

**NORTH COUNTY RECREATION
DISTRICT**

Nehalem, Oregon

ANNUAL FINANCIAL REPORT

June 30, 2018



NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

DISTRICT OFFICIALS

June 30, 2018

BOARD OF DIRECTORS

John Bloom, Chair
Nehalem, Oregon 97131

Mary Gallagher, Vice Chair
Nehalem, Oregon 97131

Wally Burton, Secretary
Nehalem, Oregon 97131

Jennifer Holm
Nehalem, Oregon 97131

John Coppersmith
Nehalem, Oregon 97131

REGISTERED AGENT

Patrick Dennis
Finance Director
P.O. Box 207
Nehalem, Oregon 97131

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

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FINANCIAL SECTION



KOONTZ, PERDUE, BLASQUEZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
North County Recreation District
Nehalem, Oregon 97131

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of North County Recreation District, Nehalem, Oregon, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

North County Recreation District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of North County Recreation District, Nehalem, Oregon as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

The effect of applying the provisions of GASB Statement No. 75 has been reported as a restatement of beginning net position for the year ended June 30, 2018.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 36, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information 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 as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North County Recreation District's basic financial statements. The individual fund schedules and schedule of property tax transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements.

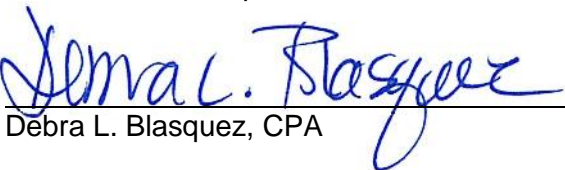
The individual fund statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 7, 2018 on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

Koontz, Perdue, Blasquez & Co., P.C.

By: 
Debra L. Blasquez, CPA

Albany, Oregon
November 7, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTH COUNTY RECREATION DISTRICT

Nehalem, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of North County Recreation District, Nehalem, Oregon, we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- At June 30, 2018, total net position of North County Recreation District amounted to \$4,741,812. Of this amount, \$2,339,010 was invested in capital assets and \$9,307 was restricted for various purposes. The remaining balance of \$2,393,495 was unrestricted.
- The District's total net position increased by \$330,450 during the current fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to North County Recreation District's basic financial statements. 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. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position 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 this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 10 through 12 of this report.

Fund Financial Statements

The fund financial statements are designed to demonstrate compliance with finance-related legal requirements overseeing the use of fund accounting. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All of the funds of North County Recreation District are governmental funds.

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements; however, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of available resources at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Capital Asset Reserve Funds, both of which are considered to be major governmental funds.

North County Recreation District adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for each fund individually to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements can be found on pages 13 through 16 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 17 through 35 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes budgetary comparison information for the General Fund. This required supplementary information can be found on page 36 of this report.

The individual fund schedules are presented immediately following the required supplementary information on page 37 of this report.

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. At June 30, 2018, the District's assets exceeded liabilities by \$4,741,812.

A large portion of the District's net position (49.3%) reflects its investment in capital assets (e.g., land, buildings, and equipment). The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending.

District's Net Position

At the end of the current fiscal year, the District was able to report positive balances in all categories of net position. The District's net position increased by \$330,450 during the current fiscal year.

Condensed statement of net position information is shown below.

Condensed Statement of Net Position

	Governmental Activities	
	2018	2017
Assets and deferred outflows of resources		
Current assets	\$ 2,448,406	\$ 2,170,793
Restricted assets	9,307	13,817
Net capital assets	2,339,010	2,292,818
Deferred outflows of resources	<u>1,202</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>4,797,925</u>	<u>4,477,428</u>
Liabilities and deferred inflows of resources		
Current liabilities	31,179	43,438
Noncurrent liabilities	24,197	22,628
Deferred inflows of resources	<u>737</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>56,113</u>	<u>66,066</u>
Net position		
Investment in capital assets	2,339,010	2,292,818
Restricted	9,307	13,817
Unrestricted	<u>2,393,495</u>	<u>2,104,727</u>
Total net position	<u>\$ 4,741,812</u>	<u>\$ 4,411,362</u>

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

District's Changes in Net Position

The condensed statement of activities information shown below explains changes in net position.

Changes in Net Position

	Governmental Activities	
	<u>2018</u>	<u>2017</u>
Program revenues		
Charges for services	\$ 193,176	\$ 183,486
Operating grants and contributions	8,450	12,333
Capital grants and contributions	<u>87,620</u>	<u>9,327</u>
Total program revenues	<u>289,246</u>	<u>205,146</u>
General revenues		
Property taxes	945,528	908,294
Timber revenue	366,660	373,858
Unrestricted grants and contributions	41,161	59,944
Investment earnings	40,623	27,340
Miscellaneous	<u>45,006</u>	<u>33,831</u>
Total general revenues	<u>1,438,978</u>	<u>1,403,267</u>
Total revenues	1,728,224	1,608,413
Program expenses		
Recreational facilities and activities	<u>1,397,774</u>	<u>1,334,713</u>
Change in net position	330,450	273,700
Net position - beginning of year, as restated	<u>4,411,362</u>	<u>4,137,662</u>
Net position - end of year	<u>\$ 4,741,812</u>	<u>\$ 4,411,362</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, 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 expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measurement of the District's net resources available for spending at the end of the fiscal year.

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

At the end of the current fiscal year, the District's major governmental funds reported combined fund balances of \$2,377,762, an increase of \$287,845 over the prior year. This amount included \$100 restricted for activities, \$1,000 restricted for administration, \$759 restricted for aquatics, \$719 restricted for fitness, \$3,000 restricted for performing arts, \$3,729 restricted for youth programs, and \$2,128,927 assigned to capital acquisitions. The remaining \$239,528 constitutes unassigned fund balance available for spending at the District's discretion.

Significant Changes in Major Governmental Fund Balances

- General Fund: The 32.6% decrease in restricted fund balance can be attributed to grants and scholarships being used most effectively in the fiscal year in which they were awarded, rather than carrying them forward to the next fiscal year.
- Capital Asset Reserve Fund: The 17.1% increase in total fund balance can be attributed to timber tax revenue being an estimate provided by the county and concentrated efforts to save more money for the new pool in the Capital Asset Reserve Fund.

BUDGETARY HIGHLIGHTS: GENERAL FUND

Budget amounts shown in the financial statements reflect the original budget amounts and one approved supplemental budget.

Significant variances between budgeted and actual amounts in the General Fund for the year ended June 30, 2018 include:

- Charges for services were budgeted for \$232,830. Actual revenues were \$193,176 (17% under budget) due to an optimistic budget forecast based on prior year data.
- Investment earnings were budgeted for \$4,700. Actual revenues were \$5,743 (22.2% over budget) due to unexpected interest rate increases in the LGIP account.
- Expenditures for activities were budgeted for \$33,428. Actual expenditures were \$17,222 (48.5% under budget) due to closer controls on expenditures and the inability to participate in a budget event.

CAPITAL ASSETS

The District's investment in capital assets for its governmental activities as of June 30, 2018 amounted to \$2,339,010, net of accumulated depreciation. This investment in capital assets includes land, construction in progress, buildings and facility improvements, office equipment and furnishings, machinery and equipment, and infrastructure. The total depreciation related to the District's investment in capital assets for the current fiscal year was \$89,347.

Additional information on the District's capital assets can be found in Note III-B on pages 27 through 28 of this report.

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

KEY ECONOMIC FACTORS AND BUDGET INFORMATION FOR THE FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following circumstance that could affect its future financial health:

- The District is in the process of constructing a new pool. The project will be funded by the Capital Asset Reserve Fund and is expected to cost between \$7.5 million and \$8.5 million.

This factor was considered in preparing the District's budget for the 2018-2019 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: North County Recreation District, P.O. Box 207, Nehalem, Oregon 97131.

BASIC FINANCIAL STATEMENTS

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

STATEMENT OF NET POSITION

June 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 2,385,314
Prepaid insurance	7,824
Taxes receivable	<u>55,268</u>
Total current assets	<u>2,448,406</u>
Restricted assets	
Cash and cash equivalents	<u>9,307</u>
Capital assets	
Land and construction in progress	643,365
Capital assets, net of accumulated depreciation	<u>1,695,645</u>
Total capital assets	<u>2,339,010</u>
Total assets	4,796,723
Deferred outflows of resources	
Net deferred outflow of OPEB related resources	<u>1,202</u>
Total assets and deferred outflows of resources	<u>4,797,925</u>
	(Continued)

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

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

STATEMENT OF NET POSITION

June 30, 2018

(Continued)

	<u>Governmental Activities</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 8,792
Accrued liabilities	8,067
Compensated absences, current portion	<u>14,320</u>
Total current liabilities	<u>31,179</u>
Noncurrent liabilities	
Compensated absences, less current portion	5,031
Net OPEB liability	<u>19,166</u>
Total noncurrent liabilities	<u>24,197</u>
Total liabilities	55,376
Deferred inflows of resources	
Net deferred inflow of OPEB related resources	<u>737</u>
Total liabilities and deferred inflows of resources	<u>56,113</u>
NET POSITION	
Investment in capital assets	2,339,010
Restricted	9,307
Unrestricted	<u>2,393,495</u>
Total net position	<u>\$ 4,741,812</u>

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

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position
					Governmental
					Activities
Governmental activities					
Recreational facilities and activities	<u>\$ 1,397,774</u>	<u>\$ 193,176</u>	<u>\$ 8,450</u>	<u>\$ 87,620</u>	<u>\$ (1,108,528)</u>
General revenues					
Property taxes					945,528
Timber revenue					366,660
Unrestricted grants and contributions					41,161
Investment earnings					40,623
Miscellaneous					<u>45,006</u>
Total general revenues					<u>1,438,978</u>
Change in net position					330,450
Net position - beginning, as restated					<u>4,411,362</u>
Net position - ending					<u>\$ 4,741,812</u>

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

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2018

	General Fund	Capital Asset Reserve Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 265,694	\$ 2,128,927	\$ 2,394,621
Taxes receivable	<u>55,268</u>	<u>-</u>	<u>55,268</u>
Total assets	<u>\$ 320,962</u>	<u>\$ 2,128,927</u>	<u>\$ 2,449,889</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 8,792	-	\$ 8,792
Accrued liabilities	<u>8,067</u>	<u>-</u>	<u>8,067</u>
Total liabilities	<u>16,859</u>	<u>-</u>	<u>16,859</u>
Deferred inflows of resources			
Unavailable revenue - property taxes	<u>55,268</u>	<u>-</u>	<u>55,268</u>
Fund balances			
Restricted	9,307	-	9,307
Assigned	-	2,128,927	2,128,927
Unassigned	<u>239,528</u>	<u>-</u>	<u>239,528</u>
Total fund balances	<u>248,835</u>	<u>2,128,927</u>	<u>2,377,762</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 320,962</u>	<u>\$ 2,128,927</u>	<u>\$ 2,449,889</u>

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

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

June 30, 2018

Total fund balances		\$ 2,377,762
Capital assets are not financial resources and are therefore not reported in the governmental funds:		
Cost	3,292,783	
Accumulated depreciation	<u>(953,773)</u>	2,339,010
Prepaid insurance is expensed when incurred, but recorded as an asset in the statement of net position.		7,824
Property tax revenue is recognized in the net position of governmental activities when the taxes are levied; however, in the governmental fund statements, it is recognized when available to be used for current year operations. Taxes not collected within 15 days of the end of the year are not considered available to pay for current year operations and are therefore not reported as revenue in the governmental funds.		55,268
The net OPEB liability is not payable in the current period and is therefore not reported in the governmental funds.		(19,166)
Current year OPEB contributions are deferred outflows of resources that will be recognized as expenditures in the subsequent year.		1,202
The change of assumptions or inputs between projected and actual cost will be amortized over the next five years.		(737)
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather, is recognized as an expenditure when due. These liabilities consist of:		
Compensated absences payable		<u>(19,351)</u>
Net position of governmental activities		<u><u>\$ 4,741,812</u></u>

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

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2018

	General Fund	Capital Asset Reserve Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 948,910	\$ -	\$ 948,910
Timber revenue	-	366,660	366,660
Charges for services	193,176	-	193,176
Grants and contributions	65,754	71,477	137,231
Investment earnings	5,743	34,880	40,623
Miscellaneous	<u>39,161</u>	<u>5,845</u>	<u>45,006</u>
Total revenues	<u>1,252,744</u>	<u>478,862</u>	<u>1,731,606</u>
EXPENDITURES			
Current			
Activities	17,222	-	17,222
Administration	439,972	-	439,972
Aquatics	394,573	-	394,573
Fitness	198,536	-	198,536
Performing arts	53,048	-	53,048
Youth	172,318	-	172,318
Capital outlay	<u>-</u>	<u>168,092</u>	<u>168,092</u>
Total expenditures	<u>1,275,669</u>	<u>168,092</u>	<u>1,443,761</u>
Excess (deficiency) of revenues over (under) expenditures	(22,925)	310,770	287,845
Fund balances - beginning	<u>271,760</u>	<u>1,818,157</u>	<u>2,089,917</u>
Fund balances - ending	<u>\$ 248,835</u>	<u>\$ 2,128,927</u>	<u>\$ 2,377,762</u>

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

NORTH COUNTY RECREATION DISTRICT
Nehalem, 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, 2018

Net change in fund balances	\$ 287,845
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	135,539	
Less current year depreciation	<u>(89,347)</u>	46,192

Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the statement of activities, property taxes are recognized as revenue when levied.

Change in unavailable revenue - property taxes	(3,382)
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Long-term liabilities are not due or payable in the current period and are therefore not reported in the governmental fund statements. These liabilities consist of:

Compensated absences payable	1,476
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Changes in the net OPEB asset or liability, as well as the related changes in deferred outflows and deferred inflows of resources, are not recognized in the governmental funds.

	<u>(1,681)</u>
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Change in net position	<u>\$ 330,450</u>
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The accompanying notes are an integral part of these financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of North County Recreation District have been prepared in accordance 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 principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

North County Recreation District became operational in 1997 following voter approval of a proposal to maintain and enhance a community center, fitness center, and a pool. The District is currently governed by a five-member board of directors elected from the District at large.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges for goods and services provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 15 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting; however, expenditures related to compensated absences are recorded only when payment is due.

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, investment earnings, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have therefore been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

General Fund – The General Fund is the District's primary operating fund. It accounts for all financial resources of the District except for those required to be accounted for in another fund. The primary source of revenue is property taxes.

Capital Projects Fund

Capital Asset Reserve Fund – The Capital Asset Reserve Fund accounts for the revenues and expenditures associated with the purchase, construction, and major repair of capital assets. The primary sources of revenue include timber revenue, as well as grants and contributions.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

D. Assets, Liabilities, and Equity

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

1. Deposits and Investments (Continued)

State statutes authorize the District to invest in legally issued general obligations of the United States, the agencies and instrumentalities of the United States and the states of Oregon, Washington, Idaho, or California, certain interest-bearing bonds, time deposit open accounts, certificates of deposit, and savings accounts in banks, mutual savings banks, and savings and loan associations that maintain a head office or a branch in this state in the capacity of a bank, mutual savings bank, or savings and loan association, and share accounts and savings accounts in credit unions in the name of, or for the benefit of, a member of the credit union pursuant to a plan of deferred compensation.

2. Property Taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collection to entities levying taxes. Property taxes are levied and become a lien as of July 1 on property values assessed as of June 30. An allowance for doubtful accounts is not deemed necessary, as uncollectible taxes become a lien on the associated property. Property taxes are payable in three installments, which are due on November 15, February 15, and May 15.

Uncollected property taxes are shown as assets in the governmental funds. Property taxes collected within approximately 15 days of fiscal year-end are recognized as revenue, while the remaining amount of taxes receivable are recorded as unavailable revenue because they are not deemed available to finance operations of the current period.

3. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance or repairs that do not add to the value of an asset or materially extend its life are charged to expenditures as incurred and are not capitalized.

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

3. Capital Assets (Continued)

Major capital outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Office equipment and furnishings	3-15
Machinery and equipment	3-15
Infrastructure	3-15
Buildings and facility improvements	30-40

4. Compensated Absences

Amounts of vested or accumulated vacation and sick leave that are expected to be liquidated with expendable available financial resources are reported as expenditures when paid. Amounts of vested or accumulated vacation that are not expected to be liquidated with expendable available financial resources are reported as long-term liabilities on the statement of net position. Accumulated sick leave lapses when an employee leaves employment of the District and, upon separation from service, no monetary obligation exists.

5. Retirement Plans

The District has authorized a deferred compensation plan to be made available to its employees wherein they may execute an individual agreement with the District for amounts earned by them, not to be paid until a future date, when they are terminated by reason of death, permanent disability, retirement, or separation. The deferred compensation plan is authorized under Internal Revenue Code (IRC) Section 457 and has been approved by the Internal Revenue Service. Under the plan document, the District has a fiduciary responsibility to administer the plan in accordance with the requirements of IRC Section 457.

In addition, the District provides an implicit rate subsidy for retiree health insurance premiums. The single-employer, defined benefit postemployment healthcare plan is administered by Citycounty Insurance Services (CIS).

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

6. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources until then. The District has one item that qualifies for reporting in this category, which is deferred amounts related to other postemployment benefits. These amounts are deferred and recognized as outflows of resources when the District recognizes the related expenses/expenditures. Deferred outflows of amounts related to other postemployment benefits are included in the government-wide statement of net position.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and therefore, will not be recognized as an inflow of resources until that time. The District has two items that qualify for reporting in this category, which are unavailable revenue from property taxes and deferred amounts related to other postemployment benefits. Unavailable revenue from property taxes is deferred and recognized as an inflow of resources in the period that the amount becomes available. Unavailable revenue from property taxes is reported in the balance sheet. Deferred amounts related to other postemployment benefits are deferred and recognized as inflows of resources in the period when the District recognizes the related income. Deferred inflows of amounts related to other postemployment benefits are included in the government-wide statement of net position.

The net OPEB liability, deferred outflows of resources, and deferred inflows of resources are related to changes in assumptions for the covered active and inactive participants.

7. Fund Equity

The District reports fund equity in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Equity (Continued)

7. Fund Equity (Continued)

- Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the board of directors or by an official or body to which the board of directors delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

Commitment of fund balance is accomplished through adoption of a resolution or ordinance by the board of directors. Further, commitments of fund balance may be modified or rescinded only through approval of the board of directors via resolution or ordinance. Authority to assign fund balances has been granted to the Executive Director.

The District has not formally adopted a minimum fund balance policy.

E. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District budgets all funds in accordance with the requirements of state law. Annual appropriated budgets are adopted for the general and capital projects funds. All funds are budgeted on the modified accrual basis of accounting.

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

The District begins its budgeting process by appointing budget committee members. The budget officer prepares a budget, which is reviewed by the budget committee. The budget is then published in proposed form and is presented at public hearings to obtain taxpayer comments and approval from the budget committee. The budget is legally adopted by the board of directors by resolution prior to the beginning of the District's fiscal year. The board resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The General Fund consists of activities, administration, aquatics, fitness, performing arts, and youth departments, as well as nondepartmental expenditures. For the Capital Asset Reserve Fund, total personnel services, materials and services, debt service, and capital outlay are the levels of control established by the resolution. The detailed budget document, however, is required to contain more specific detailed information for the aforementioned expenditure categories and management may revise the detailed line item budgets within appropriation categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Supplemental budgets less than 10% of a fund's original budget may be adopted by the board of directors at a regular board meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers, and approval by the board of directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the board of directors. The District does not use encumbrances and appropriations lapse at year-end.

Budget amounts shown in the financial statements reflect the original budget amounts and one approved supplemental budget.

B. Excess of Expenditures over Appropriations

During the year ended June 30, 2018, the District over-expended in one appropriation category prior to adoption of resolution transfers, which is in violation of ORS 294.100.

C. Publication of Notice of Budget Committee Meeting

During the year ended June 30, 2018, the District posted two notices of the budget committee meeting, but only one was correctly published in the timeframe established by ORS 294.426.

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

North County Recreation District maintains a cash and cash equivalents pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the fund financial statements as cash and cash equivalents. Additionally, several funds held separate cash accounts. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and investment balances.

Investments, including amounts held in pooled cash and investments, are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an open-ended, no-load, diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the District's position in the LGIP is the same as the value of the pool shares.

Credit Risk

Oregon statutes authorize the District to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the Local Government Investment Pool. The District has not adopted a formal policy regarding credit risk; however, investments comply with state statutes.

Investments

As of June 30, 2018, the District had the following investments:

	<u>Credit Quality Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
Oregon Local Government Investment Pool	Unrated	-	<u>\$ 2,347,102</u>

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Interest Rate Risk

The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increases in interest rates.

Concentration of Credit Risk

The District does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the District's investments are in the Oregon Local Government Investment Pool.

Custodial Credit Risk – Investments

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

Custodial Credit Risk – Deposits

This is the risk that, in the event of a bank failure, the District's deposits may not be returned. All District deposits not covered by Federal Depository Insurance Corporation (FDIC) insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon, organized in accordance with ORS 295. The PFCP is a shared liability structure for participating bank depositories. Barring any exceptions, a bank depository is required to pledge collateral valued at a minimum of 10% of their quarter-end public fund deposits if they are considered well capitalized, 25% of their quarter-end public fund deposits if they are considered adequately capitalized, or 110% of their quarter-end public fund deposits if they are considered undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

The District holds accounts at US Bank and Columbia Bank, for which the FDIC provides insurance coverage of \$250,000 for demand deposit accounts and an additional \$250,000 for time and savings accounts per institution. In addition, the District holds accounts at Fibre Federal Credit Union, for which the National Credit Union Share Insurance Fund (NCUSIF) provides insurance coverage of \$250,000. At June 30, 2018, the District had deposits of \$50,380 insured by the FDIC and \$25,875 insured by the NCUSIF.

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. Deposits and Investments (Continued)

Deposits

The District's deposits and investments at June 30, 2018 are as follows:

Cash on hand	\$ 100
Checking accounts	47,419
Total investments	<u>2,347,102</u>
Total deposits and investments	<u><u>\$ 2,394,621</u></u>

Cash and investments by fund:

Governmental activities - unrestricted	
General Fund	\$ 256,387
Capital Asset Reserve Fund	<u>2,128,927</u>
Total governmental activities - unrestricted	2,385,314
Governmental activities - restricted	
General Fund	<u>9,307</u>
Total cash and investments	<u><u>\$ 2,394,621</u></u>

Restricted cash of \$9,307 reported in the General Fund at June 30, 2018 represents monies restricted for various programs, including activities, administration, aquatics, fitness, performing arts, and youth programs.

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 480,992	\$ 133,644	\$ -	\$ 614,636
Construction in progress	<u>213,596</u>	<u>6,028</u>	<u>(190,895)</u>	<u>28,729</u>
Total capital assets not being depreciated	<u>694,588</u>	<u>139,672</u>	<u>(190,895)</u>	<u>643,365</u>
Capital assets being depreciated				
Buildings and facility improvements	2,220,652	310,943	(133,644)	2,397,951
Office equipment and furnishings	24,496	-	-	24,496
Machinery and equipment	198,427	9,463	-	207,890
Infrastructure	<u>19,081</u>	<u>-</u>	<u>-</u>	<u>19,081</u>
Total capital assets being depreciated	<u>2,462,656</u>	<u>320,406</u>	<u>(133,644)</u>	<u>2,649,418</u>
Less accumulated depreciation for				
Buildings and facility improvements	(728,768)	(80,082)	-	(808,850)
Office equipment and furnishings	(8,094)	(1,708)	-	(9,802)
Machinery and equipment	(108,483)	(7,557)	-	(116,040)
Infrastructure	<u>(19,081)</u>	<u>-</u>	<u>-</u>	<u>(19,081)</u>
Total accumulated depreciation	<u>(864,426)</u>	<u>(89,347)</u>	<u>-</u>	<u>(953,773)</u>
Total capital assets being depreciated, net	<u>1,598,230</u>	<u>231,059</u>	<u>(133,644)</u>	<u>1,695,645</u>
Governmental activities capital assets, net	<u>\$ 2,292,818</u>	<u>\$ 370,731</u>	<u>\$ (324,539)</u>	<u>\$ 2,339,010</u>

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Capital Assets (Continued)

Capital assets are reported on the statement of net position as follows:

	<u>Capital Assets</u>	<u>Accumulated Depreciation</u>	<u>Net Capital Assets</u>
Governmental activities			
Land	\$ 614,636	\$ -	\$ 614,636
Construction in progress	28,729	-	28,729
Buildings and facility improvements	2,397,951	(808,850)	1,589,101
Office equipment and furnishings	24,496	(9,802)	14,694
Machinery and equipment	207,890	(116,040)	91,850
Infrastructure	<u>19,081</u>	<u>(19,081)</u>	<u>-</u>
Total governmental capital assets	<u>\$ 3,292,783</u>	<u>\$ (953,773)</u>	<u>\$ 2,339,010</u>

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

Governmental activities	
Recreational facilities and activities	<u>\$ 89,347</u>

C. Operating Lease

On January 27, 2015, the District entered into a contract to lease a copier for a period of 60 months, ending on January 26, 2020. The lease calls for payments of \$283 per month. Lease expense for the year ended June 30, 2018 was \$3,390.

Future lease liabilities are as follows:

<u>Year Ending June 30</u>	
2019	\$ 3,390
2020	<u>1,978</u>
	<u>\$ 5,368</u>

D. Compensated Absences

The following is a summary of compensated absences transactions for the year:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Compensated absences	<u>\$ 20,827</u>	<u>\$ -</u>	<u>\$ (1,476)</u>	<u>\$ 19,351</u>

The General Fund has traditionally been used to liquidate compensated absences liabilities.

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. Constraints on Fund Balances

Constraints on fund balances reported on the balance sheet are as follows:

	General Fund	Capital Asset Reserve Fund	Total Governmental Funds
Fund balances:			
Restricted for:			
Activities	\$ 100	\$ -	\$ 100
Administration	1,000	-	1,000
Aquatics	759	-	759
Fitness	719	-	719
Performing arts	3,000	-	3,000
Youth programs	3,729	-	3,729
Assigned to:			
Capital acquisitions	-	2,128,927	2,128,927
Unassigned	<u>239,528</u>	<u>-</u>	<u>239,528</u>
Total fund balances	<u>\$ 248,835</u>	<u>\$ 2,128,927</u>	<u>\$ 2,377,762</u>

IV. OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There was no significant reduction in insurance coverage from the previous year. There were no insurance settlements exceeding insurance coverage in any of the past three years.

B. Deferred Compensation Plan

The District has authorized a deferred compensation plan to be made available to its employees wherein they may execute an individual agreement with the District for amounts earned by them, not to be paid until a future date, when they are terminated by reason of death, permanent disability, retirement, or separation. The deferred compensation plan is authorized under Internal Revenue Code (IRC) Section 457 and has been approved by the Internal Revenue Service. Under the plan document, the District has a fiduciary responsibility to administer the plan in accordance with the requirements of IRC Section 457. The District has no liability for any losses that may be incurred under the plan. District contributions for the year ended June 30, 2018 amounted to \$27,080.

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. OTHER INFORMATION (Continued)

C. Postemployment Benefits other than Pensions

The other postemployment benefits (OPEB) of the District include an implicit rate subsidy plan for retiree health insurance premiums.

1. Financial Statement Presentation

The District's OPEB plan is presented on the statement of net position. The amounts on the financial statements relate to the plan as follows:

	<u>Implicit Rate Subsidy Plan</u>
Net OPEB asset	\$ -
Deferred outflows of resources	
Contributions after measurement date	1,202
Total OPEB liability	19,166
Deferred inflows of resources	
Change in proportionate share	-
Change in assumptions	(737)
Difference in earnings	-
OPEB expense (Included in program expenses on statement of activities)	3,229

2. Implicit Rate Subsidy Plan Description

The District's healthcare plan is administered by Citycounty Insurance Services (CIS). The District has a health insurance continuation option available for most groups of retirees. It is a substantive postemployment benefits plan offered under Oregon Revised Statutes (ORS) 243. ORS 243.303 requires that the District provide retirees with an opportunity to participate in group health and dental insurance from the date of retirement to age 65, and the rate would be calculated using claims experience from retirees and active employees for health plan rating purposes. Providing the same rate to retirees as provided to current employees constitutes an implicit rate subsidy for OPEB. This single-employer plan is not a standalone plan and therefore does not issue its own financial statements.

3. Benefits Provided

Retirees and their dependents under age 65 are allowed to continue the healthcare coverages received prior to retirement. Premiums for retirees are tiered and based upon the premium rates available to active employees. The retiree is responsible for any portion of the premium not paid by the employer.

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. OTHER INFORMATION (Continued)

C. Postemployment Benefits other than Pensions (Continued)

3. Benefits Provided (Continued)

The implicit employer subsidy is measured as the expected healthcare cost per retiree and dependent, less the gross premiums charged by the insurance carrier for that coverage. The subsidy is only measured for retirees and spouses younger than age 65, at which point such retirees and spouses typically become eligible for Medicare.

As of the valuation date of July 1, 2016, the following employees were covered by the benefit terms:

	<u>Number of Employees</u>
Inactive employees or beneficiaries receiving benefits	-
Active employees	<u>12</u>
Total	<u><u>12</u></u>

4. Total OPEB Liability, Expense, and Deferred Outflows and Inflows of Resources

The District's total OPEB liability of \$19,166 was measured as of June 30, 2017 and was determined by an actuarial valuation as of July 1, 2016. For the fiscal year ended June 30, 2018, the District recognized OPEB expense from this plan of \$1,522. At June 30, 2018, the District reported deferred outflows and inflows of resources related to this OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ -	\$ 737
Contributions subsequent to the measurement date	<u>1,202</u>	<u>-</u>
Total	<u><u>\$ 1,202</u></u>	<u><u>\$ 737</u></u>

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. OTHER INFORMATION (Continued)

C. Postemployment Benefits other than Pensions (Continued)

4. Total OPEB Liability, Expense, and Deferred Outflows and Inflows of Resources (Continued)

Deferred outflows of resources related to OPEB of \$1,202 resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Amortization Period Ending June 30</u>	<u>Deferred Inflows</u>
2019	\$ (154)
2020	(154)
2021	(154)
2022	(154)
2023	<u>(121)</u>
	<u>\$ (737)</u>

5. Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2016 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation Rate	2.50%
Salary Increases	3.50%
Healthy Mortality	RP-2000 healthy white collar male and female mortality tables, set back one year for males. Mortality is projected on a generational basis using Scale BB for males and females.
Discount Rate	3.58%
Healthcare Cost Trend Rate	Medical and vision: 7.50% per year, decreasing to 5.0% Dental: 4.50% per year

The discount rate was based on Bond Buyer 20-Year General Obligation Bond Index.

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. OTHER INFORMATION (Continued)

C. Postemployment Benefits other than Pensions (Continued)

6. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance as of June 30, 2017	\$ 17,175
Changes for the year:	
Service cost	2,820
Interest on total OPEB liability	563
Effect of assumption changes or inputs	(891)
Benefit payments	<u>(501)</u>
Balance as of June 30, 2018	<u>\$ 19,166</u>

7. Actuarial Methods and Assumptions

The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial methods and assumptions:

Healthcare cost trend rate Ranging from 7.5% in 2016 to 5% in 2064

8. Sensitivity of the Total OPEB Liability

The following presents the District's OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is one percentage point lower (2.58%) or one percentage point higher (4.58%) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare cost trend rate.

Discount Rate

	<u>1% Decrease (2.58%)</u>	<u>Current Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
Total OPEB Liability	\$ 20,340	\$ 19,166	\$ 18,103

Healthcare Cost Trend

	<u>1% Decrease (2.58%)</u>	<u>Current Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
Total OPEB Liability	\$ 17,383	\$ 19,166	\$ 21,375

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. OTHER INFORMATION (Continued)

D. Restatement

In implementing GASB Statement No. 75, the District has restated beginning net position in order to recognize the correct total OPEB liability for the District's implicit rate subsidy plan. The restatement also recognizes a deferred outflow of resources related to OPEB for contributions from each plan made after the June 30, 2016 measurement date.

	<u>Governmental Activities</u>
Net position - beginning, as originally reported	\$ 4,428,537
Cumulative effect of change in accounting principle	<u>(17,175)</u>
Net position - beginning, as restated	<u>\$ 4,411,362</u>

E. Tax Abatements

During the year, the District adopted GASB Statement No. 77, *Tax Abatement Disclosures*. The District had no tax abatements for the year ended June 30, 2018.

F. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements that have future effective dates that will impact future financial presentations. Management has not currently determined what impact implementation of the following statements will have on future financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, will be effective for the District beginning with its fiscal year ending June 30, 2019. This statement addresses accounting and financial reporting for certain asset retirement obligations.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, will be effective for the District beginning with its fiscal year ending June 30, 2019. The objective of this statement is to improve the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements.

GASB Statement No. 84, *Fiduciary Activities*, will be effective for the District beginning with its fiscal year ending June 30, 2020. This statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

IV. OTHER INFORMATION (Continued)

F. New Pronouncements (Continued)

GASB Statement No. 87, *Leases*, will be effective for the District beginning with its fiscal year ending June 30, 2021. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting of leases by governments.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, will be effective for the District beginning with its fiscal year ending June 30, 2021. The objective of this statement is to simplify accounting for interest costs incurred before the end of a construction period, and enhance the relevance and comparability of capital asset information.

G. Subsequent Events

Management has evaluated subsequent events through November 7, 2018, which was the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2018

	Original Budget	Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES				
Property taxes	\$ 936,682	\$ 936,682	\$ 12,228	\$ 948,910
Charges for services	232,830	232,830	(39,654)	193,176
Grants and contributions	64,550	76,200	(10,446)	65,754
Investment earnings	4,700	4,700	1,043	5,743
Miscellaneous	<u>41,200</u>	<u>41,200</u>	<u>(2,039)</u>	<u>39,161</u>
Total revenues	<u>1,279,962</u>	<u>1,291,612</u>	<u>(38,868)</u>	<u>1,252,744</u>
EXPENDITURES				
Current				
Activities	33,358	33,428	(16,206)	17,222
Administration	439,430	450,147	(10,175)	439,972
Aquatics	388,213	396,127	(1,554)	394,573
Fitness	208,991	209,685	(11,149)	198,536
Performing arts	48,573	53,610	(562)	53,048
Youth	179,612	181,697	(9,379)	172,318
Contingency	<u>30,000</u>	<u>15,133</u>	<u>(15,133)</u>	<u>-</u>
Total expenditures	<u>1,328,177</u>	<u>1,339,827</u>	<u>(64,158)</u>	<u>1,275,669</u>
Excess (deficiency) of revenues over (under) expenditures	(48,215)	(48,215)	25,290	(22,925)
Fund balance - beginning	<u>257,526</u>	<u>257,526</u>	<u>14,234</u>	<u>271,760</u>
Fund balance - ending	<u>\$ 209,311</u>	<u>\$ 209,311</u>	<u>\$ 39,524</u>	<u>\$ 248,835</u>

OTHER SUPPLEMENTARY INFORMATION

INDIVIDUAL FUND SCHEDULES

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

CAPITAL ASSET RESERVE FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Variance with Final Budget Over (Under)	Actual GAAP Basis
REVENUES			
Timber revenue	\$ 289,893	\$ 76,767	\$ 366,660
Grants and contributions	-	71,477	71,477
Investment earnings	15,058	19,822	34,880
Miscellaneous	<u>-</u>	<u>5,845</u>	<u>5,845</u>
Total revenues	304,951	173,911	478,862
EXPENDITURES			
Capital outlay	<u>496,623</u>	<u>(328,531)</u>	<u>168,092</u>
Excess (deficiency) of revenues over (under) expenditures	(191,672)	502,442	310,770
Fund balance - beginning	<u>1,475,247</u>	<u>342,910</u>	<u>1,818,157</u>
Fund balance - ending	<u>\$ 1,283,575</u>	<u>\$ 845,352</u>	<u>\$ 2,128,927</u>

OTHER FINANCIAL SCHEDULES

NORTH COUNTY RECREATION DISTRICT
Nehalem, Oregon

SCHEDULE OF PROPERTY TAX TRANSACTIONS

For the Year Ended June 30, 2018

<u>Tax Year</u>	<u>Taxes Receivable July 1, 2017</u>	<u>2017-2018 Levy</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Taxes Receivable June 30, 2018</u>
2017-2018	\$ -	\$ 964,332	\$ (24,138)	\$ 915,912	\$ 24,282
2016-2017	25,625	-	(62)	13,275	12,288
2015-2016	13,281	-	(54)	5,444	7,783
2014-2015	8,824	-	(51)	5,472	3,301
2013-2014	6,235	-	(49)	2,621	3,565
2012-2013	3,088	-	(48)	288	2,752
2011-2012	480	-	(39)	184	257
Prior	<u>1,117</u>	<u>-</u>	<u>(4)</u>	<u>73</u>	<u>1,040</u>
Subtotal - Prior	<u>58,650</u>	<u>-</u>	<u>(307)</u>	<u>27,357</u>	<u>30,986</u>
Total	<u>\$ 58,650</u>	<u>\$ 964,332</u>	<u>\$ (24,445)</u>	943,269	<u>\$ 55,268</u>
Add:					
Other taxes and interest				5,641	
Undistributed taxes with county, July 1, 2017				<u>-</u>	
Total available				948,910	
Less: Turnovers to District				<u>948,910</u>	
Undistributed taxes with county, June 30, 2018				<u>\$ -</u>	

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



KOONTZ, PERDUE, BLASQUEZ & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
North County Recreation District
Nehalem, Oregon 97131

We have audited the basic financial statements of North County Recreation District as of and for the year ended June 30, 2018, and have issued our report thereon dated November 7, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether North County Recreation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures, which included, but were not limited to, the following:

Accounting records

Deposit of public funds with financial institutions (ORS Chapter 295)

Budgets legally required (ORS Chapter 294)

Insurance and fidelity bonds in force or required by law

Programs funded from outside sources

Authorized investment of surplus funds (ORS Chapter 294)

Public contracts and purchasing (ORS Chapters 279A, 279B, 279C)

Accountability for collecting and receiving money by elected officials

In connection with our testing, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, contracts, and grants, including the provisions of Oregon Revised Statutes, as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

1. During the year ended June 30, 2018, the District over-expended in one appropriation category prior to adoption of resolution transfers, which is in violation of ORS 294.100.
2. During the year ended June 30, 2018, the District posted two notices of the budget committee meeting, but only one was correctly published in the timeframe established by ORS 294.426.

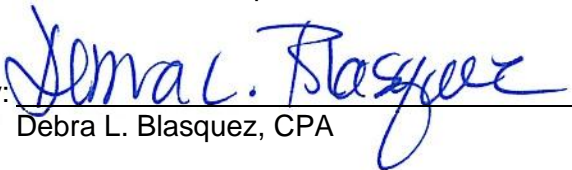
The District does not have any elected officials collecting or receiving money.

OAR 162-010-0230 Internal Control

In planning and performing our audit, we considered North County Recreation District's internal control over financial reporting 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 North County Recreation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North County Recreation District's internal control over financial reporting. However, we noted certain matters that we have reported to management of the District in a separate letter dated November 7, 2018.

This report is intended solely for the information and use of the board of directors and management of North County Recreation District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Koontz, Perdue, Blasquez & Co., P.C.

By: 
Debra L. Blasquez, CPA

Albany, Oregon
November 7, 2018