

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013



12700 SW 72nd Ave.
Tigard, OR 97223

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

For the Year Ended June 30, 2013

ANNUAL FINANCIAL REPORT

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CITY OF MADRAS
JEFFERSON COUNTY, OREGON

City Council as of June 30, 2013

<u>NAME</u>	<u>TERM EXPIRES</u>
Melanie Widmer, Mayor	December 31, 2014
Richard Ladeby	December 31, 2014
Chuck Schmidt	December 31, 2014
Jim Leach	December 31, 2014
Royce W. Embanks, Jr.	December 31, 2016
Tom Brown	December 31, 2016
Walt Chamberlain	December 31, 2016

CITY ADMINISTRATOR

Gus Burrell

FINANCE DIRECTOR

Brandie McNamee

All council members receive mail at the address listed below:

125 SW E Street
Madras, Oregon 97741

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JEFFERSON COUNTY, OREGON
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March 18, 2014

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
Madras, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Madras, Oregon, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Madras, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The City adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* for the year ended June 30, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such

information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's 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 or schedule of funding progress and employer contributions because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have 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 records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards 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 supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole

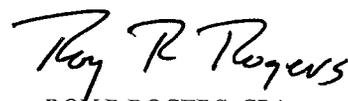
Other Information

The listing of board members containing their term expiration dates, located before the table of contents, and the other information, as listed in the table of contents, have 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 them.

Reports on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our reports dated March 18, 2014 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated March 18, 2014, 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.



ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Madras (City), we offer readers this discussion and analysis of the City's financial performance for the fiscal year ended June 30, 2013. The report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Government Accounting Standard Board (GASB). This report should be read in conjunction with the basic financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net position remained stable over the course of the fiscal year at \$42.7 million. This is the net result of a \$0.2 million (1.5%) increase in the governmental net position and a \$0.2 million (0.6%) decrease in the business-type net position.
- Capital assets for governmental activities increased approximately \$3.7 million. Increases are primarily due to construction on various projects, including a new Police Station / City Hall facility.
- The City recognized \$1.4 million in property tax revenue in 2013, which is comparable to the prior year. Property tax revenues primarily consist of \$1.0 million in the General Fund property taxes and \$0.4 million related to the Redevelopment Commission.
- As of the end of the fiscal year, total governmental funds had an ending fund balance of \$2.1 million, a decrease of \$0.1 million from the prior year's fund balance of \$2.2 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's financial statements are comprised of: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the 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 the reader with a broad overview of the City's finances and are made up of the following two statements: the *Statement of Net Position* and the *Statement of Activities*. Both of these statements are prepared using accounting methods similar to those used by private-sector businesses, which use the economic resources measurement focus and the accrual basis of accounting.

- The *Statement of Net Position* presents information on all of the City'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 City is improving or deteriorating.
- The *Statement of Activities* presents information showing how the government'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 compensated absents).

Both of the government-wide financial statements differentiate functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include the general fund (public safety), transportation, redevelopment commission, system development charges, parks and tourism/economic development. The business-type activities (*proprietary fund type*) of the City include the water, wastewater, and airport operations. The government-wide financial statements include not only the City but the legally separated *Madras Redevelopment Commission* (an independent Urban Renewal District) of the City of Madras for which the City is financially accountable.

The City adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* for the year ended June 30, 2013.

Measurement focus and basis of accounting

Governmental financial reporting is characterized as having two distinct objectives for its financial reporting. These objectives are categorized as governmental activities which are supported by levying taxes and business-type (proprietary) activities which are supported by charges for services. The measurement focus for each of these activities are uniquely different, both the governmental-wide financial statements and the business-type activities focus on the changes in economic resources similar to private-sector businesses. The objective of the proprietary fund operating statement is to answer the question, *“What transactions and events have incurred that increase or decrease the fund’s total economic resources during the period?”* Therefore, both the Governmental-wide and the proprietary funds financial statements are based on full accrual accounting.

Accrual accounting measures the effects of transactions, events, and interfund activities when they occur, regardless of the timing of the related cash flows. The measurement focus for governmental funds however, is to view changes in current financial resources. The objective is to answer the question, *“What are the transactions or events of the current period that have increased or decreased the resources available for spending in the near future?”*

Governmental funds use modified accrual accounting in which revenues are not recognized until they are measurable and available, and expenditures are recognized in the period in which governments in general normally liquidate the related liability rather than when the liability is first incurred.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or functions. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City’s funds can be divided into two categories: governmental funds and proprietary funds. Fund financial statements focus on individual parts of the City’s government, reporting the City’s operations in more detail than the government-wide statements.

- **Governmental funds** are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. These statements tell how governmental services such as the general fund (police department), transportation operations fund, and the Redevelopment Commission General Fund were financed in the short term as well as what remains for future spending. Unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. However, this information does not encompass the additional long-term focus of the government-wide statements. Therefore, both the governmental funds financial statements are followed by a reconciliation that explains the relationship or differences between governmental funds and the governmental-wide financial statements.

The City maintains thirteen individual governmental funds. Of these individual funds, the City considers three funds to be *major governmental funds*. These three major governmental funds - represented individually in the balance sheet and the statement of revenues expenditures, and change in fund balances, consists of the General Fund, Transportation Operations Fund, and the Redevelopment Commission General Fund (i.e. Urban Renewal District). The remaining ten funds are considered non-major governmental funds and are combined in a single, aggregated presentation.

As part of required supplementary information, budgetary comparison statements are presented for the reader's information. These statements compare the original adopted budget along with the final adjusted budget to the year-end actual activities.

- **Proprietary Funds** are similar to business-type activities which utilize full accrual accounting. The City maintains two different types of proprietary funds consisting of the *enterprise funds* and the *internal service funds*. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds are used to account for the City's Water, Wastewater and Airport operations. Internal Service Funds are an accounting device used to accumulate the allocate costs internally among the City's various functions (departments). The City uses internal service funds to allocate costs associated with administrative services, public works staff, buildings, and fleet services. These costs are considered to be indirect overhead costs that cannot be directly associated with an individual function. Therefore, these costs are allocated to other functions in a systematic method. Because these services predominantly benefit governmental activities rather than business-type functions, they are included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Wastewater and Airport operations. The Internal Service fund is shown as a separate fund in the proprietary fund financial statement.

The financial statements also include notes that provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 15 of this report.

In addition to the basic financial statements and the accompanying notes, additional pertinent information for the reader, referred to as *Required Supplementary Information* (RSI). The RSI can be found in this report following the notes to the basic financial statements. This section shows budgetary to actual financial results for the major and non-major funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) for the City's governmental and business-type activities.

The City's net position is made up of three components: invested in capital assets, restricted net position, and unrestricted net position. Restricted net position are subject to constraints that are either externally imposed by outside agencies, for example banks or grant agencies, or imposed by law through constitutional provisions or enabling legislation. The capital assets reflected within (Table 1) are stated net of accumulated depreciation.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Madras, combined net position for fiscal year ended June 30, 2013 totaled \$42.7 million, a slight increase of less than \$0.1 million from June 30, 2012.

Table 1
CITY OF MADRAS
STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	\$ 3,896,162	\$ 4,088,872	\$ 2,521,295	\$ 2,715,111	\$ 6,417,457	\$ 6,803,983
Capital assets	22,656,179	18,954,504	36,575,185	36,566,368	59,231,364	55,520,872
Total Assets	26,552,341	23,043,376	39,096,480	39,281,479	65,648,821	62,324,855
Liabilities:						
Current liabilities	2,196,365	861,253	692,330	464,483	2,888,695	1,325,736
Non-current liabilities	8,079,450	6,143,527	11,955,438	12,207,250	20,034,888	18,350,777
Total Liabilities	10,275,815	7,004,780	12,647,768	12,671,733	22,923,583	19,676,513
Net position:						
Invested in capital assets	17,322,611	15,660,870	24,496,770	24,409,168	41,819,381	40,070,038
Restricted	3,134,263	3,245,111	358,016	1,613,516	3,492,279	4,858,627
Unrestricted	(4,180,348)	(2,867,385)	1,593,926	587,062	(2,586,422)	(2,280,323)
Total Net Position	\$ 16,276,526	\$ 16,038,596	\$ 26,448,712	\$ 26,609,746	\$ 42,725,238	\$ 42,648,342

The largest component of the City's \$42.7 million net position is net investments in capital assets (*e.g., land, buildings, improvements, equipment, infrastructure and construction in progress*). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position is calculated by reducing the carrying value of restricted assets by amounts repayable from those assets, excluding capital-related debt. The restricted net position represent resources subject to restrictions imposed either by external creditors or imposed by law through constitutional provisions or enabling legislation. During the fiscal year, total restricted net position decreased \$1.4 million (28.1%), primarily related to changes in debt reserves and SDC fund balances related to the refunding of Wastewater debt.

Change in Net position

Table 2
CITY OF MADRAS
CHANGE IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues and Transfers:						
Program Revenues:						
Charges for services	\$ 1,232,926	\$ 1,068,729	\$ 3,353,266	\$ 3,101,223	\$ 4,586,192	\$ 4,169,952
Operating grants and contributions	45,615	439,959	-	-	45,615	439,959
Capital grants and contributions	542,534	-	635,026	1,846,072	1,177,560	1,846,072
General Revenues and Transfers:					-	-
Property taxes	1,447,579	1,415,811	-	-	1,447,579	1,415,811
Franchise and public services tax	804,350	839,970	-	-	804,350	839,970
Investment earnings and other	74,002	51,066	50,108	45,264	124,110	96,330
Transfers	(194,772)	-	194,772	-	-	-
Total Revenues and Transfers	3,952,234	3,815,535	4,233,172	4,992,559	8,185,406	8,808,094
Expenses:						
General government	75,128	202,693	-	-	75,128	202,693
Parks	201,386	192,219	-	-	201,386	192,219
Community development	489,735	574,630	-	-	489,735	574,630
Public safety	2,036,994	1,766,519	-	-	2,036,994	1,766,519
Highway and streets	765,403	536,984	-	-	765,403	536,984
Interest on long-term obligations	145,658	62,037	-	-	145,658	62,037
Enterprise operations	-	-	4,394,206	3,775,512	4,394,206	3,775,512
Total Expenses	3,714,304	3,335,082	4,394,206	3,775,512	8,108,510	7,110,594
Change in Net position	237,930	480,453	(161,034)	1,217,047	76,896	1,697,500
Net position - beginning of year	16,038,596	13,052,370	26,609,746	25,621,874	42,648,342	38,674,244
Prior Period Adjustment	-	2,432,191	-	(155,593)	-	2,276,598
Reconciliation to move Debt Service Fund and Debt Reserve Fund from Proprietary to Governmental	-	73,582	-	(73,582)	-	-
Net position - end of year	\$ 16,276,526	\$ 16,038,596	\$ 26,448,712	\$ 26,609,746	\$ 42,725,238	\$ 42,648,342

Governmental Activities:

Governmental activities represent 38.1% of the City's total net position. The governmental activities net position increased slightly by \$0.2 million in 2013. Total revenues from governmental activities for fiscal year 2013 were flat while expenses increased slightly from the prior year.

In the current year, property tax revenue increased slightly from the prior fiscal year. Depreciating property values and other economic concerns caused by the recession continue to inhibit growth in property taxes.

Business-Type Activities:

Business-type activities represent 61.9% of the City's total net position. These business-type activities consist of the Water, Wastewater and Airport operations and capital projects. In fiscal year end 2013, net position decreased slightly by \$0.2 million.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balance spending recourses. Such information is useful in assessing the City's financing requirements. In particular, the unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Below, (Table 3) shows the governmental funds balances for the two fiscal years ending June 30, 2013 and June 30, 2012. *Governmental funds* are divided into two categories consisting of major and non-major funds. During fiscal year end 2013, three funds were classified as major governmental funds: the General fund; Transportation Operations fund; and the Redevelopment Commission General Fund. All other governmental funds were classified as non-major funds.

As of fiscal year ended 2012, the City's governmental funds reported a combined ending fund balance of \$2.2 million. For the current fiscal year, the ending fund balance for the General Fund decreased slightly (less than \$0.1 million) and the net change in fund balance for Total Governmental Funds was insignificant. A decrease in revenues was offset by a decrease in expenditures. Also, total expenditures in the Redevelopment Commission General Fund increased due to repayment of a bond anticipation line of credit, which was offset by the corresponding issuance of Wastewater revenue bonds in the Other Governmental Funds.

Table 3
CITY OF MADRAS
SUMMARY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

Fiscal Year 2012-13	General Fund	Transportation Operations Fund	Redevelopment Commission General Fund	Other Governmental Funds	Total
Total revenues	\$ 2,046,239	\$ 1,118,671	\$ 356,318	\$ 428,673	\$ 3,949,901
Total expenditures	2,160,362	1,180,791	65,551	754,056	4,160,760
Revenues over/(under) expenditures	(114,123)	(62,120)	290,767	(325,383)	(210,859)
Total other financing sources/(uses)	20,000	60,949	(272,131)	299,529	108,347
Net change in fund balance	(94,123)	(1,171)	18,636	(25,854)	(102,512)
Fund balance - beginning	770,683	227,179	(1,832,293)	3,025,065	2,190,634
Fund balance (deficit) – Ending	<u>\$ 676,560</u>	<u>\$ 226,008</u>	<u>\$ (1,813,657)</u>	<u>\$ 2,999,211</u>	<u>\$ 2,088,122</u>
Fiscal Year 2011-12	General Fund	Transportation Operations Fund	Redevelopment Commission General Fund	Other Governmental Funds	Total
Total revenues	\$ 2,035,142	\$ 1,193,691	\$ 371,701	\$ 284,156	\$ 3,884,690
Total expenditures	2,019,782	1,116,483	2,686,317	538,015	6,360,597
Revenues over/(under) expenditures	15,360	77,208	(2,314,616)	(253,859)	(2,475,907)
Total other financing sources/(uses)	(22,511)	(122,000)	(305,258)	2,859,511	2,409,742
Net change in fund balance	(7,151)	(44,792)	(2,619,874)	2,605,652	(66,165)
Fund balance - beginning	777,834	271,971	323,890	345,831	1,719,526
Prior period adjustment	-	-	463,691	-	463,691
Reconciliation to move Debt Service Fund and Debt Reserve Fund from Proprietary to Governmental	-	-	-	73,582	73,582
Fund balance (deficit) – Ending	<u>\$ 770,683</u>	<u>\$ 227,179</u>	<u>\$ (1,832,293)</u>	<u>\$ 3,025,065</u>	<u>\$ 2,190,634</u>

GENERAL FUND BUDGET HIGHLIGHTS

The City adopted the operating budget for the fiscal year 2012-13 budget on June 26, 2012 in the amount of \$17,889,930. The General Fund budgetary comparison can be found on page 39. Other major governmental funds budgetary comparison can be found on pages 40 and 41.

CAPITAL ASSETS

The Capital assets of the City are those assets that are used in the performance of the City's functions including infrastructures assets. Capital Assets include buildings, equipment, land, park facilities, roads, and construction in progress. Both land owned by the City for its own use and acquired land designated for resale are considered non-depreciable assets based on generally accepted accounting principles.

Governmental activities capital assets increased \$3.7 million (19.5%) primarily related to final construction and completion of a new Police Station/City Hall facility and the M-Hill Trail Project. Business-type activities capital asset increased only slightly, with continued work on the North Madras Sewer Collector project offset by current year depreciation. (See table 4 for more detail).

Table 4
CITY OF MADRAS
CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Non-depreciable assets:						
Land	\$ 2,956,465	\$ 2,956,465	\$ 1,727,177	\$ 1,727,177	\$ 4,683,642	\$ 4,683,642
Construction in progress	334,954	2,673,941	783,775	43,163	1,118,729	2,717,104
Total non-depreciable assets	3,291,419	5,630,406	2,510,952	1,770,340	5,802,371	7,400,746
Capital assets being depreciated:						
Land improvements	1,404,245	364,150	117,275	121,700	1,521,520	485,850
Building and improvements	7,563,327	2,409,903	4,302,089	4,387,624	11,865,416	6,797,527
Equipment	574,497	649,777	352,390	468,310	926,887	1,118,087
Infrastructure	9,822,691	9,900,268	29,292,479	29,818,394	39,115,170	39,718,662
Total depreciable assets, net	19,364,760	13,324,098	34,064,233	34,796,028	53,428,993	48,120,126
Total capital assets	\$ 22,656,179	\$ 18,954,504	\$ 36,575,185	\$ 36,566,368	\$ 59,231,364	\$ 55,520,872

DEBT ADMINISTRATION

The table below (Table 5) shows the City's combined total outstanding debt for fiscal years ending June 30, 2013 and 2012. For more information regarding the City's outstanding debt please refer to the Note 5 to the Basic Financial Statements located on pages 27 through 32 of this report.

Table 5
CITY OF MADRAS
OUTSTANDING DEBT

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Bonds Payable	\$ 6,395,000	\$ 4,335,000	\$ 10,674,995	\$ 7,797,012	\$ 17,069,995	\$ 12,132,012
Loans and Notes	1,428,568	1,543,634	1,403,421	4,360,189	2,831,989	5,903,823
OPEB Liability	190,657	150,931	-	-	190,657	150,931
Total outstanding debt	\$ 8,014,225	\$ 6,029,565	\$ 12,078,416	\$ 12,157,201	\$ 20,092,641	\$ 18,186,766

On January 23, 2013, the City refunded a large portion of debt held in the Wastewater Funds through the issuance of a \$10,495,000 Full Faith & Credit bond issuance. The City also drew down approximately \$0.2 million on a DEQ State Revolving Loan to help fund improvement projects at the Wastewater facility. Total outstanding debt for Business-type Activities increased approximately \$0.1 million from the prior year.

Total outstanding debt for Governmental Activities increased approximately \$2.0 million, primarily related to the issuance of a \$2.2 million loan from the USDA to fund the new Police Department/City Hall facility.

For more information on the explanation and calculation of the Other Post-employment Benefits (OPEB) liability please see page 32 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic Factors considered for the next fiscal year (2013-14) include:

- Building permits for new dwelling units are trending up according to the Community Development Department.
- In March of 2013, the City of Madras signed two new long-term ground leases for business expansion at the Airport and Industrial Park, which are expected to lead to new building permit activity.

Other factors considered in developing the FY 2013-14 budget include:

- Staff reductions effective July 1, 2013, including two police officers and one City Hall administrative position. The City approved a freeze on cost of living and performance steps for non-represented employees, with limited exceptions.
- The City has implemented a 4.5% increase in water user rates and a 9.0% increase in sewer user rates effective July 1, 2013. A financial consultant was hired to evaluate the current debt situation within the Wastewater Operations and Wastewater System Development Funds and concluded that refinancing and restructuring was indeed possible to lessen future rate increases upon rate payers. Sewer user rates were originally projected to increase 16.0%; however, in January 2013, the City refinanced and restructured approximately \$10.45 million in wastewater debt, enabling the City to limit the increase in sewer user rates to 9.0%.
- Property valuations and related property tax projects remain uncertain. In discussions with the Tax Assessor, there is not any guidance for increasing or decreasing revenues for Fiscal year 2013-14.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Madras's finances for all those with an interest in the government's finances. Madras Redevelopment Commission has issued a separate report, which is available to those who are interested. Questions concerning any of the information provided in this report or requests for additional financial information should be address to the City of Madras, Attention: Finance Director, 125 S.E. "E" Street, Madras, Oregon 97741, (541) 475-2344, or visit the City's website at www.ci.madras.or.us.

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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CITY OF MADRAS
JEFFERSON COUNTY, OREGON

STATEMENT OF NET POSITION
June 30, 2013

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 2,352,323	\$ 88,184	\$ 2,440,507
Receivables:			
Accounts	374,237	613,339	987,576
Property Taxes	143,801	-	143,801
Notes Receivable	223,535	-	223,535
Interfund Receivable	-	1,461,255	1,461,255
Prepaid Expenses	608	-	608
Inventories	-	51,039	51,039
Restricted Cash and Investments	279,129	307,478	586,607
Total Current Assets	3,373,633	2,521,295	5,894,928
Noncurrent Assets:			
Bond Issue Costs	58,838	-	58,838
Redevelopment Properties	463,691	-	463,691
Capital Assets:			
Land	2,956,465	1,727,177	4,683,642
Construction in Progress	334,954	783,775	1,118,729
Depreciable Assets, Net	19,364,760	34,064,233	53,428,993
Total Noncurrent Assets	23,178,708	36,575,185	59,753,893
Total Assets	26,552,341	39,096,480	65,648,821
LIABILITIES			
Current Liabilities			
Accounts Payable and Accrued Expenses	276,434	99,722	376,156
Payroll Liabilities	47,701	-	47,701
Interfund Payable	1,461,255	-	1,461,255
Deposits	34,600	52,235	86,835
Unearned Revenue	48,595	68,732	117,327
Accrued Interest Payable	36,390	348,664	385,054
Long-term Debt, Due Within One Year	291,390	122,977	414,367
Total Current Liabilities	2,196,365	692,330	2,888,695
Noncurrent Liabilities:			
Accrued Compensated Absences	181,615	-	181,615
Other Post-employment Benefits	190,657	-	190,657
Litigation	175,000	-	175,000
Long-term Debt, Due After One Year	7,532,178	11,955,438	19,487,616
Total Noncurrent Liabilities	8,079,450	11,955,438	20,034,888
Total Liabilities	10,275,815	12,647,768	22,923,583
Net Position:			
Net Investment in Capital Assets	17,322,611	24,496,770	41,819,381
Restricted for:			
Highways and Streets	226,008	-	226,008
Community Development	19,687	-	19,687
Improvement Fees	253,221	-	253,221
System Development	53,121	131,781	184,902
Debt Service	2,582,226	226,235	2,808,461
Unrestricted	(4,180,348)	1,593,926	(2,586,422)
Total Net Position	\$ 16,276,526	\$ 26,448,712	\$ 42,725,238

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

**CITY OF MADRAS
JEFFERSON COUNTY, OREGON**

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 75,128	\$ 240,834	\$ 45,375	\$ 281,562
Parks	201,386	50,918	-	-
Community Development	489,735	143,341	-	-
Public Safety	2,036,994	231,091	240	-
Highways and Streets	765,403	566,742	-	260,972
Interest Expense on Long-Term Debt	145,658	-	-	-
Total Governmental Activities	<u>3,714,304</u>	<u>1,232,926</u>	<u>45,615</u>	<u>542,534</u>
Business-Type Activities				
Water	471,635	503,684	-	-
Wastewater	3,197,166	2,322,667	-	560,911
Airport	725,405	526,915	-	74,115
Total Business-Type Activities	<u>4,394,206</u>	<u>3,353,266</u>	<u>-</u>	<u>635,026</u>
Total Primary Government	<u>\$ 8,108,510</u>	<u>\$ 4,586,192</u>	<u>\$ 45,615</u>	<u>\$ 1,177,560</u>

General Revenues

Property Taxes Levied for:

 General Purposes

 Debt Service

 Madras Redevelopment Commission

 Franchise and Public Services Taxes

 Interest and Investment Earnings

 Miscellaneous

 Transfers

Total General revenues, Special Items and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

**Net (Expense) Revenue and
Changes in Net Position**

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ 492,643	\$ -	\$ 492,643
(150,468)	-	(150,468)
(346,394)	-	(346,394)
(1,805,663)	-	(1,805,663)
62,311	-	62,311
(145,658)	-	(145,658)
<u>(1,893,229)</u>	<u>-</u>	<u>(1,893,229)</u>
-	32,049	32,049
-	(313,588)	(313,588)
-	(124,375)	(124,375)
<u>-</u>	<u>(405,914)</u>	<u>(405,914)</u>
<u>(1,893,229)</u>	<u>(405,914)</u>	<u>(2,299,143)</u>
1,001,832	-	1,001,832
90,709	-	90,709
355,038	-	355,038
804,350	-	804,350
12,343	4,884	17,227
61,659	45,224	106,883
(194,772)	194,772	-
<u>2,131,159</u>	<u>244,880</u>	<u>2,376,039</u>
237,930	(161,034)	76,896
<u>16,038,596</u>	<u>26,609,746</u>	<u>42,648,342</u>
<u>\$ 16,276,526</u>	<u>\$ 26,448,712</u>	<u>\$ 42,725,238</u>

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

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

COMBINED BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	GENERAL FUND	TRANSPORTATION OPERATIONS FUND	REDEVELOPMENT COMMISSION GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash and Cash Equivalents	\$ 493,924	\$ 7,413	\$ 207,769	\$ 177,966	\$ 887,072
Restricted Cash and Cash Equivalents	-	226,008	-	417,730	643,738
Receivables:					
Property Taxes	99,333	-	34,508	9,960	143,801
Accounts	175,374	122,063	-	17,073	314,510
Notes	-	-	-	223,535	223,535
Due from other funds	80,719	-	-	2,490,000	2,570,719
Redevelopment Properties	-	-	463,691	-	463,691
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 849,350</u>	<u>\$ 355,484</u>	<u>\$ 705,968</u>	<u>\$ 3,336,264</u>	<u>\$ 5,247,066</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable and Accrued Liabilities	\$ 51,349	\$ 127,166	\$ 1,700	\$ 3,131	\$ 183,346
Payroll Liabilities	25,308	-	-	2,233	27,541
Deposits	16,600	-	-	18,000	34,600
Deferred Revenue	79,533	2,310	27,925	232,970	342,738
Due to Other Funds	-	-	2,490,000	80,719	2,570,719
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>172,790</u>	<u>129,476</u>	<u>2,519,625</u>	<u>337,053</u>	<u>3,158,944</u>
Fund Balances:					
Nonspendable	-	-	463,691	-	463,691
Restricted	-	226,008	-	2,908,255	3,134,263
Committed	-	-	-	16,703	16,703
Assigned	102,212	-	-	56,033	158,245
Unassigned	574,348	-	(2,277,348)	18,220	(1,684,780)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>676,560</u>	<u>226,008</u>	<u>(1,813,657)</u>	<u>2,999,211</u>	<u>2,088,122</u>
	<u>\$ 849,350</u>	<u>\$ 355,484</u>	<u>\$ 705,968</u>	<u>\$ 3,336,264</u>	<u>\$ 5,247,066</u>

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

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
June 30, 2013**

Total Fund Balances		\$ 2,088,122
<p>Capital assets are not financial resources and thus are not reported in governmental funds, but are reported in the Statement of Net Position at their net depreciable value.</p>		
Capital assets	\$ 26,699,484	
Less accumulated depreciation	<u>(4,043,305)</u>	22,656,179
<p>Other Long-Term Assets are not available to pay for current period expenditures and, therefore are deferred in the fund statements</p>		
Notes Receivable	223,535	
Bond Issue Costs	<u>58,838</u>	282,373
<p>A portion of the City's property taxes are collected after year-end but are not available soon enough to pay for the current years' operations, and therefore are not reported as revenue in the governmental funds</p>		
Property tax deferred		115,642
<p>All liabilities are reported in the Statement of Net Position whereas in governmental funds, liabilities not due and payable in the current period are not reported.</p>		
Accrued interest payable	(36,390)	
Other post-employment benefits liability	(190,657)	
Accrued compensated absences	(181,615)	
Litigation	(175,000)	
Long-term debt	<u>(7,823,568)</u>	
Total liabilities not due and payable in current period		(8,407,230)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are classified as governmental activities in the Statement of Net Position. The below adjustments are for short-term items which were not already accounted for in the adjustments made above.</p>		
Cash and cash equivalents	1,100,642	
Receivables	59,727	
Prepaid Expenditures	608	
Accounts payable and accrued expenses	(194,219)	
Payroll Liabilities	(20,160)	
Unearned revenue	(45,034)	
Internal Balances	<u>(1,360,124)</u>	
Total internal service funds		<u>(458,560)</u>
Total Net Position		<u>\$ 16,276,526</u>

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

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

**COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013**

	GENERAL FUND	TRANSPORTATION OPERATIONS FUND	REDEVELOPMENT COMMISSION GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Property Taxes	\$ 1,011,947	\$ -	\$ 355,038	\$ 90,709	\$ 1,457,694
Other Taxes	147,971	-	-	73,985	221,956
Franchise Fees	385,296	385,311	-	-	770,607
Assessment	-	-	-	25,094	25,094
Licenses and Fees	4,636	-	-	59,930	64,566
Charges for Services	35,225	-	-	50,000	85,225
Intergovernmental	375,142	732,031	-	-	1,107,173
Fines and Forfeitures	46,040	-	-	-	46,040
System Development Charges	-	-	-	118,743	118,743
Rental Income	24,841	-	-	-	24,841
Interest on Investments	1,844	272	1,065	9,162	12,343
Miscellaneous	13,297	1,057	215	1,050	15,619
Total Revenues	2,046,239	1,118,671	356,318	428,673	3,949,901
EXPENDITURES:					
Current:					
General Government	67,707	-	-	-	67,707
Parks	179,049	-	-	-	179,049
Community Development	-	-	65,551	308,476	374,027
Public Safety	1,829,730	-	-	-	1,829,730
Highways and Streets	-	687,523	-	-	687,523
Capital Outlay	83,876	493,268	-	-	577,144
Debt Service	-	-	-	445,580	445,580
Total Expenditures	2,160,362	1,180,791	65,551	754,056	4,160,760
Excess of Revenues Over, (Under) Expenditures	(114,123)	(62,120)	290,767	(325,383)	(210,859)
Other Financing Sources, (Uses)					
Special Payments - Grants and Loans	-	-	(112,636)	-	(112,636)
Transfers In	199,596	159,049	-	393,578	752,223
Transfers Out	(179,596)	(98,100)	(159,495)	(94,049)	(531,240)
Total Other Financing Sources (Uses)	20,000	60,949	(272,131)	299,529	108,347
Net Change in Fund Balance	(94,123)	(1,171)	18,636	(25,854)	(102,512)
Fund Balance - Beginning of Year	770,683	227,179	(1,832,293)	3,025,065	2,190,634
Fund Balance - End of Year	\$ 676,560	\$ 226,008	\$ (1,813,657)	\$ 2,999,211	\$ 2,088,122

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

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - TO
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013**

The change in net position reported in the Statement of Activities is different because:

Net changes in fund balances - total governmental funds, restated	\$	(102,512)
<p>Capital asset additions are reported as capital outlay expenditures in governmental funds. However, the Statement of Activities allocated the cost of these assets over their estimated useful lives as depreciation expense.</p>		
Capital Asset Additions	\$	720,762
Depreciation		<u>(382,632)</u>
		338,130
<p>Assessment and other loan repayments collected are reported as revenue in the governmental funds when they are collected. In the Statement of Activities, revenues are recognized when the loan receivables are recorded and principle repayments collected reduce the loan receivable balances.</p>		
		(24,094)
<p>Property taxes and other revenues that do not meet the measurable and available criteria do not provide current financial resources and are recorded as deferred revenue in the governmental funds. In the Statement of Activities, these revenues are recognized as revenue when they are earned (or levied in the case of property taxes).</p>		
		(10,115)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.</p>		
Debt Principal Repaid		210,066
Bond Issuance Costs		(10,973)
Change in Compensated Absences		(11,925)
Change in Other Post Employment Benefits		(17,876)
Change in Accrued Interest Payable		<u>1,422</u>
Total expenses not reported in governmental funds		170,714
<p>Internal service funds are used by management to charge the costs of central services, public works administration, building maintenance and improvement and fleet maintenance and acquisition to individual funds. The net revenues (expenses) of the internal service funds are allocated between governmental and business-type activities.</p>		
		<u>(134,193)</u>
Changes in net position of governmental activities	\$	<u><u>237,930</u></u>

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

**CITY OF MADRAS
JEFFERSON COUNTY, OREGON**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013**

	Business-Type Activities - Enterprise Funds				Governmental Activities
	WATER FUNDS	WASTEWATER FUNDS	AIRPORT FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 88,184	\$ -	\$ -	\$ 88,184	\$ 1,100,642
Restricted Cash and Equivalents	49,962	254,192	3,324	307,478	-
Receivables:					
Accounts	45,341	412,478	155,520	613,339	59,727
Interfund Loan Receivable	-	101,131	-	101,131	-
Prepaid Expense	-	-	-	-	608
Inventories	16,047	-	34,992	51,039	-
Total Current Assets	<u>199,534</u>	<u>767,801</u>	<u>193,836</u>	<u>1,161,171</u>	<u>1,160,977</u>
Noncurrent Assets:					
Bond Issuance Costs	-	-	-	-	58,838
Capital Assets:					
Land	6,048	1,608,784	112,345	1,727,177	2,270,000
Construction in Progress	-	701,044	82,731	783,775	45,551
Depreciable Assets	1,530,470	31,555,966	9,816,658	42,903,094	6,544,780
Accumulated Depreciation	<u>(776,344)</u>	<u>(6,207,756)</u>	<u>(1,854,761)</u>	<u>(8,838,861)</u>	<u>(641,964)</u>
Total Noncurrent Assets	<u>760,174</u>	<u>27,658,038</u>	<u>8,156,973</u>	<u>36,575,185</u>	<u>8,277,205</u>
Total Assets	<u>\$ 959,708</u>	<u>\$ 28,425,839</u>	<u>\$ 8,350,809</u>	<u>\$ 37,736,356</u>	<u>\$ 9,438,182</u>
LIABILITIES:					
Current Liabilities					
Accounts Payable	\$ 25,020	\$ 67,642	\$ 7,060	\$ 99,722	\$ 93,088
Payroll Liabilities	-	-	-	-	20,160
Accrued Interest Payable	3,733	310,176	34,755	348,664	6,206
Deposits	30,228	22,007	-	52,235	-
Unearned Revenue	-	68,732	-	68,732	45,034
Compensated Absences Payable	-	-	-	-	99,433
Interfund Payable	-	-	-	-	101,131
Current Portion of Long-Term Debt	4,648	88,370	29,959	122,977	73,380
Total Current Liabilities	<u>63,629</u>	<u>556,927</u>	<u>71,774</u>	<u>692,330</u>	<u>438,432</u>
Noncurrent Liabilities:					
Other Post Employment Benefits Liability	-	-	-	-	104,861
Notes and Contracts Payable	125,737	233,409	1,007,310	1,366,456	-
Bonds Payable, Due After One Year	-	10,495,000	93,982	10,588,982	3,831,620
Total Noncurrent Liabilities	<u>125,737</u>	<u>10,728,409</u>	<u>1,101,292</u>	<u>11,955,438</u>	<u>3,936,481</u>
Total Liabilities	<u>189,366</u>	<u>11,285,336</u>	<u>1,173,066</u>	<u>12,647,768</u>	<u>4,374,913</u>
Net Position:					
Net Investment in Capital Assets	629,789	16,841,259	7,025,722	24,496,770	2,043,367
Restricted for System Development	49,962	81,819	-	131,781	-
Restricted for Debt Services	-	216,149	10,086	226,235	-
Unrestricted	90,591	1,276	141,935	233,802	3,019,902
Total Net Position	<u>\$ 770,342</u>	<u>\$ 17,140,503</u>	<u>\$ 7,177,743</u>	<u>\$ 25,088,588</u>	<u>\$ 5,063,269</u>

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

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

RECONCILIATION OF PROPRIETARY FUNDS STATEMENT OF NET POSITION
TO STATEMENT OF NET POSITION
June 30, 2013

Net position - total enterprise funds	\$ 25,088,588
Amounts reported for business-type activities in the statement of net position are different because:	
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are classified as governmental activities, but the business-type activities made payments.	
Internal loans receivable	<u>1,360,124</u>
Net position of business - type activities	<u><u>\$ 26,448,712</u></u>

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

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds				Governmental Activities
	WATER FUNDS	WASTEWATER FUNDS	AIRPORT FUNDS	TOTAL	INTERNAL SERVICE FUNDS
OPERATING REVENUES:					
Charges for Services	\$ 453,724	\$ 2,090,127	\$ 295,246	\$ 2,839,097	\$ 2,889,142
Licenses and Fees	-	-	-	-	51,148
Rental Income	-	2,157	188,323	190,480	-
Miscellaneous	797	20,753	23,674	45,224	97,103
Total Operating Revenues	454,521	2,113,037	507,243	3,074,801	3,037,393
OPERATING EXPENSES:					
Personnel Services	-	-	-	-	1,431,084
Materials and Services	435,680	1,907,333	439,160	2,782,173	752,071
Depreciation	29,467	536,667	229,154	795,288	164,346
Total Operating Expenses	465,147	2,444,000	668,314	3,577,461	2,347,501
Operating Income (Loss)	(10,626)	(330,963)	(161,071)	(502,660)	689,892
Nonoperating Revenues (Expenses):					
Interest on Investments	268	4,045	571	4,884	4,564
Interest Expense	(6,488)	(763,066)	(57,091)	(826,645)	(79,305)
Total Non-Operating Revenues (Expenses)	(6,220)	(759,021)	(56,520)	(821,761)	(74,741)
Income (Loss) Before Contributions and Transfers	(16,846)	(1,089,984)	(217,591)	(1,324,421)	615,151
Capital Contributions					
Intergovernmental	-	510,664	74,115	584,779	-
System Development Charges	-	46,286	-	46,286	-
Assessments	-	3,961	-	3,961	-
Total Capital Contributions	-	560,911	74,115	635,026	-
Transfers					
Transfers In	60,000	396,772	30,000	486,772	85,955
Transfers Out	-	(292,000)	-	(292,000)	(501,710)
Total Transfers	60,000	104,772	30,000	194,772	(415,755)
Change in Net Position	43,154	(424,301)	(113,476)	(494,623)	199,396
Beginning Net Position	727,188	17,564,804	7,291,219	25,583,211	4,863,873
Ending Net Position	\$ 770,342	\$ 17,140,503	\$ 7,177,743	\$ 25,088,588	\$ 5,063,269

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

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS - TO
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013**

The change in net position reported in the Statement of Activities is different because:

Net changes in fund balances - total enterprise funds	\$ (494,623)
Internal service funds are used by management to charge the costs of central services, public works administration, building maintenance and improvement and fleet maintenance and acquisition to individual funds. The net revenues (expenses) of the internal service funds are allocated between governmental and business-type activities.	<u>333,589</u>
Changes in net position of enterprise activities	<u>\$ (161,034)</u>

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

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Business-Type Activities - Enterprise Funds				Governmental Activities
	WATER FUNDS	WASTEWATER FUNDS	AIRPORT FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:					
Receipts from Customers and Uses	\$ 452,586	\$ 2,007,765	\$ 356,544	\$ 2,816,895	\$ 226,699
Receipts from interfund services provided	-	-	-	-	2,889,142
Payments to Suppliers	(165,972)	(500,945)	(379,872)	(1,046,789)	(1,155,210)
Payments to Employees	-	-	-	-	(1,396,674)
Payments for Interfund Services Used	(261,618)	(1,388,124)	(56,389)	(1,706,131)	-
Net Cash Provided from (used by) Operating Activities	<u>24,996</u>	<u>118,696</u>	<u>(79,717)</u>	<u>63,975</u>	<u>563,957</u>
Cash Flows From Noncapital Financing Activities					
Transfer From Other Funds	60,000	396,772	30,000	486,772	-
Transfer To Other Funds	-	(292,000)	-	(292,000)	(415,755)
Net Cash Flows from (used by) Noncapital Financing Activities	<u>60,000</u>	<u>104,772</u>	<u>30,000</u>	<u>194,772</u>	<u>(415,755)</u>
Cash Flows from Capital and Related Financing Activities					
Proceeds from Intergovernmental Revenue	-	514,625	74,115	588,740	-
System Development Charges	-	46,286	-	46,286	-
Interfund Loans	-	-	-	-	(62,251)
Interest Revenue	268	4,045	571	4,884	-
Acquisition of Capital Assets	-	(709,326)	(94,779)	(804,105)	(3,527,891)
Issuance of Debt	-	-	-	-	2,200,000
Principal Paid on Long-Term Obligations	(4,428)	(95,059)	(28,529)	(128,016)	(42,442)
Interest Paid on Long-Term Obligations	(6,616)	(763,066)	(58,013)	(827,695)	(74,852)
Net Cash Flows from (used by) Capital and Related Financing Activities	<u>(10,776)</u>	<u>(1,002,495)</u>	<u>(106,635)</u>	<u>(1,119,906)</u>	<u>(1,507,436)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>74,220</u>	<u>(779,027)</u>	<u>(156,352)</u>	<u>(861,159)</u>	<u>(1,359,234)</u>
Balances - Beginning of the Year	<u>63,926</u>	<u>1,033,219</u>	<u>159,676</u>	<u>1,256,821</u>	<u>2,459,876</u>
Balances - End of the Year	<u>\$ 138,146</u>	<u>\$ 254,192</u>	<u>\$ 3,324</u>	<u>\$ 395,662</u>	<u>\$ 1,100,642</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided from (used by) Operating Activities:					
Operating Income	\$ (10,626)	\$ (330,963)	\$ (161,071)	\$ (502,660)	\$ 689,892
Cash Flow Reported in Other Activities:					
Depreciation Expense	29,467	536,667	229,154	795,288	164,346
(Increase) Decrease in Assets					
Receivables	(5,521)	(134,238)	(140,409)	(280,168)	(6,692)
Inventory	(3,918)	1,799	(10,290)	(12,409)	-
Increase (Decrease) in Liabilities					
Accounts Payable and Accrued Expenses	12,008	16,466	2,899	31,373	(332,673)
Deposits	3,586	569	-	4,155	-
Unearned Revenues	-	28,396	-	28,396	29,540
Compensated Absences Payable	-	-	-	-	13,585
Other Postemployment Benefits	-	-	-	-	5,959
Net Cash Provided from (used by) Operating Activities	<u>\$ 24,996</u>	<u>\$ 118,696</u>	<u>\$ (79,717)</u>	<u>\$ 63,975</u>	<u>\$ 563,957</u>

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

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

THE FINANCIAL REPORTING ENTITY

The City, an Oregon Municipal Corporation, is organized with an elected mayor and council consisting of seven members. The council is charged with the affairs of the City and employs a City Administrator who manages the daily affairs and is responsible for incorporating the various council actions and policies into the daily affairs. The accounting and reporting policies conform to generally accepted accounting principles for local governments. A full range of municipal services are provided to the community, which include police protection, traffic control and improvement, street maintenance and improvement, water, sanitary, sewer, and surface water management services, planning and zoning regulation, building inspection and regulation, and parks and recreational activities.

Management, in determining what potential component entities should be included for financial reporting purposes, considered accountability for fiscal matters, other manifestations of oversight responsibility, scope of public service, and special financing relationships. Fiscal accountability, the most significant of all criteria, refers to conditions of financial interdependence between two entities including budgetary adoption, taxing authority, responsibility for debt, control over or responsibility for financial management. Other manifestations of oversight responsibility encompass the ability to select governing authority, designate management, or significantly influence operations. The scope of public service evaluates the benefits derived in terms of the citizenry served or the geographic boundaries included.

The accompanying financial statements present the City (primary government) and its blended component unit (Madras Redevelopment Commission), an entity for which the City is considered to be financially responsible. Component units, as defined by the Governmental Accounting Standards Board (GASB) Statement No. 61, are separate organizations that are included in the City of Madras's reporting entity because of the significance of their operational or financial relationships with the City.

MADRAS REDEVELOPMENT COMMISSION

The Madras Redevelopment Commission (the Commission or the Agency) is the Urban Renewal Agency for the City of Madras, and was formed to undertake urban renewal projects and activities pursuant to the City's redevelopment plan. The Board of Directors of the Agency consists of a eight member board with three members of the Madras City Council and five members at large appointed by the Madras City Council. The City is required to certify to the County Assessor any incremental taxes to be levied for the benefit of the Agency. Since the City Council appoints its governing board and services are provided almost entirely within the City of Madras, it has been included as a blended component unit in the financial statements. Complete financial statements for the Agency may be obtained at the City's administrative offices, 125 SW E Street, Madras, Oregon 97741.

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 non-fiduciary activities of the City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

extent on fees and charges for support. Eliminations have been made to eliminate the double counting of internal activities. Direct expenses are not eliminated from the various functional categories.

The statement of activities demonstrates the degree to which the direct expenses of a given function (i.e., general government, public safety, streets, etc.) is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Each fund is considered to be a separate accounting entity. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Remaining governmental funds are aggregated and reported as non-major funds.

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, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The following major governmental funds are reported:

General Fund

This is the primary operating fund. It accounts for the financial operations, which are not accounted for in any other fund. Principal sources of revenue are property taxes, intergovernmental revenues, licenses and fees, charges for services, and other miscellaneous revenues. Primary expenditures are for police and transfers to other funds. In addition, the activities for the Parks fund and Industrial Site fund are reported as separate budgetary funds, but do not qualify as Special Revenue funds for external reporting under GASB 54. These funds have been reported as sub-funds of the Combined General Fund.

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Transportation Operations Fund

Accounts for revenues received from state gasoline tax, which are to be expended for the construction, maintenance and use of the City streets.

Redevelopment Commission General Fund

This fund accounts for the City's urban renewal projects. Revenues are from property taxes and issuance of debt, and expenditures are for the elimination of blighted conditions and urban development as defined in the City's Urban Renewal Plan.

The following non-major governmental funds types are combined and reported as other governmental fund:

Special Revenue Funds

These funds account for revenues derived from specific taxes or other earmarked revenue sources including gas taxes, licenses and fees, intergovernmental revenues, sales and services, and charges for services that are restricted to finance particular functions or activities.

Improvement Fee Fund

This fund accounts for financial resources to be used for improvements to street systems that are dirt, gravel, or very poor condition roadways. Principal resources include intergovernmental revenues, transfers from the Transportation Operations Fund, and interest on investments.

Debt Service Funds

These funds account for payments of principal and interest on the city's loans. Revenues are primarily from property taxes from the county.

Capital Projects Funds

These funds are used to account for expenditures on major construction projects or equipment acquisition. The principal sources of revenues are proceeds from long-term obligations issued to finance capital acquisitions and improvements.

MRC Reinvestment Fund

This fund accounts for receipts from the repayment of redevelopment loans and the resources available for future projects.

The following major proprietary funds are reported:

Water Funds

This fund accounts for the activities of the water distribution system. Revenue is derived primarily from water service charges.

Wastewater Funds

This fund accounts for the activities of the wastewater collection and treatment system. Revenue is derived primarily from sewer service charges.

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

The Airport Funds

This fund accounts for the activities associated with the operations and capital improvements of the City's municipal airport.

Additionally, the following fund types are reported:

Internal Service Fund

Accounts for equipment maintenance activities and services furnished internally to other departments on a cost reimbursement basis. Charges are made to the various departments to support these activities. The activities, which include central services, public works administration, building maintenance and improvement, and fleet maintenance and acquisition, are reflected as the internal service fund in the fund financial statements. These activities are allocated between the governmental and proprietary activities based on the percentage of expenses reimbursed by governmental funds and proprietary funds.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments.

Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

BUDGETS

A budget is prepared for all funds, in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon Local Budget Law. The Parks fund and Industrial Site fund are budgeted as separate funds for Oregon Budget Law, but they are combined with the General fund under GAAP. The budget process begins in each fiscal year with the establishment of the Budget Committee. Recommendations are developed through late winter with the Budget Committee approving the budget in early spring. Public notices of the budget hearing are published generally in early spring with a public hearing being held approximately three weeks later. The Council may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is then adopted, appropriations are made and the tax levy declared no later than June 30th.

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETS (CONTINUED)

Expenditure budgets are appropriated at the following levels for each fund other than the General Fund:

LEVEL OF CONTROL

Personnel Services	Interfund Transactions
Materials and Services	Debt Service
Capital Outlay	Operating Contingency
Special Payments	

The General Fund is appropriated at the department level along with transfers and contingencies. Expenditures cannot legally exceed the above appropriation levels except in the case of grants or bonds issued after budget adoption which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year-end. Management may amend line items in the budget without Council approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Council approves them due to a need which exists which was not determined at the time the budget was adopted.

Budget amounts shown in the basic financial statements reflect the original budget amount, several appropriation transfers and supplemental budgets. Expenses of the various funds were within authorized appropriations for the year ended June 30, 2013, except as noted below:

SDC Street Improvement Fund – Debt Service \$383

BUDGETARY BASIS OF ACCOUNTING

While the financial position, results of operations, and changes in fund balance/net position is reported on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis of accounting differs from generally accepted accounting principles. The budgetary statements provided as part of supplementary information elsewhere in this report are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The primary differences between the budgetary basis and GAAP basis are that capital outlay is expensed when purchased, depreciation and amortization expenses are not reported, property taxes are recognized as revenue when received instead of when levied, inventory is expensed as purchased, and proceeds of long-term borrowing are recognized as an “other financing source” and principal paid is considered an expenditure when paid. Bond issue costs are recognized as expenditures when bonds are issued (rather than amortizing over the life of the bonds).

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

Deposits and investments

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, and cash and investments in the investment pool. Investments, including equity in pooled cash and investments, approximate fair value.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/ from other funds" (i.e., the current portion of inter fund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property taxes are levied on and become a lien against the property on July 1, when they are levied, in the year in which they are due. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. In the fund financial statements, property taxes receivable that are collected by the County prior to year end are reported as revenue. The remaining balance is reported as unearned revenue. Management has determined that no provision for uncollectible property taxes is considered necessary. In the government-wide financial statements, property taxes are recognized as revenue when earned.

Assessments are recognized as receivables at the time property owners are assessed on property improvements. These assessments are liens on the affected properties. These receivables are offset by unearned revenue, as assessment revenue is recognized upon collection. The assessments are repaid over a ten year period on a semi-annual basis including interest. The interest rate charged on the assessments range from 6.5% to 7% depending when the project was assessed. Management has determined that no provision for uncollectible assessments is considered necessary. In the government-wide financial statements, assessment receivables are recognized as revenue when earned. Uncollected property taxes are shown in the combined balance sheet. Uncollected taxes are deemed by management to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. Property taxes collected within approximately sixty days of fiscal year - end are recognized as revenue. The remaining balance of taxes receivable is recorded as unearned revenue because it is not deemed available to finance operations of the current period. Receivables of the enterprise funds are recognized as revenue when earned, including services provided but not billed. Receivables in governmental and enterprise funds are stated net of an allowance for uncollectibles.

Supply Inventories

Inventories are valued at cost or estimated cost, which approximate market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased (Purchase Method). Inventories in the governmental funds are offset by a fund balance reserve in the government fund financial statements to indicate they do not represent "available spendable resources." In the government-wide financial statements, inventories are not offset by a fund balance reserve. Management has determined that there were no significant inventories at year end that had been purchased by governmental funds. The inventory amounts presented in the proprietary funds for materials and supplies are based on estimated quantities and costs.

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid items

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

Redevelopment Properties

Assets are constructed and refurbished for the benefit of the City and businesses in the local area, and any assets constructed or improved are generally property of the benefiting entity. In addition, the City purchases property through the redevelopment commission to be refurbished and sold. At June 30, 2013, the redevelopment properties consist of a non-depreciable property purchased to refurbish and sell, in the amount of \$463,691.

Capital assets

Capital assets, which include land, buildings, improvements, equipment, and infrastructure (e.g., streets, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as tangible assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capitalized costs for a majority of the older assets are based on estimated costs established by engineering studies performed by personnel, since there was no election to report major general infrastructure retroactively.

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

Depreciation on exhaustible assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	
Buildings and improvements	50 - 75
Plant in Service	20 - 50
Machinery and equipment	7 - 15

Capital assets include contributions of capital assets from outside developers. Revenues from these capital contributions are reflected in business-type activities funds as capital contributions. These revenues are not reported in the governmental fund financial statements, but are reflected in the statement of activities as capital contributions revenue in the governmental activities. Capital assets contributed by governmental funds to business-type activities are reflected in the business-type financial statements as contributions. The contribution is not reflected in the governmental fund financial statements, but is reclassified as a transfer to/from governmental fund type to business-type in the statement of activities.

Compensated absences

It is the policy to permit employees to accumulate earned but unused vacation and compensatory time. Liabilities for unused vacation pay and compensatory time are recorded in the Statement of Net Position and proprietary fund financial statements when vested or earned by employees. A liability for these amounts is reported in governmental funds only if it has matured, for example, because of employee resignations or retirements.

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position/Fund Balance

Net position is comprised of the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net position is classified in the following three categories:

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

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

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

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. Authority to make assignments has been delegated to the City Manager and the Finance Director.

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balance (Continued)

- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

It is the policy of the City that General Fund resources are to be expended – when multiple fund balance types are available for a specific purpose – in the following order: Restricted, Committed, Assigned, and Unassigned. All other funds are to expend fund balances in the following order: Assigned, Committed and Restricted.

2. CASH AND INVESTMENTS

A cash pool is maintained that is available for use by all funds.

Cash and Investments (recorded at cost) consisted of:

Deposits with Financial Institutions:

Petty Cash	\$	100
Demand Deposits		561,364
Investments		<u>2,465,650</u>
Total Cash and Investments	\$	<u><u>3,027,114</u></u>

Reconciliation of Cash as reported in financial statements:

Unrestricted Statement of Net Position	\$	2,440,507
Restricted Statement of Net Position		<u>586,607</u>
Total Cash and Investments	\$	<u><u>3,027,114</u></u>

Deposits

Deposits with financial institutions consist of bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury. The total bank balance amounted to \$700,658, of which \$355,606 was covered by federal depository insurance and the remainder was deposited at an approved depository as identified by the Treasury, in accordance with Oregon Revised Statutes.

Investments

State statutes authorize investment primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers, and the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool.

Investments are valued at fair value as required by GASB 31. At June 30, 2013, the value of the Pool shares as reported in the Oregon Short Term Fund represent the full fair value position of LGIP.

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2013, there were the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in months)		
		Less than 3	3-17	18-59
Local Government Investment Pool	\$ 2,465,650	\$ 2,465,650	\$ -	\$ -

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There are no investments that have a maturity date over 3 months.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the deposits may not be returned. There is no deposit policy for custodial credit risk.

Concentration of Credit Risk

There is no limit placed on the amount invested in any one issuer. 100% of the investments are in the Local Government Investment Pool. Investments in the Oregon Local Investment Pool is limited as to the amount. With the exception of pass-through funds, the maximum amount of pooled investments that can be placed in the Oregon Local Government Investment Pool is limited by the State.

3. ACCRUED COMPENSATED ABSENCES

The compensated absences balances at June 30, 2013 were as follows:

Compensated Absences	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental	\$ 156,105	\$ 181,615	\$ (156,105)	\$ 181,615
	<u>\$ 156,105</u>			<u>\$ 181,615</u>

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2013 was as follows:

GOVERNMENTAL ACTIVITIES CAPITAL ASSETS

<u>Description</u>	<u>June 30, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2013</u>
Capital assets not being Depreciated				
Land	\$ 2,956,465	\$ -	\$ -	\$ 2,956,465
Construction in Progress	2,673,941	4,063,076	(6,402,063)	334,954
Total Capital Assets not being Depreciated	<u>5,630,406</u>	<u>4,063,076</u>	<u>(6,402,063)</u>	<u>3,291,419</u>
Other Capital Assets				
Land Improvements	680,553	1,100,441	-	1,780,994
Buildings and Improvements	2,974,488	5,301,622	-	8,276,110
Equipment	2,259,584	43,619	-	2,303,203
Infrastructure	10,905,800	141,958	-	11,047,758
Total other Capital Assets	<u>16,820,425</u>	<u>6,587,640</u>	<u>-</u>	<u>23,408,065</u>
Less Accumulated Depreciation				
Land Improvements	316,403	60,346	-	376,749
Buildings and Improvements	564,585	148,198	-	712,783
Equipment	1,609,807	118,899	-	1,728,706
Infrastructure	1,005,532	219,535	-	1,225,067
Total Accumulated Depreciation	<u>3,496,327</u>	<u>546,978</u>	<u>-</u>	<u>4,043,305</u>
Total Capital Assets Being Depreciated, Net	<u>13,324,098</u>	<u>6,040,662</u>	<u>-</u>	<u>19,364,760</u>
Total Governmental Activities	<u>\$ 18,954,504</u>	<u>\$ 10,103,738</u>	<u>\$ (6,402,063)</u>	<u>\$ 22,656,179</u>

Depreciation Expense for governmental activities is charged to functions as follows:

<u>Function</u>	<u>Governmental Funds</u>
General Services	\$ 11,136
Community Development	300,938
Public Safety	113,078
Highway and Streets	92,378
Culture and Recreation	29,448
Total	<u>\$ 546,978</u>

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

4. CAPITAL ASSETS (CONTINUED)

Capital asset activity for business type activities for the year ended June 30, 2013 was as follows:

Description	BUSINESS TYPE ACTIVITIES			
	June 30, 2012	Additions	Disposals	June 30, 2013
Capital Assets not being Depreciated				
Land	\$ 1,727,177	\$ -	\$ -	\$ 1,727,177
Construction in Progress	43,163	782,894	(42,282)	783,775
Total Capital Assets not being Depreciated	1,770,340	782,894	(42,282)	2,510,952
Other Capital Assets				
Land Improvement	132,765	-	-	132,765
Buildings & Improvements	4,940,429	-	-	4,940,429
Equipment	1,280,645	-	-	1,280,645
Infrastructure	36,485,762	63,493	-	36,549,255
Total other Capital Assets	42,839,601	63,493	-	42,903,094
Less Accumulated Depreciation				
Land Improvement	11,065	4,425	-	15,490
Buildings & Improvements	552,805	85,535	-	638,340
Equipment	812,335	115,920	-	928,255
Infrastructure	6,667,368	589,408	-	7,256,776
Total Accumulated Depreciation	8,043,573	795,288	-	8,838,861
Total Capital Assets being Depreciated, Net	34,796,028	(731,795)	-	34,064,233
Total Business Type Activities	\$ 36,566,368	\$ 51,099	\$ (42,282)	\$ 36,575,185

Depreciation expense for business type activities is charged to functions as follows:

Function	Business Type Funds
Water	\$ 29,467
Wastewater	536,667
Airport	229,154
Total	\$ 795,288

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG TERM DEBT

Long term debt information is presented separately with respect to governmental and business-type activities. The following table shows the fiscal year changes in long-term debt outstanding, along with the current portion for each.

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Contracts, Loans and Notes	\$ 1,543,634	\$ -	\$ (115,066)	\$ 1,428,568	\$ 118,010
Bonds Payable	4,335,000	2,200,000	(140,000)	6,395,000	173,380
OPEB Liability	150,931	39,726	-	190,657	-
Governmental activity Long-term obligations	<u>6,029,565</u>	<u>2,239,726</u>	<u>(255,066)</u>	<u>8,014,225</u>	<u>291,390</u>
Business - type activities:					
Bonds Payable	7,797,012	10,495,000	(7,617,017)	10,674,995	86,012
Contracts, Loans and Notes	4,360,189	183,705	(3,140,473)	1,403,421	36,965
Business - type activity Long-term obligations	<u>\$ 12,157,201</u>	<u>\$ 10,678,705</u>	<u>\$ (10,757,490)</u>	<u>\$ 12,078,415</u>	<u>\$ 122,977</u>

See page 77 of report for a detailing of the long-term debt.

Contracts, Loans and Notes – Governmental Activities

The City entered into an intergovernmental agreement with Jefferson County to finance the cost of the J Street improvements. Jefferson County issued \$2,265,000 of full faith and credit obligations and the City is responsible to repay the County for 54.92% of the annual debt service. The City's portion of the debt requires interest payments December 1 of each year and principal and interest payments June 1 of each year. The obligations are secured by the full faith and credit of the City with interest rates ranging from 2% to 4%. The final payment is due June 1, 2019.

In addition, the City has a Special Public Works Fund loan payable to provide additional financing for the J Street improvements. The loan is payable in annual installments of \$69,326 through 2031 including interest at 4.77%.

Future maturities of the combined notes and contracts payable are as follows:

June 30	Principal	Interest	Total
2014	\$ 118,010	\$ 58,408	\$ 176,418
2015	120,961	53,421	174,382
2016	123,921	48,990	172,911
2017	134,635	44,360	178,995
2018	137,613	39,222	176,835
2019-2023	306,021	136,599	442,620
2024-2028	246,807	86,225	333,032
2029-2033	240,600	27,058	267,658
	<u>\$ 1,428,568</u>	<u>\$ 494,283</u>	<u>\$ 1,922,851</u>

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG TERM DEBT (CONTINUED)

Bonds Payable – Governmental Activities

The Madras Redevelopment Commission established a bond anticipation line of credit to finance projects of the Agency. The line of credit is authorized for \$2,500,000 and is to be repaid from proceeds of a bond sale that the Agency has authorized. The interest rate on the line of credit is set at 63.5% of the BBA Libor Daily Floating Rate plus 2.6% with a 3.076% floor. As of June 30, 2011, the Agency has a balance of \$2,500,000 and the interest rate was 3.076%. Interest is paid quarterly and all principal is payable on June 30, 2013.

The Agency converted the note to a long-term bond for the amount of \$2,585,000 provided by the Local Oregon Capital Assets Program. The interest coupon rate is between 1.10 and 3.5% and will be paid off by June 1, 2032.

Amortization of the outstanding balance is as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 100,000	\$ 79,000	\$ 179,000
2015	100,000	77,000	177,000
2016	105,000	75,900	180,900
2017	105,000	73,800	178,800
2018	110,000	71,700	181,700
2019-2023	600,000	304,500	904,500
2024-2028	705,000	191,800	896,800
2029-2033	665,000	59,325	724,325
	<u>\$ 2,490,000</u>	<u>\$ 933,025</u>	<u>\$ 3,423,025</u>

Bonds Payable –Internal Service Activities

The City has obtained a long-term bond payable for the design and construction of a new City Hall and Police Station on the corner of 4th Street and E Street in Madras. The funding is through a Certificate of Participation, Series 2011 B, Local Oregon Capital Assets Program. Interest is to be paid semi-annually on June 1 and December 1. The obligations are secured by the full faith and credit of the City with interest rates ranging from 3% to 5.2%.

The City received a USDA loan in the amount of \$2,200,000 on March 22, 2013. Interest is to be paid on an annual basis with an interest rate of 3.125%.

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG TERM DEBT (CONTINUED)

Bonds Payable – Internal Service Activities (Continued)

Amortization of the outstanding balance is as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 73,380	\$ 144,258	\$ 217,638
2015	79,267	141,946	221,213
2016	80,182	139,532	219,714
2017	81,125	136,963	218,088
2018	87,098	134,153	221,251
2019-2023	471,177	594,254	1,065,431
2024-2028	565,479	525,451	1,090,930
2029-2033	699,656	394,207	1,093,863
2034-2038	619,517	233,436	852,953
2039-2043	326,008	159,646	485,654
2044-2048	380,231	105,421	485,652
2049-2053	441,880	42,180	484,060
	<u>\$ 3,905,000</u>	<u>\$ 2,751,447</u>	<u>\$ 6,656,447</u>

Contracts, Loans and Notes – Business Type Activities - Water Fund

The City received a Special Public Works Fund loan through the Oregon Economic and Community Development Department for water and wastewater system improvements. The loan is divided between the Water Fund and the Wastewater Fund in the business type activities. The Water Fund is responsible for 70% of the outstanding liability. The loan requires annual payments of \$16,005, including interest at 4.97%. The final payment is due December 1, 2030. The Water Fund portion of the annual payments is \$11,075.

Future maturities for the Water Fund Portion are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 4,648	\$ 6,427	\$ 11,075
2015	4,879	6,196	11,075
2016	5,121	5,954	11,075
2017	5,376	5,699	11,075
2018	5,643	5,432	11,075
2019-2023	32,710	22,665	55,375
2024-2028	41,687	13,688	55,375
2029-2032	30,321	2,904	33,225
	<u>\$ 130,385</u>	<u>\$ 68,965</u>	<u>\$ 199,350</u>

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG TERM DEBT (CONTINUED)

Contracts, Loans and Notes – Business Type Activities - Wastewater Fund

The City received a Special Public Works Fund loan through the Oregon Business Development Division for water and wastewater system improvements. The loan is divided between the Water Fund and the Wastewater Fund in the business type activities. The Wastewater Fund is responsible for 30% of the outstanding liability. The loan requires annual payments of \$16,005, including interest at 4.97%. The final payment is due December 1, 2030. The Wastewater Fund portion of the annual payments is \$4,930.

In addition, the City has a Clean Water State Revolving Fund loan payable to provide additional financing for the wastewater effluent disposal system improvements project. The loan was finalized at \$3,165,514 and the City began making payments in December 2011. An interest only payment at 2.98% interest is due six months after the project completion date and thereafter, semi-annual principal and interest payments are due for 20 years. The loan also requires an annual fee of 0.5% of the outstanding loan amount. Amortization of the outstanding balance is included below. After re-payment has begun, the City is required to have a loan reserve of \$112,431. This loan was repaid in the current year when the 2013B Full Faith and Credit Refunding Obligation was issued.

The City drew down \$734,821 through DEQ’s Clean Water State Revolving Fund loan program. This amount will be repaid over a twenty year period, including a 75% principal forgiveness. The balance owed by the City as of June 30, 2013 is \$183,705.

Future maturities of the Wastewater Fund notes and contracts payable are as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 7,370	\$ 9,636	\$ 17,006
2015	9,458	7,548	17,006
2016	9,763	7,243	17,006
2017	10,081	6,925	17,006
2018	10,409	6,597	17,006
2019-2023	57,400	27,630	85,030
2024-2028	67,563	17,467	85,030
2029-2033	68,735	5,589	74,324
	<u>\$ 240,779</u>	<u>\$ 88,635</u>	<u>\$ 329,414</u>

Bonds Payable – Business Type Activities – Wastewater Fund

The City issued general obligation bonds to finance the Wastewater system. Bond principal is paid annually and interest at the rate of 5% is paid semi-annually. A property tax is levied to meet this obligation.

The Wastewater Fund sold four revenue bond issues to the Rural and Economic Community Development Department, which were used to finance improvements to the City's wastewater treatment plant. The bond principal and interest is payable annually with interest rates from 4.5% to 5.0%. Final payment is due July 20, 2040. These revenue bond issues were repaid in the current year when the 2013B Full Faith and Credit Refunding Obligation was issued.

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG TERM DEBT (CONTINUED)

Bonds Payable – Business Type Activities - Wastewater Fund (Continued)

The City refunded a large portion of debt held in the Wastewater Fund on January 23, 2013 through the issuance of the Full Faith and Credit Refunding Obligations 2013B.

Future maturities of the combined bond issues are as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 81,000	\$ 424,272	\$ 505,272
2015	-	424,944	424,944
2016	16,667	424,677	441,344
2017	54,583	423,631	478,214
2018	89,583	421,781	511,364
2019-2023	1,049,167	2,005,990	3,055,157
2024-2028	1,942,084	1,678,613	3,620,697
2029-2033	2,917,500	1,170,792	4,088,292
2034-2038	3,917,916	467,569	4,385,485
2039-2043	507,500	2,991	510,491
	<u>\$ 10,576,000</u>	<u>\$ 7,445,260</u>	<u>\$ 18,021,260</u>

Contracts, Loans and Notes- Business Type Activities – Airport Funds

The City has a Special Public Works loan through the State of Oregon Business Development Division for the construction of a 30,000 square foot aircraft hangar and related infrastructure at the Madras Airport. The loan is authorized for \$1,078,650 and at June 30, 2011, the full amount had been received. The first payment date is the earlier of December 1, 2011 or the December following the project completion. Commencing on the first payment date and December 1 of each year, 25 level installment payments of principal and interest at 4.99% are required.

Amortization of the outstanding balance is as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 24,947	\$ 51,510	\$ 76,457
2015	26,191	50,265	76,456
2016	27,498	48,958	76,456
2017	28,870	47,586	76,456
2018	30,311	46,145	76,456
2019-2023	175,811	206,470	382,281
2024-2028	224,277	158,004	382,281
2029-2033	286,104	96,177	382,281
2034-2038	208,248	21,120	229,368
	<u>\$ 1,032,257</u>	<u>\$ 726,235</u>	<u>\$ 1,758,492</u>

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG TERM DEBT (CONTINUED)

Bonds Payable – Business Type Activities – Airport Fund

The City Airport fund issued revenue bonds to the Rural and Economic Community Development Department in a prior year to finance airport improvements. The bonds require annual payments of \$10,086, including interest at 5.125% interest. The bonds are payable from revenue generated by the airport enterprise.

Future maturities are as follows:

Year Ending June 30	Principal	Interest	Total
2014	\$ 5,012	\$ 5,074	\$ 10,086
2015	5,269	4,817	10,086
2016	5,539	4,547	10,086
2017	5,823	4,263	10,086
2018	6,122	3,964	10,086
2019-2023	35,649	14,781	50,430
2024-2028	35,581	4,665	40,246
	<u>\$ 98,995</u>	<u>\$ 42,111</u>	<u>\$ 141,106</u>

6. EMPLOYEE RETIREMENT PLAN

Two pension plans are contributed to and are administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying employees hired after August 29, 2003. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. As of January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Both PERS plans provide retirement and disability benefits, post-employment healthcare benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to PERS, P.O. Box 23700, Tigard, OR 97281-3700 or by calling 503-598-7377.

Members of PERS are required to contribute 6% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The employer is allowed to pay any or all of the employees' contribution in addition to the required employer's contribution. For the fiscal year ended June 30, 2013, contributions on behalf of the employees were not made. ORS 238.225 requires contributions at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate for the qualifying employees under the OPSRP plan. The OPSRP rates for the year ended June 30, 2013 was 10.22% for general members and 12.93% for police.

The PERS rates for the year ended June 30, 2013 was 14.86%. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Total contributions to PERS for the years ending June 30, 2011, 2012, and 2013 were \$284,681, \$318,666, and \$333,530 respectively, which equaled the required contribution for the year.

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. POST EMPLOYEMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description. A program is provided for the availability for retirees and their spouses to purchase healthcare insurance at the same group rates as the City pays for its active employees'. No plan has been established to account for this activity. Since the former employees' service has caused this benefit to be available, generally accepted accounting principles requires that the costs of these services be calculated and shown as a cost of operations and/or as a liability for providing a future benefit in the financial statements. Disclosure of the liability is mandatory.

Funding Policy. There is no plan to fund these benefits, and an actuary has calculated that there was no implied subsidy included in healthcare costs for the year ended June 30, 2013.

Annual OPEB Cost and Net OPEB Obligation. The annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement No. 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 over a period not to exceed thirty years. The following table shows the components of the annual OPEB cost for the year, the amount implicitly contributed to the "plan" through the normal payments to healthcare insurance providers and changes to the OPEB obligation.

	6/30/2011	6/30/2012	6/30/2013
Annual Required Contribution (ARC)	\$ 52,233	\$ 62,114	\$ 66,219
Interest on Net Pension Obligation	3,797	4,608	6,037
Adjustment to Annual Required Contribution	<u>(5,956)</u>	<u>(7,829)</u>	<u>(10,257)</u>
Annual OPEB Cost	50,074	58,893	61,999
Contributions Made	<u>(19,247)</u>	<u>(23,164)</u>	<u>(22,273)</u>
Increase in Net Pension Obligation	30,827	35,729	39,726
Net OPEB Obligation (Asset) at Beginning of the Year	84,375	115,202	150,931
Net OPEB Obligation (Asset) at End of the Year	<u>\$ 115,202</u>	<u>\$ 150,931</u>	<u>\$ 190,657</u>
Percentage of APC Contributed	36%	39%	36%

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2013, along with preceding fiscal years, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 50,074	38%	\$ 115,202
6/30/2012	58,893	39%	150,931
6/30/2013	61,999	36%	190,657

Funding status and funding progress. As of August 1, 2012 the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$442,955, of which none was funded.

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

7. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare costs trend. Amounts determined regarding the funded status of the plan and the annual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and assumptions. Projections of benefits for financial reporting purposes are based on the projected unit credit cost method and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of the benefit costs, if any, to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

- Discount rate: 3.5% for unfunded liabilities.
- Health Cost Trend for medical and vision: increases of 7.25% for the first year, 6.5% in the second year, 6.0% in the third year, 5.75% in the fourth year through the tenth year, 6.0% for the eleventh year, 6.5% for the twelfth year, 6.75% for the 13th through the through the 16th year, 6.5% for the 17th through the through the 23rd year, 6.25% for the 24th year, 6.0% for the 25th through the through the 28th year, 5.75% for the 29th through the through the 36th year, and 5.5% thereafter.
- Annual Payroll Increase: 3.75% compounded annually.
- Disability: Not used.
- Retirement: Based on the Oregon PERS assumptions.
- Withdrawal: Based on the Oregon PERS assumptions.
- Mortality: Generally, the RP-2000 healthy combined male and female mortality tables set back two years.
- Excluded employees: Temporary and part-time employees, elected officials and volunteers.
- PERS service: Estimated based on elapsed time from date of hire to the most recent valuation.
- Future retiree coverage: 100% of active members upon retirement.
- Spousal age: Females spouses are assumed to be two years younger than male spouses.

8. OPERATING LEASES

There are multiple operating leases in effect. Approximate future minimum rental commitments under these lease agreements are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2014	\$ 19,830
June 30, 2015	19,830
June 30, 2016	19,830
June 30, 2017	19,830
June 30, 2018	<u>11,568</u>
Total	<u>\$ 90,888</u>

The total rental expense under these leases was approximately \$17,295 for the year ended June 30, 2013.

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

9. INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended June 30, 2013 are as follows:

	Transfers to other funds	Transfers from other funds
GOVERNMENTAL FUNDS		
General	\$ (179,596)	\$ -
Transportation Operations	(98,100)	159,049
Redevelopment Commission General	(254,495)	-
Parks	-	149,596
Tourism/Economic Development	(35,000)	68,450
Debt Service	-	179,495
Debt Reserve	-	11,533
SDC Street Improvement	-	98,100
Improvement Fees	(59,049)	-
Industrial Site	-	50,000
Community Development	-	131,000
PROPRIETARY FUNDS		
SDC Wastewater Improvement	(235,000)	121,772
Airport Construction	-	30,000
Water Operations	-	60,000
Wastewater Operations	(57,000)	275,000
INTERNAL SERVICE FUNDS		
Central Services	(134,450)	10,955
Public Works	(290,955)	-
Buildings	(11,533)	75,000
Fleet	(64,772)	-
Total Fund Transfers	\$ (1,419,950)	\$ 1,419,950

Transfers are used to move revenues from the fund that statute or budget requires to collect and to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

10. PROPERTY TAX LIMITATIONS

The State of Oregon has a constitutional limit on property taxes for schools and nonschool government operations. The limitation provides that property taxes for nonschool operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

An additional limit reduces the amount of operating property tax revenues available. This reduction was accomplished by rolling property values for 1997-98 back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The Constitution also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues.

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

11. RESTRICTED NET POSITION

The balance of the restricted net position accounts are as follows:

	<u>Governmental</u>	<u>Business-Type</u>
Highways and Streets	\$ 226,008	\$ -
Debt Service	2,582,226	226,235
Community Development	19,687	-
Improvement Fees	253,221	-
System Development Charges:		
SDC Park Improvement	389	-
SDC Street Improvement	10,221	-
SDC Street Reimbursement	42,511	-
SDC Water Improvement	-	49,962
SDC Wastewater Improvement	-	81,819
Total restricted assets	<u>\$ 3,134,263</u>	<u>\$ 358,016</u>

12. RISK MANAGEMENT

There is exposure to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions, injuries to employees, and natural disasters for which commercial insurance is carried. There have been no significant reductions in coverage from the prior year. Settled claims have not exceeded coverage in any of the last three fiscal years.

13. COMMITMENTS

The City swapped land with the School District during FY07 and part of the agreement is for the land received by the School District to be brought into the City limits and that the City will extend water and sewer lines to the property. If the City fails to extend the utility lines, they may have to pay \$2,270,000 plus accrued interest at 4.5% to purchase the land; or pay the current market value for the land received from the school district; or the school district may grant an extension of time to the City to perform its obligations. The City and School District agreed on an extension of time, until such time as the School District needs the services. The City will have 6 months to complete their obligations.

The City entered into a new option agreement with a local land developer for the sale of 67 acres within the City limits and 542 acres outside the City limits, which is separated into various parcels. \$50,000 was paid as part of the agreement for the first five year term of additional eight years by paying \$10,000 annually beginning December 1, 2014. The option may be exercised through phases consisting of not less than ten acre contiguous parcels and the prices for each phase shall be at fair market value, but in no event will the purchase price be less than \$9,000 per acre.

The City's SPWF loan/grant agreement includes a job creation requirement that should cause Butler Air to create or retain 35 FTE for a one year period consisting of four consecutive calendar quarters that begins no earlier than 1/1/2010 and no later than 12/31/2013. The potential penalty is \$5,000 per job requirement not met. The IOF grant agreement requires that within two years of execution of this agreement, the City shall provide to the State, documentation from Madras Airport that two FTE have been retained and 13 FTE positions created. On June 20, 2012 this agreement was amended reducing the required number of newly created jobs from 13 to 8 FTE positions and to grant an additional 36 months to meet the job creation requirement. If such documentation cannot be provided within the above stated time limit, City shall reimburse the State IOF Funds in proportion to the jobs created versus target number of jobs created. The State may grant a time extension on the reimbursement or a time extension to provide additional job growth.

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

13. COMMITMENTS (CONTINUED)

The City is committed to providing the Bean Foundation either 120 acres of land or cash in the value of 120 acres. The City holds the option to either deed assets of land or to pay the cash, which is based upon if land development sales do not occur within the Yarrow development.

The Madras Redevelopment Commission has an agreement with a developer to promote the construction of a movie theater. The Commission was to make the first of five annual payments in the amount of \$100,000 each upon completion of construction and issuance of a certificate of ownership. The Agency made the first payment in July 2012.

The following chart shows all construction contract obligations at June 30, 2013:

<u>Contractor</u>	<u>Project</u>	<u>Amount</u>
ODOT	US 97 Fairgrounds Road to L Street	\$ 99,541
Devco Engineering	N. Madras Trail Connector	16,500
Harris Group	Madras - BNSF Rail Improvement Project	64,895
Kelly Corp	City Hall Demo	34,794
Hickman Williams	Berg Drive - Cherry Lane	26,965
Century West	Airport Runway Reconst. - Design Phase	156,365
	Total	<u>\$ 399,060</u>

14. CONTINGENCIES & LITIGATION

A number of federal and state assisted programs are participated in. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grant. Management believes that such disallowance, if any, will be immaterial.

15. RELATED PARTY TRANSACTIONS

The Madras Redevelopment Commission (MRC), a blended component unit, provides funds to local businesses to improve and refurbish properties in the Urban Renewal District through a combination of grants and loans, as described in Note III. B. In a prior year, a local business owned by a Commissioner was awarded \$57,425, which consisted of a 50% grant and 50% loan payable to the Commission. The outstanding loan balance at year end was \$17,226 and is payable in monthly installments through January 2020. This award was consistent with MRC's policy and was discussed and approved during a monthly public meeting of the Urban Renewal District. This particular commissioner did not participate in the deliberation or vote.

16. DEFICIT FUND BALANCE

As of the year ended June 30, 2013, deficit fund balances existed in the Redevelopment Commission General Fund in the amount of \$1,813,657, in the SDC Storm Water Improvement Fund in the amount of \$80,653 and in the SDC Wastewater Reimbursement Fund in the amount of \$35,650. In each instance, these negative fund balances are to be corrected by prudent fiscal management and by ensuring that revenues exceed expenditures in the coming year.

17. SUBSEQUENT EVENTS

On September 9, 2013 the City entered into a Settlement and Release Agreement to resolve litigation that was known in the current year. The settlement amount of \$175,000 that was paid during the 2013-14 fiscal year has been accrued on the government-wide financial statements to account for this settlement.

On February 13, 2014 the City was advised that a client owing the City \$26,607 in system development charges filed for bankruptcy. It appears likely that these costs will be uncollectable.

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CITY OF MADRAS
JEFFERSON COUNTY, OREGON

REQUIRED SUPPLEMENTARY DATA

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CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
OTHER POST EMPLOYMENT BENEFITS
June 30, 2013

PLAN I (HEALTH INSURANCE)
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b)-(a) AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
8/1/2012	\$ -	\$ 442,955	\$ 442,955	0.00%	\$ N/A	N/A
8/1/2010	-	413,797	413,797	0.00%	N/A	N/A
8/1/2008	-	321,032	321,032	0.00%	N/A	N/A

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2013	\$ 61,999	36 %
2012	58,893	39
2011	50,074	38

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

<u>GENERAL FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Taxes				
Property Taxes	\$ 1,010,049	\$ 1,010,049	\$ 1,011,947	\$ 1,898
Hotel/Motel Tax	132,000	132,000	147,971	15,971
Franchise Fees	405,750	405,750	385,296	(20,454)
Licenses and Permits	3,600	3,600	3,686	86
Intergovernmental	304,957	315,957	320,091	4,134
Fines	48,000	48,000	46,040	(1,960)
Interest	1,800	1,800	1,464	(336)
Miscellaneous	5,000	5,000	11,382	6,382
Total Revenue	<u>1,911,156</u>	<u>1,922,156</u>	<u>1,927,877</u>	<u>5,721</u>
EXPENDITURES				
Police Department	1,903,888	1,903,888	(1) 1,829,730	74,158
Non-Departmental	15,000	44,000	(1) 43,685	315
Contingency	100,000	82,000	(1) -	82,000
Total Expenditures	<u>2,018,888</u>	<u>2,029,888</u>	<u>1,873,415</u>	<u>156,473</u>
Excess of Revenues Over, (Under) Expenditures	<u>(107,732)</u>	<u>(107,732)</u>	<u>54,462</u>	<u>162,194</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(180,502)	(180,502)	(1) (179,596)	906
Net Change in Fund Balance	(288,234)	(288,234)	(125,134)	163,100
Beginning Fund Balance	<u>614,904</u>	<u>614,904</u>	<u>699,482</u>	<u>84,578</u>
Ending Fund Balance	<u>\$ 326,670</u>	<u>\$ 326,670</u>	574,348	<u>\$ 247,678</u>
Reconciliation to Governmental Fund Balance as required by GASB #54				
Ending Fund Balance:				
Parks Fund			21,731	
Industrial Site Fund			80,481	
			<u>\$ 676,560</u>	

(1) Appropriation Level

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

TRANSPORTATION OPERATIONS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:				
Franchise Fees	\$ 405,750	\$ 405,750	\$ 385,311	\$ (20,439)
Intergovernmental	850,139	850,139	732,031	(118,108)
Interest on Investments	200	200	272	72
L.I.D. Payments	500	500	527	27
Miscellaneous	500	500	530	30
Total Revenues	<u>1,257,089</u>	<u>1,257,089</u>	<u>1,118,671</u>	<u>(138,418)</u>
EXPENDITURES:				
Current				
Highways and Streets				
Materials and Services	736,748	736,748 (1)	687,523	49,225
Capital Outlay	720,972	720,972 (1)	493,268	227,704
Contingency	125,654	27,554 (1)	-	27,554
Total Expenditures	<u>1,583,374</u>	<u>1,485,274</u>	<u>1,180,791</u>	<u>304,483</u>
Excess of Revenues Over, (Under)				
Expenditures	<u>(326,285)</u>	<u>(228,185)</u>	<u>(62,120)</u>	<u>166,065</u>
Other Financing Sources (Uses):				
Transfers In	159,049	159,049	159,049	-
Transfers Out	-	(98,100) (1)	(98,100)	-
Total Other Financing Sources (Uses)	<u>159,049</u>	<u>60,949</u>	<u>60,949</u>	<u>-</u>
Net Change in Fund Balance	<u>(167,236)</u>	<u>(167,236)</u>	<u>(1,171)</u>	<u>166,065</u>
Beginning Fund Balance	<u>167,236</u>	<u>167,236</u>	<u>227,179</u>	<u>59,943</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,008</u>	<u>\$ 226,008</u>

(1) Appropriation Level

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

REDEVELOPMENT COMMISSION GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:				
Taxes				
Property Taxes	\$ 386,940	\$ 386,940	\$ 355,038	\$ (31,902)
Miscellaneous	-	-	215	215
Interest	200	200	1,065	865
Total Revenues	387,140	387,140	356,318	(30,822)
EXPENDITURES:				
Materials and Services	58,300	61,300 (1)	65,551	(4,251) (3)
Capital Outlay	215,000	215,000 (1)	-	215,000
Debt Services	180,310	180,310 (1)	-	180,310
Contingency	5,000	2,000 (1)	-	2,000
Total Expenditures	458,610	458,610	65,551	393,059
Excess of Revenues Over, (Under)				
Expenditures	(71,470)	(71,470)	290,767	362,237
Other Financing Sources (Uses):				
Special Payments - Grants and Loans	-	- (1)	(112,636)	(112,636) (3)
Transfers Out	-	- (1), (2)	(254,495)	(254,495) (3)
Total Other Financing Sources (Uses)	-	-	(367,131)	(367,131)
Net Change in Fund Balance	(71,470)	(71,470)	(76,364)	(4,894)
Beginning Fund Balance	221,721	221,721	752,707	530,986
Ending Fund Balance	\$ 150,251	\$ 150,251	676,343	\$ 526,092

RECONCILIATION TO GENERALLY
ACCEPTED ACCOUNTING PRINCIPLES

Interfund Loan (2,490,000)

FUND BALANCE, ENDING \$ (1,813,657)

(1) Appropriation Level

(2) Because the Madras Redevelopment Commission (MRC) is a separate legal entity, Transfers Out reported above were budgeted as external transactions in the MRC budget:

- A \$179,495 payment to the City's Debt Service Fund for partial repayment of an Advance from the City to MRC was budgeted and recorded as Debt Service. The Advance from to MRC is reported on the City's financial statements as an interfund loan in the Basic Financial Statements in accordance with Generally Accepted Accounting Principles.
- A \$75,000 grant to the City's Internal Service Building Fund to help finance the new Police Station/City Hall facility was budgeted as Capital Outlay and reported as a Special Payments -- Grants and Loans.

(3) This implied budget overage was caused by a budgeting category difference by the Madras Redevelopment Commission (as noted above). Since the funds were spent as expected, it was a budget category difference rather than a budget violation.

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

<u>PARKS FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Charges for Services	\$ 27,000	\$ 27,000	\$ 35,225	\$ 8,225
Regulatory Fees	1,000	1,000	950	(50)
Interest on Investments	50	50	82	32
Miscellaneous	-	-	198	198
Total Revenues	<u>28,050</u>	<u>28,050</u>	<u>36,455</u>	<u>8,405</u>
EXPENDITURES:				
Community Development:				
Materials and Services	175,253	179,253 (1)	179,049	204
Contingency	4,940	940 (1)	-	940
Total Expenditures	<u>180,193</u>	<u>180,193</u>	<u>179,049</u>	<u>1,144</u>
Excess of Revenues Over, (Under) Expenditures	<u>(152,143)</u>	<u>(152,143)</u>	<u>(142,594)</u>	<u>9,549</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>150,502</u>	<u>150,502</u>	<u>149,596</u>	<u>(906)</u>
Net Change in Fund Balance	<u>(1,641)</u>	<u>(1,641)</u>	<u>7,002</u>	<u>8,643</u>
Beginning Fund Balance	<u>1,641</u>	<u>1,641</u>	<u>14,729</u>	<u>13,088</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,731</u>	<u>\$ 21,731</u>

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB #54 due to its financing resources being derived primarily from General Fund transfers.

(1) Appropriation Level

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

<u>INDUSTRIAL SITE FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Intergovernmental Revenue	\$ -	\$ 116,500	\$ 55,051	\$ (61,449)
Interest on Investments	-	-	298	298
Land Lease Income	15,600	15,600	24,841	9,241
Miscellaneous	-	-	1,717	1,717
Total Revenues	<u>15,600</u>	<u>132,100</u>	<u>81,907</u>	<u>(50,193)</u>
EXPENDITURES:				
Materials and Services	30,743	30,743 (1)	24,022	6,721
Capital Outlay	55,000	171,500 (1)	83,876	87,624
Contingency	29,089	29,089 (1)	-	29,089
Total Expenditures	<u>114,832</u>	<u>231,332</u>	<u>107,898</u>	<u>123,434</u>
Excess of Revenues Over, (Under) Expenditures	<u>(99,232)</u>	<u>(99,232)</u>	<u>(25,991)</u>	<u>73,241</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net Change in Fund Balance	<u>(49,232)</u>	<u>(49,232)</u>	<u>24,009</u>	<u>73,241</u>
Beginning Fund Balance	<u>49,232</u>	<u>49,232</u>	<u>56,472</u>	<u>7,240</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,481</u>	<u>\$ 80,481</u>

Note: This fund's activities have been combined with the General Fund activities in accordance with GASB #54 due to its financing resources being derived primarily from General Fund transfers.

(1) Appropriation Level

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SUPPLEMENTARY DATA

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2013

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS	
	TOURISM/ECONOMIC	COMMUNITY	IMPROVEMENT	DEBT	DEBT
	DEVELOPMENT	DEVELOPMENT	FEE	SERVICE	RESERVE
	FUND	FUND	FUND	FUND	FUND
ASSETS:					
Cash and Cash Equivalents	\$ 946	\$ 78,147	\$ -	\$ -	\$ 68
Restricted Cash and Cash Equivalents	-	19,687	253,221	80,168	11,533
Receivables:					
Property Taxes	-	-	-	9,960	-
Accounts	17,007	-	-	-	-
Notes	-	-	-	-	-
Due from other funds	-	-	-	2,490,000	-
Total Assets	\$ 17,953	\$ 97,834	\$ 253,221	\$ 2,580,128	\$ 11,601
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable	\$ 1,250	\$ 1,881	\$ -	\$ -	\$ -
Payroll Liabilities	-	2,233	-	-	-
Deposits	-	18,000	-	-	-
Deferred Revenue	-	-	-	9,435	-
Due to Other Funds	-	-	-	-	-
Total Liabilities	1,250	22,114	-	9,435	-
Fund Balances:					
Restricted	-	19,687	253,221	2,570,693	11,533
Committed	16,703	-	-	-	-
Assigned	-	56,033	-	-	-
Unassigned	-	-	-	-	68
Total Fund Balances	16,703	75,720	253,221	2,570,693	11,601
Total Liabilities and Fund Balances	\$ 17,953	\$ 97,834	\$ 253,221	\$ 2,580,128	\$ 11,601

CAPITAL PROJECTS FUNDS					TOTAL
SDC PARK IMPROVEMENT FUND	SDC STREET IMPROVEMENT FUND	SDC STORM WATER IMPROVEMENT FUND	SDC STREET REIMURSEMENT FUND	MRC REINVESTMENT FUND	OTHER GOVERNMENTAL FUNDS
\$ -	\$ -	\$ -	\$ -	\$ 98,805	\$ 177,966
389	10,221	-	42,511	-	417,730
-	-	-	-	-	9,960
-	-	66	-	-	17,073
-	-	-	-	223,535	223,535
-	-	-	-	-	2,490,000
<u>\$ 389</u>	<u>\$ 10,221</u>	<u>\$ 66</u>	<u>\$ 42,511</u>	<u>\$ 322,340</u>	<u>\$ 3,336,264</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,131
-	-	-	-	-	2,233
-	-	-	-	-	18,000
-	-	-	-	223,535	232,970
-	-	80,719	-	-	80,719
-	-	80,719	-	223,535	337,053
389	10,221	-	42,511	-	2,908,255
-	-	-	-	-	16,703
-	-	-	-	-	56,033
-	-	(80,653)	-	98,805	18,220
<u>389</u>	<u>10,221</u>	<u>(80,653)</u>	<u>42,511</u>	<u>98,805</u>	<u>2,999,211</u>
<u>\$ 389</u>	<u>\$ 10,221</u>	<u>\$ 66</u>	<u>\$ 42,511</u>	<u>\$ 322,340</u>	<u>\$ 3,336,264</u>

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013**

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS	
	TOURISM/ECONOMIC DEVELOPMENT FUND	COMMUNITY DEVELOPMENT FUND	IMPROVEMENT FEE FUND	DEBT SERVICE FUND	DEBT RESERVE FUND
REVENUES:					
Property Taxes	\$ -	\$ -	\$ -	\$ 90,709	\$ -
Other Taxes	73,985	-	-	-	-
Assessment	-	-	-	-	-
Licenses and Fees	-	59,930	-	-	-
Charges for Services	-	50,000	-	-	-
System Development Charges	-	-	-	-	-
Interest on Investments	-	161	1,190	297	7
Miscellaneous	-	1,050	-	-	-
Total Revenues	73,985	111,141	1,190	91,006	7
EXPENDITURES:					
Current:					
Community Development	103,721	204,755	-	-	-
Debt Service	-	-	-	267,546	-
Total Expenditures	103,721	204,755	-	267,546	-
Excess of Revenues Over, (Under) Expenditures	(29,736)	(93,614)	1,190	(176,540)	7
Other Financing Sources, (Uses)					
Transfers In	68,450	131,000	-	179,495	11,533
Transfers Out	(35,000)	-	(59,049)	-	-
Total Other Financing Sources (Uses)	33,450	131,000	(59,049)	179,495	11,533
Net Change in Fund Balance	3,714	37,386	(57,859)	2,955	11,540
Fund Balance - Beginning of Year	12,989	38,334	311,080	77,738	61
Fund Balance - End of Year	16,703	75,720	253,221	80,693	11,601
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Interfund Loan	-	-	-	2,490,000	-
FUND BALANCE, ENDING	\$ 16,703	\$ 75,720	\$ 253,221	\$ 2,570,693	\$ 11,601

CAPITAL PROJECTS FUNDS					MRC REINVESTMENT FUND	TOTAL OTHER GOVERNMENTAL FUNDS
SDC PARK IMPROVEMENT FUND	SDC STREET IMPROVEMENT FUND	SDC STORM WATER IMPROVEMENT FUND	SDC STREET REIMBURSEMENT FUND			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,709
-	-	-	-	-	-	73,985
-	-	-	-	-	25,094	25,094
-	-	-	-	-	-	59,930
-	-	-	-	-	-	50,000
14,743	88,936	8,317	6,747	-	-	118,743
-	149	-	142	7,216	-	9,162
-	-	-	-	-	-	1,050
<u>14,743</u>	<u>89,085</u>	<u>8,317</u>	<u>6,889</u>	<u>32,310</u>		<u>428,673</u>
-	-	-	-	-	-	308,476
-	178,034	-	-	-	-	445,580
-	178,034	-	-	-	-	754,056
<u>14,743</u>	<u>(88,949)</u>	<u>8,317</u>	<u>6,889</u>	<u>32,310</u>		<u>(325,383)</u>
-	98,100	-	-	-	-	488,578
-	-	-	-	-	-	(94,049)
-	98,100	-	-	-	-	394,529
14,743	9,151	8,317	6,889	32,310		69,146
(14,354)	1,070	(88,970)	35,622	66,495		440,065
389	10,221	(80,653)	42,511	98,805		509,211
-	-	-	-	-		2,490,000
<u>\$ 389</u>	<u>\$ 10,221</u>	<u>\$ (80,653)</u>	<u>\$ 42,511</u>	<u>\$ 98,805</u>	<u>\$</u>	<u>\$ 2,999,211</u>

**CITY OF MADRAS
JEFFERSON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

TOURISM/ECONOMIC DEVELOPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:				
Other Taxes	\$ 65,000	\$ 65,000	\$ 73,985	\$ 8,985
Interest on Investments	200	200	-	(200)
Total Revenues	65,200	65,200	73,985	8,785
EXPENDITURES:				
Community Development: Materials and Services	100,734	104,184 (1)	103,721	463
Excess of Revenues Over, (Under) Expenditures	(35,534)	(38,984)	(29,736)	9,248
OTHER FINANCING SOURCES (USES)				
Transfers in	65,000	68,450	68,450	-
Transfers out	(35,000)	(35,000) (1)	(35,000)	-
Total Other Financing Sources (Uses)	30,000	33,450	33,450	9,248
Net Change in Fund Balance	(5,534)	(5,534)	3,714	9,248
Beginning Fund Balance	8,073	8,073	12,989	4,916
Ending Fund Balance	\$ 2,539	\$ 2,539	\$ 16,703	\$ 14,164

(1) Appropriation Level

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

COMMUNITY DEVELOPMENT FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Licenses and Fees	\$ 9,500	\$ 9,500	\$ 59,930	\$ 50,430
Charges for Services	50,000	50,000	50,000	-
Interest on Investments	450	450	161	(289)
Miscellaneous	-	-	1,050	1,050
Total Revenues	<u>59,950</u>	<u>59,950</u>	<u>111,141</u>	<u>51,191</u>
EXPENDITURES:				
Community Development				
Personnel Services	150,028	150,028 (1)	146,777	3,251
Materials and Services	69,885	69,885 (1)	57,978	11,907
Total Expenditures	<u>219,913</u>	<u>219,913</u>	<u>204,755</u>	<u>15,158</u>
Excess of Revenues Over, (Under) Expenditures	<u>(159,963)</u>	<u>(159,963)</u>	<u>(93,614)</u>	<u>66,349</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	131,000	131,000	131,000	-
Net Change in Fund Balance	<u>(28,963)</u>	<u>(28,963)</u>	<u>37,386</u>	<u>66,349</u>
Beginning Fund Balance	<u>31,608</u>	<u>31,608</u>	<u>38,334</u>	<u>6,726</u>
Ending Fund Balance	<u>\$ 2,645</u>	<u>\$ 2,645</u>	<u>\$ 75,720</u>	<u>\$ 73,075</u>

(1) Appropriation Level

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

	<u>IMPROVEMENT FEE</u>			VARIANCE TO FINAL BUDGET
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Interest on Investments	\$ 800	\$ 800	\$ 1,190	\$ 390
OTHER FINANCING SOURCES (USES)				
Transfers Out	(59,049)	(59,049) (1)	(59,049)	-
Net Change in Fund Balance	(58,249)	(58,249)	(57,859)	390
Beginning Fund Balance	311,105	311,105	311,080	(25)
Ending Fund Balance	<u>\$ 252,856</u>	<u>\$ 252,856</u>	<u>\$ 253,221</u>	<u>\$ 365</u>

(1) Appropriation Level

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

DEBT SERVICE FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:				
Property Taxes	\$ 89,250	\$ 89,250	\$ 90,709	\$ 1,459
Interest	80,310	80,310	297	(80,013)
Loan Repayment	95,000	95,000	-	(95,000)
Total Revenues	<u>264,560</u>	<u>264,560</u>	<u>91,006</u>	<u>(173,554)</u>
EXPENDITURES:				
Debt Service	<u>268,360</u>	<u>268,360 (1)</u>	<u>267,546</u>	<u>814</u>
Other Financing Sources (Uses):				
Transfers In	<u>5,000</u>	<u>5,000 (2)</u>	<u>179,495</u>	<u>174,495</u>
Net Change in Fund Balance	1,200	1,200	2,955	1,755
Beginning Fund Balance	<u>91,112</u>	<u>91,112</u>	<u>77,738</u>	<u>(13,374)</u>
Ending Fund Balance	<u>\$ 92,312</u>	<u>\$ 92,312</u>	80,693	<u>\$ (11,619)</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Interfund Loan			<u>2,490,000</u>	
FUND BALANCE, ENDING			<u>\$ 2,570,693</u>	

(1) Appropriation Level

(2) Transfers In includes a \$179,495 payment from the Madras Redevelopment Commission (MRC) for repayment of an Advance from the City. The MRC is a separate legal entity; therefore, this amount was budgeted as Loan Repayment revenue. To accurately report the MRC as a component unit of the City, this transaction is reported on the City's financial statements as an interfund transfer for budget basis. The Advance to MRC is reported on the City's financial statements as an interfund loan in the Basic Financial Statements in accordance with Generally Accepted Accounting Principles.

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

DEBT RESERVE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Interest	\$ -	\$ -	\$ 7	\$ 7
Other Financing (Uses):				
Transfers in	11,533	11,533	11,533	-
Net Change in Fund Balance	11,533	11,533	11,540	7
Beginning Fund Balance	-	-	61	61
Ending Fund Balance	<u>\$ 11,533</u>	<u>\$ 11,533</u>	<u>\$ 11,601</u>	<u>\$ 68</u>

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

SDC PARK IMPROVEMENT FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
System Development Charges	\$ 3,278	\$ 3,278	\$ 14,743	\$ 11,465
Net Change in Fund Balance	3,278	3,278	14,743	11,465
Beginning Fund Balance	<u>(15,993)</u>	<u>(15,993)</u>	<u>(14,354)</u>	<u>1,639</u>
Ending Fund Balance	<u>\$ (12,715)</u>	<u>\$ (12,715)</u>	<u>\$ 389</u>	<u>\$ 13,104</u>

**CITY OF MADRAS
JEFFERSON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

SDC STREET IMPROVEMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:				
System Development Charges	\$ 187,559	\$ 89,459	\$ 88,936	\$ (523)
Interest on Investments	-	-	149	149
Total Revenues	187,559	89,459	89,085	(374)
EXPENDITURES:				
Debt Service	177,651	177,651 (1)	178,034	(383)
Excess of Revenues Over, (Under) Expenditures	9,908	(88,192)	(88,949)	(757)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	98,100	98,100	-
Net Change in Fund Balance	9,908	9,908	9,151	(757)
Beginning Fund Balance	(9,908)	(9,908)	1,070	10,978
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,221</u>	<u>\$ 10,221</u>

(1) Appropriation Level

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

SDC STORM WATER IMPROVEMENT FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES				
System Development Charges	\$ 5,000	\$ 5,000	\$ 8,317	\$ (3,317)
Net Change in Fund Balance	5,000	5,000	8,317	3,317
Beginning Fund Balance	<u>(88,795)</u>	<u>(88,795)</u>	<u>(88,970)</u>	<u>(175)</u>
Ending Fund Balance	<u>\$ (83,795)</u>	<u>\$ (83,795)</u>	<u>\$ (80,653)</u>	<u>\$ 3,142</u>

**CITY OF MADRAS
JEFFERSON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013**

SDC STREET REIMBURSEMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:				
System Development Charges	\$ 26,400	\$ 26,400	\$ 6,747	\$ (19,653)
Interest on Investments	150	150	142	(8)
Total Revenues	<u>26,550</u>	<u>26,550</u>	<u>6,889</u>	<u>(19,661)</u>
EXPENDITURES:				
Capital Outlay	<u>33,500</u>	<u>33,500 (1)</u>	-	<u>33,500</u>
Net Change in Fund Balance	(6,950)	(6,950)	6,889	13,839
Beginning Fund Balance	<u>33,570</u>	<u>33,570</u>	<u>35,622</u>	<u>2,052</u>
Ending Fund Balance	<u>\$ 26,620</u>	<u>\$ 26,620</u>	<u>\$ 42,511</u>	<u>\$ 15,891</u>

(1) Appropriation Level

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

<u>MRC REINVESTMENT FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Assessments	\$ 15,000	\$ 15,000	\$ 25,094	\$ 10,094
Interest on Investments	4,000	4,000	7,216	3,216
Total Revenues	<u>19,000</u>	<u>19,000</u>	<u>32,310</u>	<u>13,310</u>
Net Change in Fund Balance	19,000	19,000	32,310	13,310
Beginning Fund Balance	<u>54,493</u>	<u>54,493</u>	<u>66,495</u>	<u>12,002</u>
Ending Fund Balance	<u><u>\$ 73,493</u></u>	<u><u>\$ 73,493</u></u>	<u><u>\$ 98,805</u></u>	<u><u>\$ 25,312</u></u>

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
WATER FUNDS
For the Year Ended June 30, 2013

	<u>SDC WATER IMPROVEMENT</u>	<u>WATER OPERATIONS</u>	<u>TOTAL</u>
REVENUES:			
Charges for Services	\$ -	\$ 453,528	\$ 453,528
Interest on Investments	196	268	464
Miscellaneous	-	797	797
Total Revenues	196	454,593	454,789
EXPENDITURES:			
Materials and Services	-	435,680	435,680
Debt Service	-	11,044	11,044
Total Expenditures	-	446,724	446,724
Excess of Revenues Over, (Under) Expenditures	196	7,869	8,065
Other Financing Sources (Uses): Transfers In	-	60,000	60,000
Net Change in Fund Balance	196	67,869	68,065
Beginning Fund Balance	49,766	26,455	76,221
Ending Fund Balance	<u>\$ 49,962</u>	<u>\$ 94,324</u>	144,286
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES			
Capital Assets, Net of Depreciation			760,174
Long-term Debt			(130,385)
Accrued Interest Payable			<u>(3,733)</u>
NET POSITION, ENDING			<u><u>\$ 770,342</u></u>

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

SDC WATER IMPROVEMENT FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Interest	\$ 100	\$ 100	\$ 196	\$ 96
EXPENDITURES:				
Capital Outlay	40,000	40,000 (1)	-	40,000
Net Change in Fund Balance	(39,900)	(39,900)	196	40,096
Beginning Fund Balance	49,770	49,770	49,766	(4)
Ending Fund Balance	<u>\$ 9,870</u>	<u>\$ 9,870</u>	<u>\$ 49,962</u>	<u>\$ 40,092</u>

(1) Appropriation Level

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

WATER OPERATIONS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:				
Charges for Services	\$ 428,010	\$ 428,010	\$ 453,528	\$ 25,518
Interest on Investments	-	-	268	268
Miscellaneous	-	-	797	797
Total Revenues	428,010	428,010	454,593	26,583
EXPENDITURES:				
Materials and Services	\$ 443,713	\$ 443,713 (1)	\$ 435,680	\$ 8,033
Capital Outlay	43,000	43,000 (1)	-	43,000
Debt Service	11,074	11,074 (1)	11,044	30
Contingency	8,796	8,796 (1)	-	8,796
Total Expenditures	506,583	506,583	446,724	59,859
Excess of Revenues Over, (Under) Expenditures	<u>(78,573)</u>	<u>(78,573)</u>	<u>7,869</u>	<u>86,442</u>
Other Financing Sources (Uses): Transfers In	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
Net Change in Fund Balance	(18,573)	(18,573)	67,869	86,442
Beginning Fund Balance	<u>18,573</u>	<u>18,573</u>	<u>26,455</u>	<u>7,882</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,324</u>	<u>\$ 94,324</u>

(1) Appropriation Level

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
WASTEWATER FUNDS
For the Year Ended June 30, 2013

	<u>SDC WASTEWATER IMPROVEMENT</u>	<u>SDC WASTEWATER REIMBURSEMENT</u>	<u>WASTEWATER OPERATIONS</u>	<u>TOTAL</u>
REVENUES:				
Charges for Services	\$ 40,759	\$ 5,527	\$ 2,090,127	\$ 2,136,413
Intergovernmental	694,369	-	-	694,369
Assessments	-	-	3,961	3,961
Rental Income	-	-	2,157	2,157
Interest on Investments	3,305	-	740	4,045
Miscellaneous	-	-	20,753	20,753
Total Revenues	<u>738,433</u>	<u>5,527</u>	<u>2,117,738</u>	<u>2,861,698</u>
EXPENDITURES:				
Materials and Services	-	-	1,845,082	1,845,082
Capital Outlay	688,115	-	21,211	709,326
Debt Service	8,991,872	-	2,591,887	11,583,759
Total Expenditures	<u>9,679,987</u>	<u>-</u>	<u>4,458,180</u>	<u>14,138,167</u>
Excess of Revenues Over, (Under)				
Expenditures	<u>(8,941,554)</u>	<u>5,527</u>	<u>(2,340,442)</u>	<u>(11,276,469)</u>
Other Financing Sources (Uses):				
Proceeds from Refunding Debt	8,228,853	-	2,354,253	10,583,106
Transfers In	121,772	-	275,000	396,772
Transfers Out	(235,000)	-	(57,000)	(292,000)
Total Other Financing Sources (Uses)	<u>8,115,625</u>	<u>-</u>	<u>2,572,253</u>	<u>10,687,878</u>
Net Change in Fund Balance	<u>(825,929)</u>	<u>5,527</u>	<u>231,811</u>	<u>(588,591)</u>
Beginning Fund Balance	<u>907,748</u>	<u>(41,177)</u>	<u>230,309</u>	<u>1,096,880</u>
Ending Fund Balance	<u>\$ 81,819</u>	<u>\$ (35,650)</u>	<u>\$ 462,120</u>	<u>508,289</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Interfund Loan				101,131
Capital Assets, Net of Depreciation				27,658,038
Long-term Debt				(10,816,779)
Accrued Interest Payable				<u>(310,176)</u>
NET POSITION, ENDING				<u>\$ 17,140,503</u>

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

SDC WASTEWATER IMPROVEMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:				
Charges For Services				
System Development Fees	\$ 10,000	\$ 10,000	\$ 40,759	\$ 30,759
Intergovernmental Revenue	709,821	709,821	694,369	(15,452)
Interest	2,000	2,000	3,305	1,305
Total Revenues	<u>721,821</u>	<u>721,821</u>	<u>738,433</u>	<u>16,612</u>
EXPENDITURES:				
Capital Outlay	709,821	709,821 (1)	688,115	21,706
Debt Service	582,819	8,952,128 (1)	8,991,872	(39,744) (2)
Total Expenditures	<u>1,292,640</u>	<u>9,661,949</u>	<u>9,679,987</u>	<u>(18,038)</u>
Excess of Revenues Over, (Under)				
Expenditures	<u>(570,819)</u>	<u>(8,940,128)</u>	<u>(8,941,554)</u>	<u>34,650</u>
Other Financing Sources (Uses):				
Proceeds from Debt Refunding	-	8,369,309	8,228,853	(140,456)
Transfers In	121,772	121,772	121,772	-
Transfers Out	-	(235,000) (1)	(235,000)	-
Total Other Financing Sources (Uses)	<u>121,772</u>	<u>8,256,081</u>	<u>8,115,625</u>	<u>(140,456)</u>
Net Change in Fund Balance	(449,047)	(684,047)	(825,929)	(1,426)
Beginning Fund Balance	<u>785,214</u>	<u>785,214</u>	<u>907,748</u>	<u>122,534</u>
Ending Fund Balance	<u>\$ 336,167</u>	<u>\$ 101,167</u>	<u>\$ 81,819</u>	<u>\$ (19,348)</u>

(1) Appropriation Level

(2) This implied budget overage was caused by bond issuance costs, which are exempt from Oregon local budget law.

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

SDC WASTEWATER REIMBURSEMENT FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Charges For Services				
System Development Fees	\$ 2,000	\$ 2,000	\$ 5,527	\$ 3,527
Net Change in Fund Balance	2,000	2,000	5,527	3,527
Beginning Fund Balance	<u>(42,361)</u>	<u>(42,361)</u>	<u>(41,177)</u>	<u>1,184</u>
Ending Fund Balance	<u>\$ (40,361)</u>	<u>\$ (40,361)</u>	<u>\$ (35,650)</u>	<u>\$ 4,711</u>

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

WASTEWATER OPERATIONS FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:				
Charges for Services	\$ 2,082,673	\$ 2,082,673	\$ 2,090,127	\$ 7,454
Assessments	1,800	1,800	3,961	2,161
Building and Land Rentals	500	500	2,157	1,657
Interest on Investments	150	150	740	590
Miscellaneous	1,000	1,000	20,753	19,753
Total Revenues	<u>2,086,123</u>	<u>2,086,123</u>	<u>2,117,738</u>	<u>31,615</u>
EXPENDITURES:				
Materials and Services	1,871,815	1,871,815 (1)	1,845,082	26,733
Capital Outlay	32,500	32,500 (1)	21,211	11,289
Debt Service	195,326	2,578,288 (1)	2,591,887	(13,599) (2)
Contingency	60,000	60,000 (1)	-	60,000
Total Expenditures	<u>2,159,641</u>	<u>4,542,603</u>	<u>4,458,180</u>	<u>84,423</u>
Excess of Revenues Over, (Under) Expenditures	<u>(73,518)</u>	<u>(2,456,480)</u>	<u>(2,340,442)</u>	<u>(52,808)</u>
Other Financing Sources (Uses):				
Proceeds from Refunding Debt	-	2,382,962	2,354,253	28,709
Transfers In	40,000	275,000	275,000	-
Transfers Out	(57,000)	(57,000) (1)	(57,000)	-
Total Other Financing Sources (Uses)	<u>(17,000)</u>	<u>2,600,962</u>	<u>2,572,253</u>	<u>(28,709)</u>
Net Change in Fund Balance	<u>(90,518)</u>	<u>144,482</u>	<u>231,811</u>	<u>87,329</u>
Beginning Fund Balance	<u>247,862</u>	<u>247,862</u>	<u>230,309</u>	<u>(17,553)</u>
Ending Fund Balance	<u>\$ 157,344</u>	<u>\$ 392,344</u>	<u>\$ 462,120</u>	<u>\$ 69,776</u>

(1) Appropriation Level

(2) This implied budget overage was caused by bond issuance costs, which are exempt from Oregon local budget law.

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
AIRPORT FUNDS
For the Year Ended June 30, 2013

	<u>AIRPORT OPERATIONS</u>	<u>AIRPORT CONSTRUCTION</u>	<u>TOTAL</u>
REVENUES:			
Charges for Services	\$ 295,246	\$ -	\$ 295,246
Intergovernmental	14,587	59,528	74,115
Rental Income	188,323	-	188,323
Interest on Investments	320	251	571
Miscellaneous	23,674	-	23,674
	<u>522,150</u>	<u>59,779</u>	<u>581,929</u>
EXPENDITURES:			
Materials and Services	439,160	-	439,160
Capital Outlay	17,967	76,812	94,779
Debt Service	86,542	-	86,542
	<u>543,669</u>	<u>76,812</u>	<u>620,481</u>
Excess of Revenues Over, (Under) Expenditures	<u>(21,519)</u>	<u>(17,033)</u>	<u>(38,552)</u>
Other Financing Sources (Uses): Transfers In	<u>-</u>	<u>30,000</u>	<u>30,000</u>
Net Change in Fund Balance	(21,519)	12,967	(8,552)
Beginning Fund Balance	<u>133,675</u>	<u>61,653</u>	<u>195,328</u>
Ending Fund Balance	<u>\$ 112,156</u>	<u>\$ 74,620</u>	<u>186,776</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES			
Capital Assets, Net of Depreciation			8,156,973
Long-term Debt			(1,131,251)
Accrued Interest Payable			<u>(34,755)</u>
NET POSITION, ENDING			<u>\$ 7,177,743</u>

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

AIRPORT OPERATIONS FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
REVENUES:				
Charges for Services	\$ 200,000	\$ 301,000	\$ 295,246	\$ (5,754)
Intergovernmental	-	12,698	14,587	1,889
Rental Income	177,449	177,449	188,323	10,874
Interest on Investments	30	30	320	290
Miscellaneous	3,712	6,255	23,674	17,419
Total Revenues	<u>381,191</u>	<u>497,432</u>	<u>522,150</u>	<u>24,718</u>
EXPENDITURES:				
Materials and Services	343,140	454,640 (1)	439,160	15,480
Capital Outlay	-	17,970 (1)	17,967	3
Debt Service	86,542	86,542 (1)	86,542	-
Contingency	17,376	4,147 (1)	-	4,147
Total Expenditures	<u>447,058</u>	<u>563,299</u>	<u>543,669</u>	<u>19,630</u>
Net Change in Fund Balance	(65,867)	(65,867)	(21,519)	44,348
Beginning Fund Balance	<u>65,867</u>	<u>65,867</u>	<u>133,675</u>	<u>67,808</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,156</u>	<u>\$ 112,156</u>

(1) Appropriation Level

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

AIRPORT CONSTRUCTION FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:				
Intergovernmental Interest	\$ 300,000 100	\$ 300,000 100	\$ 59,528 251	\$ (240,472) 151
Total Revenues	<u>300,100</u>	<u>300,100</u>	<u>59,779</u>	<u>(240,321)</u>
EXPENDITURES:				
Capital outlay	330,000	355,000 (1)	76,812	278,188
Contingency	<u>9,021</u>	<u>9,021 (1)</u>	<u>-</u>	<u>9,021</u>
Total Expenditures	<u>339,021</u>	<u>364,021</u>	<u>76,812</u>	<u>287,209</u>
Excess of Revenues Over, (Under) Expenditures	<u>(38,921)</u>	<u>(63,921)</u>	<u>(17,033)</u>	<u>46,888</u>
Other Financing Sources (Uses): Transfers In	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net Change in Fund Balance	(8,921)	(33,921)	12,967	46,888
Beginning Fund Balance	<u>8,921</u>	<u>33,921</u>	<u>61,653</u>	<u>27,732</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,620</u>	<u>\$ 74,620</u>

(1) Appropriation Level

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2013

	CENTRAL SERVICES	PUBLIC WORKS STAFF	BUILDINGS	FLEET	TOTAL
ASSETS:					
Current Assets:					
Cash and Investments	\$ 260,718	\$ 413,050	\$ 275,093	\$ 151,781	\$ 1,100,642
Accounts Receivable	13,396	15,352	30,979	-	59,727
Prepaid Expense	608	-	-	-	608
Total Current Assets	<u>274,722</u>	<u>428,402</u>	<u>306,072</u>	<u>151,781</u>	<u>1,160,977</u>
Noncurrent Assets:					
Bond Issuance Costs	-	-	58,838	-	58,838
Land	-	-	2,270,000	-	2,270,000
Construction in Progress	-	-	45,551	-	45,551
Depreciable Assets	5,718	7,125	5,430,822	1,101,115	6,544,780
Accumulated Depreciation	<u>(5,528)</u>	<u>(7,125)</u>	<u>(70,911)</u>	<u>(558,400)</u>	<u>(641,964)</u>
Total Noncurrent Assets	<u>190</u>	<u>-</u>	<u>7,734,300</u>	<u>542,715</u>	<u>8,277,205</u>
Total Assets	<u>\$ 274,912</u>	<u>\$ 428,402</u>	<u>\$ 8,040,372</u>	<u>\$ 694,496</u>	<u>\$ 9,438,182</u>
LIABILITIES:					
Current Liabilities:					
Accounts Payable	\$ 16,290	\$ 28,517	\$ 41,195	\$ 7,086	\$ 93,088
Payroll Liabilities	7,675	12,485	-	-	20,160
Accrued Interest Payable	-	-	6,206	-	6,206
Unearned Revenue	29,543	15,491	-	-	45,034
Compensated Absences Payable	36,147	63,286	-	-	99,433
Interfund Payable	-	-	-	101,131	101,131
Current Portion of Long-term Debt	-	-	73,380	-	73,380
Total Current Liabilities	<u>89,655</u>	<u>119,779</u>	<u>120,781</u>	<u>108,217</u>	<u>438,432</u>
Noncurrent Liabilities					
Other Post Employment Benefits Liability	28,598	76,263	-	-	104,861
Bonds Payable	-	-	3,831,620	-	3,831,620
Total Noncurrent Liabilities	<u>28,598</u>	<u>76,263</u>	<u>3,831,620</u>	<u>-</u>	<u>3,936,481</u>
Total Liabilities	<u>118,253</u>	<u>196,042</u>	<u>3,952,401</u>	<u>108,217</u>	<u>4,374,913</u>
Net Position:					
Net Investment in Capital Assets	190	-	1,500,462	542,715	2,043,367
Unrestricted	<u>156,469</u>	<u>232,360</u>	<u>2,587,509</u>	<u>43,564</u>	<u>3,019,902</u>
Total Net Position	<u>\$ 156,659</u>	<u>\$ 232,360</u>	<u>\$ 4,087,971</u>	<u>\$ 586,279</u>	<u>\$ 5,063,269</u>

**CITY OF MADRAS
JEFFERSON COUNTY, OREGON**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2013**

	CENTRAL SERVICES	PUBLIC WORKS STAFF	BUILDINGS	FLEET	TOTAL
OPERATING REVENUES:					
Licenses and Fees	\$ 31,279	\$ 19,869	\$ -	\$ -	\$ 51,148
Charges for Services	882,920	1,249,400	427,539	329,283	2,889,142
Miscellaneous	3,333	2,014	91,756	-	97,103
Total Operating Revenues	<u>917,532</u>	<u>1,271,283</u>	<u>519,295</u>	<u>329,283</u>	<u>3,037,393</u>
OPERATING EXPENSES:					
Personal Services	527,038	904,046	-	-	1,431,084
Materials and Services	262,008	225,330	158,458	106,275	752,071
Depreciation	1,906	-	55,600	106,840	164,346
Total Operating Expenses	<u>790,952</u>	<u>1,129,376</u>	<u>214,058</u>	<u>213,115</u>	<u>2,347,501</u>
Operating Income (loss)	126,580	141,907	305,237	116,168	689,892
NONOPERATING REVENUES (EXPENSES):					
Interest on Investments	689	1,806	1,835	234	4,564
Interest Expense	-	-	(79,305)	-	(79,305)
Total Nonoperating Revenues (Expense)	<u>689</u>	<u>1,806</u>	<u>(77,470)</u>	<u>234</u>	<u>(74,741)</u>
Net Income Before Transfers	127,269	143,713	227,767	116,402	615,151
TRANSFERS					
Transfers In	10,955	-	75,000	-	85,955
Transfers Out	(134,450)	(290,955)	(11,533)	(64,772)	(501,710)
Total Transfers	<u>(123,495)</u>	<u>(290,955)</u>	<u>63,467</u>	<u>(64,772)</u>	<u>(415,755)</u>
Change in Net Position	3,774	(147,242)	291,234	51,630	199,396
Beginning Net Position	<u>152,885</u>	<u>379,602</u>	<u>3,796,737</u>	<u>534,649</u>	<u>4,863,873</u>
Ending Net Position	<u>\$ 156,659</u>	<u>\$ 232,360</u>	<u>\$ 4,087,971</u>	<u>\$ 586,279</u>	<u>\$ 5,063,269</u>

**CITY OF MADRAS
JEFFERSON COUNTY, OREGON**

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2013**

	CENTRAL SERVICES	PUBLIC WORKS STAFF	BUILDINGS	FLEET	TOTAL
Cash Flows from Operating Activities:					
Receipts From Customers and Users	\$ 50,135	\$ 29,208	\$ 147,356	\$ -	\$ 226,699
Receipts From Interfund Services Provided	882,920	1,249,400	427,539	329,283	2,889,142
Payments to Suppliers	(257,619)	(221,738)	(563,501)	(112,352)	(1,155,210)
Payments to Employees	(521,372)	(875,302)	-	-	(1,396,674)
Net Cash Provided (Used) by Operating Activities	<u>154,064</u>	<u>181,568</u>	<u>11,394</u>	<u>216,931</u>	<u>563,957</u>
Cash Flows From Noncapital Financing Activities					
Transfer To/From Other Funds	<u>(123,495)</u>	<u>(290,955)</u>	<u>63,467</u>	<u>(64,772)</u>	<u>(415,755)</u>
Net Cash Flows From Noncapital Financing Activities	<u>(123,495)</u>	<u>(290,955)</u>	<u>63,467</u>	<u>(64,772)</u>	<u>(415,755)</u>
Cash Flows from Capital and Related Financing Activities:					
Purchases of Capital Assets	-	-	(3,484,272)	(43,619)	(3,527,891)
Interest earned/Interest paid on Loan	689	1,806	(77,581)	234	(74,852)
Issuance of Debt	-	-	2,200,000	-	2,200,000
Principal Paid on Capital Debt	-	-	(42,442)	-	(42,442)
Loan Payment to Other Fund	-	-	-	(62,251)	(62,251)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>689</u>	<u>1,806</u>	<u>(1,404,295)</u>	<u>(105,636)</u>	<u>(1,507,436)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	31,258	(107,581)	(1,329,434)	46,523	(1,359,234)
Balances - Beginning of the Year	<u>229,460</u>	<u>520,631</u>	<u>1,604,527</u>	<u>105,258</u>	<u>2,459,876</u>
Balances - End of the Year	<u>\$ 260,718</u>	<u>\$ 413,050</u>	<u>\$ 275,093</u>	<u>\$ 151,781</u>	<u>\$ 1,100,642</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating Income	\$ 126,580	\$ 141,907	\$ 305,237	\$ 116,168	\$ 689,892
Cash Flow Reported in Other Activities:					
Depreciation Expense	1,906	-	55,600	106,840	164,346
Changes in Assets and Liabilities:					
Receivables	(13,664)	6,972	-	-	(6,692)
Unearned Revenue	29,187	353	-	-	29,540
Accrued Expenses	1,180	21,667	(349,443)	(6,077)	(332,673)
Other Post Employment Benefits	5,959	-	-	-	5,959
Accrued Compensated Absences	2,916	10,669	-	-	13,585
Net Cash Provided (Used) by Operating Activities	<u>\$ 154,064</u>	<u>\$ 181,568</u>	<u>\$ 11,394</u>	<u>\$ 216,931</u>	<u>\$ 563,957</u>

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

CENTRAL SERVICES FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:				
Licenses and Fees	\$ 29,000	\$ 29,000	\$ 31,279	\$ 2,279
Charges for Services	873,039	873,039	882,920	9,881
Interest on Investments	500	500	689	189
Miscellaneous	5,700	5,700	3,333	(2,367)
Total Revenues	908,239	908,239	918,221	9,982
EXPENDITURES:				
Current				
Personnel Services	529,518	540,473 (1)	518,163	22,310
Materials & Services	246,500	271,500 (1)	262,008	9,492
Contingency	50,000	21,550 (1)	-	21,550
Total Expenditures	826,018	833,523	780,171	21,550
Excess of Revenues Over, (Under)				
Expenditures	82,221	74,716	138,050	63,334
Other Financing Sources (Uses):				
Transfers In	-	10,955	10,955	-
Transfers Out	(131,000)	(134,450) (1)	(134,450)	-
Total Other Financing Sources (Uses)	(131,000)	(123,495)	(123,495)	-
Net Change in Fund Balance	(48,779)	(48,779)	14,555	63,334
Beginning Fund Balance	214,169	214,169	206,659	(7,510)
Ending Fund Balance	\$ 165,390	\$ 165,390	221,214	\$ 55,824

**RECONCILIATION TO GENERALLY
ACCEPTED ACCOUNTING PRINCIPLES**

Capital Assets, Net of Depreciation	190
Compensated Absences	(36,147)
Other Post Employment Liability	(28,598)

NET POSITION, ENDING **\$ 156,659**

(1) Appropriation Level

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

PUBLIC WORKS STAFF FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:				
Licenses and Fees	\$ 7,500	\$ 7,500	\$ 19,869	\$ 12,369
Charges for Services	1,249,395	1,249,395	1,249,400	5
Interest on Investments	1,500	1,500	1,806	306
Miscellaneous	2,000	2,000	2,014	14
	<u>1,260,395</u>	<u>1,260,395</u>	<u>1,273,089</u>	<u>12,694</u>
EXPENDITURES:				
Current:				
Personnel Services	965,396	954,441 (1)	877,486	76,955
Materials and Services	289,000	289,000 (1)	225,330	63,670
Contingency	20,000	20,000 (1)	-	20,000
	<u>1,274,396</u>	<u>1,263,441</u>	<u>1,102,816</u>	<u>20,000</u>
Excess of Revenues Over, (Under) Expenditures	<u>(14,001)</u>	<u>(3,046)</u>	<u>170,273</u>	<u>173,319</u>
Other Financing Sources (Uses):				
Transfers Out	<u>(280,000)</u>	<u>(290,955) (1)</u>	<u>(290,955)</u>	<u>-</u>
Net Change in Fund Balance	<u>(294,001)</u>	<u>(294,001)</u>	<u>(120,682)</u>	<u>173,319</u>
Beginning Fund Balance	<u>472,048</u>	<u>472,048</u>	<u>492,591</u>	<u>20,543</u>
Ending Fund Balance	<u>\$ 178,047</u>	<u>\$ 178,047</u>	<u>371,909</u>	<u>\$ 193,862</u>
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Compensated Absences			(63,286)	
Other Post Employment Liability			(76,263)	
NET POSITION, ENDING			<u>\$ 232,360</u>	

(1) Appropriation Level

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

	<u>BUILDING FUND</u>			VARIANCE TO FINAL BUDGET
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES:				
Charges for Services	\$ 428,693	\$ 428,693	\$ 427,539	\$ (1,154)
Interest	1,500	1,500	1,835	335
Miscellaneous	-	-	93,755	93,755
Total Revenues	430,193	430,193	523,129	92,936
EXPENDITURES:				
Materials & Services	167,000	167,000 (1)	158,458	8,542
Capital outlay	3,356,500	3,702,494 (1)	3,486,271	216,223
Debt Service	121,858	121,858 (1)	121,858	-
Contingency	91,994	- (1)	-	-
Total Expenditures	3,737,352	3,991,352	3,766,587	224,765
Excess of Revenues Over, (Under) Expenditures	(3,307,159)	(3,561,159)	(3,243,458)	317,701
Other Financing Sources (Uses):				
Issuance of Debt	2,367,254	2,367,254 (2)	2,200,000	(167,254)
Transfers In	-	- (2)	75,000	75,000
Transfers Out	(11,533)	(11,533) (1)	(11,533)	-
Total Other Financing Sources (Uses)	2,355,721	2,355,721	2,263,467	(92,254)
Net Change in Fund Balance	(951,438)	(1,205,438)	(979,991)	225,447
Beginning Fund Balance	951,438	1,205,438	1,244,868	39,430
Ending Fund Balance	\$ -	\$ -	264,877	\$ 264,877

**RECONCILIATION TO GENERALLY
ACCEPTED ACCOUNTING PRINCIPLES**

Capital Assets, Net of Depreciation	7,675,462
Bond Issuance Costs	58,838
Accrued Interest Payable	(6,206)
Long-Term Debt	(3,905,000)

NET POSITION, ENDING

\$ 4,087,971

(1) Appropriation Level

(2) Transfers In includes a \$75,000 grant from the Madras Redevelopment Commission to help finance the new Police Station/City Hall facility. The Redevelopment Commission is a separate legal entity; therefore, this amount was budgeted as Intergovernmental Revenue. To accurately report the Redevelopment Commission as a component unit of the City, this transaction is reported on the City's financial statements as an interfund transfer.

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Year Ended June 30, 2013

FLEET FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
REVENUES:				
Charges for Services	\$ 329,271	\$ 329,271	\$ 329,283	\$ 12
Interest on Investments	250	250	234	(16)
Total Revenues	329,521	329,521	329,517	(4)
EXPENDITURES:				
Current:				
Materials and Services	197,200	197,200 (1)	167,682	29,518
Capital Outlay	97,000	97,000 (1)	44,463	52,537
Contingency	25,000	25,000 (1)	-	25,000
Total Expenditures	319,200	319,200	212,145	107,055
Excess of Revenues Over, (Under) Expenditures	10,321	10,321	117,372	107,051
Other Financing Sources (Uses):				
Transfers Out	(64,772)	(64,772) (1)	(64,772)	-
Net Change in Fund Balance	(54,451)	(54,451)	52,600	107,051
Beginning Fund Balance	71,049	71,049	92,095	21,046
Ending Fund Balance	\$ 16,598	\$ 16,598	144,695	\$ 128,097
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Interfund Loan			(101,131)	
Capital Assets, Net of Depreciation			542,715	
NET POSITION, ENDING			\$ 586,279	

(1) Appropriation Level

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2013

	<u>CFDA Number</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE		
Community Facilities Loans and Grants	10.766	<u>\$ 2,200,000 (1)</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>2,200,000</u>
U.S. DEPARTMENT OF TRANSPORTATION		
Passed Through Oregon Department of Transportation		
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	54,607
State and Community Highway Safety	20.600	240
Airport Improvement Program	20.106	<u>59,528</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		<u>114,375</u>
 TOTALS		 <u><u>\$ 2,314,375</u></u>

(1) Indicates major program

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF TAX COLLECTIONS AND UNPAID BALANCES

For the Year Ended June 30, 2013

TAX YEAR	<u>General Fund</u>				CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED 06/30/13
	IMPOSED LEVY OR BALANCE UNCOLLECTED 07/01/12	DEDUCT DISCOUNTS	ADJUSTMENT TO ROLLS	ADD INTEREST		
Current:						
2012-13	\$ 1,022,844	\$ 25,067	\$ (2,352)	\$ 694	\$ 951,808	\$ 44,311
Prior years:						
2011-12	48,447	(3)	(2,224)	1,973	22,310	25,889
2010-11	29,787	(2)	(2,462)	2,258	10,772	18,813
2009-10	19,245	(1)	(3,844)	3,556	10,600	8,358
2008-09	9,789	(1)	(3,585)	3,361	8,742	824
Prior	1,629	-	(341)	236	386	1,138
Total Prior	108,897	(7)	(12,456)	11,384	52,810	55,022
Total	\$ 1,131,741	\$ 25,060	\$ (14,808)	\$ 12,078	\$ 1,004,618	\$ 99,333

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 1,004,618
Accrued June 30, 2012	(9,382)
Accrued June 30, 2013	19,800
Payments in lieu of taxes	(3,089)
Total Revenue per Fund Budgetary Statement	<u>\$ 1,011,947</u>

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF TAX COLLECTIONS AND UNPAID BALANCES

For the Year Ended June 30, 2013

TAX YEAR	<u>Debt Service Fund</u>				CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED 06/30/13
	IMPOSED LEVY OR BALANCE UNCOLLECTED 07/01/12	DEDUCT DISCOUNTS	ADJUSTMENT TO ROLLS	ADD INTEREST		
Current:						
2012-13	\$ 91,653	\$ 2,246	\$ (148)	\$ 62	\$ 85,288	\$ 4,033
Prior years:						
2011-12	4,496	-	(23)	183	2,070	2,586
2010-11	2,436	-	(17)	185	881	1,723
2009-10	1,778	-	(27)	329	979	1,101
2008-09	904	-	(21)	310	807	386
Prior	159	-	(13)	23	38	131
Total Prior	9,773	-	(101)	1,030	4,775	5,927
Total	<u>\$ 101,426</u>	<u>\$ 2,246</u>	<u>\$ (249)</u>	<u>\$ 1,092</u>	<u>\$ 90,063</u>	<u>\$ 9,960</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 90,063
Accrued June 30, 2012	(856)
Accrued June 30, 2013	1,785
Payments in lieu of taxes	(283)
Total Revenue per Fund Budgetary Statement	<u>\$ 90,709</u>

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF TAX COLLECTIONS AND UNPAID BALANCES

For the Year Ended June 30, 2013

TAX YEAR	<u>Redevelopment Commission General Fund</u>					CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED 06/30/13
	IMPOSED LEVY OR BALANCE UNCOLLECTED 07/01/12	DEDUCT DISCOUNTS	ADJUSTMENT TO ROLLS	ADD INTEREST			
Current:							
2012-13	\$ 359,995	\$ 8,822	\$ (829)	\$ 244	\$ 334,993	\$ 15,595	
Prior years:							
2011-12	17,847	(1)	(819)	727	8,219	9,537	
2010-11	9,995	(1)	(826)	758	3,615	6,313	
2009-10	5,807	-	(1,160)	1,073	3,198	2,522	
2008-09	2,858	-	(1,046)	981	2,552	241	
Prior	429	-	(89)	62	102	300	
Total Prior	36,936	(2)	(3,940)	3,601	17,686	18,913	
Total	\$ 396,931	\$ 8,820	\$ (4,769)	\$ 3,845	\$ 352,679	\$ 34,508	

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 352,679
Accrued June 30, 2012	(3,032)
Accrued June 30, 2013	6,582
Payments in lieu of taxes	(1,191)
Total Revenue per Fund Budgetary Statement	<u>\$ 355,038</u>

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

OTHER INFORMATION

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CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF OUTSTANDING DEBT PRINCIPAL
AND INTEREST TRANSACTIONS
For the Year Ended June 30, 2013

	INTEREST RATE	DATE OF ISSUE	OUTSTANDING JULY 1, 2012	ISSUED	MATURED AND PAID	OUTSTANDING JUNE 30, 2013	INTEREST MATURED AND PAID
GOVERNMENTAL FUNDS							
2012 Refunding Bond	1.1-2.5%	5/15/2012	\$ 2,585,000	\$ -	\$ 95,000	\$ 2,490,000	\$ 84,496
Notes & Contracts Payable:							
2004 Full Faith & Credit	2.0-4.0%	8/31/2004	664,612	-	85,126	579,486	25,288
Special Public Works Fund	4.00%	7/15/2005	879,022	-	29,940	849,082	37,297
Total Governmental Funds			4,128,634	-	210,066	3,918,568	147,081
ISF Building Fund (Governmental Activities)							
Building Loan	3.0-5.2%	3/1/2011	1,750,000	-	45,000	1,705,000	76,858
USDA Loan	3.125%	3/22/2013	-	2,200,000	-	2,200,000	-
Total ISF Building Fund			1,750,000	2,200,000	45,000	3,905,000	76,858
Total Governmental Activities			5,878,634	2,200,000	255,066	7,823,568	223,939
ENTERPRISE FUNDS							
Water Fund							
Notes & Contracts Payable:							
Special Public Works Fund	4.97%	12/23/2004	134,813	-	4,428	130,385	6,647
Wastewater Fund							
Notes & Contracts Payable:							
Special Public Works Fund	4.97%	12/23/2004	59,040	-	1,966	57,074	2,964
Oregon DEQ	2.98%	7/19/2006	3,110,318	-	3,110,318	-	91,772
DEQ Loan	2.71%		-	183,705	-	183,705	-
Bonds Payable:							
Sewer General Obligation	5.00%	8/1/1975	161,000	-	80,000	81,000	8,050
1991 revenue bonds	5.00%	5/10/1991	237,586	-	237,586	-	11,879
1993 revenue bonds	5.00%	8/11/1993	2,062,008	-	2,062,008	-	103,100
1997 revenue bonds	4.50%	4/1/1999	835,344	-	835,344	-	37,591
2000 revenue bonds	4.85%	7/20/2000	4,397,311	-	4,397,311	-	214,368
URA Line of Credit	4.08%	1/29/2013	-	10,495,000	-	10,495,000	-
Total Wastewater Fund			10,862,607	10,678,705	10,724,533	10,816,779	469,724
Airport Fund							
Notes & Contracts Payable:							
Special Public Works Fund	4.99%	10/2/2008	1,056,018	-	23,761	1,032,257	52,695
Bonds Payable:							
1996 Revenue bonds	5.13%	7/19/1996	103,762	-	4,768	98,994	5,318
Total Airport Fund			1,159,780	-	28,529	1,131,251	58,013
Total Enterprise Fund			12,157,200	10,678,705	10,757,490	12,078,415	534,384
Total			\$ 18,035,834	\$ 12,878,705	\$ 11,012,556	\$ 19,901,983	\$ 758,323

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CITY OF MADRAS
JEFFERSON COUNTY, OREGON

**INDEPENDENT AUDITORS' REPORT REQUIRED
BY OREGON STATE REGULATIONS**

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March 18, 2014

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Madras, Oregon as of and for the year ended June 30, 2013, and have issued our report thereon dated March 18, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the City of Madras, Oregon was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

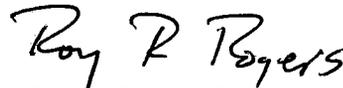
1. Expenditures of all the various funds were within authorized appropriations, except as noted on page 19 of the notes to the financial statements.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the 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 the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in the schedule of findings and questioned costs on page 85.

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



Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

GRANT COMPLIANCE REVIEW

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March 18, 2014

To the Honorable Mayor and
Members of the City Council
City of Madras, Oregon

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Madras, Oregon as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated March 18, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

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 financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

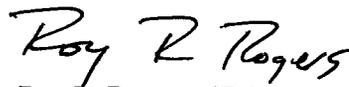
As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 noted certain matters that we reported to management of on the Schedule of Findings and Questioned Costs on page 85.

The City of Madras, Oregon's responses to the significant deficiencies identified in our audit are described in the accompanying schedule of findings and questioned costs. The responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.



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March 18, 2014

To the Honorable Mayor and
Members of the City Council
City of Madras, Oregon

Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Report on Compliance for Each Major Federal Program

We have audited the City of Madras, Oregon's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2013. The major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Madras, Oregon, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-FA-1. Our opinion on each major federal program is not modified with respect to this matter.

The City of Madras, Oregon's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


Roy R. Rogers, CPA
PAULY, ROGERS AND CO., P.C.

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(s) indentified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Any GAGAS audit findings disclosed that are required to be reported in accordance with section 505(d)(2) of OMB Circular A-133? yes no

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(s) indentified that are not considered to be material weaknesses? yes none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, section 510(a)? yes no

IDENTIFICATION OF MAJOR PROGRAMS

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM CLUSTER</u>
10.766	Community Facilities Loans and Grants

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

CITY OF MADRAS
JEFFERSON COUNTY, OREGON

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS

2013-FS-1

Condition: There is a lack of segregation of duties within the business department due to a limited number of staff.

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction.

Effect: The possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

Cause: There is a limited number of available personnel due to the size of the city.

Recommendations: We recommend that the Council continually monitor the financial activities to mitigate this risk and consider additional fidelity insurance.

Management's Response: Management agrees with this condition and notes that further staff reductions within the Finance department continued to limit segregation of duties. Management is in the process of reviewing staff workloads and accounting processes and procedures with the intention of balancing process efficiencies with adequate internal controls. Regular financial reports will be provided to City Administrator and City Council to better allow them to monitor financial activities. Additional fidelity insurance will be considered.

2013-FS-2

Condition: The City does not have a written internal control policies and procedures document.

Criteria: Audit reporting requirements emphasize the importance management should place on the design and implementation of effective internal controls. A control system should not only include (among other things) a properly designed accounting system, source document retention, anti-fraud controls, safeguards over assets and controls to ensure accurate financial reporting, but also documentation of internal controls within a well-maintained policies and procedures manual.

Effect: The likelihood is much higher that the internal controls created to protect the city and ensure accurate financial reporting will not be implemented properly by personnel, increasing the city's risk of unintentional or intentional errors or irregularities.

Cause: As creating an internal control policies and procedures manual is a time-consuming project, the city has not had the personnel available to create an accurate manual.

Recommendations: We recommend the City adopt formal policies/procedures for all accounting areas, especially as they pertain to internal controls and the identification of key controls.

Management's Response: Management agrees with this condition. Formal policies and procedures for all accounting areas, with specific attention paid to internal controls and identification of key controls continues to be a goal of the Finance department. Written policies and procedures will be a priority for the Finance department in the coming year.

2013-FS-3

Condition: There were several instances where bank reconciliations were not prepared in a timely manner.

Criteria: Bank reconciliations should be prepared within a month of receiving the bank statement and reviewed in a timely manner by a person independent of the reconciliation process.

Effect: The likelihood of an unintentional or intentional error or irregularity existing and not being detected that could result in a material misstatement of the financial statements is increased the later the bank reconciliations are prepared and reviewed.

Cause: The City has a limited number of personnel to maintain its accounting department, so at times certain internal control procedures are not followed due to lack of time to complete the work.

Recommendations: We recommend that management require bank reconciliations be prepared within a month of receiving the bank statement and that documentation be maintained showing the signature and date the bank reconciliations are prepared and reviewed.

Management's Response: Management agrees with this condition and notes that reduced staff and increasing workloads continue to be a challenge. Documentation is now maintained showing the signature and date that reconciliations are prepared and reviewed. Preparation of bank reconciliations within a month of receiving the bank statement continues to be a Finance department goal.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2013-FA-1

Federal Program: Community Facilities Loans and Grants

Condition: There were multiple instances where costs were submitted for reimbursement, were explicitly denied reimbursement by the program director, and were later resubmitted and reimbursed by the program. These costs totaled \$601.

Criteria: Activities Allowed or Unallowed: Funds may be used to construct, enlarge, extend, or otherwise improve essential community facilities providing essential services primarily to rural residents and rural businesses.

Effect: The City was reimbursed for activities that were expressly prohibited by the program director.

Cause: The City has a limited number of personnel to maintain its accounting department, so grant reimbursement requests may not have been reviewed properly prior to submission.

Recommendations: We recommend that only those activities allowed by the program be submitted for reimbursement, and that a review process be implemented to avoid costs unallowed by the program from being submitted for reimbursement.

Management's Response: Management agrees with this condition and disclosure has been made to the appropriate Federal agency. Management is committed to obtaining a clear understanding of allowable and unallowable costs for all loans and grants to ensure compliance. All loan draw down requests and grant reimbursement requests will be reviewed by a second party prior to submission.

SECTION IV – SCHEDULE OF PRIOR FINANCIAL STATEMENT FINDINGS

2012-FS-1

Condition: There is a lack of segregation of duties within the business department due to a limited number of staff.

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction.

Effect: The possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

Cause: There is a limited number of available personnel due to the size of the city.

Recommendations: We recommend that the Council continually monitor the financial activities to mitigate this risk and consider additional fidelity insurance.

Management's Response: Management agrees with this condition and notes that further staff reductions within the Finance department continued to limit segregation of duties. Management is in the process of reviewing staff workloads and accounting processes and procedures with the intention of balancing process efficiencies with adequate internal controls. Regular financial reports will be provided to City Administrator and City Council to better allow them to monitor financial activities. Additional fidelity insurance will be considered.

Status of Finding: Due to additional loss in staff resources and turnover in the Finance Director position, limited segregation of duties, reviews, and cross training continues to be an opportunity for improvement. A similar finding was noted as a significant deficiency in the current year – reference 2013-FS-1.

2012-FS-2

Condition: The City does not have a written internal control policies and procedures document.

Criteria: Audit reporting requirements emphasize the importance management should place on the design and implementation of effective internal controls. A control system should not only include (among other things) a properly designed accounting system, source document retention, anti-fraud controls, safeguards over assets and controls to ensure accurate financial reporting, but also documentation of internal controls within a well-maintained policies and procedures manual.

Effect: The likelihood is much higher that the internal controls created to protect the city and ensure accurate financial reporting will not be implemented properly by personnel, increasing the city's risk of unintentional or intentional errors or irregularities.

Cause: As creating an internal control policies and procedures manual is a time-consuming project, the city has not had the personnel available to create an accurate manual.

Recommendations: We recommend the City adopt formal policies/procedures for all accounting areas, especially as they pertain to internal controls and the identification of key controls.

Management's Response: Management agrees with this condition. Formal policies and procedures for all accounting areas, with specific attention paid to internal controls and identification of key controls continues to be a goal of the Finance department. Written policies and procedures will be a priority for the Finance department in the coming year.

Status of Finding: This finding was not corrected during the 2011-12 fiscal year – it was noted as a significant deficiency in the current year – reference 2013-FS-2.

2012-FS-3

Condition: There were multiple instances where controls over the bank reconciliation process were not being adhered to closely (ie. reconciliations were not being prepared timely, missing documented approval, etc.).

Criteria: Bank reconciliations should be prepared within a month of receiving the bank statement and reviewed in a timely manner by a person independent of the reconciliation process.

Effect: The likelihood of an unintentional or intentional error or irregularity existing and not being detected that could result in a material misstatement of the financial statements is increased the later the bank reconciliations are prepared and reviewed.

Cause: The city has a limited number of personnel to maintain its accounting department, so at times certain internal control procedures are not followed due to lack of time to complete the work.

Recommendations: We recommend that management require bank reconciliations be prepared within a month of receiving the bank statement and that documentation be maintained showing the signature and date the bank reconciliations are prepared and reviewed.

Management's Response: Management agrees with this condition and notes that reduced staff and increasing workloads continue to be a challenge. Documentation is now maintained showing the signature and date that reconciliations are prepared and reviewed. Preparation of bank reconciliations within a month of receiving the bank statement continues to be a Finance department goal.

Status of Finding: Several of the bank reconciliation processes were adhered to more closely in the current fiscal year – however, a similar finding was noted as a significant deficiency in the current year – reference 2013-FS-3.

2012-FS-4

Condition and Criteria: We reviewed the budget changes for the 2011-12 fiscal year and received a budget schedule outlining the beginning budget with the changes made arriving at the final adjusted budget. When comparing the resolutions indicating the change, it appears that there were several errors made, including incorrect entries of enacted budget changes into the accounting system and supplemental budgets that were not balanced.

Effect: This caused the City to not be in compliance with Oregon minimum Standards and Budget Law and also provides inaccurate information to management.

Cause: It is our understanding that this was made mistakenly. The beginning budget was balanced; however, supplemental budgets enacted during the year were not balanced.

Recommendations: We recommend additional training in the area of Oregon Budget Law and both the Department of Revenue and our office are available for questions during the year in the proper enactment of supplemental budgets. In addition, we recommend secondary review of all entries, including budget adjustments, to the accounting system.

Management's Response: Due to the turnover in staff the budget adjustments were not being maintained consistently within management. The current Finance Director is scheduled for Oregon Budget Law training. All supplemental budgets will include complete general ledger coding and prior approval of City Administrator before being presented to Council. Once supplemental budgets are approved and entered into the system, a printout of the budget entry will be reviewed again prior to year end to confirm all budget adjustments were in compliance with Oregon Budget Law.

Status of Finding: This finding was corrected in the current fiscal year.

2012-FS-5

Condition: There were multiple errors and inconsistencies that were material in nature discovered with the accounting and reporting for the fiscal year.

Criteria: Accounting records and reporting should be reviewed by management to ensure that all transactions are accounted for properly.

Effect: The previously issued financial statements were materially misstated.

Cause: There were many errors in accounting and reporting that were not discovered and corrected by management.

Recommendations: We recommend that management review accounting records and reports to ensure that there are no material errors, and if errors are discovered, these should be corrected.

Management's Response: Management agrees with this condition and notes that the errors and inconsistencies were discovered by Management in preparation for the subsequent fiscal year's audit. Current Management is committed to producing and reviewing accurate financial statements prior to the fiscal year audit and issuance of the financial statements.

Status of Finding: This finding was corrected in the current fiscal year.

SECTION V – SCHEDULE OF PRIOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes federal grant activity and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.