

CHEHALEM PARK AND RECREATION DISTRICT
YAMHILL COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2005

AUDITS MUNICIPALITIES

	Date	Initial
Rec'd	7-5-06	CS
DIS	7-5-06	CS
Muni	7-13-06	JL
Scanned	7-17-06	BK
Comments	2005	

CHEHALEM PARK AND RECREATION DISTRICT
YAMHILL COUNTY, OREGON

2004-05 FINANCIAL REPORT

BOARD OF DIRECTORS

Don Loving – President

Keith Bearden

Larry Anderson

Donna McCain

Mike McBride

Board members receive mail at the District address listed below

ADMINISTRATION

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

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

INTRODUCTORY SECTION



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

February 23, 2006

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, 2005, 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 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, 2005 on the statement of net assets, nor did it consider the accumulated depreciation on buildings and improvements through June 30, 2005, and present the depreciation expense for the year ended June 30, 2005, 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, 2005, 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 information on pages 23a through 23j, 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, 2005. Please read it in conjunction with the District's financial statements and notes, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net assets were \$8,310,239 at June 30, 2005.
- During the year, the District's net assets increased by \$631,885.
- The general fund reported an ending fund balance this year of \$457,778.

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," 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

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

	<u>2004-05</u>	<u>2003-04</u>
ASSETS:		
Current Assets	\$ 1,101,915	\$ 851,140
Capital Assets	<u>12,125,541</u>	<u>8,562,412</u>
Total Assets	<u>13,227,456</u>	<u>9,413,552</u>
LIABILITIES:		
Current Liabilities	68,562	121,313
Noncurrent Liabilities	<u>4,848,655</u>	<u>1,688,198</u>
Total Liabilities	<u>4,917,217</u>	<u>1,809,511</u>
NET ASSETS:		
Invested in Capital Assets	7,247,886	6,874,214
Restricted	530,685	79,487
Unrestricted	<u>531,668</u>	<u>764,653</u>
Total Net Assets	<u>\$ 8,310,239</u>	<u>\$ 7,718,354</u>

CHANGES IN NET ASSETS

	<u>2004-05</u>	<u>2003-04</u>
REVENUES:		
General Revenues		
Charges for Services	\$ 1,231,098	\$ 1,179,158
Property Taxes	1,688,775	1,604,595
Interest and Investment Earnings	22,671	4,805
Contribution Revenue	101,000	-
Miscellaneous	<u>310,832</u>	<u>33,865</u>
Total Revenues	<u>3,354,376</u>	<u>2,822,423</u>
EXPENSES:		
Parks	2,589,325	1,916,970
Facilities Expense	180	146,286
Interest on Long-Term Debt	<u>132,986</u>	<u>98,096</u>
Total Expenses	<u>2,722,491</u>	<u>2,161,352</u>
Change in Net Assets	<u>631,885</u>	<u>661,071</u>
Beginning Net Assets	7,718,354	7,057,283
Prior Period Adjustment	<u>(40,000)</u>	<u>-</u>
Adjusted Beginning Net Assets	<u>7,678,354</u>	<u>7,057,283</u>
Ending Net Assets	<u>\$ 8,310,239</u>	<u>\$ 7,718,354</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental fund balances totaled \$988,463 at June 30, 2005. A summary of changes in governmental fund balances follows:

CHANGES IN GOVERNMENTAL FUND BALANCES

	June 30, 2005	June 30, 2004	Change
General Fund	\$ 342,514	\$ 297,063	\$ 45,451
System Development Fund	461,337	271,371	189,966
Reserve for Equipment	45,455	44,578	877
Debt Service	23,893	34,909	(11,016)
Total	<u>\$ 873,199</u>	<u>\$ 647,921</u>	<u>\$ 225,278</u>

CAPITAL ASSETS

At June 30, 2005, the District had \$12,125,541 invested in capital assets. The District constructed a golf course in the current year, leading to a significant increase 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, 2005, the District had outstanding debt payable of \$4,805,000. Construction of the golf course in the current year was largely financed through the issuance of long-term debt. 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 *Superintendent*

CHEHALEM PARKS AND RECREATION DISTRICT
YAMHILL COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

CHEHALEM PARK AND RECREATION DISTRICT
YAMHILL COUNTY, OREGON

STATEMENT OF NET ASSETS
At June 30, 2005

ASSETS	
Cash and cash equivalents	\$ 860,303
Accounts Receivable	34
Taxes Receivable	118,113
Inventory	83,910
Prepaid Expenditures	8,201
Prepaid Insurance	31,354
Capital assets (see Note 3)	<u>12,125,541</u>
Total Assets	<u>13,227,456</u>
LIABILITIES:	
Payroll Liabilities	21,932
Accounts Payable	17,630
Compensated Absences	72,655
Noncurrent liabilities	
Due within one year	423,515
Due in more than one year	<u>4,381,485</u>
Total Liabilities	<u>4,917,217</u>
NET ASSETS:	
Invested in capital assets, net of related debt	7,320,541
Reserved for:	
Debt Service	23,893
Equipment	45,455
System Development	-
Unrestricted	<u>920,350</u>
Total Net Assets	<u>\$ 8,310,239</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, 2005**

FUNCTIONS	EXPENSES	PROGRAM REVENUES CHARGES FOR SERVICES	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
Parks	\$ 2,589,325	\$ 1,231,098	\$ (1,358,227)
Facilities Expense	180	-	(180)
Interest on Long-Term Debt	132,986	-	(132,986)
Total Governmental Activities	<u>\$ 2,722,491</u>	<u>\$ 1,231,098</u>	<u>(1,491,393)</u>
General Revenues			
Property Taxes			1,688,775
Interest and Investment Earnings			22,671
Contribution Revenue			101,000
Miscellaneous			310,832
Total General Revenues			<u>2,123,278</u>
Changes in Net Assets			631,885
Net Assets - Beginning			7,718,354
Prior Period Adjustment			(40,000)
Adjusted Net Assets - Beginning			<u>7,678,354</u>
Net Assets - Ending			<u>\$ 8,310,239</u>

See accompanying notes to basic financial statements

CHEHALEM PARK AND RECREATION DISTRICT
YAMHILL COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS

At June 30, 2005

	SPECIAL REVENUE FUNDS				TOTAL GOVERNMENTAL FUNDS
	GENERAL	SYSTEM DEVELOPMENT FUND	RESERVE FOR EQUIPMENT	DEBT SERVICE	
ASSETS:					
Cash and Investments	\$ 329,618	\$ 461,337	\$ 45,455	\$ 23,893	\$ 860,303
Interest Receivable	34	0	0	0	34
Taxes Receivable	118,113	0	0	0	118,113
Prepaid Expenses	8,201	0	0	0	8,201
Total Assets	<u>\$ 455,966</u>	<u>\$ 461,337</u>	<u>\$ 45,455</u>	<u>\$ 23,893</u>	<u>\$ 986,651</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Payroll Liabilities	\$ 21,932	\$ 0	\$ 0	\$ 0	\$ 21,932
Accounts Payable	17,630	0	0	0	17,630
Deferred Revenues	73,890	0	0	0	73,890
Total Liabilities	<u>113,452</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>113,452</u>
Fund Balance:					
Reserved for:					
System Development	0	461,337	0	0	461,337
Equipment	0	0	45,455	0	45,455
Debt Service	0	0	0	23,893	23,893
Unreserved:	342,514	0	0	0	342,514
Total Fund Balance	<u>342,514</u>	<u>461,337</u>	<u>45,455</u>	<u>23,893</u>	<u>873,199</u>
Total Liabilities and Fund Balance	<u>\$ 455,966</u>	<u>\$ 461,337</u>	<u>\$ 45,455</u>	<u>\$ 23,893</u>	<u>\$ 986,651</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

Total Fund Balances - Governmental Funds	\$ 873,199
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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	12,125,541
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Inventory not accounted for in the governmental funds	83,910
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Prepaid expenses not accounted for in the governmental funds	31,354
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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

Bonds payable	\$ (3,880,000)	
Capital lease obligations payable	<u>(925,000)</u>	
		(4,805,000)

Compensated Absences Payable not accounted for in governmental funds	(72,655)
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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>73,890</u>
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Net Assets	<u><u>\$ 8,310,239</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, 2005**

REVENUES:	GENERAL	SYSTEM DEVELOPMENT FUND	RESERVE FOR EQUIPMENT	DEBT SERVICE	TOTALS 2004
Taxes	\$ 1,696,791	\$ 0	\$ 0	\$ 0	\$ 1,696,791
Pool Receipts	318,342	0	0	0	318,342
Recreation Income	118,168	0	0	0	118,168
Earnings On Investments	16,638	4,277	877	879	22,671
Sports Receipts	56,203	0	0	0	56,203
Concession Income	11,833	0	0	0	11,833
Babe Ruth/Bambino	3,497	0	0	0	3,497
Preschool/Community School	118,244	0	0	0	118,244
Chehalem Tiger Volleyball Income	384	0	0	0	384
Parks	38,946	0	0	0	38,946
NDOT Income	162,690	0	0	0	162,690
Quilt Club Income	2,054	0	0	0	2,054
Golf Club House	7,045	0	0	0	7,045
Playgrounds/Centers	393,692	348,118	0	0	741,810
Miscellaneous	-37,286	0	0	0	-37,286
Total Revenues	2,907,241	352,395	877	879	3,261,392
EXPENDITURES:					
Personnel Services	1,309,051	0	0	0	1,309,051
Materials and Services	1,266,768	0	0	0	1,266,768
Capital Outlay	602,001	162,429	0	2,697,879	3,462,309
Debt Service:					
Principal	0	0	0	414,752	414,752
Interest	0	0	0	87,309	87,309
Total Expenditures:	3,177,820	162,429	0	3,199,940	6,540,189
Excess of Revenues Over, -Under Expenditures	-270,579	189,966	877	-3,199,061	-3,278,797
Other Financing Sources, -Uses:					
Transfers In	0	0	0	3,188,045	3,188,045
Miscellaneous Grants and Loans	3,504,075	0	0	0	3,504,075
Transfers Out	-3,188,045	0	0	0	-3,188,045
Total Other Financing Sources, -Uses	316,030	0	0	3,188,045	3,504,075
Net Change in Fund Balance	45,451	189,966	877	-11,016	225,278
Beginning Fund Balance	297,063	271,371	44,578	34,909	647,921
Ending Fund Balance	\$ 342,514	\$ 461,337	\$ 45,455	\$ 23,893	\$ 873,199

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, 2005**

Total Net Changes in Fund Balances - Governmental Funds	\$	225,278
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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.

Long-Term Debt Principal Reduction	\$ 390,000		
Additions to Long-Term Debt	(3,525,000)		
Compensated Absences	<u>(14,457)</u>		
			(3,149,457)

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		3,563,129
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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 Prepaid Insurance	\$ (1,329)		
Change in Inventory	<u>2,280</u>		
			951

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>(8,016)</u>
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Change in Net Assets of Governmental Activities	\$	<u>631,885</u>
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CHEHALEM PARKS AND RECREATION DISTRICT
YAMHILL COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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

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

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 and a supplemental budget.

Expenditures of the various funds were within authorized appropriations, except for Capital Development, Improvement and Acquisition in the General Fund, which was overexpended by \$152,001.

CHEHALEM PARKS AND RECREATION DISTRICT
YAMHILL COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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, 2005 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.

CHEHALEM PARKS AND RECREATION DISTRICT
YAMHILL COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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

DEPOSITS

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. Deposits with financial institutions include bank demand deposits. The total bank balance per the bank statements was \$864,241. Of these deposits, \$200,000 was covered by federal depository insurance, \$500,000 was covered by securities held by the pool manager and the remaining balance was uninsured and uncollateralized.

INVESTMENTS

The District's policy is to follow state statutes governing cash management. Statutes authorize the District to invest in banker's 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.

CHEHALEM PARKS AND RECREATION DISTRICT
YAMHILL COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

The State Treasurer's Local Government Investment Pool is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the State's investment policies. 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 (OSTFB), which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The fund was in compliance with all portfolio guidelines at June 30, 2005.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. There is no material difference between the fair value of the District's position in the State Treasurer's Local Government Investment Pool and the value of the pool shares at June 30, 2005. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

Cash and Investments at June 30, 2005 (recorded at fair value) consisted of:

Deposits With Financial Institutions:	2005
Petty Cash	\$ 25
Demand Deposits	454,906
Investments	<u>405,372</u>
Total	<u>\$ 860,303</u>

The District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 3</u>	<u>3-17</u>	<u>18-59</u>
State Treasurer's Investment Pool	\$ 405,372	\$ 405,372	\$ -	\$ -
Total	<u>\$ 405,372</u>	<u>\$ 405,372</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. The District does not have any investments that have a maturity date.

Credit Risk

Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE. The State Investment Pool is not rated.

Concentration of Credit Risk

At June 30, 2005, the District had 100% of total investments in the State Treasurer's Investment Pool. State statutes do not limit the percentage of investments in either of these instruments. Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution. At June 30, 2005, the District was in compliance with all percentage restrictions.

CHEHALEM PARKS AND RECREATION DISTRICT
YAMHILL COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS

The changes in capital assets for the 2004-05 fiscal year are as follows:

	BALANCE JULY 1, 2004	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2005
Land and Improvements	\$ 3,245,044	\$ 101,000	\$ 0	\$ 3,346,044
Buildings and Improvements	4,026,639	0	0	4,026,639
Equipment	224,379	162,249	0	386,628
Golf Course	0	3,299,880	0	3,299,880
Leasehold Improvements	1,066,350	0	0	1,066,350
Total	<u>\$ 8,562,412</u>	<u>\$ 3,563,129</u>	<u>\$ 0</u>	<u>\$ 12,125,541</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, 2005, as required by generally accepted accounting principles.

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 2004-05 were \$55,284 (\$28,786 by the District and \$26,498 by the employees). The plan was fully funded on June 30, 2005.

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 non-renewal of the lease.

CHEHALEM PARKS AND RECREATION DISTRICT
YAMHILL COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

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.

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 following changes occurred in bonds payable for the year ended June 30, 2005:

	VESTED COMPENSATED ABSENCES	CAPITAL LEASES	REFUNDING COP	GENERAL OBLIGATION BONDS	TOTAL	INTEREST RATES (4.2-6.5%)
Balance 7/01/04	\$58,198	\$195,000	\$1,435,000	\$0	\$1,688,198	
Prior Period Adjustment	0	0	40,000	0	40,000	
Adjusted Balance 7/1/04	58,198	195,000	1,475,000	0	1,728,198	
Additions	59,209	775,000	0	2,750,000	3,584,209	
Reductions	(44,752)	(45,000)	(345,000)	0	(434,752)	
Balance 6/30/05	72,655	925,000	1,130,000	2,750,000	4,877,655	

Amounts Payable in Fiscal Year:

2005-2006	72,655	110,000	285,000	28,515	496,170	395,914
2006-2007	0	115,000	295,000	32,645	442,645	390,138
2007-2008	0	120,000	105,000	37,375	262,375	377,195
2008-2009	0	75,000	105,000	42,795	222,795	371,858
2009-2010	0	75,000	110,000	48,995	233,995	365,840
2010-2016	0	430,000	230,000	374,395	1,034,395	1,693,320
2016-2021	0	0	0	736,490	736,490	1,326,259
2021-2026	0	0	0	1,448,790	1,448,790	613,960
	<u>\$72,655</u>	<u>\$925,000</u>	<u>\$1,130,000</u>	<u>\$2,750,000</u>	<u>\$4,877,655</u>	<u>\$5,534,484</u>

CHEHALEM PARKS AND RECREATION DISTRICT
YAMHILL COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

8. LONG-TERM DEBT (CONTINUED)

Refunding Certificates of Participation

In February of 2002 the District issued a refunding certificate of participations. The proceeds of the new debt were placed in an irrevocable trust to provide for future debt service payments on the 1995, 1996, and 1997 capital leases. Accordingly, the trust account assets and liability for the defeased capital leases are not included in the District's basic financial statements. The amount payable represents future payments payable to U.S. Bank. The certificates bear interest rates of 3.0-4.38%.

General Obligation Bonds

General obligation bonds are direct obligations and pledge the full faith and credit of the District. The District issues general obligation bonds to provide funds for the acquisition and construction of a District golf course. The original amount of general obligation bonds issued in 2005 was \$2,750,000. These bonds are secured by all assets of the District and bear an interest rate of 6.0%.

FlexLease

The District has the following FlexLease issues at June 30, 2005:

<u>ISSUE</u>	<u>ORIGINAL AMOUNT</u>	<u>INTEREST RATES</u>	<u>FINAL MATURITY</u>	<u>PRINCIPAL BALANCE</u>
05/01/05	775,000	4.5-6.5%	01/01/15	\$ 775,000
05/01/01	322,000	3.4-4.5%	01/01/08	150,000
				<u>\$ 925,000</u>

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 2004-05 to fund capital purchases:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 3,188,045
Debt Service Fund	3,188,045	-
Total	<u>\$ 3,188,045</u>	<u>\$ 3,188,045</u>

CHEHALEM PARKS AND RECREATION DISTRICT
YAMHILL COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

11. COMMITMENTS AND CONTINGENCIES

An individual has filed a claim against the District. The District's attorneys will vigorously defend against all claims. The probability of paying any portion of the claim cannot be determined at this time.

12. PRIOR PERIOD ADJUSTMENT

The prior period adjustment of \$40,000 reported in the Statement of Activities is comprised of amounts not reported in the long-term debt section during 2003-04 relating to the series 2002 Refunding COP.

CHEHALEM PARKS AND RECREATION DISTRICT
YAMHILL COUNTY, OREGON

SUPPLEMENTARY INFORMATION

CHEHALEM PARK AND RECREATION DISTRICT
YAMHILL COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2005

	<u>GENERAL FUND</u>			VARIANCE POSITIVE -NEGATIVE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Property Tax:				
Current Year's	\$ 1,538,655	\$ 1,538,655	\$ 1,650,994	\$ 112,339
Prior Year's	33,000	33,000	45,797	12,797
Parks	0	0	38,946	38,946
Pool Receipts	359,460	359,460	318,342	-41,118
Sports Receipts	0	0	56,203	56,203
Recreation Income	915,703	915,703	118,168	-797,535
Interest Earned	12,000	12,000	16,638	4,638
Concession Income	0	0	11,833	11,833
Preschool Income	0	0	29,518	29,518
Youth Sports	0	0	162,690	162,690
Bambino League Income	0	0	1,427	1,427
Babe Ruth Association	0	0	2,070	2,070
Chehalem Tiger Volleyball Income	0	0	384	384
Quilt Club Income	0	0	2,054	2,054
Community School	0	0	88,726	88,726
Golf Club House	0	0	7,045	7,045
Playgrounds/Centers/Miscellaneous	0	0	356,406	356,406
	<u>2,858,818</u>	<u>2,858,818</u>	<u>2,907,241</u>	<u>48,423</u>
Total Revenues				

CHEHALEM PARK AND RECREATION DISTRICT
YAMHILL COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2005

	<u>GENERAL FUND</u>			VARIANCE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>POSITIVE -NEGATIVE</u>
EXPENDITURES:				
Personnel Services:	\$ 1,483,943	\$ 1,483,943 (1)	\$ 1,309,051	\$ 174,892
Materials & Services:	1,298,254	1,298,254 (1)	1,266,768	31,486
Capital, Development, Improvement & Acquisition	0	450,000 (1)	602,001	-152,001
Total Expenditures *	<u>2,782,197</u>	<u>3,232,197</u>	<u>3,177,820</u>	<u>54,377</u>
Excess of Revenues Over, -Under Expenditures	76,621	-373,379	-270,579	102,800
Other Financing Sources, -Uses:				
Transfers Out	-3,028,275	-3,520,275	-3,188,045	332,230
Contingency	-88,994	-88,994	0	88,994
Miscellaneous Grants and Loans	<u>2,769,268</u>	<u>3,711,268</u>	<u>3,504,075</u>	<u>-207,193</u>
Excess of Revenues Over, -Under Expenditures and Other Financing Sources, -Uses	-271,380	-271,380	45,451	316,831
Beginning Fund Balance	<u>271,380</u>	<u>271,380</u>	<u>297,063</u>	<u>25,683</u>
Ending Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 342,514</u>	<u>\$ 342,514</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, 2005**

	<u>GENERAL FUND</u>			VARIANCE POSITIVE -NEGATIVE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
EXPENDITURES:				
ADMINISTRATION:				
Personnel Services:				
Superintendent	\$ 78,416	\$ 78,416	\$ 78,393	\$ 23
Administrative Secretary	22,749	22,749	22,682	67
Payroll Taxes, Benefits	40,520	40,520	44,612	-4,092
Total Personnel Services	141,685	141,685	145,687	-4,002
Materials and Services				
Office Supplies	10,000	10,000	16,195	-6,195
Postage Supplies	3,300	3,300	850	2,450
Program Supplies	3,000	3,000	551	2,449
Classified Ads	1,500	1,500	1,228	272
Brochure	1,500	1,500	252	1,248
Flyers and Schedules	500	500	5	495
Directors Fees	360	360	280	80
Professional Dues	10,000	10,000	8,831	1,169
Conferences/Workshops	7,000	7,000	2,018	4,982
Staff Mileage	300	300	333	-33
Staff Expenses	5,000	5,000	6,696	-1,696
Telephone	6,500	6,500	6,144	356
Computer	300	300	100	200
Maintenance	6,000	6,000	239	5,761
Legal Services	25,000	25,000	44,524	-19,524
Audit Services	7,000	7,000	7,350	-350
Program Contracts	15,000	15,000	23,652	-8,652
Insurance Services	8,000	8,000	6,321	1,679
Interest	5,000	5,000	0	5,000
Equipment Maintenance Contracts	4,500	4,500	334	4,166
Consultants	15,000	15,000	1,074	13,926
Property Taxes	5,500	5,500	5,684	-184
Elections	5,000	5,000	4,176	824
Rental/Lease	1,000	1,000	0	1,000
Total Materials and Services	146,260	146,260	136,837	9,423
TOTAL ADMINISTRATION	287,945	287,945	282,524	5,421

CHEHALEM PARK AND RECREATION DISTRICT
YAMHILL COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2005

	<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	\$ 52,144	\$ 52,144	\$ 51,978	\$ 166
Park Lead Man	32,010	32,010	31,971	39
Park Technicians	44,415	44,415	43,388	1,027
Park Laborer/Secretaries	43,906	43,906	39,855	4,051
Payroll Taxes, Benefits	81,644	81,644	75,998	5,646
Total Personnel Services	254,119	254,119	243,190	10,929
Materials and Services				
Office Supplies	1,600	1,600	1,764	-164
Materials and Supplies	0	0	2,724	-2,724
Postage Supplies	800	800	164	636
Program Supplies	2,000	2,000	2,233	-233
Small Tools	2,000	2,000	1,728	272
Janitorial Supplies	10,100	10,100	12,623	-2,523
Chemical/Agricultural Supplies	7,500	7,500	8,901	-1,401
Gas/Oil Supplies	6,300	6,300	9,242	-2,942
Classifieds	200	200	402	-202
Brochures	1,100	1,100	1,711	-611
Flyers	0	0	5	-5
Professional Dues	2,070	2,070	1,819	251
Conferences/Workshops	1,300	1,300	1,414	-114
Staff Mileage	500	500	321	179
Staff Expense	600	600	650	-50
Electricity	15,600	15,600	18,245	-2,645
Natural Gas	6,500	6,500	6,999	-499
Water/Sewer	47,300	47,300	41,530	5,770
Telephone	4,300	4,300	4,008	292
Miscellaneous	0	0	49	-49
Garbage Expense	5,220	5,220	6,073	-853
Building Maintenance	13,000	13,000	12,995	5
Structure Maintenance	6,200	6,200	5,683	517
Equipment Maintenance	32,000	32,000	26,167	5,833
Grounds Maintenance	29,401	29,401	19,478	9,923
Program Contracts	90,456	90,456	94,244	-3,788
Insurance Services	24,431	24,431	19,664	4,767
Equipment Maintenance Contracts	2,200	2,200	28	2,172
Equipment Rental	1,000	1,000	1,639	-639
Buildings and Structures	0	0	1,000	-1,000
Total Materials and Services	313,678	313,678	303,503	10,175
TOTAL PARKS DEPARTMENT	567,797	567,797	546,693	21,104

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2005**

	<u>GENERAL FUND</u>			VARIANCE POSITIVE -NEGATIVE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
EXPENDITURES:				
AQUATICS:				
Personnel Services:				
Aquatic Supervisor	\$ 4,172	\$ 4,172	\$ 4,156	\$ 16
Aquatic Coordinator	33,611	33,611	31,970	1,641
Aquatics Technician	20,634	20,634	0	20,634
Secretary	20,634	20,634	0	20,634
Guards, Instructors, and Cashiers	107,434	107,434	103,536	3,898
Carelton Contracts	22,000	22,000	20,312	1,688
Coaches	3,800	3,800	3,036	764
Payroll Taxes, Benefits	81,532	81,532	40,730	40,802
Total Personnel Services	293,817	293,817	203,740	90,077
Materials and Services				
Office Supplies	3,500	3,500	3,208	292
Postage Supplies	3,200	3,200	2,509	691
Program Supplies	5,800	5,800	4,725	1,075
Chemical and Agricultural Supplies	5,500	5,500	5,614	-114
Store Supplies	4,000	4,000	3,282	718
Classifieds	300	300	214	86
Brochure	3,200	3,200	2,030	1,170
Flyers	2,000	2,000	2,166	-166
Professional Dues	2,000	2,000	1,547	453
Conferences/Workshops	800	800	150	650
Staff Mileage	300	300	275	25
Staff Expenses	250	250	212	38
Electricity	36,500	36,500	40,365	-3,865
Natural Gas	42,000	42,000	51,028	-9,028
Water/Sewer	13,000	13,000	13,137	-137
Telephone	4,500	4,500	4,756	-256
Equipment Maintenance	0	0	312	-312
Grounds Maintenance	0	0	0	0
Program Contracts	7,000	7,000	12,352	-5,352
Insurance Services	19,000	19,000	17,934	1,066
Equipment Rental	300	300	0	300
Refunds	800	800	1,738	-938
Buildings and Structures	3,000	3,000	1,336	1,664
Total Materials and Services	156,950	156,950	168,890	-11,940
TOTAL AQUATICS	450,767	450,767	372,630	78,137

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2005**

	<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 Coordinator	\$ 7,583	\$ 7,583	\$ 8,624	\$ -1,041
Sports Supervisor	11,107	11,107	11,125	-18
Sports Assistant/Secretaries	7,596	7,596	6,580	1,016
Payroll Taxes, Benefits	12,765	12,765	13,528	-763
Total Personnel Services	39,051	39,051	39,857	-806
Materials and Services				
Office Supplies	400	400	433	-33
Postage Supplies	240	240	175	65
Program Supplies	2,832	2,832	3,172	-340
Classified Ads	50	50	122	-72
Brochure	750	750	952	-202
Flyers and Schedules	225	225	100	125
Professional Dues	1,025	1,025	465	560
Conferences/Workshops	380	380	1	379
Staff Mileage	200	200	153	47
Staff Expenses	95	95	197	-102
Electricity	5,600	5,600	5,204	396
Water/Sewer	0	0	0	0
Telephone	1,410	1,410	1,173	237
Equipment Maintenance	225	225	223	2
Grounds Maintenance	0	0	0	0
Program Contracts	18,995	18,995	16,640	2,355
Insurance	2,600	2,600	3,037	-437
Equipment Maintenance Contracts	0	0	0	0
Refunds	1,000	1,000	195	805
Equipment Rental	2,000	2,000	2,335	-335
Buildings and Structures	700	700	0	700
Total Materials and Services	38,727	38,727	34,577	4,150
TOTAL ADULT SPORTS	77,778	77,778	74,434	3,344

CHEHALEM PARK AND RECREATION DISTRICT
YAMHILL COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2005

	<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	\$ 25,915	\$ 25,915	\$ 25,776	\$ 139
Sports Technician	14,083	14,083	13,882	201
Sports Leaders/Secretaries	31,719	31,719	16,290	15,429
Payroll Taxes, Benefits	27,082	27,082	25,471	1,611
Total Personnel Services	98,799	98,799	81,419	17,380
Materials and Services				
Office Supplies	850	850	834	16
Postage Supplies	500	500	211	289
Program Supplies	25,262	25,262	23,996	1,266
Gas and Oil Supplies	100	100	72	28
Classifieds	45	45	122	-77
Brochures	1,125	1,125	1,301	-176
Flyers	350	350	695	-345
Professional Dues	590	590	680	-90
Conferences/Workshops	450	450	2	448
Staff Mileage	275	275	436	-161
Staff Expenses	185	185	326	-141
Electricity	5,500	5,500	3,712	1,788
Water and Sewer	0	0	0	0
Telephone	1,671	1,671	2,113	-442
Equipment Maintenance	300	300	496	-196
Grounds Maintenance	0	0	0	0
Professional and Contract Services	0	0	0	0
Program Contracts	20,971	20,971	36,886	-15,915
Insurance Services	4,800	4,800	4,953	-153
Refunds	1,000	1,000	1,385	-385
Equipment Rental	5,200	5,200	3,085	2,115
Total Materials and Services	69,174	69,174	81,305	-12,131
TOTAL YOUTH SPORTS	167,973	167,973	162,724	5,249

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2005**

	<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	\$ 6,257	\$ 6,257	\$ 6,237	\$ 20
Recreation Coordinator	29,034	29,034	28,943	91
Special Events Staff/Secretaries	14,495	14,495	6,838	7,657
Payroll Taxes, Benefits	30,365	30,365	28,715	1,650
Total Personnel Services	<u>80,151</u>	<u>80,151</u>	<u>70,733</u>	<u>9,418</u>
Materials and Services				
Office Supplies	2,000	2,000	1,916	84
Postage Supplies	525	525	328	197
Program Supplies	3,800	3,800	3,962	-162
Gas and Oil Supplies	125	125	0	125
Classifieds	100	100	294	-194
Brochures	8,300	8,300	6,879	1,421
Flyers	300	300	5	295
Professional Dues	400	400	465	-65
Conferences/Workshops	400	400	210	190
Staff Mileage	400	400	490	-90
Staff Expenses	100	100	289	-189
Telephone	3,900	3,900	2,543	1,357
Miscellaneous	0	0	0	0
Equipment Maintenance	1,800	1,800	1,407	393
Grounds Maintenance	0	0	0	0
Program Contracts	56,485	56,485	72,072	-15,587
Insurance Services	1,650	1,650	2,465	-815
Senior Trips	0	0		0
Refunds	3,000	3,000	1,261	1,739
Rental/Lease	0	0	600	-600
Total Materials and Services	<u>83,285</u>	<u>83,285</u>	<u>95,186</u>	<u>-11,901</u>
TOTAL CLASSES & ACTIVITIES	<u>163,436</u>	<u>163,436</u>	<u>165,919</u>	<u>-2,483</u>

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2005**

	<u>GENERAL FUND</u>			VARIANCE POSITIVE -NEGATIVE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
EXPENDITURES:				
RECREATION - PLAYGROUNDS & CENTERS				
Personnel Services:				
Recreation Supervisor	\$ 4,693	\$ 4,693	\$ 4,684	\$ 9
Adult Youth Coordinator	27,652	27,652	27,555	97
After School Staff	171,594	171,594	195,028	-23,434
Secretaries	8,518	8,518	4,347	4,171
Payroll Taxes, Benefits	51,518	51,518	47,140	4,378
Total Personnel Services	<u>263,975</u>	<u>263,975</u>	<u>278,754</u>	<u>-14,779</u>
Materials and Services				
Office Supplies	1,900	1,900	1,677	223
Postage Supplies	900	900	607	293
Program Supplies	22,500	22,500	29,672	-7,172
Janitorial	100	100	0	100
Gas and Oil Supplies	600	600	1,490	-890
Classifieds	100	100	45	55
Brochures	700	700	1,053	-353
Flyers	300	300	93	207
Professional Dues	300	300	573	-273
Conferences/Workshops	800	800	854	-54
Staff Mileage	150	150	12	138
Staff Expenses	175	175	106	69
Water/Sewer	0	0	0	0
Telephone	6,500	6,500	6,017	483
Equipment Maintenance	400	400	480	-80
Program Contracts	3,500	3,500	5,772	-2,272
Insurance Services	1,300	1,300	1,585	-285
Refunds	500	500	416	84
Contracts-Admissions	13,000	13,000	10,469	2,531
Equipment Rental	5,000	5,000	5,035	-35
Total Materials and Services	<u>58,725</u>	<u>58,725</u>	<u>65,956</u>	<u>-7,231</u>
TOTAL PLAYGROUNDS & CENTERS	<u>322,700</u>	<u>322,700</u>	<u>344,710</u>	<u>-22,010</u>

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2005**

	<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	\$ 0	\$ 0	\$ 0	\$ 0
Building Leaders	38,889	38,889	23,432	15,457
Sr. Center Specialist	23,866	23,866	25,355	-1,489
Secretaries	0	0	3,424	-3,424
Payroll Taxes, Benefits	26,307	26,307	8,578	17,729
Total Personnel Services	89,062	89,062	60,789	28,273
Materials and Services				
Office Supplies	1,200	1,200	1,146	54
Postage Supplies	800	800	813	-13
Program Supplies	3,000	3,000	2,206	794
Gas and Oil	100	100	198	-98
Classifieds	400	400	0	400
Brochures/Flyers	4,700	4,700	3,094	1,606
Professional Dues	300	300	395	-95
Staff Mileage	150	150	34	116
Staff Expenses	50	50	8	42
Electricity	10,500	10,500	11,139	-639
Natural Gas	10,000	10,000	11,685	-1,685
Water/Sewer	10,600	10,600	12,215	-1,615
Telephone	2,200	2,200	3,096	-896
Equipment Maintenance	400	400	29	371
Program Contracts	7,000	7,000	2,890	4,110
Insurance Services	17,000	17,000	17,638	-638
Senior Trips	3,000	3,000	800	2,200
Refunds	400	400	470	-70
Total Materials and Services	71,800	71,800	67,856	3,944
TOTAL COMMUNITY CENTER SCOUT HOUSE	160,862	160,862	128,645	32,217

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

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2005**

	<u>GENERAL FUND</u>			VARIANCE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>POSITIVE -NEGATIVE</u>
EXPENDITURES:				
COMMUNITY SCHOOLS				
Personnel Services	66,768	66,768	30,473	36,295
Materials and Services	<u>27,500</u>	<u>27,500</u>	<u>29,445</u>	<u>-1,945</u>
TOTAL COMMUNITY SCHOOLS PROGRAM	<u>94,268</u>	<u>94,268</u>	<u>59,918</u>	<u>34,350</u>
GOLF COURSE MAINTENANCE				
Personnel Services	84,661	84,661	115,432	-30,771
Materials and Services	<u>232,350</u>	<u>232,350</u>	<u>246,968</u>	<u>-14,618</u>
TOTAL GOLF COURSE MAINTENANCE	<u>317,011</u>	<u>317,011</u>	<u>362,400</u>	<u>-45,389</u>
GOLF CLUB HOUSE				
Personnel Services	32,350	32,350	22,734	9,616
Materials and Services	<u>13,750</u>	<u>13,750</u>	<u>22,687</u>	<u>-8,937</u>
TOTAL GOLF COURSE MAINTENANCE	<u>46,100</u>	<u>46,100</u>	<u>45,421</u>	<u>679</u>
JAQUITH CONCESSION				
Personnel Services:				
Concession Attendant	\$ 10,806	\$ 10,806	\$ 0	\$ 10,806
Payroll Taxes, Benefits	<u>1,470</u>	<u>1,470</u>	<u>0</u>	<u>1,470</u>
Total Personnel Services	<u>12,276</u>	<u>12,276</u>	<u>0</u>	<u>12,276</u>
Materials and Services				
Office Supplies	20	20	0	20
Program Supplies	9,800	9,800	0	9,800
Classifieds	50	50	0	50
Professional Dues	630	630	0	630
Staff Mileage	30	30	0	30
Electricity	440	440	0	440
Telephone	350	350	554	-204
Equipment Maintenance	100	100	0	100
Insurance	<u>1,050</u>	<u>1,050</u>	<u>0</u>	<u>1,050</u>
Total Materials and Services	<u>12,470</u>	<u>12,470</u>	<u>554</u>	<u>11,916</u>
TOTAL JAQUITH CONCESSION	<u>24,746</u>	<u>24,746</u>	<u>554</u>	<u>24,192</u>

CHEHALEM PARK AND RECREATION DISTRICT
YAMHILL COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2005

EXPENDITURES:	<u>GENERAL FUND</u>			VARIANCE POSITIVE -NEGATIVE
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
PRESCHOOL				
Personnel Services:				
Preschool Instructors	16,507	16,507	13,312	3,195
Payroll Taxes, Benefits	2,222	2,222	1,505	717
Total Personnel Services	18,729	18,729	14,817	3,912
Materials and Services				
Office Supplies	150	150	268	-118
Postage	250	250	174	76
Program Supplies	1,600	1,600	1,230	370
Classifieds	50	50	0	50
Brochures	400	400	335	65
Preschool Dues	50	50	0	50
Conferences	75	75	0	75
Staff Mileage	50	50	0	50
Electricity	450	450	244	206
Natural Gas	550	550	828	-278
Water/Sewer	700	700	250	450
Telephone	1,500	1,500	1,636	-136
Refunds	100	100	0	100
Insurance	900	900	2,853	-1,953
Total Materials and Services	6,825	6,825	7,818	-993
TOTAL PRESCHOOL	25,554	25,554	22,635	2,919
MISCELLANEOUS DEPARTMENTS				
Materials and Services:				
Newberg Bambino League	22,000	22,000	0	22,000
Babe Ruth League	8,000	8,000	2,360	5,640
Chahalem Volleyball Club	20,000	20,000	384	19,616
Ewing Young	5,260	5,260	0	5,260
Quilt Club	1,500	1,500	2,442	-942
Newberg Theatre Group	10,000	10,000	0	10,000
TOTAL MISCELLANEOUS DEPARTMENTS	66,760	66,760	5,186	61,574
NDOT				
Personell Services:				
Payroll	8,500	8,500	1,426	7,074
TOTAL NDOT	8,500	8,500	1,426	7,074
ACQUISITION AND IMPROVEMENT				
Capital Outlay:	0	450,000	602,001	-152,001
TOTAL ACQUISITION AND IMPROVEMENT	0	450,000	602,001	-152,001
TOTAL EXPENDITURES	\$ 2,782,197	\$ 3,232,197	\$ 3,177,820	\$ 54,377

CHEHALEM PARK AND RECREATION DISTRICT
YAMHILL COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2005

SYSTEM DEVELOPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE -NEGATIVE
REVENUES:				
SDC Income	\$ 102,500	\$ 102,500	\$ 348,118	\$ 245,618
Interest Earned	0	0	4,277	4,277
Total Revenues	102,500	102,500	352,395	249,895
EXPENDITURES:				
Capital Outlay Development	300,813	300,813 (1)	162,429	138,384
Total Expenditures	300,813	300,813	162,429	138,384
Excess of Revenues Over, -Under Expenditures	-198,313	-198,313	189,966	388,279
Beginning Fund Balance	198,313	198,313	271,371	73,058
Ending Fund Balance	\$ 0	\$ 0	\$ 461,337	\$ 461,337

(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, 2005

**RESERVE FOR EQUIPMENT AND
MAJOR MAINTENANCE FUND**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE -NEGATIVE
REVENUES:				
Interest Earned	\$ 900	\$ 900	\$ 877	\$ -23
Total Revenues	900	900	877	-23
EXPENDITURES:				
Maintenance and Equipment	45,025	45,025 (1)	0	45,025
Total Expenditures	45,025	45,025	0	45,025
Excess of Revenues Over, -Under Expenditures	-44,125	-44,125	877	45,002
Beginning Fund Balance	44,125	44,125	44,578	453
Ending Fund Balance	\$ 0	\$ 0	\$ 45,455	\$ 45,455

(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, 2005

DEBT SERVICE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE -NEGATIVE
REVENUES:				
Taxes on Bond	\$ 0	\$ 0	\$ 0	\$ 0
Interest	0	0	879	879
Total Revenues	0	0	879	879
EXPENDITURES:				
Debt Service				
Capital Outlay	2,515,850	3,007,850	2,697,879	309,971
Principal	608,946	608,946	414,752	194,194
Interest	124,724	124,724	87,309	37,415
Total Expenditures	3,249,520	3,741,520 (1)	3,199,940	541,580
Excess of Revenues Over, -Under				
Expenditures	-3,249,520	-3,741,520	-3,199,061	542,459
Other Financing Sources, -Uses:				
Transfers In	3,233,670	3,725,670	3,188,045	-537,625
Total Other Financing Sources, -Uses	3,233,670	3,725,670	3,188,045	-537,625
Excess of Revenues Over, -Under				
Other Financing Sources, -Uses	-15,850	-15,850	-11,016	4,834
Beginning Fund Balance	15,850	15,850	34,909	19,059
Ending Fund Balance	\$ 0	\$ 0	\$ 23,893	\$ 23,893

(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, 2005

<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED 07/01/04</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 6/30/05</u>
<u>GENERAL FUND:</u>						
CURRENT:						
2004-05	\$ 1,736,059	\$ 42,808	\$ -7,306	\$ 673	\$ 1,619,637	\$ 66,981
PRIOR YEARS:						
2003-04	64,549	0	-2,136	1,527	39,571	24,369
2002-03	27,172	0	-1,695	1,280	13,233	13,524
2001-02	14,551	0	-1,259	1,240	8,404	6,128
2000-01	6,832	0	-868	852	4,793	2,023
1999-00 & prior	2,913	0	2,944	271	1,040	5,088
Total Prior	116,017	0	-3,014	5,170	67,041	51,132
Total General Fund	\$ 1,852,076	\$ 42,808	\$ -10,320	\$ 5,843	\$ 1,686,678	\$ 118,113

RECONCILIATION OF REVENUE:

	<u>GENERAL FUND</u>
Cash Collections by County Treasurer Above	\$ 1,686,678
Accrual of Receivables:	
June 30, 2004	-34,111
June 30, 2005	44,224
Total Revenue	\$ 1,696,791

CHEHALEM PARKS AND RECREATION DISTRICT
YAMHILL COUNTY, OREGON

2004-2005 AUDITORS' COMMENTS AND DISCLOSURES



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

February 23, 2006

2004-2005 AUDITORS' COMMENTS AND DISCLOSURES

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, 2005, and have issued our report thereon dated February 23, 2006.

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, 2005, 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 testing did not detect any significant errors or irregularities as a result of the 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 February 23, 2006. 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..

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, except for Capital, Development, Improvement and Acquisition in the General Fund by \$152,001.

2004-2005 and 2005-2006 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 2004-2005, 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, 2005, 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 2004-2005.

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 2004-2005.

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, 2005, 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.

CHEHALEM PARK
AND RECREATION DISTRICT
NEWBERG, OREGON

2004-2005
MANAGEMENT REPORT

AUDITS MUNICIPALITIES

	Date	Initial
Rec'd	1-5-06	CP
DIS		
Muni		
Scanned		
Comments		



PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

February 23, 2006

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, 2005, 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 conditions:

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 being done in a timely manner. We also noted that completed bank reconciliations were not being reviewed by a person other than the one preparing the reconciliation. 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. At year end the cash balance in the general ledger did not reconcile to the bank reconciliation by almost \$4,000.
4. The District's financial records were not in a condition to be audited prior to December 31, 2005, which is the deadline for audited financial statements to be delivered to the Secretary of State. We cannot complete the audit in timely manner without having all records made available to us well before the deadline.

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.
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