

**HOOD RIVER VALLEY PARK
AND RECREATION DISTRICT
Hood River, Oregon
ANNUAL FINANCIAL REPORT
For Year Ended June 30, 2017**

ONSTOTT, BROEHL & CYPHERS, P.C.
Certified Public Accountants
100 East 4th Street
The Dalles, Oregon 97058

HOOD RIVER VALLEY PARK AND RECREATION DISTRICT

Names and Addresses of Officers
and Members of the Board of Directors
June 30, 2017

MEMBERS OF THE BOARD OF DIRECTORS

Greg Davis 1103 Country Club Road Hood River, Oregon 97031	President
Glenna Mahurin 5720 Berry Drive Hood River, Oregon 97031	Vice-president
Matt Rutledge 807 June Street Hood River, Oregon 97031	Secretary
Mike McCarthy 8405 Clear Creek Road Parkdale, Oregon 97041	Board Member
Art Carroll 816 Adams Loop Hood River, Oregon 97031	Board Member

OTHER OFFICERS

Mark Hickok, District Director
Registered Office
1601 May Street
Hood River, Oregon 97031

HOOD RIVER VALLEY PARK AND RECREATION DISTRICT

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FINANCIAL SECTION

Onstott, Broehl & Cyphers, P. C.

Certified Public Accountants

KENNETH L. ONSTOTT, c.p.a.
JAMES T. BROEHL, c.p.a.
RICK M. CYPHERS, c.p.a.

WILLIAM S. ROOPER, c.p.a. retired

MEMBERS:

American Institute of c.p.a.'s
Oregon Society of c.p.a.'s

OFFICES:

100 EAST FOURTH STREET
THE DALLES, OREGON 97058
Telephone: (541) 296-9131
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1313 BELMONT STREET
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hood River Valley Park and Recreation District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hood River Valley Park and Recreation District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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 the governmental activities, each major fund, and the aggregate remaining fund information of Hood River Valley Park and Recreation District, as of June 30, 2017, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7, and 21 through 23 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 response 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hood River Valley Park and Recreation District's basic financial statements. The introductory section and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual nonmajor fund financial statements 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. 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated February 19, 2018, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Onstott, Broehl & Cyphers, P.C.
The Dalles, Oregon

By: Kenneth Onstott
a Shareholder

February 19, 2018

**Hood River Valley Parks and Recreation District
Hood River, Oregon
Management's Discussion and Analysis
For the Year Ended June 30th, 2017**

Background

The Hood River Valley Parks and Recreation District was formed in 1988 to continue the operations of the Aquatic Center and to provide aquatic recreation opportunities. The pool was once owned and maintained by the City of Hood River. In 1994 a referendum was passed to expand the District's ability to expand recreational programs, trails, parks, and other recreation options. The District has a 5-member board of Directors that are elected by citizens of the District. The District includes all of Hood River County excluding the city of Cascade Locks. The total population served by the District is approximately 21,000.

In 1998 a bond was passed to improve playfields at School District facilities and eliminate debt on the Aquatic Center. This bond will expire in 2018.

The District began collecting System Development Charges in the City of Hood in 1996 after a methodology was developed. These SDC's are used to enhance and increase recreation opportunities for the expanding District population. In 2006 SDC's were collected throughout the District. An update to this Methodology was adopted by the Board of Directors on April 19, 2017 with new fees and methodology implemented on July 1, 2017.

Our discussion and analysis of the Hood River Valley Parks and Recreation District (hereafter referred to as the District) financial performance provides an overview of the District's financial activities for the year ended June 30th, 2017.

The Management's Discussion and Analysis is an element of the reporting model adopted by the Government Accounting Standards Board (GASB) in their Statement No. 34 issued in June 1999. This is the 15th year that the District has implemented this model, and certain comparative information with the previous year, which is by design included in this reporting model, will be included in the analysis as permitted by GASB Statement No. 34.

Hood River Valley Parks and Recreation District

Hood River, Oregon

Management's Discussion and Analysis

For the Year Ended June 30th, 2017

Financial and Operation Highlights

General Operations

- Continue to operate the Aquatic Center, an abnormal snowy winter led to several closures and slightly lower revenue and patronage;
- Received 10% insurance discount for Special Districts Association Best Practices.
- Notice was given to increase SDC rates effective July 1st, 2017, the rates for System Development Charges throughout the entire District will increase.
- Finished the work with FCS group to update the SDC methodology.
- Staff participated on the City of Hood River Westside Concept Plan.
- Worked with Opsis Architecture to develop an Aquatic Center Feasibility Study.

Park Development

- Awarded the contract to develop Golden Eagle Park adjacent to the High School. The new park features 98 new parking spots, two tennis courts, three pickleball courts, two half court basketball courts, two picnic shelters, a mountain bike skills area, two bocce ball courts, and a new restroom facility. The park was funded in part by \$494,000 of state parks grant money that was originally awarded for Barrett Park improvements.
- Continue to search for suitable land to develop for parks.

Partnerships

- Continued positive relations with other agencies including the City of Hood River, Hood River School District and Community Education, Port of Hood River, Healthy, Active Hood River County Coalition, Columbia Gorge Community College, and others.
- Staff actively involved with Local, State and National associations.

Trails

- Developed and opened the South Side Connector segment of the Indian Creek Trail.
- The stormy winter led to increased trail maintenance needs and park cleanup.

Resolutions for 2016-17 included

- SDC expenses for Nichols Basin Trail, SDC Update Plan
- SDC Methodology- Rescind previous methodology and implement new updated methodology.
- SDC 6% annual increase
- Resolution for Inclusion under State of OR Deferred Compensation Plan.
- Resolution Setting Meeting dates for 2017-18 year
- Resolution Extending Workers Compensation Coverage to Volunteers

Hood River Valley Parks and Recreation District
Hood River, Oregon
Management's Discussion and Analysis
For the Year Ended June 30th, 2017

- Resolution for the Adoption 17-18 budget
- Resolution to apply for LGGP Planning Grant 2017

FINANCIAL HIGHLIGHTS

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. The District is a Special District, a government entity with its own permanent tax rate of .0003498.

A summary of the basic government-wide financial statements is as follows:

SUMMARY OF STATEMENT OF NET POSITION		
Current and other assets	\$1,593,805	\$1,666,049
Capital assets, net of accumulated depreciation	3,768,634	3,746,333
Total assets	5,362,439	5,412,382
LIABILITIES:		
Long-term liabilities	180,000	355,000
Other liabilities	64,909	74,525
Total liabilities	244,909	429,525
NET POSITION:		
Net investment in capital assets	3,588,634	3,391,334
Restricted	978,149	952,695
Unrestricted	550,747	638,828
Total net position	\$5,117,530	\$4,982,857

**Hood River Valley Parks and Recreation District
Hood River, Oregon**

Management's Discussion and Analysis
For the Year Ended June 30th, 2017

SUMMARY OF STATEMENT OF ACTIVITES

	<u>2017</u>	<u>2016</u>
REVENUES:		
Program Revenues:		
Charges for services	\$301,276	\$342,423
General revenues:		
Property taxes	896,338	836,588
System development charges	239,947	231,305
Other	12,154	7,335
	<u>1,449,715</u>	<u>1,417,651</u>
EXPENSES:		
Program Expenses:		
General and administrative	264,659	190,675
Operations and maintenance -		
Pool facility	893,995	857,324
Other operations and maintenance	156,388	104,087
	<u>1,315,042</u>	<u>1,152,086</u>
Total expenses	<u>1,315,042</u>	<u>1,152,086</u>
Change in net assets	134,673	265,565
Net position - beginning of year	<u>4,982,857</u>	<u>4,717,292</u>
Net position - end of year	<u><u>\$5,117,530</u></u>	<u><u>\$4,982,857</u></u>

Fund Highlights

- The debt from the 1998 improvement bond will be paid in full in 17/18
- The District was able to add to the improvement fund for potential future capital projects. The fund is now over \$400,000.
- The District completed the contract with Pauly Rogers CPA firm to perform an independent review of our System Development Charge Special Revenue Fund.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District anticipates a continual increase in tax assessed values as the city continues to annex into the urban growth boundary and development increases.

Hood River Valley Parks and Recreation District
Hood River, Oregon
Management's Discussion and Analysis
For the Year Ended June 30th, 2017

The Park District does not anticipate large changes in staffing levels.

Overall the District is operating very efficiently. We strive to continue those operations and offer the public safe and affordable recreation options.

Staff believes additional operational funds for non-aquatic center operations are needed to continue to maintain the current level of operations and repair in parks and on trails.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Mark Hickok, District Director at 1601 May Avenue, Hood River, OR 97031

The Hood River Valley Parks and Recreation District strives to fulfill its mission: to provide recreational opportunities to the citizens of the district, with focus on the youth of our community. Facilities and programs will be developed and maintained to provide safe and economical recreational environments for all users.

BASIC FINANCIAL STATEMENTS

HOOD RIVER VALLEY PARK AND RECREATION DISTRICT

Statement of Net Position

June 30, 2017

ASSETS	<u>Governmental Activities</u>
Cash and cash equivalents	\$1,523,387
Receivables (net of allowance for uncollectibles)	55,511
Prepaid expenses	8,999
Debt issuance costs (net of amortization)	5,908
Capital assets (net of accumulated depreciation):	
Land	925,664
Buildings and improvements	416,763
Equipment	40,857
Skate park improvements	189,848
Parks and improvements	1,780,991
Trails and improvements	414,511
	<hr/>
Total Assets	<u>\$5,362,439</u>
LIABILITIES AND NET POSITION	
Liabilities:	
Accounts payable	\$30,540
Accrued payroll expenses	32,727
Unamortized bond premium	1,642
Non-current liabilities:	
Due within one year	180,000
Due in more than one year	0
	<hr/>
Total Liabilities	<u>244,909</u>
Net Position:	
Net investment in capital assets	3,588,634
Restricted for:	
Debt service	(6,063)
System development	984,212
Unrestricted	550,747
	<hr/>
Total Net Position	<u>5,117,530</u>
Total Liabilities and Net Position	<u>\$5,362,439</u>

The notes to the financial statements are an integral part of this statement.

HOOD RIVER VALLEY PARK AND RECREATION DISTRICT

Statement of Activities

Year Ended June 30, 2017

Functions/Programs	Expenses	Charges for Services	Program Revenues Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:				
General government	264,659			(264,659)
Operations and maintenance - pool facility	893,995	\$236,216		(657,779)
Other operations and maintenance	156,388	65,060		(91,328)
	\$1,315,042	\$301,276	\$0	(1,013,766)
Total Governmental Activities				
				896,338
				239,947
				12,154
				1,148,439
				134,673
				4,982,857
				\$5,117,530

General Revenues:

- Property taxes
- System development charges
- Unrestricted investment earnings

Total General Revenues

Change in Net Position

Net Position - July 1, 2016

Net Position - June 30, 2017

The notes to the financial statements are an integral part of this statement.

HOOD RIVER VALLEY PARK AND RECREATION DISTRICT

Balance Sheet
Governmental Funds
June 30, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>System Development Charge Fund</u>	<u>Improvement Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$182,499		\$984,212	\$356,676	\$1,523,387
Property taxes receivable	46,944				46,944
Accounts receivable	8,567				8,567
Due from other funds	6,063				6,063
Prepaid expenses	8,999				8,999
Total Assets	<u>\$253,072</u>	<u>\$0</u>	<u>\$984,212</u>	<u>\$356,676</u>	<u>\$1,593,960</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$30,540				\$30,540
Accrued payroll	32,727				32,727
Due to other funds		6,063			6,063
Total Liabilities	<u>63,267</u>	<u>6,063</u>	<u>0</u>	<u>0</u>	<u>69,330</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned taxes	41,232				41,232
FUND EQUITY					
Fund Balances:					
Nonspendable:					
Prepays	8,999				8,999
Restricted to:					
Debt service		(6,063)			(6,063)
System development			984,212		984,212
Assigned to - capital improvements				356,676	356,676
Unassigned	139,574				139,574
Total Fund Equity	<u>148,573</u>	<u>(6,063)</u>	<u>984,212</u>	<u>356,676</u>	<u>1,483,398</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Equity	<u>\$253,072</u>	<u>\$0</u>	<u>\$984,212</u>	<u>\$356,676</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	3,768,634
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	(180,000)
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds	41,232
Debt issuance costs and bond premium are reported as expenses in the funds statement but are amortized over the life of the issue in the statement of net position	4,266

Net position of governmental activities \$5,117,530

The notes to the financial statements are an integral part of this statement.

HOOD RIVER VALLEY PARK AND RECREATION DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017

	General Fund	Debt Service Fund	System Development Charge Fund	Improvement Funds	Total Governmental Funds
REVENUES					
Property taxes	\$702,964	\$188,032			\$890,996
Pool receipts	236,216				236,216
Interest on investments	9,070		\$3,084		12,154
System development charges			239,947		239,947
Donations and other	65,060				65,060
Total Revenues	<u>1,013,310</u>	<u>188,032</u>	<u>243,031</u>	<u>0</u>	<u>1,444,373</u>
EXPENDITURES					
Current:					
General administration	233,537		30,492		264,029
Operations and maintenance - pool facility	789,022				789,022
Other operations and maintenance	21,802				21,802
Capital outlay	53,841		189,636		243,477
Debt service:					
Principal		175,000			175,000
Interest		10,481			10,481
Total Expenditures	<u>1,098,202</u>	<u>185,481</u>	<u>220,128</u>	<u>0</u>	<u>1,503,811</u>
Revenues Over (Under) Expenditures	<u>(84,892)</u>	<u>2,551</u>	<u>22,903</u>	<u>0</u>	<u>(59,438)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	0			61,351	61,351
Operating transfers out	(61,351)			0	(61,351)
Total Other Financing Sources (Uses)	<u>(61,351)</u>	<u>0</u>	<u>0</u>	<u>61,351</u>	<u>0</u>
Revenues and Other Sources (Uses) Over (Under) Expenditures	(146,243)	2,551	22,903	61,351	(59,438)
FUND BALANCE - July 1, 2016	<u>294,816</u>	<u>(8,614)</u>	<u>961,309</u>	<u>295,325</u>	<u>1,542,836</u>
FUND BALANCE - June 30, 2017	<u>\$148,573</u>	<u>(\$6,063)</u>	<u>\$984,212</u>	<u>\$356,676</u>	<u>\$1,483,398</u>

The notes to the financial statements are an integral part of this statement.

HOOD RIVER VALLEY PARK AND RECREATION DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures and
 Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
Year Ended June 30, 2017

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds		(\$59,438)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The difference between these two amounts is:</p>		
Capitalized expenditures	\$130,133	
Depreciation expense	<u>(107,833)</u>	22,300
<p>Amortization of bond issuance and refunding costs is reported as an expense in the government wide statement but was reported as an expenditure in the government funds statement when incurred</p>		
		(8,531)
<p>Some revenue reported in the statement of activities does not provide current financial resources in the governmental funds</p>		
		5,342
<p>Repayment of long-term debt obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the government wide statements</p>		
		<u>175,000</u>
Change in net position of governmental activities		<u><u>\$134,673</u></u>

The notes to the financial statements are an integral part of this statement.

HOOD RIVER VALLEY PARK AND RECREATION DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Hood River Valley Park and Recreation District (the District) is a municipal corporation governed by a five-member board of directors elected by the citizens of the District. Administrative functions are delegated to individuals who report to and are responsible to the board. The chief administrative officer is the District director.

The accompanying financial statements present all funds and component units for which the District is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of these criteria, the District is a primary government with no includable component units.

Government-wide and Fund Financial Statements

The government-wide financials statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *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 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* includes 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 programs revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus

The government-wide financial statements are presented on a full accrual basis of accounting with an economic resource measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

HOOD RIVER VALLEY PARK AND RECREATION DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Measurement Focus - continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for the principal and interest payments due under the 1998 bond issue.

The *system development charge fund* accounts for the fees received from the permits issued by the District and County for new dwellings constructed within the District. The proceeds from these charges are for development of recreation facilities within the District.

Special revenue funds that account for revenues derived from specific sources that have been restricted to finance particular functions or activities. The *improvement fund* is considered a major fund.

Non-major funds:

None

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

HOOD RIVER VALLEY PARK AND RECREATION DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Measurement Focus – continued

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities, and Net position or Equity

Cash and Cash Equivalents

For financial reporting purposes, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Deposits and Investments

Oregon Revised Statutes authorize the District to invest in obligations of the U.S. Treasury and its agencies, certain bonded obligations of Oregon municipalities, certificates of deposit, certain commercial paper, banker's acceptance, corporate debt, bank repurchase agreements, and the Oregon State Treasurer's Local Government Investment Pool. The District has no formal investment policy that further restricts its investment choices.

Investments for the District are reported at cost, which approximates fair value.

Receivables and payables

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Ad valorem property taxes are levied on all taxable property as of January 1 preceding the beginning of the fiscal year. Property taxes become a lien on January 1 for personal property and on July 1 for real property. Collection dates are November 15, February 15, and May 15. 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. Uncollected property taxes are shown in the combined balance sheet. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. Property taxes collected within approximately sixty days after fiscal year end are recognized as revenue. The remaining balance of taxes receivable is recorded as deferred revenue because it is not deemed available to finance operations of the current period. All property taxes receivable are due from property owners within the District.

Capital Assets

Capital assets, which include land, buildings and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life extending beyond a single reporting period. Such assets are stated at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The District's policy is to capitalize material interest costs as part of the cost of capital assets based on the borrowing costs incurred. Such costs were not considered material in 2017.

HOOD RIVER VALLEY PARK AND RECREATION DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Assets, Liabilities, and Net Position or Equity – continued

Capital Assets - continued

Property, plant, and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	3-30
Equipment	3-10
Skate park improvements	10-20
Parks and improvements	3-20

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Fund Equity

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., District Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Use of Estimates

In preparing the District's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures and expenses during the reporting period. Actual results could differ from those estimates.

HOOD RIVER VALLEY PARK AND RECREATION DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 2 – DETAILED NOTES ON ALL FUNDS

Deposits

Cash and investments are reflected on the government-wide Statement of Net Position as follows:

Cash on hand	\$1,132
Cash in bank	216,679
Cash with Hood River County	<u>1,305,576</u>
Total cash and cash equivalents	<u>\$1,523,387</u>

At June 30, 2017 the District's investment balance was as follows:

	<u>Carrying Amount</u>	<u>Reported Amount/ Fair Value</u>
Cash with Hood River County	<u>\$ 1,305,576</u>	<u>\$ 1,305,576</u>

Deposits with financial institutions are comprised of bank demand deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. For deposits in excess of federal depository insurance, Oregon Revised Statutes require that public officials report to the Office of the State Treasurer all bank depositories in which they deposit public funds and bank depositories will then report financial information and total public funds deposits quarterly to OST. OST will then calculate the required collateral that must be pledged by the bank based on this information and the depository's assigned capitalization category. Bank depositories will then have a shared liability in the event of a bank loss. At June 30, 2017, the carrying amount of the District's deposits was \$216,679 and the bank balance was \$241,750. The entire amount was covered by Federal depository insurance.

Investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Investments

The District has delegated investment responsibilities to the District Director, who is primarily responsible for implementing investment policy. The District has no formal written investment policy.

Cash on deposit with Hood River County is subject to the same regulatory oversight as all deposits of the County.

Concentration of Credit Risk

The District's only investments are maintained by Hood River County, Oregon, which, as an Oregon municipality, is governed by the same investment restrictions as the District. This external investment pool is unrated as to its credit quality.

Interest Rate Risk

The District has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

HOOD RIVER VALLEY PARK AND RECREATION DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 2 – DETAILED NOTES ON ALL FUNDS – continued

Receivables

Receivables as of June 30, 2017 for the District's individual major funds and nonmajor in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>
Receivables:	
Accounts	\$ 8,567
Taxes	46,944
	\$55,511

Capital assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Balances July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances June 30, 2017</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$1,258,319	\$45,803		\$1,304,122
Capital assets, being depreciated:				
Buildings and improvements	1,951,814	10,717		1,962,531
Equipment	105,643			105,643
Skate park improvements	423,889			423,889
Parks and improvements	2,121,240	73,613		2,194,853
Trails and improvements	46,899			46,899
Total capital assets being depreciated	4,649,485	84,330	0	4,733,815
Less accumulated depreciation for:				
Buildings and improvements	(1,497,023)	(48,745)		(1,545,768)
Equipment	(55,411)	(9,375)		(64,786)
Skate park improvements	(215,694)	(18,347)		(234,041)
Parks and improvements	(385,382)	(28,481)		(413,863)
Trails and improvements	(7,961)	(2,885)		(10,846)
Total accumulated depreciation	(2,161,471)	(107,833)	0	(2,269,304)
Total capital assets, being depreciated, net	2,488,014	(23,503)	0	2,464,511
Governmental activities capital assets, net	\$3,746,333	\$22,300	\$0	\$3,768,633

HOOD RIVER VALLEY PARK AND RECREATION DISTRICT

Notes to Financial Statements

June 30, 2017

NOTE 2 – DETAILED NOTES ON ALL FUNDS – continued

Capital Assets - continued

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:	
General administration	\$630
Operations and maintenance - pool facility	48,745
Other operations and maintenance	<u>58,458</u>
Total depreciation expense - governmental activities	<u>\$107,833</u>

Interfund Transfers

The District routinely makes transfers between funds, primarily to special revenue funds for future major capital purchases. Interfund transfers for the year were as follows:

	<u>Transfer In</u>	
Transfer Out:	<u>Improvement</u>	<u>Total</u>
General	<u>\$61,351</u>	<u>\$61,351</u>
	<u>\$61,351</u>	<u>\$61,351</u>

Long-term Debt

Series 2010 Bonds

On June 1, 2010, the District issued \$1,320,000 of General Obligation Bonds, Series 2010, with an average interest rate of 2.867%. The bonds consist of serial bonds bearing various fixed rates ranging from 2.0% to 4.0% with annual maturities from January, 2010 through January, 2018. The principal payments are payable January 1 of each year with interest payments due January 1 and July 1 of each year. Interest in the amount of \$10,481 is included as a direct expense on the statement of activities.

The net proceeds were used to advance refund the Series 1998 bonds with a total principal amount of \$1,270,000 and an average interest rate of 4.975%.

The net proceeds were deposited with an escrow agent to provide for the call and redemption of the refunded bonds on July 1, 2010. As a result, the refundable bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. The advance refunding was done in order to reduce debt payments in the short-term and overall debt service payments.

HOOD RIVER VALLEY PARK AND RECREATION DISTRICT

Notes to Financial Statements
June 30, 2017

NOTE 2 – DETAILED NOTES ON ALL FUNDS – continued

Long-term Debt – continued

Maturities of bond principal at June 30, 2017 were as follows:

	<u>Principal</u>	<u>Interest</u>
2017-18	<u>\$180,000</u>	<u>\$7,200</u>

Change in long-term debt was as follows:

	<u>General Obligation Bonds Series 2010</u>
Governmental activities:	
Balance - July 1, 2016	\$355,000
Principal payments	<u>(175,000)</u>
Balance - June 30, 2017	<u><u>\$180,000</u></u>

NOTE 3 – OTHER INFORMATION

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; and natural disasters for which the District carries commercial insurance.

Employee Retirement Plan

Until April 1, 2017 the District maintained a Simple IRA plan. Each employee who earned at least \$5,000 during the year could participate with the District matching 3% with a possible 2% addition of the total income each employee contributes to the plan (up to the maximum allowed by law). All employees have elected to participate in the new 457b plan detailed below thus terminating the Simple IRA plan.

Beginning in April, 2017 the District began participating in the Oregon Savings Growth Plan (a 457b plan). Under this plan employees can contribute up to \$18,000 annually (with catch-up provisions for individuals age 50 and above) with the District matching 3% (and a possible 2% addition) of the total income each employee contributes to the plan (up to the maximum allowed by law).

Total contributions for the fiscal year ended June 30, 2017, were \$14,016.45 by the District and \$19,116 by employees. The Board of Directors has the authority to establish or amend the District's retirement plan.

REQUIRED SUPPLEMENTARY INFORMATION

HOOD RIVER VALLEY PARK AND RECREATION DISTRICT
Schedule of Revenues, Expenditures, and
Changes in Fund Balance
Budget and Actual - General Fund
Year Ended June 30, 2017

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$704,100	\$702,964	(\$1,136)
Pool revenues	261,000	236,216	(24,784)
Innovative revenues	19,669	17,569	(2,100)
Supplies sold	23,500	22,664	(836)
Interest on investments	4,500	9,069	4,569
Grants and donations	494,000	2,500	(491,500)
Miscellaneous	19,000	22,328	3,328
Total Revenues	1,525,769	1,013,310	(512,459)
EXPENDITURES			
Personal Services:			
Pool personnel	297,175	319,389	(22,214)
District personnel	308,637	276,885	31,752
Payroll expenses	136,077	112,801	23,276
Total Personal Services	741,889	709,075	32,814
Materials and Services:			
Attorney fees	4,000	6,040	(2,040)
Audit fees	11,000	10,500	500
Barrett rental expense	7,200	0	7,200
Bank charges	5,100	7,407	(2,307)
Dues and fees	3,000	1,935	1,065
Elections	1,405	1,931	(526)
Employee enhancement	2,400	2,998	(598)
Insurance	11,800	11,919	(119)
Licenses	2,700	1,073	1,627
Marketing and advertising	14,000	5,304	8,696
Merchandise sold	18,880	16,659	2,221
Miscellaneous	0	(2,459)	2,459
Office supplies	12,000	7,741	4,259
Pool supplies	41,500	36,366	5,134
Pool expense - other	4,580	1,642	2,938
Professional fees	12,500	33,394	(20,894)
Program expenses	11,000	0	11,000
Repairs and maintenance	75,000	65,064	9,936
Travel and training	17,780	11,856	5,924
Uniforms	3,100	3,893	(793)
Utilities	122,000	112,023	9,977
Total Materials and Services	380,945	335,286	45,659
Capital outlay	1,072,099	53,841	1,018,258
Contingency	220,850	0	220,850
Total Expenditures	2,415,783	1,098,202	1,317,581
Revenues Over (Under) Expenditures	(890,014)	(84,892)	805,122
OTHER FINANCING SOURCES (USES)			
Operating transfers in	514,515	0	(514,515)
Operating transfers out	(61,351)	(61,351)	0
Total Other Financing Sources (Uses)	453,164	(61,351)	(514,515)
Revenues and Other (Uses) Over (Under) Expenditures	(436,850)	(146,243)	290,607
FUND BALANCE - July 1, 2016	436,850	294,816	(142,034)
FUND BALANCE - June 30, 2017	<u>\$0</u>	<u>\$148,573</u>	<u>\$148,573</u>

HOOD RIVER VALLEY PARK AND RECREATION DISTRICT
Schedule of Revenues, Expenditures, and
Changes in Fund Balance
System Development Charge Fund
Year Ended June 30, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Investment earnings	\$2,500	\$3,984	\$1,484
License, fees, & permits	<u>261,625</u>	<u>239,047</u>	<u>(22,578)</u>
Total Revenues	<u>264,125</u>	<u>243,031</u>	<u>(21,094)</u>
EXPENDITURES			
Materials and services	5,500	30,492	(24,992)
Capital outlay	<u>1,068,547</u>	<u>189,636</u>	<u>878,911</u>
Total Expenditures	<u>1,074,047</u>	<u>220,128</u>	<u>853,919</u>
Revenues Over (Under) Expenditures	<u>(809,922)</u>	<u>22,903</u>	<u>832,825</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	<u>0</u>	<u>0</u>	<u>0</u>
Revenues Over (Under) Expenditures and Other Sources (Uses)	(809,922)	22,903	832,825
FUND BALANCE - July 1, 2016	<u>809,922</u>	<u>961,309</u>	<u>151,387</u>
FUND BALANCE - June 30, 2017	<u><u>\$0</u></u>	<u><u>\$984,212</u></u>	<u><u>\$984,212</u></u>

HOOD RIVER VALLEY PARK AND RECREATION DISTRICT
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balance
 Improvement Fund
Year Ended June 30, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$61,351	\$61,351	\$0
Transfers out	<u>(320,099)</u>	<u>0</u>	<u>320,099</u>
Total Other Financing Sources (Uses)	<u>(258,748)</u>	<u>61,351</u>	<u>320,099</u>
Other Sources (Uses) Over (Under) Expenditures	(258,748)	61,351	320,099
FUND BALANCE - July 1, 2016	<u>258,748</u>	<u>295,325</u>	<u>36,577</u>
FUND BALANCE - June 30, 2017	<u><u>\$0</u></u>	<u><u>\$356,676</u></u>	<u><u>\$356,676</u></u>

HOOD RIVER VALLEY PARK AND RECREATION DISTRICT

Notes to Required Supplementary Information

June 30, 2017

NOTE 1 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with Oregon Revised Statutes (ORS 294 - Local Budget Law) for all governmental funds. All annual appropriations lapse at fiscal year end.

Each year, the budget officer submits a proposed budget to the Budget Committee for public hearing. The budget committee consists of the board of directors and an equal number of lay citizens of the District appointed by the board. The budget committee reviews the proposed budget and approves the budget document. The board holds a public hearing and adopts a final budget no later than June 30.

The budget is prepared by category (i.e., personal service, materials and services, capital outlay, debt service and other requirements) within funds. Adjustments to the budgetary appropriations require approval of the board. Expenditure appropriations may not be overexpended except in the case of grant funding issued during the fiscal year. The board may transfer amounts between categories by resolution. Unexpected additional resources may be added to the budget through the use of a supplemental budget

The following budgetary category had expenditures exceeding appropriations for the year:

<u>Fund</u>	<u>Category</u>	<u>Amount</u>
System Development Charge	Materials and services	\$24,992

Reconciliation of Budgetary Information with GAAP Information

Following is a reconciliation of the budgetary basis of accounting with the GAAP basis of accounting for the General Fund:

Revenues over expenditures and other uses - Budget basis	(\$84,892)
Capitalized expenses	130,133
Depreciation expense	(107,833)
Change in net position - GAAP basis	<u>(\$62,592)</u>

OTHER INFORMATION

HOOD RIVER VALLEY PARK AND RECREATION DISTRICT
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Debt Service Fund
Year Ended June 30, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Taxes	\$180,000	\$188,032	\$8,032
Investment earnings	<u>100</u>	<u>0</u>	<u>(100)</u>
Total Revenues	<u>180,100</u>	<u>188,032</u>	<u>7,932</u>
EXPENDITURES			
Debt Service	193,763	185,481	8,282
Management Fee	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>193,763</u>	<u>185,481</u>	<u>8,282</u>
Revenues Over (Under) Expenditures	(13,663)	2,551	16,214
FUND BALANCE - July 1, 2016	<u>13,663</u>	<u>(8,614)</u>	<u>(22,277)</u>
FUND BALANCE - June 30, 2017	<u><u>\$0</u></u>	<u><u>(\$6,063)</u></u>	<u><u>(\$6,063)</u></u>

HOOD RIVER VALLEY PARK AND RECREATION DISTRICT
 Schedule of Long Term Debt Transactions
Year Ended June 30, 2017

	2010 Bonds	
	Principal	Interest
Original issue	\$ 1,320,000	
Matured during year	\$175,000	\$10,481
Paid during year	(175,000)	(10,481)
Matured and outstanding at June 30, 2017	\$0	\$0

HOOD RIVER VALLEY PARK AND RECREATION DISTRICT
 Schedule of Future Debt Service Requirements
Year Ended June 30, 2017

<u>Year of Maturity</u>	2010 Bonds	
	Principal	Interest
2017-18	\$180,000	\$7,200
	\$180,000	\$7,200

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

Onstott, Broehl & Cyphers, P. C.

Certified Public Accountants

KENNETH L. ONSTOTT, c.p.a.
JAMES T. BROEHL, c.p.a.
RICK M. CYPHERS, c.p.a.

WILLIAM S. ROOPER, c.p.a. retired

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

We have audited the basic financial statements of the Hood River Park and Recreation District as of and for the year ended June 30, 2017 and have issued our report thereon dated February 19, 2018. 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, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 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 statement 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 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS 294).
- Insurance and fidelity bond in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds (ORS 294).
- Public contracts and purchasing (ORS 279A, 279B, and 279C).

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 noted below.

Oregon Local Budget Law Compliance

Except as stated in note 1 of the notes to required supplementary information, the results of our tests disclosed no instances of noncompliance with Oregon Local Budget Law. See note 1 of the notes to required supplementary information of the District's financial statements.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for determining 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 the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control. We have issued a separate management letter outlining deficiencies and suggestions for improvements in internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

This report is intended solely for the information of Hood River Valley Park and Recreation District's management, and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Onstott, Broehl & Cyphers, PC
February 19, 2018