assets with an initial cost of more than \$500 and an estimated life of more than a year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their fair market value at the date of donation.

SISTERS PARK AND RECREATION DISTRICT
Deschutes County, Oregon
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2018

Note A – Summary of Significant Accounting Policies, Continued

Building and equipment are depreciated using the straight-line method over the estimated useful life of the asset. The estimated useful lives of the various categories of assets are as follows:

<u>Category</u>	<u>Estimated useful life</u>
Land lease	25 years
Building & improvements	15 - 50 years
Vehicles	10 years
Equipment	10 years

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain amounts and disclosures. Accordingly, actual results can differ from estimated amounts.

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, demand deposits and short-term cash investments with a maturity of three months or less when purchased.

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.

All cash and cash equivalents are carried at cost which equals market value.

Accrued Compensated Absences

Liabilities for vacation pay are recorded in the Statement of Net Position when vested or earned by employees. The District allows employees to accumulated earned but unused vacation time. Full time employees may care over 48 hours of unused vacation time at the end of each fiscal year.

Prepaid Expenses

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

Note B – Budget Compliance

The District’s management submits requests for appropriations to the Budget Officer appointed by the Board of Directors. The budget is prepared by function and activity. The budget document includes information on the prior three years as well as estimated revenue and requested appropriations for the ensuing fiscal year.

The proposed budget is presented to the Budget Committee by the Budget Officer. Public hearings are held by the Budget Committee and they may make changes to the original document. The Budget Committee will approve the budget document to be submitted to the governing body of the District. The governing body will hold public hearings on a published date. After the public hearings, the governing body will give consideration to matters

SISTERS PARK AND RECREATION DISTRICT
Deschutes County, Oregon
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2018

Note B – Budget Compliance, Continued

discussed and may make changes to the budget document prior to adoption. State Statutes do not allow the governing body to increase expenditures for each fund by more than 10 percent, and the amount ad valorem tax to be certified by the District cannot be increased by the governing body.

Note C – Cash & Cash Equivalents

The Districts cash and cash equivalents balance at June 30, 2018 consisted of the following:

Cash on hand and other	\$ 916
Bank demand deposits	142,693
Money market investment	<u>44,017</u>
Total cash & cash equivalents	\$ 187,626

Custodial Credit Risk – Investments

This is the risk that, in the event of the failure of a counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a policy that limits the amount of investments that can be held by counterparties.

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the District's deposits may not be returned. All District deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories.

Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer.

In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The District holds demand checking accounts at First Interstate Bank, for which deposits are insured by the FDIC up to \$250,000. At June 30, 2018, the District's deposits were fully insured by the FDIC and PFCP.

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. The District has no formal investment policy that explicitly limits its exposure to fair value losses arising from changes in market rates.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Oregon Revised Statutes authorizes the District to invest primarily in general obligations of the US Government and its

SISTERS PARK AND RECREATION DISTRICT
Deschutes County, Oregon
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2018

Note C – Cash & Cash Equivalents, Continued

agencies, certain bonded obligation of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers, and the State Treasurer's investment pool, among others.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or price paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset or liability. The fair value hierarchy prioritized the inputs to valuation techniques used to measure fair value into three levels:

- Level 1 – Quoted prices (unadjusted) in active markets from identical assets at the measurement date
- Level 2 – Quoted prices for similar assets in active or inactive markets, or inputs derived from observable (directly or indirectly) market data.
- Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Fair value measurements as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Money market investment	\$ 44,017	\$ -	\$ -	\$ 44,017

Note D – Property Tax Receivable

Property taxes are assessed on a July 1 – June 30 fiscal year basis. The taxes are levied as of July 1 based on assessed values as of January 1. Property tax payments are due in three equal installments, on November 15, February 15 and May 15. A discount of 3% is available if taxes are paid in full by November 15 and a discount of 2% on the unpaid balance is available if taxes are paid in full by February 15. Property taxes attach as an enforceable lien July 1 and are considered delinquent if not paid by the following May 15. The Deschutes County Treasurer is the tax collection agent for the District.

SISTERS PARK AND RECREATION DISTRICT
Deschutes County, Oregon
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2018

Note E - Capital Assets

Changes in the District's capital assets for the year ended June 30, 2018, were as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital assets				
Assets being depreciated				
Land lease	214,000	-	-	214,000
Building & improvements	919,595	30,025	-	949,620
Vehicles	41,098	-	-	41,098
Equipment	120,832	2,850	-	123,682
Total assets being depreciated	<u>1,295,525</u>	<u>32,875</u>	<u>-</u>	<u>1,328,400</u>
Accumulated depreciation	<u>(434,269)</u>	<u>(47,334)</u>	<u>-</u>	<u>(481,603)</u>
Net capital assets	<u>\$ 861,256</u>	<u>\$(14,459)</u>	<u>\$ -</u>	<u>\$ 846,797</u>

Depreciation is computed on the land lease, building and improvements, vehicles and equipment over the over the estimated useful life of the asset using the straight-line method of depreciation. The following is a summary of the depreciation:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Current Year</u>		<u>Balance</u> <u>June 30, 2018</u>
		<u>Additions</u>	<u>Deletions</u>	
Capital assets				
Accumulated depreciation				
Land lease	\$ (59,920)	\$ (8,560)	\$ -	\$ (68,480)
Building & improvements	(250,828)	(24,794)	-	(275,622)
Vehicles	(28,980)	(5,918)	-	(34,898)
Equipment	(94,542)	(8,062)	-	(102,604)
Total accumulated depreciation	<u>\$ (434,270)</u>	<u>\$ (47,334)</u>	<u>\$ -</u>	<u>\$ (481,604)</u>

Note F – Land Lease

The District leases land that the District offices occupies from the Sisters School District. The lease has a remaining life of 19 years.

Note G – Line of Credit

The District has a short-term revolving line of credit through First Interstate Bank which it uses to finance its general operations and programs prior to the receipt of property tax revenues. Short-term debt activity for the year ended June 30, 2018 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Draws</u>	<u>Repayments</u>	<u>Ending</u> <u>Balance</u>
Line of Credit	\$ -	\$ 15,000	\$ (15,000)	\$ -

SISTERS PARK AND RECREATION DISTRICT
Deschutes County, Oregon
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
June 30, 2018

Line G – Line of Credit, Continued

At June 30, 2018 the District had an available credit line of \$30,000 through First Interstate Bank which can be borrowed at a rate of 6.75%.

Note H - Contingent Liabilities

Management has represented that there are no other contingent liabilities which were understood to include among other things: notes or accounts receivable which have been discounted; pending suits, proceedings, hearings, or negotiations possibly involving retroactive judgments or claims; taxes in dispute; endorsements or guarantees; and options given that would require disclosure or recognition under Statement of Financial Accounting Standards (FASB) ASC 450.

Note I – Risk Management

The District is exposed to various risk of loss related to torts; theft or damages to and destruction of assets; errors and omissions; injury to employees; and natural disasters for which the District participates in the Special District Insurance Services (SDIS) formed in 1985 by the Special Districts Association of Oregon (SDAO). SDIS is a public entity risk pool currently operating as a common risk management and insurance program for approximately 900 special districts in the state of Oregon. SDIS is self-sustaining through member contributions and reinsures through commercial companies for excess of certain claims amounts. The District reviews the coverage periodically, and there has not been a significant reduction in coverage from the prior years. Any settlements have not exceeded coverage in the prior years.

Note J – Prior Period Adjustment

During the fiscal year ended June 30, 2018 the District discovered it had failed to recognize a liability for accrued compensated absences during the fiscal year ended June 30, 2017. The correction of this error reduced beginning net position by \$9,470 and required a restatement of June 30, 2017 ending net position as is reflected in the statement of activities.

Note K - Subsequent Events

Management evaluated all activity of the District through the report date, which is the date on which the financial statements were available to be issued and concluded that no other subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

SISTERS PARK AND RECREATION DISTRICT

Deschutes County, Oregon

SCHEDULE OF ACTUAL AND BUDGETED TRANSACTIONS
GENERAL FUND
BUDGETARY BASIS

For The Year Ended June 30, 2018

	Budget		Actual	Variance
	Original	Final		Over (Under)
Resources				
Revenues				
Local Sources				
Property taxes	\$ 286,200	\$ 286,200	\$ 287,625	\$ 1,425
Interest	150	150	136	(14)
Charges for services	433,600	433,600	286,125	(147,475)
Grants and donations	56,500	56,500	42,579	(13,921)
Facility rentals	15,000	15,000	8,313	(6,687)
Short-term Lines of Credit	-	30,000	15,000	(15,000)
Other Income	-	-	1,000	1,000
Transfers from other funds	17,000	17,000	14,224	(2,776)
Total Revenues	808,450	838,450	655,002	(183,448)
Beginning Fund Balance	133,035	133,035	125,227	(7,808)
Total Resources	941,485	971,485	780,229	(191,256)
Expenditures				
Personnel service	441,382	441,382	428,653	(12,729)
Materials and service	285,691	285,691	236,964	(48,727)
Transfers to other funds	130,000	130,000	-	(130,000)
Operating contingency	57,413	57,413	-	(57,413)
Debt Services	-	30,000	15,000	(15,000)
Capital outlay	15,000	15,000	5,700	(9,300)
Total Expenditures	929,486	959,486	686,317	(273,169)
Ending Balance	\$ 11,999	\$ 11,999	\$ 93,912	\$ 81,913

ADDITIONAL SUPPLEMENTAL INFORMATION

SISTERS PARK AND RECREATION DISTRICT

Deschutes County, Oregon

SCHEDULE OF ACTUAL AND BUDGETED TRANSACTIONS
COMMUNITY PARTNER RESERVE FUND
BUDGETARY BASIS

For The Year Ended June 30, 2018

	Budget		Actual	Variance
	Original	Final		Over (Under)
Revenues				
Local Sources				
Grants and fees	\$ 304,000	\$ 304,000	\$ 176,606	\$ (127,394)
Contingency	20,000	20,000	-	(20,000)
Beginning Fund Balance	90,000	90,000	79,111	(10,889)
Total Resources	414,000	414,000	255,717	(158,283)
Expenditures				
Personnel Service	38,000	38,000	33,849	(4,151)
Materials and service	190,403	190,403	99,362	(91,041)
Capital Outlay	60,000	60,000	30,025	(29,975)
Total Expenditures	288,403	288,403	163,236	(125,167)
Transfer to other funds				
General Fund	17,000	17,000	14,224	(2,776)
Ending Balance	\$ 108,597	\$ 108,597	\$ 78,257	\$ (30,340)

INDEPENDENT AUDITOR'S REPORT AS REQUIRED BY
OREGON STATE REGULATIONS

SISTERS PARK AND RECREATION DISTRICT

Independent Auditor's Report
Required by Oregon State Regulations
June 30, 2018

We have audited the basic financial statements of Sisters Park and Recreation District as of and for the year ended June 30, 2018, and have issued our report thereon dated February 18, 2019. 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 Sisters Park and Recreation District's financial statements are free of material misstatements, 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 the 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:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and payments.
- Budget 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.
- Public contracts and purchasing (ORS Chapters 297A, 297B, 297C).

SISTERS PARK AND RECREATION DISTRICT

Independent Auditor's Report

Required by Oregon State Regulations - Continued

June 30, 2018

In connection with our testing, nothing came to our attention that caused us to believe the Sisters Park and Recreation 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 Audit of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the Sisters Park and Recreation District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sisters Park and Recreation District's internal controls over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sisters Park and Recreation District's internal controls over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weakness. We identified the following internal control which we consider to be material in weakness which are listed below:

We noted that the District has certain control policies and procedures in place that are intended to provide the board and patrons assurance regarding the appropriation and payment of expenses incurred by the District. They are ineffective because they are not being completely applied and are absent of adequate monitoring by management. As a result of this deficiency the District could potentially be subject to inaccurate, incorrect or fraudulent expenses.

The District does have employee policies and procedures regarding its handling of employee files and payroll transactions which are intended to provide the board and patrons reasonable assurance regarding these transactions. The District lacked contracts for employees requested by auditors and employee timecards were not fully completed and approved by management. The absence of adequate monitoring by management of these procedures creates the potential for fraudulent pay rates and or overstatement of employee time.

The District does not appear to have sufficient policies and procedures in place and lacked trained or experienced personnel in its finance/accounting department that could identify, create or implement such policies and procedures that would provide reasonable assurance to the board and patrons that transactions and accounts are being reconciled on a regular basis and are recorded correctly. Due to the

lack of account reconciliations the District is subject to potential accounting errors and misstatements due to fraud or other unintentional errors.

We also identified the following deficiencies which we considered significant in nature, which are listed below:

During the course of the audit it was noted that the District does not maintain the most current version of the accounting software or secure electronic passcodes. The District does not require employees to regularly change electronic passwords. This creates a potential for fraud and data theft.

Auditors also observed unsecured blank checks and inaccurate account reconciliations that did not match accounting software reports. Such practices provide the potential for fraudulent or incorrect transactions that would not be easily, or quickly, identified by management.

Management is responsible for the establishing and maintaining internal controls and for the fair presentation of the financial statements, including disclosures, in conformity generally accepted accounting principles.

This report is intended solely for the information and use of the Board of Directors and management of Sisters Park and Recreation District and the Oregon Secretary of State and is not intended to be used and should not be used by anyone other than these parties.

Barnett & Company CPAs

Barnett & Company CPAs
February 18, 2019

John M. Barnett, CPA

By: John M. Barnett, CPA