

**CHEHALEM PARK AND  
RECREATION DISTRICT  
YAMHILL COUNTY, OREGON**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2004**

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**Pauly, Rogers, and Co., P.C.  
12700 SW 72<sup>nd</sup> Ave  
Tigard, OR 97223**



CHEHALEM PARK AND RECREATION DISTRICT  
YAMHILL COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2004

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CHEHALEM PARK AND RECREATION DISTRICT  
YAMHILL COUNTY, OREGON

2003-04 FINANCIAL REPORT

BOARD OF DIRECTORS

Michael McBride

Don Loving

Donna McCain

Todd Saunders

Larry Anderson

Board members receive mail at the District address listed below

ADMINISTRATION

Don Clements, Superintendent  
and Registered Agent  
125 South Elliott Road  
Newberg, Oregon 97132

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**CHEHALEM PARKS AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**  
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**YAMHILL COUNTY, OREGON**  
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**PAULY, ROGERS AND CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

- 
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
  - (503) 620-2632 • FAX (503) 684-7523

December 7, 2004

To the Board of Directors  
Chehalem Parks and Recreation District  
Newberg, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Chehalem Parks and Recreation District, Newberg, Oregon as of the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 11- Restatements, the District has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2004.

As more fully described in Note 1 to the basic financial statements the District does not have a complete record of the historical cost of all District capital assets, therefore the amounts reported in the basic financial statements are not complete. Generally accepted accounting principles require that complete and accurate records be kept of all capital assets, at historical cost. In addition, the District did not present the accumulated depreciation on its buildings and improvements through June 30, 2004 on the statement of net assets, nor did it consider the accumulated depreciation on buildings and improvements through June 30, 2004, and present the depreciation expense for the year ended June 30, 2004, on the statement of activities as required by GASB 34. In our opinion, generally accepted accounting principles require such presentation. Management has not calculated the amount of the accumulated depreciation and the depreciation expense.

In our opinion, except for the effect of the matter described in the preceding paragraph on the statement of net assets and statement of activities, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Chehalem Parks and Recreation District, Newberg, Oregon, at June 30, 2004, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management Discussion and Analysis and the budgetary comparison information, as listed on the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Chehalem Parks and Recreation District's basic financial statements. The Supplementary Information, including budgetary comparison schedules (which are required supplementary information for major governmental funds) as listed in the Table of Contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Pauly, Rogers and Co. P.C.*  
PAULY, ROGERS AND CO., P.C.

**CHEHALEM PARK AND RECREATION DISTRICT  
NEWBERG, OREGON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

This section of Chehalem Park and Recreation District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2004. Please read it in conjunction with the District's financial statements and notes, which follow this section. The District did not restate its 2003 financial statements in this first year of GASB 34 implementation, comparative information will be provided in future years.

**FINANCIAL HIGHLIGHTS**

- The District's total net assets were \$7,718,354 at June 30, 2004.
- During the year, the District's net assets increased by \$661,071.
- The general fund reported a fund balance this year of \$411,376

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

This annual report consists of three parts: *management's discussion and analysis* (this section), the *basic financial statements*, and *supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

**Government-wide Statements**

The District only provides "governmental activities" as defined in GASB 34, and has no substantial business-type activities. The District has only four funds, and each are considered to be major funds under the provisions of GASB 34.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant *funds* - not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

GOVERNMENT-WIDE CASH BALANCES		CHANGES IN BASIS NET ASSETS	
	Total		Total
ASSETS:		REVENUES:	
Current Assets	\$ 851,140	General Revenues	
Capital Assets	8,562,412	Charges for Services	\$ 1,179,158
		Property Taxes	1,604,595
Total Assets	9,413,552	Interest and Investment Earnings	4,805
		Miscellaneous	33,865
LIABILITIES:		Total Revenues	2,822,423
Current Liabilities	121,313		
Noncurrent Liabilities	1,688,198	EXPENSES:	
		Parks	1,916,970
Total Liabilities	1,809,511	Facilities Expense	146,286
		Interest on Long-Term Debt	98,096
NET ASSETS:			
Invested in Capital Assets	6,874,214	Total Expenses	2,161,352
Restricted	79,487		
Unrestricted	764,653	Change in Net Assets	661,071
Total Net Assets	\$ 7,718,354	Beginning Net Assets	7,057,283
		Ending Net Assets	\$ 7,718,354

The District's main sources of revenue are taxes. The District's main disbursements are personnel services.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental fund balances totaled \$762,234 at June 30, 2004. A summary of changes in governmental fund balances follows:

CHANGES IN GOVERNMENTAL FUND BALANCES			
	June 30, 2004	June 30, 2003	Change
General Fund	\$ 411,376	\$ 444,063	\$ (32,687)
System Development Fund	271,371	137,197	134,174
Reserve for Equipment	44,578	44,129	449
Debt Service	34,909	34,384	525
Total	\$ 762,234	\$ 659,773	\$ 102,461



### **CAPITAL ASSETS**

At June 30, 2004, the District had \$8,562,412 invested in capital assets. More detailed information about the District's capital assets is presented in the notes to the financial statements.

### **LONG TERM DEBT**

At June 30, 2004, the District had outstanding debt payable of \$1,688,198. More detailed information about the District's long term debt is presented in the notes to the financial statements.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

Our financial report is designed to provide our taxpayers, ratepayers, investors and creditors with an overview of the District's finances. If you have any questions about this report or need any clarification of information please contact the Chehalem Park and Recreation District. Our address is: 125 S Elliott Rd, Newberg, OR 97132.

Signature



Title



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CHEHALEM PARKS AND RECREATION DISTRICT  
YAMHILL COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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CHEHALEM PARK  
AND RECREATION DISTRICT  
NEWBERG, OREGON

2003-2004  
MANAGEMENT REPORT





## PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
- (503) 620-2632 • FAX (503) 684-7523

December 7, 2004

Chehalem Park and Recreation  
125 Elliott Road  
Newberg, OR 97132

In planning and performing our audit of the financial statements of Chehalem Park and Recreation District for the year ended June 30, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we did note matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The District's internal control structure consists of policies and procedures established by management to provide reasonable, but not absolute, assurance that financial data are recorded, processed, summarized, and reported consistent with the assertions embodied in the financial statements. In establishing those policies and procedures, management assesses their expected benefits and related costs. Because of the inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any assessment of the internal control structure to future periods is subject to the risk that policies or procedures may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

We noted the following reportable condition:

1. We noted that the District does not track supply inventory. The District should prepare separate lists for supply inventory and fixed assets. The lists should contain the date an item was purchased, a description of the item purchased, quantity of items purchased, vendor name and the original cost (not the current value).
2. The District was required to implement Governmental Accounting Standards Board Statement No. 34 for the 2003-04 fiscal year. One of the requirements of this new standard is that the District develop a detailed register of all capital assets in the District and calculates depreciation on those assets. The District did not develop a detailed register that included all buildings and equipment above the \$5,000 capitalization limit established by the Board and did not calculate the related depreciation expense. Because of the lack of these records, we were not able to satisfy ourselves as to the accuracy of the amounts reported in the District's financial statements and have not given an opinion as to the fair presentation of those accounts in the District's annual financial report. We recommend that the District work to develop a detailed and accurate accounting for all District capital assets in accordance with GASB. Statement No. 34.





3. It was noted during our testing that bank reconciliations are not always being done in a timely manner. We also noted that completed bank reconciliations were not being reviewed by a responsible official. We suggest that the completed bank reconciliations be reviewed by the Superintendent or the Board of Directors monthly. All bank accounts should be reconciled and available for review during the month following the statement date.

This report is intended solely for the information and use of the board, management, and others within the organization.

*Pauly, Rogers and Co. P.C.*  
PAULY, ROGERS AND CO., P.C.



**CHEHALEM PARK AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**STATEMENT OF NET ASSETS**  
**At June 30, 2004**

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**ASSETS**

Cash and cash equivalents	\$ 620,776
Accounts Receivable	116,051
Inventory	81,630
Prepaid Insurance	32,683
Capital assets (see Note 3)	<u>8,562,412</u>
Total Assets	<u>9,413,552</u>

**LIABILITIES:**

Payroll Liabilities	7,000
Reserve for Insurance	32,683
Reserve for Inventory	81,630
Noncurrent liabilities	
Due within one year	428,198
Due in more than one year	<u>1,260,000</u>
Total Liabilities	<u>1,809,511</u>

**NET ASSETS:**

Invested in capital assets, net of related debt	6,874,214
Reserved for Debt Service	34,909
Reserved for Equipment	44,578
Unrestricted	<u>764,653</u>
Total Net Assets	<u>\$ 7,718,354</u>

See accompanying notes to basic financial statements

**CHEHALEM PARK AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2004**

FUNCTIONS	EXPENSES	PROGRAM REVENUES	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	
Parks	\$ 1,916,970	\$ 1,179,158	\$ (737,812)
Facilities Expense	146,286	-	(146,286)
Interest on Long-Term Debt	98,096	-	(98,096)
Total Governmental Activities	<u>\$ 2,161,352</u>	<u>\$ 1,179,158</u>	<u>(982,194)</u>
General Revenues			
Property Taxes			1,604,595
Interest and Investment Earnings			4,805
Miscellaneous			<u>33,865</u>
Total General Revenues			<u>1,643,265</u>
Changes in Net Assets			661,071
Net Assets - Beginning			<u>7,057,283</u>
Net Assets - Ending			<u>\$ 7,718,354</u>

See accompanying notes to basic financial statements

**CHEHALEM PARK AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**At June 30, 2004**

	SPECIAL REVENUE FUNDS				TOTAL GOVERNMENTAL FUNDS
	GENERAL	SYSTEM DEVELOPMENT FUND	RESERVE FOR EQUIPMENT	DEBT SERVICE	
ASSETS:					
Cash and Investments	\$ 269,918	\$ 271,371	\$ 44,578	\$ 34,909	\$ 620,776
Interest Receivable	34	0	0	0	34
Taxes Receivable	116,017	0	0	0	116,017
Prepaid Insurance	32,683	0	0	0	32,683
Inventory	81,630	0	0	0	81,630
Total Assets	<u>\$ 500,282</u>	<u>\$ 271,371</u>	<u>\$ 44,578</u>	<u>\$ 34,909</u>	<u>\$ 851,140</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Payroll Liabilities	\$ 7,000	\$ 0	\$ 0	\$ 0	\$ 7,000
Deferred Revenues	81,906	0	0	0	81,906
Total Liabilities	<u>88,906</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>88,906</u>
Fund Balance:					
Reserved for Prepaid Expenses	32,683	0	0	0	32,683
Reserved for Inventory	81,630	0	0	0	81,630
Fund Balances:					
Unreserved:	<u>297,063</u>	<u>271,371</u>	<u>44,578</u>	<u>34,909</u>	<u>647,921</u>
Total Fund Balance	<u>411,376</u>	<u>271,371</u>	<u>44,578</u>	<u>34,909</u>	<u>762,234</u>
Total Liabilities and Fund Balance	<u>\$ 500,282</u>	<u>\$ 271,371</u>	<u>\$ 44,578</u>	<u>\$ 34,909</u>	<u>\$ 851,140</u>

See accompanying notes to basic financial statements

**CHEHALEM PARK AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**Reconciliation of the Governmental Funds**  
**Balance Sheet to the Statement of Net Assets**  
**June 30, 2004**

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Total Fund Balances - Governmental Funds	\$ 762,234
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The cost of capital assets (land, buildings, furniture and equipment) purchased or constructed is reported as an expenditure in governmental funds. The statement of Net Assets includes those capital assets among the assets as a whole.

Net Capital Assets	8,562,412
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Long-term liabilities applicable to the governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long term, are reported in the Statement of Net Assets.

Long term Liabilities

Capital lease obligations payable	<u>\$ (1,630,000)</u>	(1,630,000)
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Compensated Absences Payable not accounted for in governmental funds	(58,198)
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Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefor are deferred in the funds	<u>81,906</u>
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Net Assets	<u><u>\$ 7,718,354</u></u>
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See accompanying notes to basic financial statements

**CHEHALEM PARK AND RECREATION DISTRICT  
YAMHILL COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2004**

REVENUES:	GENERAL	SYSTEM DEVELOPMENT FUND	RESERVE FOR EQUIPMENT	DEBT SERVICE	TOTALS 2004
Taxes	\$ 1,596,387	\$ 0	\$ 0	\$ 0	\$ 1,596,387
Pool Receipts	271,347	0	0	0	271,347
Recreation Income	119,295	0	0	0	119,295
Earnings On Investments	3,679	151	449	526	4,805
Sports Receipts	218,997	0	0	0	218,997
Concession Income	14,025	0	0	0	14,025
Babe Ruth Associaton	3,520	0	0	0	3,520
Preschool Income	30,675	0	0	0	30,675
Chehalem Tiger Volleyball Income	6,755	0	0	0	6,755
Parks	15,256	0	0	0	15,256
NDOT Income	1,545	0	0	0	1,545
Quilt Club Income	1,872	0	0	0	1,872
Playgrounds/Centers	320,499	175,372	0	0	495,871
Miscellaneous	33,865	0	0	0	33,865
Total Revenues	2,637,717	175,523	449	526	2,814,215
EXPENDITURES:					
Personnel Services	1,053,167	0	0	0	1,053,167
Materials and Services	863,478	0	0	0	863,478
Capital Outlay	299,712	41,349	0	0	341,061
Debt Service:					
Principal	0	0	0	421,446	421,446
Interest	0	0	0	31,650	31,650
Total Expenditures:	2,216,357	41,349	0	453,096	2,710,802
Excess of Revenues Over, -Under Expenditures	421,360	134,174	449	-452,570	103,413
Other Financing Sources, -Uses:					
Transfers In	0	0	0	453,096	453,096
Transfers Out	-453,096	0	0	0	-453,096
Total Other Financing Sources, -Uses	-453,096	0	0	453,096	0
Net Change in Fund Balance	-31,736	134,174	449	526	103,413
Beginning Fund Balance	328,799	137,197	44,129	34,383	544,508
Ending Fund Balance	\$ 297,063	\$ 271,371	\$ 44,578	\$ 34,909	\$ 647,921

See accompanying notes to basic financial statements

**CHEHALEM PARK AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**Reconciliation of the Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2004**

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Total Net Changes in Fund Balances - Governmental Funds	\$	103,413
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Repayment of bond principal, capital leases and post retirement obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Additions to bond principal, capital leases and post retirement obligations is an expense for the Statement of Net Assets but not the governmental funds.

Capital Leases Payable	\$ 355,000	
Compensated Absences	<u>627</u>	
		355,627

Capital asset additions are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions exceeds depreciation.

Capital Asset Additions		194,775
-------------------------	--	---------

In the governmental funds inventory and prepaid insurance are accounted for with a reserve account. In the Statement of Activities the changes in these assets during the year are recognized as expenses.

Change in Insurance	\$ 1,329	
Change in Inventory	<u>(2,281)</u>	
		(952)

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered as "available" revenues in the governmental funds, and are instead recorded as deferred revenue. They are, however recorded as revenue in the Statement of Activities.

		<u>8,208</u>
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Change in Net Assets of Governmental Activities	\$	<u><u>661,071</u></u>
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**CHEHALEM PARKS AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. THE FINANCIAL REPORTING ENTITY**

The Chehalem Park and Recreation District is a municipal corporation governed by an elected five member board. Accounting principles generally accepted in the United States of America require that these financial statements present Chehalem Park and Recreation District (the primary government) and all component units, if any. Component units, as established by the Governmental Accounting Standards Board (GASB) Statement No. 39, are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the general purpose financial statements. Chehalem Park and Recreation District has no component units.

**B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)**

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole.

The Statement of Net Assets and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

**CHEHALEM PARKS AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Program Revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Interest of general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities.

**FUND FINANCIAL STATEMENTS**

The accounts of the District are organized and operated on the basis of fund accounting. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

**GOVERNMENTAL FUNDS**

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 government 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be measurable to accrual as revenue of the current 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 funds:

**GENERAL FUND**

This fund accounts for all financial resources and expenditures of the District, except those required to be accounted for in another fund. The principal revenue sources are property taxes, pool receipts, recreational income and state grants.

**CHEHALEM PARKS AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**SPECIAL REVENUE FUNDS**

The Special Revenue Funds account for revenue and expenditures for special projects or programs of the District. Funds included in the Special Revenue Funds category are:

**SYSTEM DEVELOPMENT FUND**

The System Development Fund was established to handle monies received from new homes built within Newberg city limits to help fund expansions due to a larger volume of residents in the area utilizing the facilities.

**RESERVE FOR EQUIPMENT AND MAJOR MAINTENANCE FUND**

The Reserve for Equipment and Major Maintenance Fund was established to accumulate funds for future equipment purchases and major maintenance work. Its main financing source is transfers from the General Fund.

**DEBT SERVICE FUND**

The Debt Service Fund was established to account for payments made to retire lease purchases of the District. The principal financing source is transfers from the general fund.

**C. BUDGET**

Expenditure budgets are appropriated at the following levels for each fund:

- Personnel Services
- Material and Services
- Capital Outlay, Development, Improvement, and Acquisition
- Interfund Transfers
- Contingency

Expenditures cannot legally exceed appropriations except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year end. Management may amend line items in the budget without Board approval as long as appropriation levels (the legal levels of control) are not changed. Supplemental appropriations may occur if the Board approves them due to a need which exists which was not determined at the time the budget was adopted.

Budget amounts shown in the basic financial statements reflect the original budget amounts, one appropriation transfer, and a supplemental budget.

Expenditures of the various funds were within authorized appropriations.

**CHEHALEM PARKS AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. PROPERTY TAXES RECEIVABLE**

In the Government-Wide Financial Statements uncollected property taxes are recorded on the Statement of Net Assets. In the Fund Financial Statements property taxes that are collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. The remaining balance is recorded as deferred revenue because it is not deemed available to finance operation of the current period. An allowance for doubtful accounts is not deemed necessary, as uncollectible taxes become a lien on the property. Property taxes are levied on all taxable property as of July 1, the beginning of the fiscal year, and become a lien on that date. Property taxes are payable on 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.

**E. CAPITAL ASSETS**

Capital assets are recorded at the original or estimated cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The District defines capital assets as assets with an initial cost of more than \$5,000 and an estimated life in excess of three years. Interest incurred during construction, maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The District does not have a complete and accurate record of its capital assets and did not calculate depreciation on its buildings for the fiscal year ended June 30, 2004 as required by generally accepted accounting principles.

**F. PENSION PLAN**

The District participates in a defined contribution 401K pension plan through Principal Mutual Life Insurance Company. District employees have the option of whether to participate in the plan.

**G. VESTED COMPENSATED ABSENCES**

It is the District's policy to permit employees to accumulate earned unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All unused vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements.

**H. INVENTORIES**

Inventories purchased are valued at cost (first-in, first-out method). Any donated inventories are valued at their estimated fair market value. Inventories purchased have been charged as expenditures when purchased. Inventories are offset by a fund balance reserve and are not available expendable resources.

**CHEHALEM PARKS AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. 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 affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**J. LONG TERM DEBT**

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements bond premiums and discounts, as well as bond issuance costs, are recognized when incurred and not deferred. The face amount of the debt issued, premiums received on debt issuances, and discounts are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**K. NET ASSETS**

Net assets comprise the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net assets are classified in the following three categories.

Invested in capital assets, net of related debt – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – consists of external constraints placed on net asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – consists of all other net assets that are not included in the other categories previously mentioned.

**2. CASH AND INVESTMENTS**

The District's cash management policies are governed by state statutes. Statutes authorize the District to invest in bankers acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

Deposits with financial institutions include bank demand deposits. The total bank balance per the bank statements was \$272,716. Of these deposits, \$100,000 was covered by federal depository insurance, \$43,179 was covered by securities held by the pool manager and the remaining balance was uninsured and uncollateralized.

**CHEHALEM PARKS AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**2. CASH AND INVESTMENTS (CONTINUED)**

The District maintains a cash and investment pool that is used by all funds, including District funds. The District's cash and investments at June 30, 2004, consisted of the following:

	<u>2004</u>
	\$
Demand Deposits	310,077
Investments	<u>310,699</u>
Total	<u>\$ 620,776</u>

The District's investments are categorized as follows: (1) Insured or for which securities are held by the District or its agent in the District's name, (2) Uninsured for which the securities are held by the bank's trust department in the District's name or (3) Uninsured for which securities are held by the bank in the bank's name.

The District's Investments at June 30, 2004, are amounts in the State Treasurer's Local Government Investment Pool. Investments in the State Treasurer's Local Government Investment Pool cannot be classified as to credit risk because they are not evidenced by securities that exist in physical or book entry form.

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the Oregon Revised Statutes and the Oregon Investment Council. The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Fund are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments.

**3. CAPITAL ASSETS**

The changes in capital assets for the 2003-2004 fiscal year are as follows:

	<u>BALANCE JULY 1, 2003</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE JUNE 30, 2004</u>
Land and Improvements	\$ 3,245,044	\$ 0	\$ 0	\$ 3,245,044
Buildings and Improvements	2,973,601	1,053,038	0	4,026,639
Equipment	218,379	6,000	0	224,379
Leasehold Improvements	1,066,350	0	0	1,066,350
Construction in Progress	<u>864,263</u>	<u>0</u>	<u>-864,263</u>	<u>0</u>
Total	<u>\$ 8,367,637</u>	<u>\$ 1,059,038</u>	<u>\$ -864,263</u>	<u>\$ 8,562,412</u>

Depreciation expense was not allocated to the functions/programs of the District. As discussed in Note 1, the District does not have a complete and accurate record of its capital assets and did not calculate depreciation on its buildings for the year ended June 30, 2004, as required by generally accepted accounting principles.

**CHEHALEM PARKS AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**4. PENSION PLAN**

The District provides pension benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. An employee may participate in the plan which is a 401K plan offered through Principal Mutual Life Insurance. They can contribute 2.5 to 10 percent of their salary to the plan. In addition, the District will pay 8 percent of the employee's salary if the employee contributes 4 or more percent. If the employee contributes less than 4 percent the District will pay according to a sliding scale. Contributions for 2003-04 were \$46,380 (\$24,082 by the District and \$22,298 by the employees). The plan was fully funded on June 30, 2004.

**5. LEASES**

Chehalem Park and Recreation District leases several parks from the City of Newberg at no cost. During 1994-95, these leases were extended for 99 years. Crabtree Park is leased from Yamhill County at no cost for a 25 year period ending in May 9, 2018. Leasehold improvements made to these parks by the District will revert to the owners of the property in the event of nonrenewal of the lease.

**6. JOINT VENTURES**

During 1994-95 the District entered into an intergovernmental agreement with the Newberg School District and the City of Newberg. The agreement was made to undertake the Combined Crater Site Projects which include, among other things, construction of an elementary school, a middle school, a Senior Center and four official tournament-sized softball fields on property owned by the school district and the District. The District is responsible for costs related to operation of the Senior Center and softball fields. The agreement also includes an operating lease whereby the District leases the property for the Senior Center from the school district for \$1 per year for a term of 99 years.

Both the District and the school district shall have sole responsibility for the cost of maintenance of the facilities located upon the property owned by each party, except that the District shall have the sole responsibility for the cost of maintenance for the Senior Center on property leased from the school district.

The District and the school district have each capitalized their own portion of the above projects, therefore, there is not a separate financial statement of the joint venture.

During 2002-03 the District entered into an agreement with the City of Newberg to renovate a former school building for use as a community center. The estimated total cost of the project is \$800,000, of which the estimated District portion is \$218,000. As of June 30, 2004, no remaining construction costs remain to be completed on the contract.

**CHEHALEM PARKS AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**7. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance to minimize its exposure to these risks.

**8. LONG-TERM DEBT**

All long-term debt obligations are payable from the general fund and the debt service fund. The four capital leases are for football bleachers, lease for the Armory and Crater Ballpark, two parcels of land and an administrative building. The amount payable represents future payments payable to U.S. Bank under the Special Districts Association of Oregon FLEXLEASE Program.

	COMPENSATED ABSENCES	CAPITAL LEASES	TOTAL	RATES (4.2-6.5%)
Balance 07/01/03	\$58,825	\$1,985,000	\$2,043,825	
Additions	58,198	0	58,198	
Reductions	(58,825)	(355,000)	(413,825)	
Balance 06/30/04	<u>\$58,198</u>	<u>\$1,630,000</u>	<u>\$1,688,198</u>	

Amounts Payable in Fiscal Year:

2004-2005	58,198	370,000	428,198	89,485
2005-2006	0	320,000	320,000	71,330
2006-2007	0	335,000	335,000	54,110
2007-2008	0	150,000	150,000	35,750
2008-2012	0	455,000	455,000	70,600
	<u>\$58,198</u>	<u>\$1,630,000</u>	<u>\$1,688,198</u>	<u>\$321,275</u>

The District has the following FLEXLEASE issues at June 30, 2004:

ISSUE	ORIGINAL AMOUNT	INTEREST RATES	FINAL MATURITY	PRINCIPAL BALANCE
02/01/95	520,000	5.25-6.50%	12/01/04	\$ 70,000
12/01/96	1,530,000	4.20-5.20%	01/01/07	545,000
06/01/97	1,295,000	4.40-6.00%	01/01/12	820,000
05/01/01	322,000	4.00-4.90%	01/01/08	195,000
				<u>\$ 1,630,000</u>



**CHEHALEM PARKS AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**9. PROPERTY TAX LIMITATIONS**

The State of Oregon imposes a constitutional limit on property taxes for schools and nonschool government operations. School operations include community colleges, local school districts, and education service districts. The limitation provides that property taxes for nonschool operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues, and requires the State to minimize the impact to school districts from the impact of the tax cuts.

**10. INTERFUND TRANSFERS**

The following transfer occurred during fiscal year 2003-2004 to fund capital purchases:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 453,096
Debt Service Fund	453,096	-
Total	<u>\$ 453,096</u>	<u>\$ 453,096</u>

**11. RESTATEMENTS**

As of and for the year ended June 30, 2004 the District implemented the following Governmental Accounting Standards Board pronouncements:

- No. 33 - Accounting and Financing Reporting for Nonexchange Transactions
- No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments
- No. 36 - Recipient Reporting for Certain Shared Nonexchange Revenues - An Amendment of GASB No. 33
- No. 37 - Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus
- No. 38 - Certain Financial Statement Note Disclosures

The most significant changes required by the new standards included:

- Management's discussion and analysis
- Basic financial statements that included:
  - Government-wide financial statements, prepared using the economic resources measurement focus and accrual basis of accounting
  - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds
  - Schedules to reconcile the fund financial statements to the government-wide financial statements
  - Notes to the basic financial statements

**CHEHALEM PARKS AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**11. RESTATEMENTS (CONT.)**

As a result of implementing these pronouncements the following restatements to the June 30, 2003 fund balances were made to determine July 1, 2003 beginning net assets:

Fund Balances, June 30, 2003	\$	544,508
Capital Assets, Net		8,367,637
Long Term Debt		(2,043,825)
Reserve for Insurance		31,354
Reserve for Insurance		83,911
Deferred Revenue		<u>73,698</u>
Beginning Net Assets	\$	<u><u>7,057,283</u></u>

CHEHALEM PARKS AND RECREATION DISTRICT  
YAMHILL COUNTY, OREGON

SUPPLEMENTARY INFORMATION

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**CHEHALEM PARK AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Year Ended June 30, 2004**

	<u>GENERAL FUND</u>			VARIANCE
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>-NEGATIVE</u>
REVENUES:				
Property Tax:				
Current Year's	\$ 1,467,202	\$ 1,467,202	\$ 1,584,290	\$ 117,088
Prior Year's	33,000	33,000	12,097	-20,903
Parks	30,300	30,300	15,256	-15,044
Pool Receipts	285,250	285,250	271,347	-13,903
Sports Receipts	233,575	233,575	218,997	-14,578
Recreation Income	146,540	146,540	119,295	-27,245
Interest Earned	20,000	20,000	3,679	-16,321
Concession Income	38,000	38,000	14,025	-23,975
Preschool Income	36,873	36,873	30,675	-6,198
NDOT Income	8,500	8,500	1,545	-6,955
Bambino League Income	22,000	22,000	0	-22,000
Babe Ruth Association	8,000	8,000	3,520	-4,480
Chehalem Tiger Volleyball Income	20,000	20,000	6,755	-13,245
Quilt Club Income	1,500	1,500	1,872	372
Newberg Theatre Group	10,000	10,000	0	-10,000
Playgrounds/Centers	331,000	331,000	320,499	-10,501
Miscellaneous	20,000	20,000	33,865	13,865
Total Revenues	<u>2,711,740</u>	<u>2,711,740</u>	<u>2,637,717</u>	<u>-74,023</u>

**CHEHALEM PARK AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Year Ended June 30, 2004**

	<u>GENERAL FUND</u>			VARIANCE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>POSITIVE -NEGATIVE</u>
EXPENDITURES:				
Personnel Services:	\$ 1,168,478	\$ 1,168,478 (1)	\$ 1,053,167	\$ 115,311
Materials & Services:	955,402	955,402 (1)	863,478	91,924
Capital, Development, Improvement & Acquisition	547,804	547,804 (1)	299,712	248,092
Contengency	88,994	88,994 (1)	0	88,994
Total Expenditures *	<u>2,760,678</u>	<u>2,760,678</u>	<u>2,216,357</u>	<u>544,321</u>
Excess of Revenues Over, -Under Expenditures	-48,938	-48,938	421,360	-470,298
Other Financing Sources, -Uses:				
Transfers Out	-2,637,322	-2,637,322	-453,096	2,184,226
Miscellaneous Grants and Loans	<u>2,352,650</u>	<u>2,352,650</u>	<u>0</u>	<u>-2,352,650</u>
Excess of Revenues Over, -Under Expenditures and Other Financing Sources, -Uses	2,303,712	2,303,712	-31,736	2,335,448
Beginning Fund Balance	<u>333,610</u>	<u>333,610</u>	<u>328,799</u>	<u>4,811</u>
Ending Fund Balance	<u>\$ 2,637,322</u>	<u>\$ 2,637,322</u>	<u>\$ 297,063</u>	<u>\$ 2,340,259</u>

(1) Appropriation Level

\* Expenditure detail by Department follows on pages 23a through 23j.

**CHEHALEM PARK AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Year Ended June 30, 2004**

	<u>GENERAL FUND</u>			VARIANCE POSITIVE -NEGATIVE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
EXPENDITURES:				
ADMINISTRATION:				
Personnel Services:				
Superintendant	\$ 74,691	\$ 74,691	\$ 74,691	\$ 0
Administrative Secretary	20,552	20,552	20,551	1
Payroll Taxes, Benefits	39,935	39,935	38,583	1,352
Total Personnel Services	135,178	135,178	133,825	1,353
Materials and Services				
Office Supplies	10,000	10,000	18,580	-8,580
Postage Supplies	3,300	3,300	800	2,500
Program Supplies	1,000	1,000	443	557
Classified Ads	2,000	2,000	1,127	873
Brochure	750	750	710	40
Flyers and Schedules	250	250	17	233
Directors Fees	360	360	0	360
Professional Dues	10,300	10,300	10,295	5
Conferences/Workshops	5,600	5,600	3,635	1,965
Staff Mileage	400	400	259	141
Staff Expenses	5,000	5,000	4,134	866
Telephone	5,150	5,150	5,278	-128
Computer	250	250	184	66
Maintenance	6,000	6,000	388	5,612
Legal Services	22,878	22,878	20,662	2,216
Audit Services	7,500	7,500	7,450	50
Program Contracts	15,000	15,000	14,482	518
Insurance Services	6,537	6,537	6,537	0
Interest	2,000	2,000	180	1,820
Equipment Maintenance Contracts	4,500	4,500	1,317	3,183
Consultants	10,000	10,000	10,424	-424
Property Taxes	5,565	5,565	5,565	0
Elections	3,775	3,775	3,772	3
Rental/Lease	650	650	0	650
Total Materials and Services	128,765	128,765	116,239	12,526
TOTAL ADMINISTRATION	263,943	263,943	250,064	13,879

**CHEHALEM PARK AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Year Ended June 30, 2004**

	<u>GENERAL FUND</u>			VARIANCE POSITIVE -NEGATIVE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
EXPENDITURES:				
PARKS DEPARTMENT				
Personnel Services:				
Parks Supervisor	\$ 46,832	\$ 46,832	\$ 46,831	\$ 1
Park Lead Man	31,087	31,087	30,998	89
Park Technicians	42,248	42,248	39,759	2,489
Park Laborer/Secretaries	45,486	45,486	35,313	10,173
Payroll Taxes, Benefits	69,303	69,303	60,696	8,607
Total Personnel Services	<u>234,956</u>	<u>234,956</u>	<u>213,597</u>	<u>21,359</u>
Materials and Services				
Office Supplies	1,800	1,800	1,714	86
Postage Supplies	1,200	1,200	883	317
Program Supplies	2,000	2,000	1,847	153
Small Tools	2,300	2,300	2,108	192
Janitorial Supplies	9,694	9,694	8,704	990
Chemical/Agricultural Supplies	8,000	8,000	8,084	-84
Gas/Oil Supplies	6,800	6,800	6,155	645
Classifieds	200	200	116	84
Brochures	1,500	1,500	1,775	-275
Flyers	25	25	17	8
Professional Dues	2,070	2,070	1,659	411
Conferences/Workshops	1,800	1,800	1,758	42
Staff Mileage	500	500	212	288
Staff Expense	600	600	400	200
Electricity	15,100	15,100	15,045	55
Natural Gas	7,180	7,180	5,299	1,881
Water/Sewer	43,500	43,500	44,716	-1,216
Telephone	4,200	4,200	4,171	29
Miscellaneous	50	50	42	8
Garbage Expense	5,220	5,220	5,369	-149
Building Maintenance	14,000	14,000	14,050	-50
Structure Maintenance	6,200	6,200	5,389	811
Equipment Maintenance	26,900	26,900	23,949	2,951
Grounds Maintenance	13,200	13,200	12,141	1,059
Program Contracts	82,501	82,501	69,135	13,366
Insurance Services	19,392	19,392	19,391	1
Equipment Maintenance Contracts	1,000	1,000	746	254
Equipment Rental	2,200	2,200	1,863	337
Buildings and Structures	1,000	1,000	78	922
Total Materials and Services	<u>280,132</u>	<u>280,132</u>	<u>256,816</u>	<u>23,316</u>
TOTAL PARKS DEPARTMENT	<u>515,088</u>	<u>515,088</u>	<u>470,413</u>	<u>44,675</u>



**CHEHALEM PARK AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Year Ended June 30, 2004**

	<u>GENERAL FUND</u>			VARIANCE POSITIVE -NEGATIVE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
EXPENDITURES:				
AQUATICS:				
Personnel Services:				
Aquatic Supervisor	\$ 3,755	\$ 3,755	\$ 3,601	\$ 154
Aquatic Coordinator	31,764	31,764	30,993	771
Aquatics Technician	21,411	21,411	0	21,411
Secretary	20,391	20,391	12,394	7,997
Guards, Insructors, and Cashiers	111,977	111,977	98,919	13,058
Carelton Contracts	20,000	20,000	20,837	-837
Coaches	3,000	3,000	2,700	300
Payroll Taxes, Benefits	74,259	74,259	42,930	31,329
Total Personnel Services	286,557	286,557	212,374	74,183
Materials and Services				
Office Supplies	4,850	4,850	4,082	768
Postage Supplies	2,000	2,000	2,765	-765
Program Supplies	5,800	5,800	4,877	923
Chemical and Agricultural Supplies	6,500	6,500	6,026	474
Store Supplies	4,000	4,000	3,967	33
Classifieds	300	300	3	297
Brochure	2,950	2,950	2,848	102
Flyers	2,000	2,000	1,566	434
Professional Dues	2,000	2,000	1,311	689
Conferences/Workshops	800	800	230	570
Staff Mileage	400	400	384	16
Staff Expenses	275	275	260	15
Electricity	36,500	36,500	32,988	3,512
Natural Gas	43,165	43,165	37,835	5,330
Water/Sewer	14,000	14,000	12,973	1,027
Telephone	5,800	5,800	4,728	1,072
Equipment Maintenance	300	300	288	12
Grounds Maintenance	110	110	109	1
Program Contracts	10,000	10,000	9,302	698
Insurance Services	17,000	17,000	16,987	13
Equipment Maintenance	100	100	88	12
Refunds	1,300	1,300	729	571
Buildings and Structures	3,500	3,500	3,070	430
Total Materials and Services	163,650	163,650	147,416	16,234
TOTAL AQUATICS	450,207	450,207	359,790	90,417

**CHEHALEM PARK AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Year Ended June 30, 2004**

	<u>GENERAL FUND</u>			VARIANCE POSITIVE -NEGATIVE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
EXPENDITURES:				
RECREATION - ADULT SPORTS:				
Personnel Services:				
Sports Technician	\$ 7,800	\$ 7,800	\$ 7,759	\$ 41
Sports Supervisor	11,263	11,263	11,240	23
Sports Assistant/Secretaries	8,757	8,757	7,139	1,618
Payroll Taxes, Benefits	12,522	12,522	11,644	878
Total Personnel Services	40,342	40,342	37,782	2,560
Materials and Services				
Office Supplies	700	700	594	106
Postage Supplies	240	240	155	85
Program Supplies	8,577	8,577	2,965	5,612
Classified Ads	150	150	88	62
Brochure	725	725	446	279
Flyers and Schedules	225	225	80	145
Professional Dues	1,025	1,025	192	833
Conferences/Workshops	380	380	190	190
Staff Mileage	350	350	315	35
Staff Expenses	75	75	38	37
Electricity	6,000	6,000	4,058	1,942
Water/Sewer	100	100	13	87
Telephone	1,500	1,500	1,271	229
Equipment Maintenance	175	175	124	51
Grounds Maintenance	150	150	43	107
Program Contracts	22,418	22,418	15,762	6,656
Insurance	2,950	2,950	2,445	505
Equipment Maintenance Contracts	150	150	66	84
Refunds	700	700	503	197
Equipment Rental	2,000	2,000	1,962	38
Buildings and Structures	750	750	0	750
Total Materials and Services	49,340	49,340	31,310	18,030
TOTAL ADULT SPORTS	89,682	89,682	69,092	20,590

**CHEHALEM PARK AND RECREATION DISTRICT  
YAMHILL COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
For the Year Ended June 30, 2004**

	<u>GENERAL FUND</u>			VARIANCE POSITIVE -NEGATIVE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
EXPENDITURES:				
RECREATION - YOUTH SPORTS:				
Personnel Services:				
Sports Supervisor	\$ 22,057	\$ 22,057	\$ 21,986	\$ 71
Youth Sports Coordinator	500	500	488	12
Sports Technician	12,175	12,175	10,473	1,702
Sports Leaders/Secretaries	32,751	32,751	24,140	8,611
Payroll Taxes, Benefits	23,890	23,890	20,519	3,371
Total Personnel Services	<u>91,373</u>	<u>91,373</u>	<u>77,606</u>	<u>13,767</u>
Materials and Services				
Office Supplies	850	850	871	-21
Postage Supplies	500	500	342	158
Program Supplies	23,680	23,680	24,617	-937
Gas and Oil Supplies	20	20	0	20
Classifieds	100	100	93	7
Brochures	875	875	1,521	-646
Flyers	550	550	160	390
Professional Dues	590	590	355	235
Conferences/Workshops	500	500	455	45
Staff Mileage	600	600	573	27
Staff Expenses	150	150	89	61
Electricity	5,000	5,000	4,549	451
Water and Sewer	50	50	35	15
Telephone	3,000	3,000	2,387	613
Equipment Maintenance	500	500	428	72
Grounds Maintenance	100	100	82	18
Professional and Contract Services	100	100	54	46
Program Contracts	26,000	26,000	27,448	-1,448
Insurance Services	4,350	4,350	4,278	72
Refunds	2,250	2,250	2,032	218
Equipment Rental	5,000	5,000	3,828	1,172
Total Materials and Services	<u>74,765</u>	<u>74,765</u>	<u>74,197</u>	<u>568</u>
TOTAL YOUTH SPORTS	<u>166,138</u>	<u>166,138</u>	<u>151,803</u>	<u>14,335</u>

**CHEHALEM PARK AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Year Ended June 30, 2004**

	<u>GENERAL FUND</u>			VARIANCE POSITIVE -NEGATIVE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
EXPENDITURES:				
RECREATION - CLASSES & ACTIVITIES				
Personnel Services:				
Recreation Supervisor	\$ 5,632	\$ 5,632	\$ 5,619	\$ 13
Recreation Coordinator	27,104	27,104	25,660	1,444
Special Events Staff/Secretaries	21,180	21,180	10,778	10,402
Payroll Taxes, Benefits	27,851	27,851	24,510	3,341
Total Personnel Services	81,767	81,767	66,567	15,200
Materials and Services				
Office Supplies	2,000	2,000	1,781	219
Postage Supplies	625	625	490	135
Program Supplies	4,000	4,000	4,399	-399
Gas and Oil Supplies	125	125	9	116
Classifieds	100	100	46	54
Brochures	7,000	7,000	7,941	-941
Flyers	450	450	611	-161
Professional Dues	500	500	378	122
Conferences/Workshops	399	399	114	285
Staff Mileage	600	600	341	259
Staff Expenses	201	201	222	-21
Telephone	2,500	2,500	2,206	294
Miscellaneous	300	300	280	20
Equipment Maintenance	1,000	1,000	1,000	0
Grounds Maintenance	10	10	9	1
Program Contracts	61,640	61,640	64,292	-2,652
Insurance Services	2,825	2,825	2,465	360
Senior Trips	1,500	1,500	671	829
Refunds	2,400	2,400	2,109	291
Rental/Lease	525	525	539	-14
Total Materials and Services	88,700	88,700	89,903	-1,203
TOTAL CLASSES & ACTIVITIES	170,467	170,467	156,470	13,997

**CHEHALEM PARK AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Year Ended June 30, 2004**

	<u>GENERAL FUND</u>			VARIANCE
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE</u>
	<u>BUDGET</u>	<u>BUDGET</u>		<u>-NEGATIVE</u>
EXPENDITURES:				
RECREATION - PLAYGROUNDS & CENTERS				
Personnel Services:				
Recreation Supervisor	\$ 4,223	\$ 4,223	\$ 4,220	\$ 3
Care Technician	12,800	12,800	12,792	8
After School Staff	169,628	169,628	169,765	-137
Secretaries	6,200	6,200	3,379	2,821
Payroll Taxes, Benefits	35,987	35,987	31,558	4,429
Total Personnel Services	<u>228,838</u>	<u>228,838</u>	<u>221,714</u>	<u>7,124</u>
Materials and Services				
Office Supplies	1,900	1,900	1,787	113
Postage Supplies	800	800	768	32
Program Supplies	26,430	26,430	27,276	-846
Care Director	30	30	29	1
Gas and Oil Supplies	900	900	886	14
Classifieds	100	100	87	13
Brochures	875	875	930	-55
Flyers	350	350	279	71
Professional Dues	350	350	50	300
Conferences/Workshops	850	850	540	310
Staff Mileage	200	200	166	34
Staff Expenses	200	200	201	-1
Water/Sewer	100	100	81	19
Telephone	5,700	5,700	5,800	-100
Equipment Maintenance	200	200	197	3
Program Contracts	3,300	3,300	3,471	-171
Insurance Services	1,560	1,560	1,557	3
Refunds	610	610	650	-40
Contracts-Admissions	10,000	10,000	9,987	13
Equipment Rental	4,000	4,000	4,249	-249
Total Materials and Services	<u>58,455</u>	<u>58,455</u>	<u>58,991</u>	<u>-536</u>
TOTAL PLAYGROUNDS & CENTERS	<u>287,293</u>	<u>287,293</u>	<u>280,705</u>	<u>6,588</u>

**CHEHALEM PARK AND RECREATION DISTRICT  
YAMHILL COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
For the Year Ended June 30, 2004**

	<u>GENERAL FUND</u>			VARIANCE POSITIVE -NEGATIVE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
EXPENDITURES:				
COMMUNITY CENTER/SCOUT HOUSE				
Personnel Services:				
Recreation Coordinator	\$ 1,010	\$ 1,010	\$ 1,005	\$ 5
Adult/Youth Coordinator	17,040	17,040	17,039	1
Sr. Center Specialist	33,560	33,560	33,557	3
Secretaries	4,410	4,410	4,401	9
Payroll Taxes, Benefits	22,667	22,667	16,127	6,540
Total Personnel Services	78,687	78,687	72,129	6,558
Materials and Services				
Office Supplies	1,000	1,000	965	35
Postage Supplies	700	700	599	101
Program Supplies	3,540	3,540	2,904	636
Brochures	1,100	1,100	1,228	-128
Flyers	1,500	1,500	1,319	181
Professional Dues	1,700	1,700	1,689	11
Staff Mileage	50	50	0	50
Staff Expenses	300	300	238	62
Electricity	10,300	10,300	10,206	94
Natural Gas	9,500	9,500	9,497	3
Water/Sewer	10,600	10,600	11,172	-572
Telephone	2,500	2,500	2,267	233
Equipment Maintenance	700	700	588	112
Program Contracts	12,000	12,000	9,602	2,398
Insurance Services	18,000	18,000	16,604	1,396
Total Materials and Services	73,490	73,490	68,878	4,612
TOTAL COMMUNITY CENTER SCOUT HOUSE	152,177	152,177	141,007	11,170

**CHEHALEM PARK AND RECREATION DISTRICT  
YAMHILL COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
For the Year Ended June 30, 2004**

	<u>GENERAL FUND</u>			VARIANCE POSITIVE -NEGATIVE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
EXPENDITURES:				
EWING YOUNG PARK PROGRAM				
Materials and Services				
Materials and Supplies	<u>5,260</u>	<u>5,260</u>	<u>0</u>	<u>5,260</u>
TOTAL EWING YOUNG PARK PROGRAM	<u>5,260</u>	<u>5,260</u>	<u>0</u>	<u>5,260</u>
ACQUISITION AND DEVELOPMENT				
Materials and Services				
Parks Replacement/Repair	155,575	155,575	162,291	-6,716
ADM Replacement/Repair	0	0	6,000	-6,000
Recreation Replacement/Repair	2,625	2,625	1,063	1,562
New Development	<u>389,604</u>	<u>389,604</u>	<u>130,358</u>	<u>259,246</u>
TOTAL AQUITION AND DEVELOPMENT	<u>547,804</u>	<u>547,804</u>	<u>299,712</u>	<u>248,092</u>
JAQUITH CONCESSION				
Personnel Services:				
Concession Attendant	\$ 12,876	\$ 12,876	\$ 0	\$ 12,876
Payroll Taxes, Benefits	<u>1,743</u>	<u>1,743</u>	<u>0</u>	<u>1,743</u>
Total Personnel Services	<u>14,619</u>	<u>14,619</u>	<u>0</u>	<u>14,619</u>
Materials and Services				
Office Supplies	20	20	0	20
Program Supplies	800	800	0	800
Classifieds	20	20	0	20
Professional Dues	630	630	0	630
Staff Mileage	30	30	0	30
Electricity	180	180	0	180
Telephone	350	350	272	78
Equipment Maintenance	100	100	0	100
Insurance	<u>1,310</u>	<u>1,310</u>	<u>1,307</u>	<u>3</u>
Total Materials and Services	<u>3,440</u>	<u>3,440</u>	<u>1,579</u>	<u>1,861</u>
TOTAL JAQUITH CONCESSION	<u>18,059</u>	<u>18,059</u>	<u>1,579</u>	<u>16,480</u>

**CHEHALEM PARK AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Year Ended June 30, 2004**

	<u>GENERAL FUND</u>			VARIANCE
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE</u>
EXPENDITURES:	<u>BUDGET</u>	<u>BUDGET</u>		<u>-NEGATIVE</u>
<b>PRESCHOOL</b>				
Personnel Services:				
Preschool Instructors	15,273	15,273	14,509	764
Payroll Taxes, Benefits	2,102	2,102	1,516	586
Total Personnel Services	17,375	17,375	16,025	1,350
Materials and Services				
Office Supplies	350	350	324	26
Postage	50	50	38	12
Program Supplies	1,500	1,500	1,371	129
Classifieds	50	50	36	14
Brochures	300	300	237	63
Preschool Dues	50	50	25	25
Conferences	75	75	0	75
Staff Mileage	50	50	0	50
Electricity	400	400	289	111
Natural Gas	650	650	639	11
Water/Sewer	800	800	248	552
Telephone	1,325	1,325	1,309	16
Refunds	100	100	82	18
Insurance	1,485	1,485	1,451	34
		0		
Total Materials and Services	7,185	7,185	6,049	1,136
TOTAL PRESCHOOL	24,560	24,560	22,074	2,486
<b>MISCELLANEOUS DEPARTMENTS</b>				
Materials and Services:				
Newberg Bambino League	22,000	22,000	0	22,000
Babe Ruth League	8,000	8,000	3,476	4,524
Chahalem Volleyball Club	20,000	20,000	6,755	13,245
Quilt Club	1,500	1,500	1,872	-372
Newberg Theatre Group	10,000	10,000	0	10,000
TOTAL MISCELLANEOUS DEPARTMENTS	61,500	61,500	12,103	49,397
<b>NDOT</b>				
Personell Services:				
Payroll	8,500	8,500	1,545	6,955
TOTAL NDOT	8,500	8,500	1,545	6,955
TOTAL EXPENDITURES	<u>\$ 2,760,678</u>	<u>\$ 2,760,678</u>	<u>\$ 2,216,357</u>	<u>\$ 544,321</u>



**CHEHALEM PARK AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Year Ended June 30, 2004**

SYSTEM DEVELOPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE -NEGATIVE
REVENUES:				
SDC Income	\$ 102,500	\$ 102,500	\$ 175,372	\$ 72,872
Interest Earned	0	0	151	151
Total Revenues	102,500	102,500	175,523	73,023
EXPENDITURES:				
Capital Outlay				
Development	112,500	112,500 (1)	41,349	71,151
Total Expenditures	112,500	112,500	41,349	71,151
Excess of Revenues Over, -Under Expenditures	-10,000	-10,000	134,174	144,174
Beginning Fund Balance	10,000	10,000	137,197	127,197
Ending Fund Balance	\$ 0	\$ 0	\$ 271,371	\$ 271,371

(1) Appropriation Level

**CHEHALEM PARK AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Year Ended June 30, 2004**

**RESERVE FOR EQUIPMENT AND**  
**MAJOR MAINTENANCE FUND**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE -NEGATIVE
REVENUES:				
Interest Earned	\$ 900	\$ 900	\$ 449	\$ -451
Total Revenues	900	900	449	-451
EXPENDITURES:				
Maintenance and Equipmen	44,400	44,400(1)	0	44,400
Total Expenditures	44,400	44,400	0	44,400
Excess of Revenues Over, -Under Expenditures	-43,500	-43,500	449	43,949
Beginning Fund Balance	43,500	43,500	44,129	629
Ending Fund Balance	\$ 0	\$ 0	\$ 44,578	\$ 44,578

(1) Appropriation Level

**CHEHALEM PARK AND RECREATION DISTRICT**  
**YAMHILL COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Year Ended June 30, 2004**

DEBT SERVICE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE -NEGATIVE
REVENUES:				
Taxes on Bond	\$ 2,637,332	\$ 2,637,332	\$ 0	\$ -2,637,332
Interest	0	0	526	526
Total Revenues	2,637,332	2,637,332	526	526
EXPENDITURES:				
Debt Service				
Capital Outlay	2,015,850	2,015,850	0	2,015,850
Principal	528,986	528,986	421,446	107,540
Interest	108,346	108,346	31,650	76,696
Total Expenditures	2,653,182	2,653,182 (1)	453,096	2,200,086
Excess of Revenues Over, -Under				
Expenditures	-15,850	-15,850	-452,570	-436,720
Other Financing Sources, -Uses:				
Transfers In	0	0	453,096	453,096
Total Other Financing Sources, -Uses	0	0	453,096	453,096
Excess of Revenues Over, -Under				
Other Financing Sources, -Uses	-15,850	-15,850	526	16,376
Beginning Fund Balance	15,850	15,850	34,383	18,533
Ending Fund Balance	\$ 0	\$ 0	\$ 34,909	\$ 34,909

(1) Appropriation Level

**CHEHALEM PARK AND RECREATION DISTRICT  
YAMHILL COUNTY, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES  
OF TAXES UNCOLLECTED  
For The Year Ended June 30, 2004**

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 07/01/03</u>	<u>DEDUCT DISCOUNTS</u>	<u>ADJUSTMENTS TO ROLLS</u>	<u>ADD INTEREST</u>	<u>CASH COLLECTION BY COUNTY TREASURER</u>	<u>BALANCE UNCOLLECTED/ UNSEGREGATED AT 6/30/04</u>
<u>GENERAL FUND:</u>						
CURRENT:						
2003-04	\$ 1,669,323	\$ 40,795	\$ -3,310	\$ 610	\$ 1,561,279	\$ 64,549
PRIOR YEARS:						
2002-03	65,421	0	-20,551	1,307	19,005	27,172
2001-02	27,646	0	-217	1,097	13,975	14,551
2000-01	14,248	0	-196	975	8,195	6,832
1999-00	5,230	0	-172	614	4,201	1,471
1998-99 & Prior	2,253	0	-403	104	512	1,442
Total Prior	114,798	0	-21,539	4,097	45,888	51,468
Total General Fund	<u>\$ 1,784,121</u>	<u>\$ 40,795</u>	<u>\$ -24,849</u>	<u>\$ 4,707</u>	<u>\$ 1,607,167</u>	<u>\$ 116,017</u>

RECONCILIATION OF REVENUE:

	<u>GENERAL FUND</u>
Cash Collections by County Treasurer Above	\$ 1,607,167
Accrual of Receivables:	
June 30, 2003	-44,892
June 30, 2004	34,112
Total Revenue	<u>\$ 1,596,387</u>

CHEHALEM PARKS AND RECREATION DISTRICT  
YAMHILL COUNTY, OREGON

2003-2004 AUDITORS' COMMENTS AND DISCLOSURES

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## PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

- 
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
  - (503) 620-2632 • FAX (503) 684-7523

December 7, 2004

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### 2003-2004 AUDITORS' COMMENTS AND DISCLOSURES

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Oregon Administrative Rules 162-10-000 through 162-16-000 of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments and disclosures required in audit reports. The required statements and schedules are set forth in preceding pages of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth as follows.

#### REPORT ON INTERNAL ACCOUNTING CONTROL

We have audited the basic financial statements of Chehalem Parks and Recreation District, Yamhill County, Oregon, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 7, 2004.

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 basic financial statements are free of material misstatement.

The management of Chehalem Parks and Recreation District, Yamhill County, Oregon, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of basic financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the basic financial statements of Chehalem Parks and Recreation District, Yamhill County, Oregon, for the year ended June 30, 2004, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

Our audit did not reveal any significant errors or irregularities resulting from this lack of segregation of employee duties and responsibilities.

INTERNAL CONTROL (CONTINUED)

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We have issued a report on reportable conditions dated December 7, 2004.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. However we believe none of the reportable conditions described in the management letter, dated December 7, 2004, is a material weakness.

This report is intended solely for the information and use of the board, audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

ACCOUNTING RECORDS

The District's accounting records are adequate for audit.

BUDGET TRANSACTIONS

Expenditures of the various funds were within authorized appropriations.

2003-2004 and 2004-2005 BUDGETS

The budgets adopted by the District for the current and ensuing fiscal year were examined during the audit. Based upon our testing it was determined that budget preparation and adoption procedures followed by the District were in compliance with the Oregon Local Budget Law.

COLLATERAL SECURING BANK DEPOSITS

The District's deposits appeared to be adequately covered by federal depository insurance or certificates of participation at all times during 2003-2004, based upon our testing. Deposits in the State Local Government Investment Pool are not required to be collateralized.

INVESTMENTS

The District's investments for the year ending June 30, 2004, were reviewed and based upon our testing appeared to comply with the legal requirements pertaining to the investment of public funds contained in ORS 294.035.

PUBLIC CONTRACTS AND PURCHASING

The District's procedures for awarding public contracts were reviewed and based upon our testing we found no instances of non-compliance with ORS Chapter 279 during 2003-2004.

INSURANCE AND FIDELITY BONDS

Details concerning insurance and fidelity bond coverage were reviewed during the audit. Fidelity bond coverage provided appears to meet legal requirements set forth in ORS 221.903. We do not have the professional expertise to state whether the insurance coverage is adequate.



DEBT LIMITATION

The District's bonded debt outstanding was within the provisions of ORS 552.645.

OUTSTANDING WARRANTS

The District did not have any outstanding endorsed warrants at June 30, 2004.

DISTRICT HIGHWAY FUNDS

The District did not receive state highway funds during fiscal year 2003-2004.

PROGRAMS FUNDED FROM OUTSIDE SOURCES

We reviewed and tested, to the extent we considered necessary in the circumstances, transactions and reports relative to federal and state programs. Since the District did not expend greater than \$500,000 in federal financial assistance for the year ended June 30, 2004, it was not necessary to perform, nor did we perform, tests in accordance with the Federal Single Audit Act, as amended (U.S. Office of Management and Budget Circular A-133)

*Pauly, Rogers and Co. P.C.*

PAULY, ROGERS AND CO., P.C.

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