

# **Bend Metro Park and Recreation District Bend, Oregon**



## **Annual Financial Report Fiscal Year Ended June 30, 2010**

Hollinshead Barn



**Bend Park & Recreation**  
DISTRICT

799 SW Columbia Street Bend, OR 97702



**Bend Park & Recreation**  
DISTRICT

**BEND METRO PARK AND RECREATION DISTRICT,  
OREGON**

**Annual Financial Report**

**For the Year Ended June 30, 2010**

Report Prepared by the District Finance Department

Lindsey D. Lombard, Finance Director



Bend Park &  
Recreation  
DISTRICT

BEND METRO PARK AND RECREATION DISTRICT, OREGON

**Annual Financial Report**  
For the Year Ended June 30, 2010

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BEND METRO PARK AND RECREATION DISTRICT, OREGON

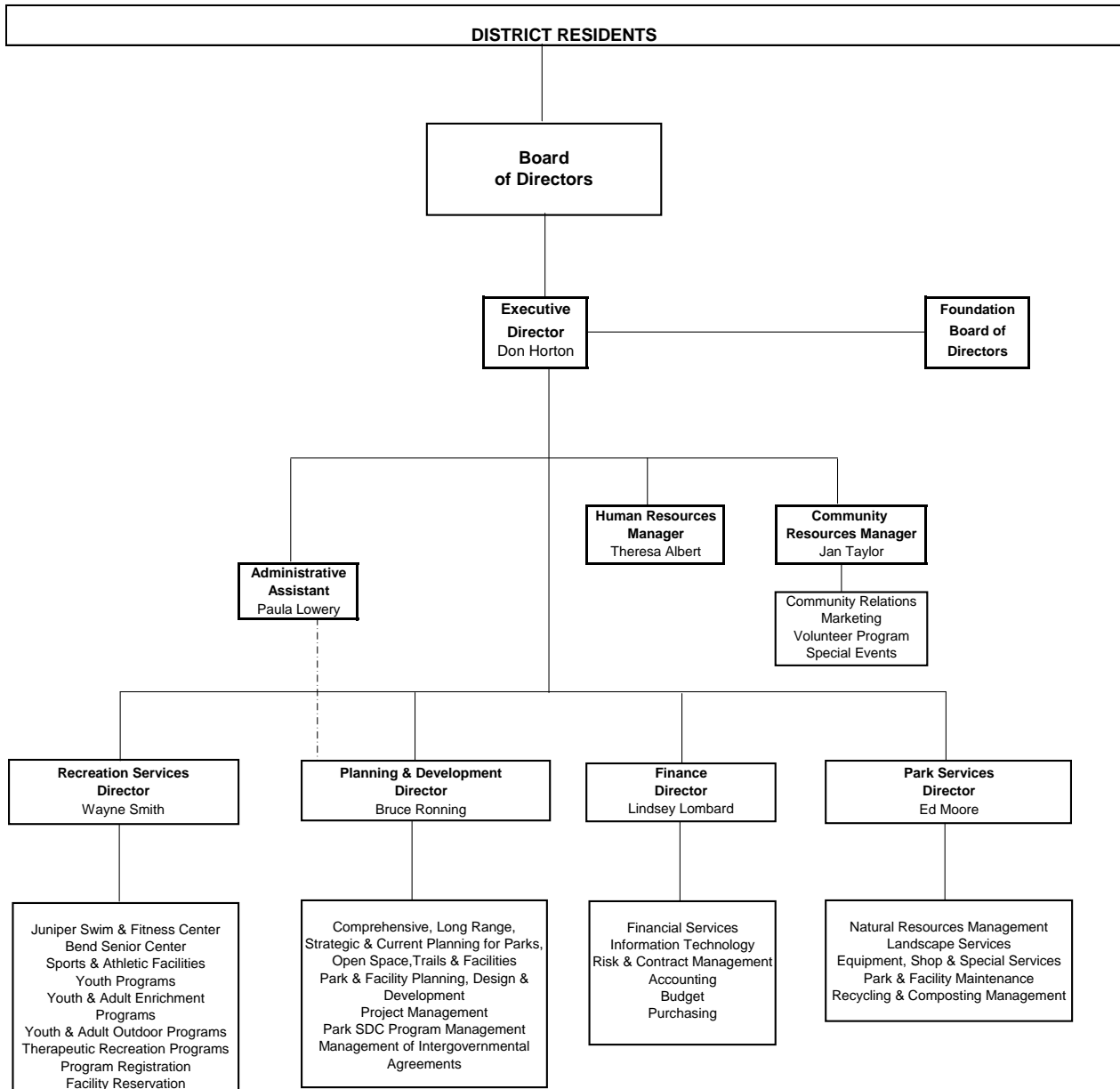
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BEND METRO PARK AND RECREATION DISTRICT, OREGON

**Organizational Chart**  
For the Year Ended June 30, 2010



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BEND METRO PARK AND RECREATION DISTRICT, OREGON

**Directory of District Officials**  
For the Year Ended June 30, 2010

Board of Directors

<u>Name</u>	<u>Term Expires</u>
Scott Wallace Bend, OR	June 30, 2011
George Thayer Bend, OR	June 30, 2011
Ruth Williamson Bend, OR	June 30, 2013
Scott Asla Bend, OR	June 30, 2013
Ted Schoenborn Bend, OR	June 30, 2013

Registered Agent and Office

Don P. Horton  
Administrative Office  
799 SW Columbia Street  
Bend, OR 97702

Principal Officials

Don P. Horton, Executive Director  
Lindsey D. Lombard, Finance Director  
Bruce Ronning, Director of Planning and Development  
Wayne Smith, Recreation Services Director  
Ed Moore, Park Services Director

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## INDEPENDENT AUDITORS' REPORT

John P. Harrigan, CPA

Wesley B. Price III, CPA

Candace S. Fronk, CPA

To the Board of Directors  
Bend Metro Park and Recreation District

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Bend Metro Park and Recreation District as of and for the year ended June 30, 2010, 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 opinions on these financial statements based on our audit.

975 SW Colorado  
Suite 200  
Bend, OR 97702

Tel (541) 382-4791  
Fax (541) 388-1124

www.bendcpa.com  
email@bendcpa.com

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis as listed in the Table of Contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

The Required Supplementary Information (budgetary comparison information for the General and major special revenue funds) as listed in the Table of Contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The budgetary comparison information for these funds has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Board of Directors  
Bend Metro Park and Recreation District

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bend Metro Park and Recreation District's basic financial statements. The other supplementary information and other financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

HARRIGAN PRICE FRONK & CO. LLP  
Certified Public Accountants & Consultants

By:   
Candace S. Fronk - a partner

December 28, 2010

## **Management's Discussion and Analysis For the Year Ended June 30, 2010**

The management of the Bend Metro Park and Recreation District (District) provides readers of the District's financial statements this narrative overview and analysis of the financial activities and financial position of the District for the fiscal year ended June 30, 2010. Management's Discussion and Analysis (MD&A) focuses on currently known facts, decisions and conditions. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the accompanying notes to those financial statements.

### **Financial Highlights**

- The District's assets totaled \$85.4 million at June 30, 2010 consisting of \$73.6 in capital assets, \$10.5 million in cash and investments and \$1.3 million in receivables and other assets. Total assets increased by \$2.4 million from the prior year.
- The District's liabilities totaled \$8.3 million at June 30, 2010 consisting of \$5.9 million in debt, \$1.1 million in other noncurrent liabilities and \$1.3 million in accounts payable and other current liabilities. Total liabilities decreased by \$728,000 from the prior year.
- The District's net assets (assets less liabilities) at June 30, 2010 increased by over \$3.1 million, from \$74 million to \$77.1 million, or nearly 4.2% from the prior year. This increase in net assets is resultant of a combination of: capital assets increasing by \$4 million; other assets decreasing by \$150,000; cash and investments decreasing by \$1.4 million; and total liabilities decreasing by \$728,000.
- Of the District's total net assets at June 30, 2010, \$6.8 million is unrestricted and available for funding the District's operations, \$67.7 million is invested in capital assets (net of related debt) and \$2.7 million is restricted for capital projects.
- The District generated program revenues of \$5.8 million from its governmental activities. Direct expenses of all programs totaled \$14.5 million. General revenues which include taxes and investment earnings totaled \$11.9 million.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements and other required supplementary information. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements.

**Government-wide financial statements.** The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies.

The Statement of Net Assets focuses on resources available for future operations. It includes all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. This is only one measure, however, and the reader should consider other indicators such as general economic conditions in the District, changes in property tax base, and the age and condition of capital assets used by the District.

## Management's Discussion and Analysis, continued

The Statement of Activities focuses on all of the current fiscal year's revenue and expenses. The statement presents information showing how the District's net assets changed during the fiscal year. All changes are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future fiscal periods. Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program relies on taxes or other general revenues for funding.

Both of the government-wide financial statements are divided into two categories:

**Governmental activities.** Governmental activities are supported by general revenue sources such as taxes, charges for services, and grants and contributions. These services include general government services (administration, information technology, human resources, risk management, financial services and community relations), planning and development, facility rental, park services and recreation services.

**Component units.** The District includes the Bend Park and Recreation Foundation as a discretely presented component unit. The sole purpose of this legally separate non-profit organization is to provide support and significant additional funding for the District.

**Fund financial statements.** The fund financial statements provide more detailed information about the District's major funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Major funds are separately reported while all others are combined into a single, aggregated presentation. All of the funds of the District can be classified into one category:

**Governmental funds.** Governmental funds are used to account for activities where the emphasis is placed on available financial resources, rather than upon net income determination. Therefore, unlike the government-wide financial statements, governmental fund financial statements focus on how cash and other financial assets that can readily be converted to cash flow in and out, and the balances remaining at year-end that are available for future spending. This short-term view of the District's financial position helps the reader determine whether the District has sufficient resources to cover expenditures for its basic services in the near future. Because this information does not encompass the additional long-term focus of the government-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the District's near-term financial decisions. A reconciliation that follows the governmental fund statements explains the relationship (differences) between the two statements.

The District maintains seven individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for those funds that are considered significant (major) to the District taken as a whole. These financial statements report four major funds: General Fund, System Development Charges (SDC) Special Revenue Fund, Recreation Services Special Revenue Fund, and Facility Reserve Special Revenue Fund. The other three governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its funds. To demonstrate compliance with the budget, budgetary comparison statements for all appropriated funds are provided following the notes to the financial statements.

**Management’s Discussion and Analysis, continued**

**Notes to the financial statements.** The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the District’s financial condition.

**Required supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary comparisons for the general fund and major special revenue funds.

**Other supplementary information.** The combining statements and budget to actual schedules for nonmajor governmental funds are presented in this section of the report.

**Government-wide Financial Analysis**

**Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of the district’s financial position. As of June 30, 2010, the District had a positive net asset balance - assets exceeded liabilities - by \$77,139,449. This is an increase of nearly 4.2% over prior year.

The most significant portion of the District’s net assets (88%) represents its investment in capital assets net of related debt (land, buildings, improvements, and vehicles, equipment and software, net of accumulated depreciation). The District uses these capital assets to provide services to District residents. Consequently, these assets are not available for future spending. An additional portion of the District’s net assets, \$2,660,368 or 3.4%, represents resources that are subject to external restrictions on how they may be used.

The following is a condensed statement of net assets and an analysis of the change in the District’s financial position from the prior year:

**Bend Metro Park and Recreation District  
Net Assets**

	<b>Governmental Activities</b>		
	<b>2010</b>	<b>2009</b>	<b>Change</b>
Current and other assets	\$ 11,886,773	\$ 13,477,109	\$ (1,590,336)
Capital assets, net	73,553,891	69,580,155	3,973,736
Total assets	<u>85,440,664</u>	<u>83,057,264</u>	<u>2,383,400</u>
Other liabilities	2,426,215	2,873,964	(447,749)
Long-term debt	5,875,000	6,155,000	(280,000)
Total liabilities	<u>8,301,215</u>	<u>9,028,964</u>	<u>(727,749)</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	67,678,891	63,425,155	4,253,736
Restricted for capital projects	2,660,368	4,478,634	(1,818,266)
Unrestricted	6,800,190	6,124,511	675,679
Total net assets	<u><u>\$ 77,139,449</u></u>	<u><u>\$ 74,028,300</u></u>	<u><u>\$ 3,111,149</u></u>

**Management’s Discussion and Analysis, continued**

**Changes in Net Assets**

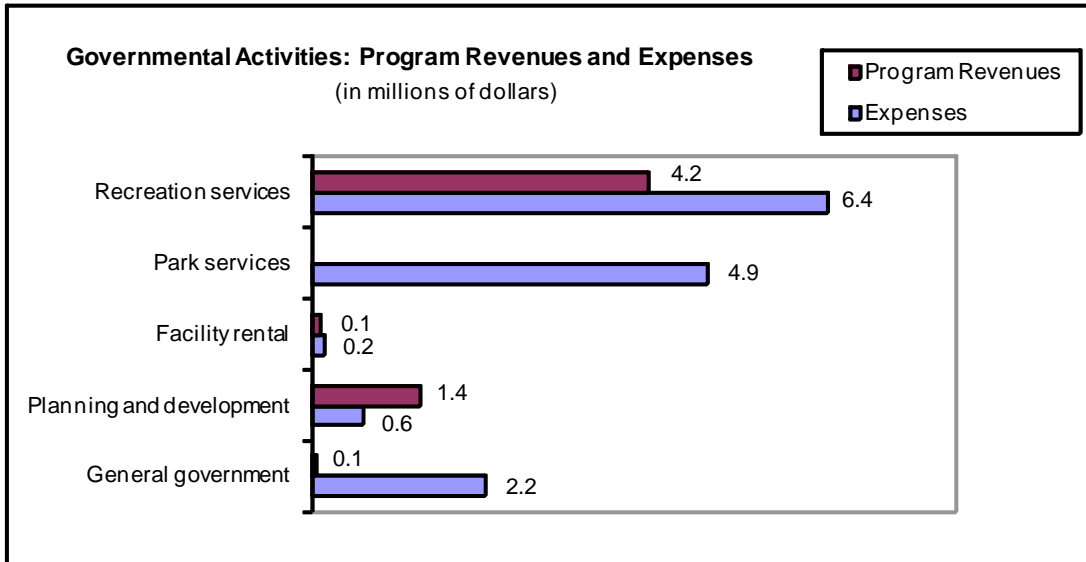
Governmental activities increased the District’s net assets by \$3,111,149 this year. Property taxes increased by just under \$400,000, due to some residential development within District boundaries and statutorily allowable increases in assessed value on existing property. Recreation Services’ charges for services decreased by \$162,000, due to the economic recession and its effects on the community’s ability to pay for recreational services. A total of \$821,593 in capital grants and contributions consisted of contributed land from a local developer, contributions from the Bend Park and Recreation Foundation and Art in Public Places, and grants from the State of Oregon. System development charge revenues decreased by over \$370,000 from the prior year, a result of a significant slowdown in the rate of residential growth in the Bend area, due to the economic recession. Expenses for governmental activities increased by only 1½% from last year, which is a reflection of maintaining a rate in cost increases consistent with revenue increases. The details of the District’s changes in net assets for fiscal year ended June 30, 2010 are as follows:

**Bend Metro Park and Recreation District  
Changes in Net Assets**

	<u>Governmental Activities</u>		
	<u>2010</u>	<u>2009</u>	<u>Change</u>
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 4,797,448	\$ 5,366,786	\$ (569,338)
Operating grants and contributions	154,459	100,237	54,222
Capital grants and contributions	821,593	305,370	516,223
General revenues:			
Taxes	11,693,424	11,301,356	392,068
Investment earnings	72,414	331,870	(259,456)
Other	108,304	53,692	54,612
Total revenues	<u>17,647,642</u>	<u>17,459,311</u>	<u>188,331</u>
<b>Expenses</b>			
General government	2,160,632	1,860,074	300,558
Planning and development	635,168	793,771	(158,603)
Facility rental	152,943	148,760	4,183
Park services	4,924,902	4,776,434	148,468
Recreation services	6,406,071	6,473,255	(67,184)
Interest on long-term debt	256,777	265,285	(8,508)
Total expenses	<u>14,536,493</u>	<u>14,317,579</u>	<u>218,914</u>
Increase in net assets	3,111,149	3,141,732	(30,583)
Net assets - beginning	74,028,300	71,310,068	2,718,232
Prior period adjustment	-	(423,500)	423,500
Net assets - ending	<u>\$ 77,139,449</u>	<u>\$ 74,028,300</u>	<u>\$ 3,111,149</u>

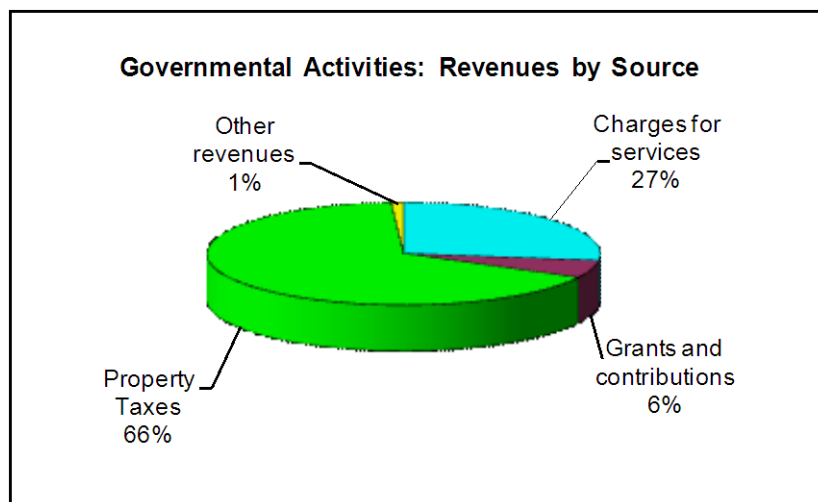
**Management’s Discussion and Analysis, continued**

All governmental programs utilize general revenues to support their functions. Some programs such as general government and park services are fully dependent on general revenues to fund operations. Other programs, such as recreation services, are only subsidized by general revenues. The following chart compares the revenues and expenses for each of the District’s governmental programs and shows the extent of each program’s dependence on general revenues for support in the current year.



Program revenues generated by planning and development include system development charges of \$529,913 and capital grants and contributions of \$821,593. The significant portion of these revenues is expended on acquisitions and development of capital assets, and not operational expenses.

The next chart shows the percent of the total for each source of revenue supporting governmental activities.



## **Management's Discussion and Analysis, continued**

### **Financial Analysis of the District's Funds**

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

#### **Governmental funds**

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the District include the General Fund and Special Revenue Funds.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$9.8 million, which reflects a decrease of \$875,000 from the prior year's fund balances. This decrease is due largely to spending a portion of the SDC Fund's beginning fund balance on current year capital outlay. Just over \$65,000 of the fund balance is reserved for prepaid contracted services. The remaining amount constitutes unreserved fund balance, which is available for spending at the government's discretion.

The General Fund is the primary operating fund of the District. At the end of the current fiscal year, the unreserved fund balance of the General Fund was nearly \$4 million, a \$518,000 increase from the prior year. Revenues increased by \$778,000, because of increased property tax collections, and expenditures increased by \$115,000 from the prior year due to inflation and growth in the organization. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. The General Fund's unreserved fund balance represents over 54% of total General Fund expenditures and 33% of total General Fund combined expenditures and transfers out. The increases from the prior year 48%, and 30%, respectively, were a result of the above-mentioned reasons.

Other major governmental funds include the System Development Charges (SDC) Fund, Recreation Services Fund and Facility Reserve Fund.

The ending fund balance of the SDC Special Revenue Fund decreased by \$1.8 million from the prior year balance. The main reason for this decrease was the continuing slowdown in growth in residential development caused by the national economic recession. This slowdown in growth decreased SDC revenue for the fourth consecutive year. The District's planned SDC-funded park acquisition and development projects continue to be partially funded out of the fund balance, and not just current year revenues. Capital outlay in this fund was \$2.3 million less than in the prior year because of the development of two large community parks in the prior year. The significant portion of the remaining fund balance will be used for park land acquisition and development related to capacity expansion.

The fund deficit in the Recreation Services Special Revenue Fund decreased by over \$75,000. The fund had \$124,000 less in revenues, \$151,000 less in expenditures, and the transfer-in from the General Fund increased by approximately \$160,000. A prior period adjustment in fiscal year 2008-09 to this fund resulted from reporting unearned recreation program revenue at year end. The deficit is budgeted to be funded in fiscal year 2010-11 by a General Fund transfer. Overall recreation revenues decreased by less than 1% from the prior year and recreation expenditures decreased by 2.5%.

The fund balance of the Facility Reserve Fund increased by \$486,000, due to planned land acquisitions not occurring during the fiscal year. The two main projects funded are the completion of the Juniper Swim and Fitness Center renovation and expansion project, and the development of the Pine Nursery Community Park.

## Management's Discussion and Analysis, continued

### General Fund Budgetary Highlights

The General Fund's original budget was not amended in fiscal year 2010. For the year, actual revenues were more than budgetary estimates by 7.7%, due to a combination of higher than anticipated property tax collections, contributions and user fees and charges. Actual expenditures were 78% of the budgeted expenditures.

#### Capital assets

As of June 30, 2010 the District had invested \$73.6 million in capital assets (net of accumulated depreciation) as reflected in the following table, which represents a net increase (additions, deductions and depreciation) of nearly \$4 million over the prior year.

#### Bend Metro Park and Recreation District Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		
	2010	2009	Change
Land including right-of-way	\$ 30,429,758	\$ 28,804,806	\$ 1,624,952
Construction in progress	460,644	11,532,628	(11,071,984)
Artwork	75,000	-	75,000
Buildings and building improvements	22,972,589	15,234,068	7,738,521
Improvements other than buildings	18,217,713	13,014,365	5,203,348
Vehicles, equipment and software	1,398,187	994,288	403,899
Total capital assets	<u>\$ 73,553,891</u>	<u>\$ 69,580,155</u>	<u>\$ 3,973,736</u>

Capital asset additions, totaling nearly \$5.8 million for fiscal year 2010, are as follows:

- Improvements at Pine Nursery Community Park in the amount of over \$1.5 million,
- Completion of Riverbend Community Park in the amount of \$260,000,
- Acquisition of land for two neighborhood parks, totaling \$1.1 million,
- Contribution of over 26 acres of natural area valued at over \$390,000,
- Completion of two neighborhood parks, totaling \$537,000,
- Replacement of a roof and additional renovations at Juniper Swim and Fitness Center in the amount of \$1.1 million,
- Facility renovations and improvements, totaling \$283,000,
- Trail improvements totaling \$300,000,
- Contribution of artwork valued at \$75,000, and
- Purchases of vehicles, equipment and software totaling approximately \$210,000.

Offsetting these additions were depreciation and retirements of assets.

#### Long-term debt and other long-term obligations

As of June 30, 2010 the District had \$5,875,000 in long-term debt outstanding compared to \$6,155,000 in the previous year. The full faith and credit obligation, related to the Juniper Swim and Fitness Center renovation and expansion, will be paid off in fiscal year 2025. Of the amount outstanding at year-end, \$290,000 is due within one year.

**Management’s Discussion and Analysis, continued**

**Bend Metro Park and Recreation District  
Outstanding Debt and Obligations**

	<b>Governmental Activities</b>		
	<b>2010</b>	<b>2009</b>	<b>Change</b>
Full faith & credit obligations	\$ 5,875,000	\$ 6,155,000	\$ (280,000)
Compensated absences	328,514	322,575	5,939
Developer agreement payable	372,644	399,766	(27,122)
System development charges credit	349,758	349,758	-
Other post-employment benefits payable	<u>97,472</u>	<u>-</u>	<u>97,472</u>
Total outstanding obligations	<u>\$ 7,023,388</u>	<u>\$ 7,227,099</u>	<u>\$ (203,711)</u>

**Economic Factors and Next Year’s Budget and Rates**

The District now comprises half the population of Deschutes County, which has been Oregon’s fastest growing county over the past decade. The estimated population of the District as of July 1, 2010, was 84,564, an increase of 2.8% from the July 1, 2009 population of 82,280. In the five-year period from July 1, 2005 to July 1, 2010, the District experienced a population growth of 14.7%.

The District is dependent on property taxes, charges for services, grants and contributions and investment earnings to support its operations. Property taxes made up approximately 66% of the District’s total revenue sources in fiscal year 2010, charges for services provided 27%, grants and contributions provided 6%, and investment earnings and other revenues provided 1%. In May 1997, voters approved Measure 50, which rolled back property assessed values to 90 percent of 1995-96 levels, established permanent tax rates and limited assessed value growth for individual properties to 3% per year plus new construction. The permanent tax rate for the District is \$1.461 per \$1,000 of assessed value. In the past few years, the strong economy and the significant residential and commercial development in Bend had helped mitigate the effects of Measure 50 on property tax revenues. However, as the country is currently in an economic recession, and new construction in Bend has nearly ceased, the District has seen property tax assessments increase just slightly in the past year, and expects to see stagnation if not a decline in the near future.

The District’s System Development Charges (SDC) revenue is the other area that has seen a significant effect from the decline in residential construction in Bend. SDCs collected in fiscal year 2010 were down \$371,000 from the prior year, a decrease of 41%. This is the second consecutive year that has seen a 41% decrease, and the fourth consecutive year with reduced SDC revenues. So far in the current fiscal year 2011, SDC collections are actually up 36% from the same time period last year, but it is believed that this is not reflective of a growth trend, but rather a small bubble. As these revenues are used significantly for capital acquisition and development, the District’s capital improvement plans in the near future may be significantly affected, and will need to rely more heavily upon other funding sources, such as General Fund revenues.

With the growth in the area over the prior few years, demand for District services continued to increase. However, with the economic recession, the District did see a reduction in recreation charges for services in 2010. Although, so far in the current year, it appears that demand is again on the increase, as are recreation revenues. The District strives to balance fulfilling the majority of Bend residents’ needs for recreation services and facilities with being financially sustainable in order to provide quality services into the future.

## Management's Discussion and Analysis, continued

The District's budget planning process starts with the District's mission and value statements. These statements serve the purpose of defining for the public, staff and Board of Directors why our organization exists, who we serve and how we serve them. These statements drive our budgetary priorities. These guiding statements are as follows:

### **Mission statement:**

To enhance the vitality of our community by promoting healthy lifestyles and enriching Bend's unique character with exceptional park and recreation services.

### **We value:**

- **Excellence** by striving to set the standard for quality programs, parks and services through leadership, vision, innovation and dedication to our work.
- **Environmental Sustainability** by helping to protect, maintain and preserve our natural and developed resources.
- **Fiscal Accountability** by responsibly and efficiently ensuring the financial health of the District today and for generations to come.
- **Inclusiveness** by reducing physical, social and financial barriers to our programs, facilities and services.
- **Partnerships** by fostering an atmosphere of cooperation, trust and resourcefulness with our patrons, coworkers, and other organizations.
- **Customers** by interacting with people in a responsive, considerate and efficient manner.
- **Staff** by honoring the contributions of each employee and volunteer, and recognizing them as essential to accomplishing our mission.
- **Safety** by promoting a safe and healthy environment for all who work and play in our parks, facilities and programs.

Some of the significant factors affecting the 2010-11 budget were:

- Assessed value on property within the district was budgeted to increase by approximately 2.5 percent over the prior year.
- Personal services expenditures are budgeted to increase by only .3 percent.
- Materials and services are budgeted to decrease by 1.6 percent.
- Capital outlay is budgeted to decrease by 9.2 percent.

Budgetary highlights for the District's 2010-11 fiscal year include the following:

- Funds for the acquisition of park land totaling over \$3.9 million,
- Acquisition, design, development and/or completion of neighborhood parks, totaling \$1.1 million,
- Numerous trail improvements, for an estimated total of \$520,000,
- Improvements to Ponderosa Community Park in the amount of \$430,000,
- Improvements to dog off-leash areas in the amount of \$211,000,
- Improvements to Juniper Swim & Fitness Center totaling \$279,000,
- Renovation of older neighborhood parks in the amount of \$420,000,

### **Management's Discussion and Analysis, continued**

- Design and engineering for the Colorado paddle trail at an estimated \$200,000,
- Renovations to the Old Bend Athletic Club, which is used for programming by the Bend Boys and Girls Club, in the amount of \$250,000, and
- Continued development of quality recreational programs to serve the growing community's needs; the budget estimates approximately \$4.6 million in revenues and a 73% cost recovery, a slight decrease compared to last year.

### **Requests for Information**

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. Questions concerning information provided in this report or requests for additional financial information should be addressed to Lindsey Lombard, Finance Director, Bend Park and Recreation District, at 799 SW Columbia Street, Bend, Oregon 97702. The District's telephone number is (541) 389-7275.

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**BEND METRO PARK AND RECREATION DISTRICT, OREGON**

**Statement of Net Assets**  
June 30, 2010

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Bend Park and Recreation Foundation</u>
<b>Assets</b>		
Current assets:		
Pooled cash and investments	\$ 10,487,599	\$ 257,210
Property taxes receivable	917,282	-
System development fees receivable	31,283	-
Accounts receivable	291,715	-
Prepaid items	<u>65,682</u>	<u>-</u>
Total current assets	11,793,561	257,210
Noncurrent assets		
Debt issue costs, net	93,212	-
Capital assets:		
Land, construction in progress and artwork	30,965,402	-
Other capital assets (net of accumulated depreciation)	<u>42,588,489</u>	<u>-</u>
Total noncurrent assets	<u>73,647,103</u>	<u>-</u>
<b>Total assets</b>	<u>85,440,664</u>	<u>257,210</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	403,256	88,607
Accrued liabilities	230,768	-
Deposits payable	13,800	-
Unearned revenue	630,003	-
Compensated absences	60,903	-
Current portion of long-term debt	<u>290,000</u>	<u>-</u>
Total current liabilities	<u>1,628,730</u>	<u>88,607</u>
Noncurrent liabilities		
Compensated absences	267,611	-
Developer agreement payable	372,644	-
System development charges credit	349,758	-
Other post-employment benefits payable	97,472	-
Long-term debt, net of current portion	<u>5,585,000</u>	<u>-</u>
Total noncurrent liabilities	<u>6,672,485</u>	<u>-</u>
<b>Total liabilities</b>	<u>8,301,215</u>	<u>88,607</u>
<b>Net Assets</b>		
Invested in capital assets (net of related debt)	67,678,891	-
Restricted for:		
Capital projects	2,660,368	-
Temporarily restricted - Program activities	-	92,036
Permanently restricted - Endowment	-	21,780
Unrestricted	<u>6,800,190</u>	<u>54,787</u>
<b>Total net assets</b>	<u>\$ 77,139,449</u>	<u>\$ 168,603</u>

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

**BEND METRO PARK AND RECREATION DISTRICT, OREGON**

**Statement of Activities**  
For the Year Ended June 30, 2010

<b>Functions/Programs</b>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>	<u>Component Unit Bend Park and Recreation Foundation</u>
Primary government:						
Governmental activities:						
General government	\$ 2,160,632	\$ 68,686	\$ 1	\$ -	\$ (2,091,945)	\$ -
Planning and development	635,168	529,913	-	821,593	716,338	-
Facility rental	152,943	114,763	-	-	(38,180)	-
Park services	4,924,902	14,998	27,319	-	(4,882,585)	-
Recreation services	6,406,071	4,069,088	127,139	-	(2,209,844)	-
Interest on long-term debt	256,777	-	-	-	(256,777)	-
Total primary government	<u>\$ 14,536,493</u>	<u>\$ 4,797,448</u>	<u>\$ 154,459</u>	<u>\$ 821,593</u>	<u>(8,762,993)</u>	<u>-</u>
Component unit:						
Bend Park and Recreation Foundation	<u>\$ 218,978</u>	<u>\$ -</u>	<u>\$ 193,555</u>	<u>\$ -</u>		<u>(25,423)</u>
General revenues:						
Property taxes					11,693,424	-
Unrestricted investment earnings					72,414	7,812
Gain on disposition of capital assets					-	-
Other revenues					108,304	20,919
Total general revenues					<u>11,874,142</u>	<u>28,731</u>
Change in net assets					3,111,149	3,308
Net assets, July 1, 2009					<u>74,028,300</u>	<u>165,295</u>
Net assets, June 30, 2010					<u>\$ 77,139,449</u>	<u>\$ 168,603</u>

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

**BEND METRO PARK AND RECREATION DISTRICT, OREGON**

**Balance Sheet  
Governmental Funds  
June 30, 2010**

	General	System Development Charges	Recreation Services	Facility Reserve	Other Governmental	Total
<b>Assets</b>						
Pooled cash and investments	\$ 4,084,637	\$ 2,554,324	\$ 536,105	\$ 2,558,133	\$ 754,400	\$ 10,487,599
Receivables:						
Property taxes	917,282	-	-	-	-	917,282
System development fees	-	31,283	-	-	-	31,283
Accounts	95,020	-	85,162	111,412	121	291,715
Prepaid items	65,682	-	-	-	-	65,682
Total assets	<u>\$ 5,162,621</u>	<u>\$ 2,585,607</u>	<u>\$ 621,267</u>	<u>\$ 2,669,545</u>	<u>\$ 754,521</u>	<u>\$ 11,793,561</u>
 <b>Liabilities and fund balances</b>						
Liabilities:						
Accounts payable	\$ 220,044	\$ 27,492	\$ 108,413	\$ 45,194	\$ 2,113	\$ 403,256
Salaries and benefits payable	190,233	-	-	-	-	190,233
Accrued compensated absences	60,903	-	-	-	-	60,903
Other current liabilities payable	-	-	20,796	-	-	20,796
Deposits payable	-	-	-	-	13,800	13,800
Deferred revenue	711,769	-	-	-	-	711,769
Unearned revenue	-	-	611,954	-	18,049	630,003
Total liabilities	<u>1,182,949</u>	<u>27,492</u>	<u>741,163</u>	<u>45,194</u>	<u>33,962</u>	<u>2,030,760</u>
 Fund balances (deficits):						
Reserved for:						
Prepaid items	65,682	-	-	-	-	65,682
Unreserved	3,913,990	-	-	-	-	3,913,990
Unreserved, reported in						
Special revenue funds	-	2,558,115	(119,896)	2,624,351	720,559	5,783,129
Total fund balances	<u>3,979,672</u>	<u>2,558,115</u>	<u>(119,896)</u>	<u>2,624,351</u>	<u>720,559</u>	<u>9,762,801</u>
 Total liabilities and fund balances	<u>\$ 5,162,621</u>	<u>\$ 2,585,607</u>	<u>\$ 621,267</u>	<u>\$ 2,669,545</u>	<u>\$ 754,521</u>	<u>\$ 11,793,561</u>

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

BEND METRO PARK AND RECREATION DISTRICT, OREGON

**Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Assets**

June 30, 2010

Total fund balances for governmental funds	\$ 9,762,801
Capital assets are not financial resources, and thus not reported in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value.	73,553,891
Debt issuance costs are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net unamortized value.	93,212
All liabilities are reported in the Statement of Net Assets. However, if they are not due and payable in the current period, they are not recorded in governmental funds.	
Interest payable	(19,739)
System development charges credit	(349,758)
Developer agreement payable	(372,644)
Accrued compensated absences, portion due or payable in more than one year	(267,611)
Other post-employment benefits	(97,472)
Long-term debt	(5,875,000)
Property taxes collected after year end but not available soon enough to pay for current obligations are deferred in governmental funds but are recognized as revenue in the Statement of Activities.	<u>711,769</u>
Net assets of governmental activities	<u>\$ 77,139,449</u>

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

**BEND METRO PARK AND RECREATION DISTRICT, OREGON**

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds**

For the Year Ended June 30, 2010

	General	System Development Charges	Recreation Services	Facility Reserve	Other Governmental	Total
<b>Revenues</b>						
Taxes	\$11,879,729	\$ -	\$ -	\$ -	\$ -	\$ 11,879,729
Intergovernmental	27,319	-	-	313,754	-	341,073
Charges for services	83,684	-	4,069,088	-	114,763	4,267,535
System development fees	-	529,913	-	-	-	529,913
Contributions	39,689	-	118,935	1	-	158,625
Grants	-	-	8,204	-	-	8,204
Investment earnings	36,042	26,335	-	4,620	5,417	72,414
Reimbursement for interfund services	98,128	-	-	-	-	98,128
Miscellaneous	657	-	47,647	-	-	48,304
Total revenues	<u>12,165,248</u>	<u>556,248</u>	<u>4,243,874</u>	<u>318,375</u>	<u>120,180</u>	<u>17,403,925</u>
<b>Expenditures</b>						
Current:						
Personal services	4,221,129	-	4,302,905	-	79,512	8,603,546
Materials and services	2,159,493	3,620	1,578,154	-	43,144	3,784,411
Debt service	537,558	-	-	-	-	537,558
Capital outlay	384,885	2,204,867	-	2,908,000	132,654	5,630,406
Total expenditures	<u>7,303,065</u>	<u>2,208,487</u>	<u>5,881,059</u>	<u>2,908,000</u>	<u>255,310</u>	<u>18,555,921</u>
Excess (deficiency) of revenues over expenditures	<u>4,862,183</u>	<u>(1,652,239)</u>	<u>(1,637,185)</u>	<u>(2,589,625)</u>	<u>(135,130)</u>	<u>(1,151,996)</u>
<b>Other Financing Sources (Uses)</b>						
Sale of capital assets	60,000	-	-	-	-	60,000
Insurance proceeds	-	-	-	217,436	-	217,436
Transfers in	166,391	-	1,712,978	2,858,023	-	4,737,392
Transfers out	<u>(4,571,001)</u>	<u>(166,391)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,737,392)</u>
Total other financing sources (uses)	<u>(4,344,610)</u>	<u>(166,391)</u>	<u>1,712,978</u>	<u>3,075,459</u>	<u>-</u>	<u>277,436</u>
Net change in fund balances	517,573	(1,818,630)	75,793	485,834	(135,130)	(874,560)
Fund balances, July 1, 2009	<u>3,462,099</u>	<u>4,376,745</u>	<u>(195,689)</u>	<u>2,138,517</u>	<u>855,689</u>	<u>10,637,361</u>
Fund balances, June 30, 2010	<u>\$ 3,979,672</u>	<u>\$ 2,558,115</u>	<u>\$ (119,896)</u>	<u>\$ 2,624,351</u>	<u>\$ 720,559</u>	<u>\$ 9,762,801</u>

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

BEND METRO PARK AND RECREATION DISTRICT, OREGON

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities**  
For the Year Ended June 30, 2010

Net change in fund balances - total governmental funds	\$ (874,560)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and recorded as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	
Capital asset additions	5,320,283
Depreciation expense	(1,773,142)
The net effect of various miscellaneous transactions involving capital assets is to decrease net assets.	
Disposals - cost	(480,416)
Disposals - accumulated depreciation	438,861
Donations of capital assets are not a current financial resource and are not reported as revenue in the governmental funds. In the Statement of Activities, such assets are reported as contribution revenue.	
	468,150
Governmental funds defer revenues, such as property taxes, that do not provide current financial resources. However, the Statement of Activities recognizes such revenues when they are earned, regardless of when received.	
	(186,305)
Interest expenditures are recorded when due in governmental funds, whereas, in the Statement of Activities, interest is accrued.	
	781
Unpaid compensated absences are not reported in governmental funds as they do not require the use of current financial resources. However, the Statement of Activities reports such expenses when incurred, regardless of when settlement ultimately occurs.	
	(5,939)
Other post-employment benefits are not reported in governmental funds as they do not require the use of current financial resources. However, the Statement of Activities reports such expenses when incurred, regardless of when settlement ultimately occurs.	
	(97,472)
Developer agreement payable is a use of a financial resource that is not an expense in the current period. However, it is reported as a change in a liability in the Statement of Net Assets.	
	27,122
Capital assets acquired with a note payable are not reported as a current expense. However, the note is reported as a change in debt payable in the Statement of Net Assets.	
	280,000
Debt issuance costs and premiums incurred are reported by governmental funds as expenditures and/or netted with debt proceeds when the debt is first issued. These amounts are deferred and amortized in the Statement of Activities.	
	<u>(6,214)</u>
Change in net assets of governmental activities	<u><u>\$ 3,111,149</u></u>

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

# BEND METRO PARK AND RECREATION DISTRICT, OREGON

## Notes to Financial Statements

June 30, 2010

### Note 1 – Summary of Significant Accounting Policies

The financial statements of the Bend Metro Park and Recreation District (District) and its component unit have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

The more significant of the District's policies are described below.

#### A. The Financial Reporting Entity

As defined by GAAP, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable or a legally separate organization that raises and holds economic resources for the direct benefit of the primary government. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose its will on the component unit, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

The accompanying financial statements present the Bend Metro Park and Recreation District, Oregon (the primary government) and its component unit, an entity whose primary purpose is for the financial benefit of the District.

*Discretely Presented Component Unit.* The Bend Park and Recreation Foundation (the Foundation), is a legally separate non-profit corporation, organized in November 1977, dedicated to assisting the District in providing park and recreational opportunities to residents of the District. Since the services of the Foundation are for the direct benefit of the District, the Foundation has been included in the reporting entity. However, as the District has no ability to impose its will over the Foundation's Board of Directors, the elected officials of the District are not financially accountable for the Foundation. Therefore, the Foundation is presented as a discretely presented component unit, and is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. Separate financial statements for the Foundation can be obtained at the Administrative Office of the Bend Metro Park and Recreation District, 799 SW Columbia Street, Bend, OR 97702.

#### B. Organization

The Bend Metro Park and Recreation District, Oregon, was formed May 28, 1974, as an Oregon municipal corporation under the Oregon Revised Statutes for special districts. The Board of Directors, composed of five board members, forms the legislative branch of the District government, while the Executive Director acts as the administrative head. As its mission, the District acquires, develops, constructs and maintains parks, trails and natural areas for the use and benefit of the District residents; provides a diverse selection of quality recreational programs and classes; and owns, operates and maintains recreational facilities, including the Juniper Swim and Fitness Center, the Bend Senior Center, Aspen Hall and Hollinshead Barn.

The accounts of the District are organized on the basis of funds. Fund accounting is designed to demonstrate legal compliance and aid financial management by segregating government functions and activities. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balances (net assets), revenues, and expenditures (expenses).

# BEND METRO PARK AND RECREATION DISTRICT, OREGON

## Notes to Financial Statements

June 30, 2010

### Note 1 – Summary of Significant Accounting Policies, continued

#### C. Government-wide and Fund Financial Statements

The government-wide financial statements report information on all activities of the primary government and its component unit. As a general rule, the effect of interfund activity has been eliminated from these statements. The primary government is reported separately from the legally separate component unit from which the primary government receives direct benefit.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include 1) fees and charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are provided for governmental funds. The major individual governmental funds are reported as separate columns in the fund financial statements.

#### D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus refers to what is being measured by a fund. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

##### Government-wide Financial Statements

The government-wide financial statements are accounted for using an *economic resources measurement focus*, whereby all assets and liabilities are included in the Statement of Net Assets. The increases and decreases in those net assets are presented in the government-wide Statement of Activities. These funds use the *accrual basis of accounting* whereby revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the District receives value without giving equal value in exchange, include property taxes, grants and contributions. Revenue from property taxes is recognized in the year for which the taxes are levied. Revenues from grants and contributions are recognized when all eligibility requirements have been satisfied. The effect of interfund activity such as transfers, advances and loans is eliminated.

The District's government-wide accounting and financial reporting practices are based on all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedures. The District has elected not to apply FASB guidance issued subsequent to November 30, 1989 to business-type activities and to enterprise funds, unless specifically adopted by the GASB.

Amounts reported as program revenues in the Statement of Activities include 1) fees and charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Property taxes are reported as general revenues, as are unrestricted investment earnings.

# BEND METRO PARK AND RECREATION DISTRICT, OREGON

## Notes to Financial Statements

June 30, 2010

### Note 1 – Summary of Significant Accounting Policies, continued

#### D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

##### Governmental Fund Financial Statements

The governmental fund financial statements are accounted for using a *current financial resources measurement focus*, whereby only current assets and current liabilities generally are included in the Balance Sheet, and the Statement of Revenues, Expenditures, and Changes in Fund Balances present increases and decreases in those net current assets. These funds use the *modified accrual basis of accounting* whereby revenues are recorded only when susceptible to accrual (i.e. when they become both measurable and available). “Measurable” means that the amount of the transaction can be determined and “available” is defined as being collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are recorded when the fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Property taxes are assessed on a July 1 – June 30 fiscal year basis. The taxes are levied as of July 1 based on assessed values as of January 1. Property tax payments are due in three equal installments, on November 15, February 15 and May 15. A discount of 3% is available if taxes are paid in full by November 15 and a discount of 2% on the unpaid balance is available if taxes are paid in full by February 15. Property taxes attach as an enforceable lien July 1 and are considered delinquent if not paid by the following May 15. The Deschutes County Treasurer is the tax collection agent for the District. The District’s 2010 fiscal year tax levy was \$12,081,740.

Tax revenue is considered available for expenditure upon receipt by the County, which serves as the intermediary collection agency. Uncollected property taxes are shown on the governmental balance sheet as receivables. Collections within sixty days subsequent to year-end have been accrued and the remaining taxes receivable are recorded as deferred revenue on the modified accrual basis of accounting since they are not deemed available to finance operations of the current period.

Intergovernmental revenues are recognized when all eligibility requirements are met. Eligibility requirements for intergovernmental revenues received on a reimbursement basis (i.e. where monies must be expended on specific projects or for a specific purpose before any amounts are paid to the District) are determined to be met when the underlying expenditures are recorded.

Charges for services are recognized as revenues when measurable and available, and when earned. Miscellaneous revenues and investment earnings are recognized as revenues when received because they are generally not measurable until actually received.

##### Governmental Funds

Governmental funds finance all governmental functions of the District. The acquisition, use, and balances of the District’s expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of changes in current financial resources, rather than upon net income determination. Currently, the District has only governmental funds, and no proprietary or fiduciary funds. The following are the District’s major governmental funds:

**General Fund** – The General Fund is the general operating fund of the District. Principal sources of revenue are property taxes, intergovernmental revenues and contributions. Primary expenditures of the General Fund are made for park maintenance services, planning and development and general administration.

# BEND METRO PARK AND RECREATION DISTRICT, OREGON

## Notes to Financial Statements

June 30, 2010

### Note 1 – Summary of Significant Accounting Policies, continued

#### D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

##### Governmental Funds, continued

**System Development Charges Special Revenue Fund** – The System Development Charges Special Revenue Fund is used to account for the acquisition and development of parks and trails. Financing is provided by a system development fee levied against developing properties. Expenditures are restricted by state law to capacity-enhancing and reimbursement projects for park and trail facilities.

**Recreation Services Special Revenue Fund** – The Recreation Services Special Revenue Fund is used to account for the recreational programs, activities and facilities provided by the District. The principal source of revenue is charges for services. Primary expenditures of the fund are for personnel, materials and services, and facility costs necessary to provide quality recreational programs.

**Facility Reserve Special Revenue Fund** – The Facility Reserve Special Revenue Fund accounts for major capital project activities. Principal revenue is from a transfer in from the General Fund. Primary expenditures of the fund are land acquisitions, park development and other facility capital projects.

##### Other Governmental Funds

Other governmental funds include all nonmajor special revenue funds of the District. Following are the District's other governmental funds, which are special revenue funds:

Facility Rental Special Revenue Fund  
Equipment Reserve Special Revenue Fund

#### E. Use of Estimates

The preparation of the 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 disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

#### F. Self-insurance

The District retains a portion of the risk of loss for medical, dental and vision employee benefits. Claims expense is reduced by amounts recovered or expected to be recovered. Claims expense is accounted for in the District's basic financial statements in the General Fund.

#### G. Pooled Cash and Investments

The District maintains a common cash and investments pool for all District funds. All short-term, highly-liquid investments, including investments in the State Treasurer's Local Government Investment Pool (LGIP) where the remaining maturity at the time of purchase is one year or less are stated at amortized cost, which approximates fair value. Interest earned on the pooled cash and investments is allocated monthly based on each fund's average cash and investments balance as a proportion of the District's total pooled cash and investments.

# BEND METRO PARK AND RECREATION DISTRICT, OREGON

## Notes to Financial Statements

June 30, 2010

### Note 1 – Summary of Significant Accounting Policies, continued

#### H. Receivables

All receivables are considered to be collectible; therefore, no allowance for doubtful accounts is necessary.

#### I. Prepaid Items

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

#### J. Capital Assets

Capital assets include land, right-of-way (included with land), artwork, buildings, improvements, vehicles and equipment, and other tangible and intangible assets with an initial individual cost of more than \$5,000 and have an estimated life in excess of two years.

All capital assets have been capitalized in the government-wide financial statements. In accordance with the current financial resources measurement focus, capital assets are not capitalized in the governmental fund financial statements. All purchased capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Historical cost is measured by the cash or cash equivalent price of obtaining an asset including ancillary charges necessary to place the asset into its intended location and condition for use. Donated capital assets are reported at their estimated fair value at the time of acquisition plus ancillary charges, if any. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Amounts expended for maintenance and repairs are charged to expenditures/expenses in the appropriate funds as incurred and are not capitalized.

Capital assets are depreciated unless they are inexhaustible in nature (e.g., land, right-of-ways and artwork). Depreciation is an accounting process to allocate the cost of capital assets to expense in a systematic and rational manner to those periods expected to benefit from the use of capital assets. Depreciation is not intended to represent an estimate in the decline of fair market value, nor are capital assets, net of accumulated depreciation, intended to represent an estimate of the current condition of the assets or the maintenance requirements needed to maintain the assets at their current level of condition.

Depreciation is computed over the estimated useful lives of the capital assets. All estimates of useful lives are based on actual experience by the District with identical or similar capital assets. Depreciation is calculated on the straight-line basis. The estimated useful lives of the various categories of assets are as follows:

<u>Category</u>	<u>Estimated useful life</u>
Buildings and building improvements	10-50 years
Improvements other than buildings	20 years
Vehicles, equipment and software	5-10 years

Upon disposal of capital assets, cost and accumulated depreciation are removed from the accounts and, if appropriate, a gain or loss on the disposal is recognized.

General capital assets are reported net of accumulated depreciation in the governmental activities column in the government-wide Statement of Net Assets. Depreciation expense on general capital assets is reported in the government-wide Statement of Activities as expenses.

# BEND METRO PARK AND RECREATION DISTRICT, OREGON

## Notes to Financial Statements

June 30, 2010

### Note 1 – Summary of Significant Accounting Policies, continued

#### K. Unearned Revenue

Governmental funds recognize deferred revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. The government-wide financial statements report unearned revenue only for amounts that have been received, but not earned. The District's unearned revenue is related to payments received prior to June 30 for recreation programs or facility reservations that occur July 1 or after. The District does not record unearned revenue for the annual or quarterly passes for use at the Juniper Swim & Fitness Center or the Bend Senior Center.

#### L. Compensated Absences

Liabilities for vacation pay are recorded in the Statement of Net Assets when vested or earned by employees. Payment of vacation pay to any employee is made from the fund which had been used to record the personnel cost of the employee immediately prior to separation. Sick leave pay does not vest and is recorded as leave is taken.

#### M. Developer Agreement Payable

The District enters into agreements to reimburse various developers for the development of certain neighborhood parks through system development charges collected from properties established as recovery areas. As of June 30, 2010, the total amount due over a remaining maximum time period of 8 years was \$372,644. There was no current amount collected and due to developers at June 30, 2010.

#### N. System Development Charges Credit

The District has a contract with a developer to provide a credit against future system development charges in exchange for the donation of land. The credit expires on December 20, 2014, and as of June 30, 2010, the remaining liability is \$349,758.

#### O. Long Term Debt and Issuance Costs

Long-term debt is reported as a liability in the Statement of Net Assets. The related debt discounts, premiums and issuance costs are deferred and amortized over the term of the debt using the straight-line method in the Statement of Net Assets. In the governmental fund financial statements the debt discounts, premiums and issuance costs are recognized when incurred and not deferred. The face amount of the debt issued and premiums received are reported as other financing sources while discounts are reported as other financing uses. Debt issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the governmental fund financial statements.

#### P. Appropriation and Budgetary Controls

The District is subject to provisions of the Oregon Revised Statutes, which set forth local budget procedures. A resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. Appropriations are established by function (personal services, material and services, capital outlay, debt service, interfund transfers and operating contingency) for all funds.

# BEND METRO PARK AND RECREATION DISTRICT, OREGON

## Notes to Financial Statements June 30, 2010

### Note 1 – Summary of Significant Accounting Policies, continued

#### P. Appropriation and Budgetary Controls, continued

The District's Board of Directors may, however, approve additional appropriations for necessary expenditures which could not be reasonably estimated at the time the budget was adopted. Additionally, budgets may be modified during the fiscal year by the use of appropriation transfers between legal categories or appropriation transfers from one fund to another. Such transfers must be authorized by official resolution of the Board of Directors. The resolution must state the need for the transfer, the purpose of the authorized expenditures and the amount of the appropriation transferred.

Transfers of operating contingency appropriations, which in aggregate during a fiscal year exceed 15% of the total appropriations of the fund, may only be made after adoption of a supplemental budget prepared for that purpose. A supplemental budget of less than 10% of the fund's original budget may be adopted at a regular meeting of the Board. A supplemental budget greater than 10% of the fund's original budget requires public hearings, publication in newspapers and approval by the Board. Budget amounts shown in the financial statements include the original budget, supplemental budgets and budget transfers. All appropriations terminate on June 30.

### Note 2 – Cash and Investments

The District maintains a common cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed in the Statement of Net Assets as "Pooled cash and investments". The District's investment of cash funds is regulated by Oregon Revised Statutes. Under these guidelines, cash funds may be invested in bank accounts; general obligation issues of the United States, its agencies, and certain states; certain guaranteed investments issued by banks; and the State of Oregon Local Government Investment Pool. The Statutes require that all bank deposits in excess of the FDIC or FSLIC insurance amounts be collateralized with securities held by the bank. During the year, the District did not purchase any repurchase agreements or reverse repurchase agreements.

Cash and investments at June 30, 2010, consisted of the following:

	District	Foundation
Cash on hand	\$ 3,420	\$ -
Deposits with banks	522,261	198,397
Oregon Community Foundation	-	58,813
Local Government Investment Pool	9,961,919	-
Total pooled cash and investments	<u>\$ 10,487,600</u>	<u>\$ 257,210</u>

#### Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require that all bank deposits in excess of the FDIC or FSLIC insurance amounts be collateralized through the Oregon State Treasurer's Public Funds Collateralization Program. This program provides a structure for specified depositories to participate in a shared liability collateral pool. Securities pledged by individual institutions may range from 10% to 110% of public fund deposits depending on the financial institution's level of capitalization as determined by its federal regulatory authority. The aggregate Oregon public fund collateral pledged at June 30, 2010, was \$2,338,848,450 for reported public funds of \$1,821,120,344. The custodian, Federal Home Loan Bank of Seattle, is the agent for the depository bank. The securities pledged are designated as subject to the Pledge Agreement between the depository bank, custodian bank and Office of the

BEND METRO PARK AND RECREATION DISTRICT, OREGON

**Notes to Financial Statements**  
June 30, 2010

**Note 2 – Cash and Investments, continued**

Deposits, continued

State Treasurer (OST) and are held for the benefit of OST on behalf of the public depositors. The District's funds were held by financial institutions that participated in the State Treasurer's program and were in compliance with statutory requirements.

Investments

The District participates in the Oregon state Treasurer's Local Government Investment Pool (LGIP), a non-SEC regulated, open-ended, no-load diversified portfolio created under ORS 294.805 to 294.895. The LGIP is administered by the State Treasurer and the Oregon Investment Council with the advice of the Oregon Start-Term Fund Board. The Oregon State Treasurer's Office has calculated the fair value of the underlying investments of the LGIP and the District's share of market value is reflected below. The portfolio has at least 50% of its investments maturing within 93 days and up to 25% maturing in one to three years.

<u>Investment</u>	<u>Fair Value</u>
Local Government Investment Pool	\$9,961,919

Investments – Discretely Presented Component Unit

Investments of the Bend Park and Recreation Foundation at year-end consist of \$58,813 of marketable securities in an endowment fund held by The Oregon Community Foundation.

Investments are carried at fair market value. Donated investments usually consist of stock where the fair market value on date of receipt is determined based on quoted market prices. In the absence of donor stipulations, donated investments may be sold immediately to generate cash for operations. Investment income is recognized when received and classified as unrestricted, unless restricted by the donor. Gains and losses are recorded in the statement of activities as increases or decreases in unrestricted net assets unless their use is restricted by the donor.

<u>Investment</u>	<u>Fair Value</u>
The Oregon Community Foundation	\$58,813

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates beyond the limits provided by state statutes.

Credit Risk

Oregon Revised Statutes limit investments to obligations of the United States Treasury and United States Government agencies and instrumentalities, certain bankers' acceptances, repurchase agreements, certain high-grade commercial paper and corporate bonds and obligations of states and municipalities. The District has no investment policy that would further limit its investment choices. The District's investment in the LGIP is not rated.

BEND METRO PARK AND RECREATION DISTRICT, OREGON

**Notes to Financial Statements**  
June 30, 2010

**Note 2 – Cash and Investments, continued**

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of failure of a counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investment in the LGIP is not deemed to be a security, which is a transferable financial instrument that evidences ownership and is, therefore, not subject to custodial credit risk.

Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," requires that investments be reported at fair value and the change in fair value of investments be reported as revenue in the operating statement. The District's investments consist solely of government pool investments. At June 30, 2010, fair value approximated cost and no change in fair value of investments was recorded.

**Note 3 – Capital Assets**

Capital asset activity for the year ended June 30, 2010 was as follows:

Primary Government	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated:				
Land including right-of-way	\$28,804,806	\$ 1,624,952	\$ -	\$ 30,429,758
Construction in progress	11,532,628	376,347	(11,448,331)	460,644
Artwork	-	75,000	-	75,000
Total capital assets not being depreciated	40,337,434	2,076,299	(11,448,331)	30,965,402
Capital assets being depreciated:				
Buildings and building improvements	19,878,742	8,456,735	(374,367)	27,961,110
Improvements other than buildings	17,893,287	6,068,069	(15,831)	23,945,525
Vehicles, equipment and software	3,108,897	635,661	(90,218)	3,654,340
Total capital assets being depreciated	40,880,926	15,160,465	(480,416)	55,560,975
Less accumulated depreciation for:				
Buildings and building improvements	(4,644,674)	(679,459)	335,612	(4,988,521)
Improvements other than buildings	(4,878,922)	(864,721)	15,831	(5,727,812)
Vehicles, equipment and software	(2,114,609)	(228,962)	87,418	(2,256,153)
Total accumulated depreciation	(11,638,205)	(1,773,142)	438,861	(12,972,486)
Total capital assets being depreciated, net	29,242,721	13,387,323	(41,555)	42,588,489
Total capital assets, net	\$69,580,155	\$15,463,622	\$ (11,489,886)	\$ 73,553,891

**BEND METRO PARK AND RECREATION DISTRICT, OREGON**

**Notes to Financial Statements**  
June 30, 2010

**Note 3 – Capital Assets, continued**

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

Primary government:	
General government	\$ 234,695
Planning and development	2,682
Facility rental	19,600
Park services	1,093,959
Recreation services	<u>422,206</u>
Total depreciation expense - primary government	<u>\$ 1,773,142</u>

**Note 4 – Interfund Transfers**

Interfund transfers during fiscal year ended June 30, 2010 consisted of the following:

<u>Description</u>	<u>Amount</u>
From the General Fund to the Recreation Services Fund for recreation services operations.	\$ 1,712,978
From the General Fund to the Facility Reserve Special Revenue Fund for land acquisitions and capital construction projects.	2,858,023
From the System Development Charges Special Revenue Fund to the General Fund for reimbursement of personal services.	<u>166,391</u>
	<u>\$ 4,737,392</u>

**Note 5 – Long-Term Obligations**

Changes in Long-Term Obligations

Changes in long-term obligations for the year ended June 30, 2010 are as follows:

<u>Primary Government</u>	<u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2010</u>	<u>Due Within One Year</u>
Full faith & credit obligations	\$ 6,155,000	\$ -	\$ (280,000)	\$ 5,875,000	\$ 290,000
Compensated absences	322,575	393,094	(387,155)	328,514	60,903
Developer agreement payable	399,766	-	(27,122)	372,644	-
System development charges credit	349,758	-	-	349,758	-
Other post-employment benefits payable	-	97,472	-	97,472	-
Total long-term obligations	<u>\$ 7,227,099</u>	<u>\$ 490,566</u>	<u>\$ (694,277)</u>	<u>\$ 7,023,388</u>	<u>\$ 350,903</u>

**BEND METRO PARK AND RECREATION DISTRICT, OREGON**

**Notes to Financial Statements**  
June 30, 2010

**Note 5 – Long-Term Obligations, continued**

Full Faith & Credit Obligations

The District issued full faith & credit obligations to provide financing for the Juniper Swim and Fitness Center renovation and expansion project. These obligations are backed by the full faith and credit of the District with interest rates ranging from 3.5% to 4.5% and maturities through fiscal year 2025. Full faith and credit obligations currently outstanding are as follows:

<u>Primary Government</u>	<u>Interest Rate</u>	<u>Amount</u>
Juniper Swim & Fitness Center, Series 2005	3.5% to 4.5%	\$ 5,875,000

Annual debt service requirements to maturity for long-term obligations are as follows:

<u>Year Ending June 30</u>	<u>Primary Government</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 290,000	\$ 247,758
2012	305,000	236,883
2013	315,000	224,682
2014	325,000	212,082
2015	340,000	199,083
2016-2020	1,925,000	772,097
2021-2025	<u>2,375,000</u>	<u>325,965</u>
	<u>\$ 5,875,000</u>	<u>\$ 2,218,550</u>

**Note 6 – 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 is a member of the Special Districts Insurance Services (SDIS). SDIS was created by the Special Districts Association of Oregon in 1984 for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. SDIS is fully funded by its members, who pay annual assessments on an experience rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. The District obtains insurance from SDIS for the following coverages: general liability limit of \$10,000,000 per occurrence or \$10,000,000 in the aggregate; a public employee dishonesty bond for claims up to \$250,000; and various real, personal and inland marine property coverage for replacement costs. The District also carries commercial insurance for workers' compensation and employee health, life and disability coverages. Settled claims from these risks have not exceeded insurance limits in any of the past three years.

# BEND METRO PARK AND RECREATION DISTRICT, OREGON

## Notes to Financial Statements

June 30, 2010

### Note 7 – Participation in Public Employees' Retirement System

#### Plan Description

The District is a participating employer in the Oregon Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for governmental units in the State of Oregon. PERS was established and is administered under Oregon Revised Statute (ORS) Chapter 238. ORS 238.620 establishes the Public Employees Retirement Board as the governing body of PERS. The authority to establish and amend the benefit provisions of the plan rests with the Oregon Legislature. PERS is a component unit of the State of Oregon and issues a publicly available comprehensive annual financial report which may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700 or by calling (503) 598-7377.

Full-time employees and part-time employees who have completed six months of employment and work in excess of 600 hours for the fiscal year are eligible to participate in PERS. Benefits generally vest after five years of continuous service. Benefits differ depending on entry date. PERS Tier One and Tier Two plans and the Oregon Public Service Retirement Plan (OPSRP) established for employees hired after August 29, 2003, are established by state statute to provide benefits for state and local government employees. The authority to establish and amend the benefit provisions of the Plan rests with the Oregon Legislature.

For the fiscal year ended June 30, 2010, the District was required by the rules applicable to PERS to contribute 5.92% of Tier One and Tier Two employees' salaries to PERS. The current effective rate for OPSRP employees is 6.31%. The contribution rate is determined based on actuarial valuations, which are performed by PERS periodically. Covered employees are required by state statute to contribute 6% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. The District has elected to contribute the 6% "pick-up" of the employees' contribution. Prior to December 31, 2003, the employee's 6% contribution was made to the PERS ORS 238 plans. Effective January 1, 2004, this same 6% contribution was required to be remitted to the Individual Account Program (IAP) for all eligible employees under ORS 238A Individual Account Program Plan.

Effective July 1, 2011, the District's contribution rates will increase to 8.98% for Tier One and Tier Two employees and to 7.8% for OPSRP employees. These rates are based on the December 31, 2009 valuation.

#### Annual Pension Cost

For the fiscal year ended June 30, 2010, the District's annual pension cost for PERS was equal to the District's required and actual contributions, and consisted of \$333,962 for the District's required share. The District also paid the employees' contribution of \$328,511. The required contribution was determined as part of the December 31, 2007, actuarial valuation using the projected unit credit actuarial cost method. The economic assumptions included (a) an 8.00% investment rate of return (net of administrative expenses), (b) projected salary increases of 3.75% per year and (c) 2.75% per year post-retirement cost-of-living increases. The underlying long-term assumed rate of inflation is 2.75% per year. The actuarial values of PERS assets are valued on the Market Value Method. The District's unfunded actuarial liability is being amortized as a level percentage of payroll over 20 years for Tier One and Tier Two and over 16 years for OPSRP.

**BEND METRO PARK AND RECREATION DISTRICT, OREGON**

**Notes to Financial Statements**  
June 30, 2010

**Note 7 – Participation in Public Employees’ Retirement System, continued**

Annual Pension Cost, continued

The following tables present the three-year trend information and the schedule of funding progress for the District:

Three-Year Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2007-2008	708,988	708,988	100%	-
2008-2009	820,128	820,128	100%	-
2009-2010	662,473	662,473	100%	-

Schedule of Funding Progress for PERS

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Percent</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/05	9,414,833	8,677,843	(736,990)	108%	3,406,642	-22%
12/31/07	11,473,155	9,879,326	(1,593,829)	116%	4,639,861	-34%
12/31/09	10,568,000	11,449,834	881,834	92%	5,573,280	16%

**Note 8 – Other Post Employment Benefits (OPEB)**

Effective for the year ended June 30, 2010, the District adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The OPEB for the District combines two separate plans. The District provides an implicit rate subsidy for retiree Health Insurance Continuation premiums and a contribution to the State of Oregon’s PERS cost-sharing multiple-employer defined benefit plan.

**Health Insurance Continuation**

Plan Description

The OPEB for the District includes an implicit rate subsidy for retiree health insurance. Per ORS 243.303, the District is required to provide retirees and their dependents with group health and dental insurance from the date of retirement to age 65 and the premium cannot be separately rated from the group for health care insurance coverage of officers and employees of the District. Premiums for retirees are tiered and based upon the premium rates available to active employees. The retiree is responsible for payment of the full premium for coverage elected.

**BEND METRO PARK AND RECREATION DISTRICT, OREGON**

**Notes to Financial Statements**  
June 30, 2010

**Note 8 – Other Post Employment Benefits (OPEB), continued**

**Health Insurance Continuation, continued**

Funding Policy

The District has not established a trust fund to supplement the costs for the net OPEB obligation. The District's funding policy provides for contributions at amounts sufficient to fund benefits on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability over a period not to exceed 30 years. The District has chosen to amortize the unfunded liability over 10 years on a rolling basis.

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes to the District's net OPEB obligation.

	<u>For the Year Ended June 30, 2010</u>	
<u>Determination of Annual Required Contribution</u>		
Normal cost at year end	\$	46,378
Amortization of Unfunded Actuarial Accrued Liability (UAAL)		<u>52,311</u>
Annual required contribution (ARC)	\$	<u><u>98,689</u></u>
<u>Determination of Net OPEB Obligation</u>		
Annual required contribution	\$	98,689
Interest on prior year net OPEB obligation		-
Adjustment to annual required contribution		-
Annual OPEB expense		<u>98,689</u>
Benefit payments		<u>(1,217)</u>
Increase in net OPEB obligation		97,472
Net OPEB obligation - beginning of year		<u>-</u>
Net OPEB obligation - end of year	\$	<u><u>97,472</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010 were as follows. The information is not available for the two preceding years:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 98,689	1.2%	\$ 97,472

**BEND METRO PARK AND RECREATION DISTRICT, OREGON**

**Notes to Financial Statements**  
June 30, 2010

**Note 8 – Other Post Employment Benefits (OPEB), continued**

**Health Insurance Continuation, continued**

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$424,288 and the value of the assets was \$0, resulting in an unfunded actuarial liability of \$424,288.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
07/01/2009	-	\$ 424,288	\$ 424,288	0%	\$ 5,573,280	8%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and plan members), and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the District and the plan members. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009 actuarial valuation, the projected unit credit cost method (PUC) was used. The actuarial assumptions included a discount rate of 4.0% for unfunded liabilities, based on the expected long-term annual investment returns for Oregon's Local Government Investment Pool and comparable investments. An annual healthcare cost trend rate of 13.0% is assumed in the 1<sup>st</sup> year, 6.0% in the 2<sup>nd</sup> through 7<sup>th</sup> years, 5.5% in the 8<sup>th</sup> through 26<sup>th</sup> years, and 5.0% thereafter. The rates include projected annual payroll increases of 3.75%. Retirement and withdrawal rates were based on Oregon PERS valuation assumptions as of December 31, 2008.

Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and the information presented is intended to approximate the funding progress of the plan. In consideration of healthcare cost trends, the plan assumes that each newly retired participant will purchase medical insurance with premiums of at least the benefit provided by the plan. The amortization period was considered closed, meaning all active participants, inactive participants with vested benefits and retired participants receiving medical insurance premium benefits were included in the valuation period.

The valuation of assets is based on market value as of the first day of the plan year, increased by the amount of any accrued contributions and decreased by the amount of any accrued expenses.

**Oregon Public Employees Retirement System – Retirement Health Insurance Account**

Plan Description

As a member of Oregon Public Employees Retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution (currently \$60 per month) toward the cost of Medicare companion health insurance premiums of eligible retirees.

# BEND METRO PARK AND RECREATION DISTRICT, OREGON

## Notes to Financial Statements

June 30, 2010

### Note 8 – Other Post Employment Benefits (OPEB), continued

#### Oregon Public Employees Retirement System – Retirement Health Insurance Account, continued

##### Plan Description, continued

Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

##### Funding Policy

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating agencies are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.29% of annual covered payroll for Tier 1 & 2 and .19% for OPSRP. The rates for years July 1, 2011 through June 30, 2013 will be 0.59% of annual covered payroll for Tier 1 & 2 and .5% for OPSRP. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The District's contributions to RHIA which equaled the required contributions for that year were included with the payments for the retirement plan described in Note 7 above and were approximately \$10,422 for the year ended June 30, 2010.

### Note 9 – Commitments and Contingent Liabilities

At June 30, 2010, the District was committed on outstanding construction, engineering, consulting, service and equipment purchase contracts totaling \$277,630.

The District is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of District management, based upon the advice of legal counsel with respect to such litigation and claims, the ultimate disposition of these matters will not have a material adverse effect on the financial position or results of operations of District funds.

# BEND METRO PARK AND RECREATION DISTRICT, OREGON

## Notes to Financial Statements

June 30, 2010

### Note 10 – Deficit Fund Balance

The Recreation Services Fund had a deficit fund balance of \$119,896 as of June 30, 2010. The fund incurred a prior period adjustment in fiscal year 2008-09 that created the deficit fund balance. The District will make an interfund transfer from the General fund to the Recreation Services Fund in the next fiscal year to eliminate the deficit balance.

### Note 11 – Subsequent Events

On November 16, 2010, the District's board of directors approved a contract to acquire a parcel of riverfront land from The Trust for Public Land in an amount not to exceed \$1,100,000. Of the total purchase price, \$250,000 will come from a Local Government Grant from the Oregon Parks and Recreation Department. The acquisition is budgeted in the Facility Reserve Fund. Escrow is required to close on or before March 30, 2011.

On December 7, 2010, the District's board of directors authorized the Executive Director to negotiate and execute a purchase and sale agreement for the acquisition of approximately 122 acres of land situated along the Deschutes River, better known as Gopher Gulch Ranch. The total estimated cost of acquisition for the land and all associated easements and water rights is approximately \$2,750,000, subject to adjustment of final acreage plus the District's portion of the closing costs. The acquisition is budgeted in the Facility Reserve Fund. Escrow is anticipated to close no later than December 31, 2010.

BEND METRO PARK AND RECREATION DISTRICT, OREGON

**Schedule of Revenues, Expenditures, and Changes in  
Fund Balance – Budget and Actual  
General Fund**

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 11,000,000	\$ 11,000,000	\$ 11,879,729	\$ 879,729
Intergovernmental	62,326	62,326	27,319	(35,007)
Contributions	-	-	39,689	39,689
Charges for services	68,100	68,100	83,684	15,584
Investment income	55,000	55,000	36,042	(18,958)
Reimbursement for interfund services	110,000	110,000	98,128	(11,872)
Miscellaneous	1,500	1,500	657	(843)
Total revenues	<u>11,296,926</u>	<u>11,296,926</u>	<u>12,165,248</u>	<u>868,322</u>
<b>Expenditures</b>				
Current:				
Personal services	4,349,363	4,349,363	4,221,129	128,234
Materials and services	2,609,670	2,609,670	2,159,493	450,177
Debt service	538,000	538,000	537,558	442
Capital outlay	432,574	432,574	384,885	47,689
Contingency	1,350,000	1,350,000	-	1,350,000
Total expenditures	<u>9,279,607</u>	<u>9,279,607</u>	<u>7,303,065</u>	<u>1,976,542</u>
Excess (deficiency) of revenues over expenditures	2,017,319	2,017,319	4,862,183	2,844,864
<b>Other Financing Sources (Uses)</b>				
Transfers in	207,000	207,000	166,391	(40,609)
Transfers out	(4,571,001)	(4,571,001)	(4,571,001)	-
Sale of capital assets	-	-	60,000	60,000
Total other financing sources (uses)	<u>(4,364,001)</u>	<u>(4,364,001)</u>	<u>(4,344,610)</u>	<u>19,391</u>
Net change in fund balance	(2,346,682)	(2,346,682)	517,573	2,864,255
Fund balance, July 1, 2009	<u>3,096,682</u>	<u>3,096,682</u>	<u>3,462,099</u>	<u>365,417</u>
Fund balance, June 30, 2010	<u>\$ 750,000</u>	<u>\$ 750,000</u>	<u>\$ 3,979,672</u>	<u>\$ 3,229,672</u>

BEND METRO PARK AND RECREATION DISTRICT, OREGON

**Schedule of Revenues, Expenditures, and Changes in  
Fund Balance – Budget and Actual  
System Development Charges Special Revenue Fund  
For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
System development fees	\$ 958,650	\$ 958,650	\$ 529,913	\$ (428,737)
Investment income	50,000	50,000	26,335	(23,665)
Total revenues	<u>1,008,650</u>	<u>1,008,650</u>	<u>556,248</u>	<u>(452,402)</u>
<b>Expenditures</b>				
Current:				
Materials and services	100,000	100,000	3,620	96,380
Capital outlay	4,778,654	4,778,654	2,204,867	2,573,787
Total expenditures	<u>4,878,654</u>	<u>4,878,654</u>	<u>2,208,487</u>	<u>2,670,167</u>
Excess (deficiency) of revenues over expenditures	(3,870,004)	(3,870,004)	(1,652,239)	2,217,765
<b>Other Financing Uses</b>				
Transfers out	(207,000)	(207,000)	(166,391)	40,609
Total other financing uses	<u>(207,000)</u>	<u>(207,000)</u>	<u>(166,391)</u>	<u>40,609</u>
Net change in fund balance	(4,077,004)	(4,077,004)	(1,818,630)	2,258,374
Fund balance, July 1, 2009	<u>4,077,004</u>	<u>4,077,004</u>	<u>4,376,745</u>	<u>299,741</u>
Fund balance, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,558,115</u>	<u>\$ 2,558,115</u>

BEND METRO PARK AND RECREATION DISTRICT, OREGON

**Schedule of Revenues, Expenditures, and Changes in  
Fund Balance – Budget and Actual  
Recreation Services Special Revenue Fund  
For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 4,713,763	\$ 4,713,763	\$ 4,069,088	\$ (644,675)
Contributions	71,600	71,600	118,935	47,335
Grants	10,037	10,037	8,204	(1,833)
Investment earnings	(10,000)	(10,000)	-	10,000
Miscellaneous	49,250	49,250	47,647	(1,603)
Total revenues	<u>4,834,650</u>	<u>4,834,650</u>	<u>4,243,874</u>	<u>(590,776)</u>
<b>Expenditures</b>				
Current:				
Personal services	4,572,444	4,572,444	4,302,905	269,539
Materials and services	1,905,296	1,905,296	1,578,154	327,142
Contingency	<u>346,958</u>	<u>346,958</u>	<u>-</u>	<u>346,958</u>
Total expenditures	<u>6,824,698</u>	<u>6,824,698</u>	<u>5,881,059</u>	<u>943,639</u>
Excess (deficiency) of revenues over expenditures	(1,990,048)	(1,990,048)	(1,637,185)	352,863
<b>Other Financing Sources</b>				
Transfers in	<u>1,712,978</u>	<u>1,712,978</u>	<u>1,712,978</u>	<u>-</u>
Total other financing sources	<u>1,712,978</u>	<u>1,712,978</u>	<u>1,712,978</u>	<u>-</u>
Net change in fund balance	(277,070)	(277,070)	75,793	352,863
Fund balance (deficit), July 1, 2009	<u>277,070</u>	<u>277,070</u>	<u>(195,689)</u>	<u>(472,759)</u>
Fund deficit, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (119,896)</u>	<u>\$ (119,896)</u>

BEND METRO PARK AND RECREATION DISTRICT, OREGON

**Schedule of Revenues, Expenditures, and Changes in  
Fund Balance – Budget and Actual  
Facility Reserve Special Revenue Fund  
For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Contributions	\$ 1	\$ 1	\$ 1	\$ -
Intergovernmental	273,548	273,548	313,754	40,206
Investment income	20,500	20,500	4,620	(15,880)
Total revenues	<u>294,049</u>	<u>294,049</u>	<u>318,375</u>	<u>24,326</u>
<b>Expenditures</b>				
Capital outlay	<u>4,574,137</u>	<u>4,574,137</u>	<u>2,908,000</u>	<u>1,666,137</u>
Total expenditures	<u>4,574,137</u>	<u>4,574,137</u>	<u>2,908,000</u>	<u>1,666,137</u>
Excess (deficiency) of revenues over expenditures	(4,280,088)	(4,280,088)	(2,589,625)	1,690,463
<b>Other Financing Sources</b>				
Transfers in	2,858,023	2,858,023	2,858,023	-
Insurance Proceeds	-	-	217,436	217,436
Total other financing sources	<u>2,858,023</u>	<u>2,858,023</u>	<u>3,075,459</u>	<u>217,436</u>
Net change in fund balance	(1,422,065)	(1,422,065)	485,834	1,907,899
Fund balance, July 1, 2009	<u>1,422,065</u>	<u>1,422,065</u>	<u>2,138,517</u>	<u>716,452</u>
Fund balance, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,624,351</u>	<u>\$ 2,624,351</u>

BEND METRO PARK AND RECREATION DISTRICT, OREGON

**Combining Balance Sheet  
Nonmajor Governmental Funds**

June 30, 2010

	Facility Rental	Equipment Reserve	Total
<b>Assets</b>			
Pooled cash and investments	\$ 303,393	\$ 451,007	\$ 754,400
Accounts receivable	121	-	121
Total assets	<u>\$ 303,514</u>	<u>\$ 451,007</u>	<u>\$ 754,521</u>
<b>Liabilities and fund balances</b>			
Liabilities:			
Accounts payable	\$ 2,113	\$ -	\$ 2,113
Deposits payable	13,800	-	13,800
Deferred revenue	18,049	-	18,049
Total liabilities	<u>33,962</u>	<u>-</u>	<u>33,962</u>
Fund balances:			
Unreserved	<u>269,552</u>	<u>451,007</u>	<u>720,559</u>
Total fund balances	<u>269,552</u>	<u>451,007</u>	<u>720,559</u>
Total liabilities and fund balances	<u>\$ 303,514</u>	<u>\$ 451,007</u>	<u>\$ 754,521</u>

BEND METRO PARK AND RECREATION DISTRICT, OREGON

**Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2010**

	Facility Rental	Equipment Reserve	Total
<b>Revenues</b>			
Facility rent	\$ 114,763	\$ -	\$ 114,763
Investment income	1,985	3,432	5,417
Total revenues	<u>116,748</u>	<u>3,432</u>	<u>120,180</u>
<b>Expenditures</b>			
Current:			
Personal services	79,512	-	79,512
Materials and services	43,144	-	43,144
Capital outlay	15,134	117,520	132,654
Total expenditures	<u>137,790</u>	<u>117,520</u>	<u>255,310</u>
Excess (deficiency) of revenues over expenditures	<u>(21,042)</u>	<u>(114,088)</u>	<u>(135,130)</u>
Net change in fund balances	(21,042)	(114,088)	(135,130)
Fund balance, July 1, 2009	<u>290,594</u>	<u>565,095</u>	<u>855,689</u>
Fund balance, June 30, 2010	<u>\$ 269,552</u>	<u>\$ 451,007</u>	<u>\$ 720,559</u>

BEND METRO PARK AND RECREATION DISTRICT, OREGON

**Schedule of Revenues, Expenditures, and  
Changes in Fund Balance – Budget and Actual  
Facility Rental Special Revenue Fund  
For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Facility rent	\$ 146,000	\$ 146,000	\$ 114,763	\$ (31,237)
Investment income	2,500	2,500	1,985	(515)
Total revenues	<u>148,500</u>	<u>148,500</u>	<u>116,748</u>	<u>(31,752)</u>
<b>Expenditures</b>				
Current:				
Personal services	102,448	102,448	79,512	22,936
Materials and services	77,600	77,600	43,144	34,456
Capital outlay	<u>229,582</u>	<u>229,582</u>	<u>15,134</u>	<u>214,448</u>
Total expenditures	<u>409,630</u>	<u>409,630</u>	<u>137,790</u>	<u>271,840</u>
Excess (deficiency) of revenues over expenditures	<u>(261,130)</u>	<u>(261,130)</u>	<u>(21,042)</u>	<u>240,088</u>
Net change in fund balance	(261,130)	(261,130)	(21,042)	240,088
Fund balance, July 1, 2009	<u>261,130</u>	<u>261,130</u>	<u>290,594</u>	<u>29,464</u>
Fund balance, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269,552</u>	<u>\$ 269,552</u>

BEND METRO PARK AND RECREATION DISTRICT, OREGON

**Schedule of Revenues, Expenditures, and  
Changes in Fund Balance – Budget and Actual  
Equipment Reserve Special Revenue Fund  
For the Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Investment income	\$ 5,000	\$ 5,000	\$ 3,432	\$ (1,568)
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>3,432</u>	<u>(1,568)</u>
<b>Expenditures</b>				
Capital outlay	196,000	196,000	117,520	78,480
Reserves	<u>374,653</u>	<u>374,653</u>	<u>-</u>	<u>374,653</u>
Total expenditures	<u>570,653</u>	<u>570,653</u>	<u>117,520</u>	<u>453,133</u>
Excess (deficiency) of revenues over expenditures	(565,653)	(565,653)	(114,088)	451,565
<b>Other Financing Sources</b>				
Sale of capital assets	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Total other financing sources	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Net change in fund balance	(564,653)	(564,653)	(114,088)	450,565
Fund balance, July 1, 2009	<u>564,653</u>	<u>564,653</u>	<u>565,095</u>	<u>442</u>
Fund balance, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 451,007</u>	<u>\$ 451,007</u>

**BEND METRO PARK AND RECREATION DISTRICT, OREGON**

**Schedule of Property Tax Transactions**  
For the Year Ended June 30, 2010

<b>Tax Year</b>	<b>Property Taxes Receivable July 1, 2009</b>	<b>Levy as Extended by Assessor</b>	<b>Adjustments, Interest and Discounts</b>	<b>Cash Collections</b>	<b>Property Taxes Receivable June 30, 2010</b>
2009-10	\$ -	\$ 12,081,740	\$ (317,515)	\$ (11,177,973)	\$ 586,252
2008-09	677,128		15,933	(458,645)	234,416
2007-08	170,264		10,033	(103,250)	77,047
2006-07	45,833		5,377	(37,141)	14,069
2005-06	12,603		1,314	(11,133)	2,784
2004-05	2,342		(665)	(605)	1,072
2003-04	922		(297)	(225)	400
Prior	1,589		(296)	(51)	1,242
	<u>\$ 910,681</u>	<u>\$ 12,081,740</u>	<u>\$ (286,116)</u>	<u>\$ (11,789,023)</u>	<u>\$ 917,282</u>

Reconciliation to revenues:

Collections	\$ 11,789,023
Change in property tax receivable	6,601
Change in deferred property taxes	73,863
Other	<u>10,242</u>
<b>Total Property Tax Revenues</b>	<u><b>\$ 11,879,729</b></u>

A summary of the General Fund tax levies and collections during the past three years is as follows:

	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>
Current year's levy	\$ 12,081,740	\$ 11,568,842	\$ 10,795,363
Collections on current year's levy	11,177,973	10,605,317	10,052,436
Percentage of collection	92.5%	91.7%	93.1%
Percentage of current year's levy uncollected at end of year	4.9%	5.9%	4.3%

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## AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS

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### ***Internal Control***

We have audited the basic financial statements of Bend Metro Park and Recreation District (the District), as of and for the year ended June 30, 2010, and have issued our report thereon dated December 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We noted no matters involving internal control over financial reporting that we consider to be material weaknesses.

### ***Accounting Records***

We found the condition of the accounting records adequate for audit purposes.

### ***Collateral***

All cash on deposit with banks was in financial institutions enrolled in the Oregon State Treasurer's Public Treasurer's Public Funds Collateralization Program and therefore met the statutory requirement for adequate collateralization.

### ***Indebtedness***

The District's short-term and long-term debt was found to be within legal limitations on the amount of debt which may be incurred, liquidation of debts were within the prescribed period of time and indebtedness was in compliance with provisions of bond indentures and other agreements, including restrictions on the use of monies available to retire indebtedness.

### ***Budgeting***

We reviewed the District's procedures for preparation, adoption and execution of its budget for the year ended June 30, 2010, and the procedures for preparation and adoption of its budget for the year beginning July 1, 2010. All procedures were found to be in compliance with statutory requirements.

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

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***Insurance Coverage and Fidelity Bonds***

Insurance coverage and fidelity bonds were reviewed and found to be in compliance with statutory requirements.

***Programs Funded From Outside Sources***

The District had no programs which required review or comment.

***Public Contracts and Purchasing***

Procedures for public contracts and purchasing were reviewed and found to be in compliance with statutory requirements.

***Investments***

Investments were reviewed and found to be in compliance with statutory requirements.

***Financial Reporting Requirements***

The District was not required to file financial reports with governmental agencies.

***Highway Funds***

The District does not receive any highway funds.

This report is intended solely for the information and use of management, the governing board and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these specified parties.

HARRIGAN PRICE FRONK & CO. LLP  
Certified Public Accountants & Consultants

By:   
Candace S. Fronk - a partner

December 28, 2010

