

**CITY OF MADRAS  
(Jefferson County, Oregon)**

**FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2014**

**CITY OF MADRAS  
(Jefferson County, Oregon)**

**CITY COUNCIL**

**JUNE 30, 2014**

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

## **INDEPENDENT AUDITORS' REPORT**

### **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, 2014, 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, 2014, 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.

## **Other Matters**

### *Required Supplemental 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.

### *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 supplementary information, as listed in the table of contents, 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 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, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

The other 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. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

### **Reports on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 7, 2014 on our consideration of the internal control over financial reporting and on or 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 November 7, 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.

SGA CPAs & Consultants, LLP

SGA Certified Public Accountants & Consultants, LLP

November 7, 2014

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



## **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, 2014. 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 increased over the course of the fiscal year by \$2.12 million for total net position of \$44.8 million. This is the net result of a \$2.04 million (12.54%) increase in the governmental net position and \$80.9 thousand (0.31%) increase in the business-type net position.
- Net capital assets for governmental activities increased approximately \$1.42 million (6.27%). Increases are primarily due to construction on various projects, including the industrial rail improvements and North Madras trail connector projects.
- Property tax revenue remained steady compared to prior year. Property tax revenues primarily consist of \$1.037 million in the General Fund, \$0.84 million to Debt Service Fund, and \$0.31 million related to the Madras Redevelopment Commission (the Urban Renewal District to the City of Madras) for overall property tax revenues levied of \$1.47 million.
- As of the end of the fiscal year, total governmental funds had an ending fund balance of \$2.3 million, an increase of \$0.2 million from the prior year's fund balance of \$2.1 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.

## **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, Madras Redevelopment Commission, and the debt service 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 four funds to be *major governmental funds*. These four 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, the Madras Redevelopment Commission (i.e. Urban Renewal District), and the Debt Service Fund. The remaining nine 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. 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 is 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, 2014 totaled \$44.8 million, an increase of \$2.12 million from June 30, 2013.

**Table 1**  
**STATEMENT OF NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Assets:</b>						
Current and other assets	\$ 3,879,219	\$ 3,896,162	\$ 2,609,797	\$ 2,521,295	\$ 6,489,016	\$ 6,417,457
Capital assets	24,076,049	22,656,179	36,587,132	36,575,185	60,663,181	59,231,364
<b>Total Assets</b>	<b>27,955,268</b>	<b>26,552,341</b>	<b>39,196,929</b>	<b>39,096,480</b>	<b>67,152,197</b>	<b>65,648,821</b>
<b>Liabilities:</b>						
Current liabilities	1,924,425	2,147,770	556,533	623,598	2,480,958	2,771,368
Non-current liabilities	7,638,217	8,079,450	11,975,565	11,955,438	19,613,782	20,034,888
<b>Total Liabilities</b>	<b>9,562,642</b>	<b>10,227,220</b>	<b>12,532,098</b>	<b>12,579,036</b>	<b>22,094,740</b>	<b>22,806,256</b>
Deferred Inflows	75,820	48,595	135,174	68,732	210,994	117,327
<b>Net Position:</b>						
Invested in capital assets,						
net of related debt	18,933,949	17,322,611	24,562,454	24,496,770	43,496,403	41,819,381
Restricted	3,190,278	3,134,263	178,548	358,016	3,368,826	3,492,279
Unrestricted	(3,807,421)	(4,180,348)	1,788,656	1,593,926	(2,018,765)	(2,586,422)
<b>Total Net Position</b>	<b>\$ 18,316,806</b>	<b>\$ 16,276,526</b>	<b>\$ 26,529,658</b>	<b>\$ 26,448,712</b>	<b>\$ 44,846,464</b>	<b>\$ 42,725,238</b>

The largest component of the City's \$44.8 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 \$123,543 (3.54%), primarily related to changes in debt reserves and SDC fund balances related to the refunding of Wastewater debt.

### Change in Net Position

**Table 2**  
**CHANGE IN NET POSITION**

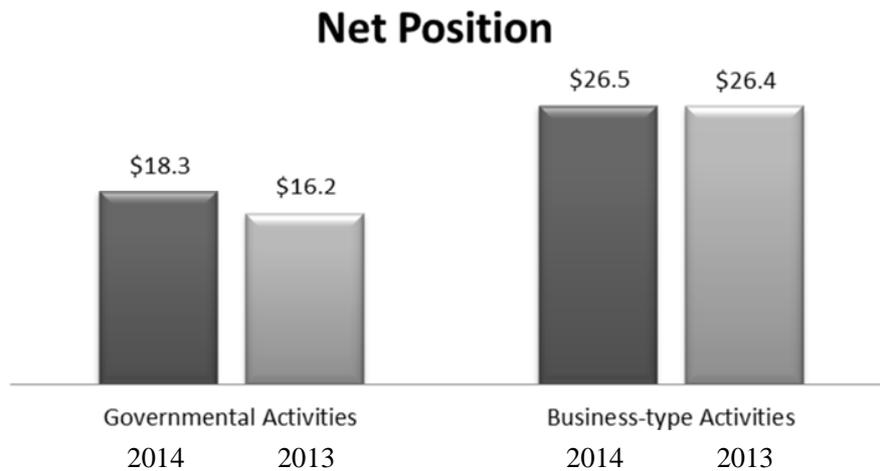
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenue:</b>						
Program Revenues:						
Charges for services	\$ 343,386	\$ 1,232,926	\$ 3,355,699	\$ 3,353,266	\$ 3,699,085	\$ 4,586,192
Operating grants and contributions	1,770,902	45,615	-	-	1,770,902	45,615
Capital grants and contributions	1,173,310	542,534	787,517	635,026	1,960,827	1,177,560
General Revenues:					-	-
Property taxes	1,453,672	1,447,579	-	-	1,453,672	1,447,579
Franchise and public services tax	1,169,551	804,350	-	-	1,169,551	804,350
Investment earnings and other	102,395	74,002	207,192	50,108	309,587	124,110
Transfers	344,980	(194,772)	(211,025)	194,772	133,955	-
<b>Total Revenues</b>	<b>6,358,196</b>	<b>3,952,234</b>	<b>4,139,383</b>	<b>4,233,172</b>	<b>10,497,579</b>	<b>8,185,406</b>
<b>Expenses:</b>						
General services	58,011	75,128	-	-	58,011	75,128
Parks	272,066	201,386	-	-	272,066	201,386
Community development	566,431	489,735	-	-	566,431	489,735
Public safety	1,516,772	2,036,994	-	-	1,516,772	2,036,994
Highway and streets	1,270,742	765,403	-	-	1,270,742	765,403
Interest on long-term obligations	141,402	145,658	-	-	141,402	145,658
Enterprise operations	-	-	4,053,100	4,394,206	4,053,100	4,394,206
Loss on disposal of capital assets	135,401	-	-	-	135,401	-
<b>Total Expenses</b>	<b>3,960,825</b>	<b>3,714,304</b>	<b>4,053,100</b>	<b>4,394,206</b>	<b>8,013,925</b>	<b>8,108,510</b>
<b>Change in Net Position</b>	<b>2,397,371</b>	<b>237,930</b>	<b>86,283</b>	<b>(161,034)</b>	<b>2,483,654</b>	<b>76,896</b>
Net position - beginning of year	16,276,526	16,038,596	26,448,712	26,609,746	42,725,238	42,648,342
Prior period adjustment	(357,091)	-	(5,337)	-	(362,428)	-
<b>Net position - end of year</b>	<b>\$ 18,316,806</b>	<b>\$ 16,276,526</b>	<b>\$ 26,529,658</b>	<b>\$ 26,448,712</b>	<b>\$ 44,846,464</b>	<b>\$ 42,725,238</b>

Governmental Activities:

Governmental activities represent 41% of the City’s total net position. The governmental activities net position increased slightly by \$2.04 million in 2014. Total revenues from governmental activities for fiscal year 2014 were \$2,557,242 above prior year, primarily due to the operating and capital grants for City projects.

Business-Type Activities:

Business-type activities represent 59% 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 2014, net position increased slightly by \$80,946.



**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.

Next page, (Table 3) shows the governmental funds balances for the two fiscal years ending June 30, 2014 and June 30, 2013. *Governmental funds* are divided into two categories consisting of major and non-major funds. During fiscal year end 2014, four funds were classified as major governmental funds: the General fund; Transportation Operations fund; Madras Redevelopment Commission, and the Debt Service fund. All other governmental funds were classified as non-major funds. As of fiscal year ended 2013, the City’s governmental funds reported a combined ending fund balance of \$2.1 million. For the current fiscal year, the ending fund balance for the General Fund increased slightly (\$0.14 million) and the net change in fund balance for Total Governmental Funds increased by \$0.24 million. A decrease in revenues was offset by a decrease in expenditures.

**Table 3**  
**SUMMARY STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - GOVERNMENTAL FUNDS**

<b>Fiscal Year 2013-2014</b>	General	Transportation	Madras	Debt Service	Other	Total
	Fund	Operations Fund	Redevelopment Commission	Fund	Governmental Funds	
Total revenues	\$ 3,240,815	\$ 1,013,830	\$ 371,440	\$ 165,600	\$ 381,094	\$ 5,172,779
Total expenditures	3,425,554	943,529	236,632	264,073	497,644	5,367,433
Revenues over/(under)						
expenditures	(184,740)	70,301	134,807	(98,472)	(116,550)	(194,654)
Total other financing						
sources/(uses)	341,280	(142,000)	(76,510)	-	466,845	589,615
Net change in fund balance	156,540	(71,699)	58,297	(98,472)	350,295	394,961
Fund balance - beginning	676,560	226,008	(1,714,852)	2,570,693	329,713	2,088,122
Prior period adjustment	(10,920)	-	(133,995)	-	(1,248)	(146,163)
Fund balance (deficit) - ending	<u>\$ 822,180</u>	<u>\$ 154,309</u>	<u>\$ (1,790,550)</u>	<u>\$ 2,472,221</u>	<u>\$ 678,760</u>	<u>\$ 2,336,920</u>

<b>Fiscal Year 2012-2013</b>	General	Transportation	Madras	Debt Service	Other	Total
	Fund	Operations Fund	Redevelopment Commission	Fund	Governmental Funds	
Total revenues	\$ 2,046,239	\$ 1,118,671	\$ 388,628	\$ 91,006	\$ 305,357	\$ 3,949,901
Total expenditures	2,160,362	1,180,791	65,551	267,546	486,510	4,160,760
Revenues over/(under)						
expenditures	(114,123)	(62,120)	323,077	(176,540)	(181,153)	(210,859)
Total other financing						
sources/(uses)	20,000	60,949	(272,131)	2,669,495	(2,369,966)	108,347
Net change in fund balance	(94,123)	(1,171)	50,946	2,492,955	(2,551,119)	(102,512)
Fund balance - beginning	770,683	227,179	(1,765,798)	77,738	2,880,832	2,190,634
Prior period adjustment	-	-	-	-	-	-
Fund balance (deficit) - ending	<u>\$ 676,560</u>	<u>\$ 226,008</u>	<u>\$ (1,714,852)</u>	<u>\$ 2,570,693</u>	<u>\$ 329,713</u>	<u>\$ 2,088,122</u>

### GENERAL FUND BUDGET HIGHLIGHTS

The City adopted the operating budget for the fiscal year 2013-14 budget on June 25, 2013 in the amount of \$14,763,754. The General Fund budgetary comparison can be found on page 60. Other major governmental funds budgetary comparison can be found on pages 61 through 64

### 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 \$1.4 million (6.3%) primarily related to construction projects in the Industrial Park and North Madras Trail Connector 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**  
**CAPITAL ASSETS (net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Non-depreciable assets:</b>						
Land	\$ 2,956,465	\$ 2,956,465	\$ 1,727,177	\$ 1,727,177	\$ 4,683,642	\$ 4,683,642
Construction in progress	1,039,082	334,954	821,608	783,775	1,860,690	1,118,729
<b>Total non-depreciable assets</b>	<b>3,995,547</b>	<b>3,291,419</b>	<b>2,548,785</b>	<b>2,510,952</b>	<b>6,544,332</b>	<b>5,802,371</b>
<b>Capital assets being depreciated:</b>						
Land improvements	2,744,998	1,404,245	112,849	117,275	2,857,847	1,521,520
Building and improvements	7,215,834	7,563,327	4,217,135	4,302,089	11,432,969	11,865,416
Equipment	517,934	574,497	244,160	352,390	762,094	926,887
Infrastructure	9,601,736	9,822,691	29,464,203	29,292,479	39,065,939	39,115,170
<b>Total depreciable assets, net</b>	<b>20,080,502</b>	<b>19,364,760</b>	<b>34,038,347</b>	<b>34,064,233</b>	<b>54,118,849</b>	<b>53,428,993</b>
<b>Total capital assets</b>	<b>\$ 24,076,049</b>	<b>\$ 22,656,179</b>	<b>\$ 36,587,132</b>	<b>\$ 36,575,185</b>	<b>\$ 60,663,181</b>	<b>\$ 59,231,364</b>

## DEBT ADMINISTRATION

The table below (Table 5) shows the City's combined total outstanding debt for fiscal years ending June 30, 2014 and 2013. For more information regarding the City's outstanding debt please refer to the Note 5 to the Basic Financial Statements located on pages 40 through 47 of this report.

**Table 5**  
**OUTSTANDING DEBT**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Bonds Payable	\$ 6,221,620	\$ 6,395,000	\$ 10,589,062	\$ 10,674,991	\$ 16,810,682	\$ 17,069,991
Loans and Notes	1,310,480	1,428,568	1,435,641	1,403,421	2,746,121	2,831,989
OPEB Liability	257,672	190,657	-	-	257,672	190,657
<b>Total outstanding debt</b>	<b>\$ 7,789,772</b>	<b>\$ 8,014,225</b>	<b>\$ 12,024,703</b>	<b>\$ 12,078,412</b>	<b>\$ 19,814,475</b>	<b>\$ 20,092,637</b>

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 decreased approximately \$0.05 million from the prior year. Total outstanding debt for Governmental Activities decreased approximately \$.22 million. For more information on the explanation and calculation of the Other Post-employment Benefits (OPEB) liability please see page 51 of the notes to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Economic Factors considered for the next fiscal year (2014-15) include:

- Strategic economic development continues to be a primary goal for the City. Economic development planning efforts include the expansion/remodel of the St. Charles Hospital and the new Jefferson County Court House that will initiate construction efforts in the 2014-15 fiscal year.
- Air Museum opening in August 2014 will be a significant addition to the Madras Municipal Airport.
- Airport/Industrial leases continue to be developed and negotiated to accommodate business expansion which will ultimately increase the airport/industrial fund revenues.

Other factors considered in developing the FY 2014-15 budget include:

- The City implemented a 4.5% increase in water user rates and an 8.0% increase in sewer user rates effective July 1, 2014. These increases are consistent with the strategic plan an external financial consultant completed as part of the requirements to meet the debt obligations for the infrastructure system, and become financially sustainable in the water and wastewater operational funds.
- The Jefferson County tax assessor provided guidance of an upward trend of property tax values. The budget will take a conservative approach on forecasting property taxes as the assessed values have not resulted in material increases in years past.
- Debt obligations are the largest liability for the City and ways to ensure sustainability of revenue to meet obligations is a primary factor when developing the budget.
- Staff increases effective July 1, 2014, include one finance department staff and one police officer positions. The City issued a 2% cost of living adjustment and performance steps for those employees whose performance merits an increase.
- Reallocation of true insurance costs to actual funds incurred is new for the fiscal year budget 2014-2015 and will result in large variances in materials and services budgeted categories when comparing to prior year activity.

## **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Madras' 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](http://www.ci.madras.or.us).

## **BASIC FINANCIAL STATEMENTS**

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**STATEMENT OF NET POSITION**

**JUNE 30, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,314,299	\$ 369,219	\$ 1,683,518
Receivables			
Accounts, net	1,208,453	625,907	1,834,360
Property taxes	121,956	-	121,956
Notes receivable	199,074	-	199,074
Interfund receivable	147,473	1,366,125	1,513,598
Prepaid expenses	1,498	-	1,498
Inventories	-	80,085	80,085
Restricted cash and investments	556,768	168,461	725,229
Total Current Assets	<u>3,549,521</u>	<u>2,609,797</u>	<u>6,159,318</u>
Noncurrent assets			
Redevelopment properties	329,698	-	329,698
Capital assets			
Land	2,956,465	1,727,177	4,683,642
Construction in progress	1,039,082	821,608	1,860,690
Depreciable assets, net	20,080,502	34,038,347	54,118,849
Total Noncurrent Assets	<u>24,405,747</u>	<u>36,587,132</u>	<u>60,992,879</u>
Total Assets	<u>27,955,268</u>	<u>39,196,929</u>	<u>67,152,197</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued expenses	164,112	123,652	287,764
Payroll liabilities	43,565	-	43,565
Deposits	14,000	57,402	71,402
Accrued interest payable	35,990	178,868	214,858
Interfund payable	1,366,125	147,473	1,513,598
Long-term debt, due within one year	300,633	49,138	349,771
Total Current Liabilities	<u>1,924,425</u>	<u>556,533</u>	<u>2,480,958</u>
Noncurrent liabilities			
Accrued compensated absences	149,078	-	149,078
Other post-employment benefits	257,672	-	257,672
Long-term debt, due after one year	7,231,467	11,975,565	19,207,032
Total Noncurrent Liabilities	<u>7,638,217</u>	<u>11,975,565</u>	<u>19,613,782</u>
Total Liabilities	<u>9,562,642</u>	<u>12,532,098</u>	<u>22,094,740</u>
Deferred inflow			
Unearned revenue	75,820	135,174	210,994
Net Position			
Invested in capital assets net of related debt	18,933,949	24,562,454	43,496,403
Restricted for			
Highways and streets	149,756	-	149,756
Improvement fees	254,041	-	254,041
System development	69,009	162,424	231,433
Debt service and reserves	2,717,472	16,124	2,733,596
Unrestricted	(3,807,421)	1,788,656	(2,018,765)
Total Net Position	<u>\$ 18,316,806</u>	<u>\$ 26,529,658</u>	<u>\$ 44,846,464</u>

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

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 58,011	\$ 109,954	\$ 951,014	\$ 115,630
Parks	272,066	29,675	-	9,955
Community development	566,431	174,214	-	-
Public safety	1,516,772	-	67,588	-
Highways and streets	1,270,742	29,543	752,300	1,047,725
Interest expense on long-term debt	141,402	-	-	-
Loss on disposal of capital assets	135,401	-	-	-
Total Governmental Activities	<u>3,960,825</u>	<u>343,386</u>	<u>1,770,902</u>	<u>1,173,310</u>
Business-Type Activities				
Water	498,110	474,736	-	-
Wastewater	2,686,237	2,467,716	-	139,842
Airport	868,753	413,246	-	647,675
Total Business-Type Activities	<u>4,053,100</u>	<u>3,355,699</u>	<u>-</u>	<u>787,517</u>
Total Primary Government	<u>\$ 8,013,925</u>	<u>\$ 3,699,085</u>	<u>\$ 1,770,902</u>	<u>\$ 1,960,827</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

Prior Period Adjustment

Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue and Changes in Net Assets  
Primary Government

Governmental Activities	Business-Type Activities	Total
\$ 1,118,587	\$ -	\$ 1,118,587
(232,436)	-	(232,436)
(392,217)	-	(392,217)
(1,449,184)	-	(1,449,184)
558,826	-	558,826
(141,402)	-	(141,402)
(135,401)	-	(135,401)
(673,227)	-	(673,227)
-	(23,374)	(23,374)
-	(78,679)	(78,679)
-	192,168	192,168
-	90,116	90,116
(673,227)	90,116	(583,111)
1,037,745	-	1,037,745
84,763	-	84,763
331,164	-	331,164
1,169,551	-	1,169,551
102,395	9,498	111,893
	197,694	197,694
344,980	(211,025)	133,955
3,070,598	(3,833)	3,066,765
2,397,371	86,283	2,483,654
(357,091)	(5,337)	(362,428)
16,276,526	26,448,712	42,725,238
<u>\$ 18,316,806</u>	<u>\$ 26,529,658</u>	<u>\$ 44,846,464</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, 2014**

	General Fund	Transportation Operations Fund	Madras Redevelopment Commission	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>						
Cash and cash equivalents	\$ -	\$ 42,973	\$ 264,083	\$ 80,590	\$ 452,550	\$ 840,196
Restricted cash and cash equivalents						-
Receivables:						
Property taxes	85,816	-	28,832	7,308	-	121,956
Accounts	949,033	187,123	2	-	40,684	1,176,842
Notes	-	-	199,074	-	-	199,074
Due from other funds	-	-	-	2,390,000	67,768	2,457,768
Due from business-type funds	-	-	-	-	147,473	147,473
Prepaid expenses	-	-	-	-	-	-
Redevelopment properties	-	-	329,698	-	-	329,698
<b>Total Assets</b>	<b>\$ 1,034,849</b>	<b>\$ 230,096</b>	<b>\$ 821,688</b>	<b>\$ 2,477,898</b>	<b>\$ 708,475</b>	<b>\$ 5,273,007</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 40,764	\$ 60,030	\$ 721	\$ -	\$ 8,915	\$ 110,431
Payroll liabilities	21,245	-	-	-	1,678	22,923
Deposits	-	14,000	-	-	-	14,000
Due to other funds	67,768	-	2,390,000	-	-	2,457,768
<b>Total Liabilities</b>	<b>129,777</b>	<b>74,030</b>	<b>2,390,721</b>	<b>-</b>	<b>10,593</b>	<b>2,605,121</b>
Deferred outflow						
Unearned revenue	82,892	1,757	221,516	5,677	19,123	330,965
<b>Fund Balances:</b>						
Restricted	-	149,756	-	2,472,221	556,836	3,178,813
Committed	-	-	-	-	63,405	63,405
Assigned	134,337	-	-	-	112,323	246,660
Unassigned	687,843	4,553	(1,790,550)	-	(53,804)	(1,151,958)
<b>Total Fund Balances</b>	<b>822,180</b>	<b>154,309</b>	<b>(1,790,550)</b>	<b>2,472,221</b>	<b>678,760</b>	<b>2,336,920</b>
<b>Total Liabilities, Deferred Outflow and Fund Balances</b>	<b>\$ 1,034,849</b>	<b>\$ 230,096</b>	<b>\$ 821,688</b>	<b>\$ 2,477,898</b>	<b>\$ 708,475</b>	<b>\$ 5,273,007</b>

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, 2014**

Total Fund Balances		\$ 2,336,920
<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	28,531,314	
Less accumulated depreciation	<u>(4,455,265)</u>	24,076,049
<p>Notes receivable are not available to pay for current period expenditures and, therefore are deferred in the fund statements.</p>		
		199,074
<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>		
Unearned property tax		94,411
<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	(35,990)	
Other post-employment benefits liability	(257,672)	
Accrued compensated absences	(149,078)	
Long-term debt	<u>(7,532,100)</u>	
Total liabilities not due and payable in current period		(7,974,840)
<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	1,030,871	
Receivables	31,610	
Prepaid expenditures	1,498	
Accounts payable and accrued expenses	(53,680)	
Payroll liabilities	(20,642)	
Unearned revenue	(38,340)	
Internal balances	<u>(1,366,125)</u>	
Total internal service funds		<u>(414,808)</u>
Total Net Position		<u>\$ 18,316,806</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**

**YEAR ENDED JUNE 30, 2014**

	General Fund	Transportation Operations Fund	Madras Redevelopment Commission	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>						
Property taxes	\$ 1,058,975	\$ -	\$ 331,164	\$ 84,763	\$ -	\$ 1,474,903
Other taxes	263,408	-	-	-	83,675	347,083
Franchise fees	410,958	410,958	-	-	-	821,915
Assessment	-	553	-	-	-	553
Licenses and fees	975	-	-	-	98,815	99,790
Charges for services	40,563	-	(0)	-	45,042	85,605
Intergovernmental	1,408,159	601,650	26,510	-	-	2,036,319
Fines and forfeitures	45,159	-	-	-	-	45,159
System development charges	-	-	-	-	151,599	151,599
Rental income	9,348	-	-	-	-	9,348
Interest on investments	3,269	669	13,767	79,271	1,963	98,939
Miscellaneous	-	-	-	1,566	-	1,566
<b>Total Revenues</b>	<b>3,240,815</b>	<b>1,013,830</b>	<b>371,440</b>	<b>165,600</b>	<b>381,094</b>	<b>5,172,779</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
General government	54,607	-	-	-	-	54,607
Parks	175,643	-	-	-	-	175,643
Community development	92,660	-	236,632	-	321,227	650,519
Public safety	1,622,504	-	-	-	-	1,622,504
Highways and streets	24,081	697,496	-	-	-	721,577
Capital outlay	1,304,779	246,034	-	-	-	1,550,813
Debt service	-	-	-	264,073	176,417	440,490
<b>Total Expenditures</b>	<b>3,274,274</b>	<b>943,529</b>	<b>236,632</b>	<b>264,073</b>	<b>497,644</b>	<b>5,216,153</b>
Excess of Revenues Over, (Under) Expenditures	(33,460)	70,301	134,807	(98,472)	(116,550)	(43,374)
<b>Other Financing Sources, (Uses)</b>						
Special payments - grants and loans	-	-	(76,510)	-	-	(76,510)
Transfers in	341,280	-	-	-	478,845	820,125
Transfers out	(151,280)	(142,000)	-	-	(12,000)	(305,280)
<b>Total Other Financing Sources (Uses)</b>	<b>190,000</b>	<b>(142,000)</b>	<b>(76,510)</b>	<b>-</b>	<b>466,845</b>	<b>438,335</b>
<b>Net Change in Fund Balance</b>	<b>156,540</b>	<b>(71,699)</b>	<b>58,297</b>	<b>(98,472)</b>	<b>350,295</b>	<b>394,961</b>
<b>Fund Balance - Beginning of Year</b>	<b>676,560</b>	<b>226,008</b>	<b>(1,714,852)</b>	<b>2,570,693</b>	<b>329,713</b>	<b>2,088,122</b>
<b>Prior period adjustment</b>	<b>(10,920)</b>	<b>-</b>	<b>(133,995)</b>	<b>-</b>	<b>(1,248)</b>	<b>(146,163)</b>
<b>Fund Balance - End of Year</b>	<b>\$ 822,180</b>	<b>\$ 154,309</b>	<b>\$ (1,790,550)</b>	<b>\$ 2,472,221</b>	<b>\$ 678,760</b>	<b>\$ 2,336,920</b>

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**

**YEAR ENDED JUNE 30, 2014**

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

Net changes in fund balances - total governmental funds		\$ 394,961
<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	1,566,474	
Loss on disposal of capital assets	(135,401)	
Depreciation expense	<u>(479,935)</u>	951,138
<p>Matching grant revenue that is not in the form of cash is not recorded in the governmental funds, however the Statement of Activities records the revenue as the result of the matching grant is assets under title to the City.</p>		
		679,023
<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>		
		(24,461)
<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>		
		(21,231)
<p>Litigation expenses recognized in the prior year Statement of Activities were paid during the fiscal year from the governmental fund statements</p>		
		175,000
<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	299,088	
Change in compensated absences	15,513	
Change in other post employment benefits	(30,157)	
Change in accrued interest payable	<u>11,160</u>	295,604
<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>(52,663)</u>
Changes in net position of governmental activities		<u>\$ 2,397,371</u>

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**

**JUNE 30, 2014**

	Business-Type Activities - Enterprise Funds				Governmental
	Wastewater				Internal
	Water Funds	Funds	Airport Funds	Total	Service Funds
<b>ASSETS:</b>					
<b>Current Assets:</b>					
Cash and cash equivalents	\$ 72,946	\$ 296,273	\$ -	\$ 369,219	\$ 1,030,871
Restricted cash and equivalents	50,123	118,338	-	168,461	
<b>Receivables:</b>					
Accounts, net	56,545	283,734	285,628	625,907	31,610
Interfund loan receivable	-	37,807	-	37,807	-
Prepaid expense	-	-	-	-	1,499
Inventories	14,230	23,416	42,439	80,085	-
<b>Total Current Assets</b>	<b>193,844</b>	<b>759,569</b>	<b>328,067</b>	<b>1,281,479</b>	<b>1,063,980</b>
<b>Noncurrent Assets:</b>					
<b>Capital Assets:</b>					
Land	6,048	1,608,784	112,345	1,727,177	2,270,000
Construction in progress	-	-	821,608	821,608	23,401
Depreciable assets	1,530,470	32,322,451	9,797,157	43,650,078	6,588,950
Accumulated depreciation	(799,862)	(6,752,051)	(2,059,818)	(9,611,731)	(858,771)
<b>Total Noncurrent Assets</b>	<b>736,656</b>	<b>27,179,184</b>	<b>8,671,292</b>	<b>36,587,132</b>	<b>8,023,580</b>
<b>Total Assets</b>	<b>\$ 930,500</b>	<b>\$ 27,938,753</b>	<b>\$ 8,999,359</b>	<b>\$ 37,868,611</b>	<b>\$ 9,087,560</b>
<b>LIABILITIES:</b>					
<b>Current Liabilities:</b>					
Accounts payable	\$ 17,932	\$ 44,701	\$ 61,019	\$ 123,652	\$ 53,679
Payroll liabilities	-	-	-	-	20,641
Accrued interest payable	3,145	143,810	31,913	178,868	16,966
Deposits	30,546	26,857	-	57,402	-
Compensated absences payable					82,409
Due to governmental fund	-	-	147,473	147,473	-
Interfund loan payable	-	-	-	-	37,807
Current portion of long-term debt	4,914	9,299	34,925	49,138	79,267
<b>Total Current Liabilities</b>	<b>56,536</b>	<b>224,667</b>	<b>275,330</b>	<b>556,533</b>	<b>290,769</b>
<b>Noncurrent Liabilities:</b>					
Other post employment benefits liability	-	-	-	-	141,719
Notes and contracts payable	121,643	226,911	1,043,241	1,391,795	-
Bonds payable, due after one year	-	10,495,000	88,770	10,583,770	3,752,353
<b>Total Noncurrent Liabilities</b>	<b>121,643</b>	<b>10,721,911</b>	<b>1,132,011</b>	<b>11,975,565</b>	<b>3,894,072</b>
<b>DEFERRED INFLOWS</b>					
Unamortized bond premium	-	82,821	-	82,821	-
Unearned revenue	-	52,353	-	52,353	38,340
<b>Total Deferred Inflows</b>	<b>-</b>	<b>135,174</b>	<b>-</b>	<b>135,174</b>	<b>38,340</b>
<b>Net Position:</b>					
Invested in capital assets, net of related debt	610,099	16,447,974	7,504,381	24,562,454	4,191,960
Restricted for system development	50,123	112,300	-	162,423	-
Restricted for debt services	-	6,038	10,086	16,124	-
Unrestricted (deficit)	92,098	290,689	77,552	460,339	672,417
<b>Total Net Position</b>	<b>\$ 752,320</b>	<b>\$ 16,857,001</b>	<b>\$ 7,592,019</b>	<b>\$ 25,201,340</b>	<b>\$ 4,864,377</b>

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, 2014**

Net position - total enterprise funds \$ 25,201,340

Amounts reported for business-type activities in the statement of net assets  
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 1,328,318

Net position of business - type activities \$ 26,529,658

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**

**YEAR ENDED JUNE 30, 2014**

	Business-Type Activities - Enterprise Funds			Total	Governmental
	Water Funds	Wastewater Funds	Airport Funds		Internal Service Funds
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 474,736	\$ 2,467,716	\$ 413,246	\$ 3,355,699	\$ 2,891,776
Licenses and fees	-	-	-	-	54,689
Rental income	-	2,196	190,501	192,697	500
Miscellaneous	-	-	4,997	4,997	38,650
<b>Total Operating Revenues</b>	<b>474,736</b>	<b>2,469,912</b>	<b>608,745</b>	<b>3,553,393</b>	<b>2,985,616</b>
<b>OPERATING EXPENSES:</b>					
Personal services	-	-	-	-	1,472,163
Materials and services	462,922	1,844,592	588,570	2,896,084	1,136,465
Depreciation	23,518	544,294	224,557	792,369	216,962
<b>Total Operating Expenses</b>	<b>486,440</b>	<b>2,388,886</b>	<b>813,127</b>	<b>3,688,453</b>	<b>2,825,590</b>
<b>Operating Income (Loss)</b>	<b>(11,703)</b>	<b>81,026</b>	<b>(204,383)</b>	<b>(135,060)</b>	<b>160,025</b>
<b>Nonoperating Revenues (Expenses):</b>					
Interest on investments	469	8,659	370	9,498	3,456
Interest expense	(6,788)	(271,667)	(54,386)	(332,841)	(156,466)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(6,319)</b>	<b>(263,007)</b>	<b>(54,017)</b>	<b>(323,343)</b>	<b>(153,009)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(18,022)</b>	<b>(181,982)</b>	<b>(258,399)</b>	<b>(458,403)</b>	<b>7,016</b>
<b>Capital Contributions</b>					
Intergovernmental	-	29,823	647,675	677,498	103,781
System development charges	-	107,568	-	107,568	-
Assessments	-	2,451	-	2,451	-
<b>Total Capital Contributions</b>	<b>-</b>	<b>139,842</b>	<b>647,675</b>	<b>787,517</b>	<b>103,781</b>
<b>Transfers</b>					
Transfers in	-	167,036	25,000	192,036	-
Transfers out	-	(403,061)	-	(403,061)	(179,713)
<b>Total Transfers</b>	<b>-</b>	<b>(236,025)</b>	<b>25,000</b>	<b>(211,025)</b>	<b>(179,713)</b>
<b>Change in Net Position</b>	<b>(18,022)</b>	<b>(278,165)</b>	<b>414,276</b>	<b>118,089</b>	<b>(68,916)</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>(5,337)</b>	<b>-</b>	<b>(5,337)</b>	<b>(129,976)</b>
<b>Beginning Net Position</b>	<b>770,342</b>	<b>17,140,503</b>	<b>7,177,743</b>	<b>25,088,588</b>	<b>5,063,269</b>
<b>Ending Net Position</b>	<b>\$ 752,320</b>	<b>\$ 16,857,001</b>	<b>\$ 7,592,019</b>	<b>\$ 25,201,340</b>	<b>\$ 4,864,377</b>

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**

**YEAR ENDED JUNE 30, 2014**

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

Net changes in fund balances - total enterprise funds	\$ 118,089
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>(31,806)</u>
Changes in net position of enterprise activities	<u>\$ 86,283</u>

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

**YEAR ENDED JUNE 30, 2014**

	Business-Type Activities - Enterprise Funds				Governmental
	Water Funds	Wastewater Funds	Airport Funds	Total	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>					
Receipts from customers and uses	\$ 463,850	\$ 2,669,948	\$ 478,636	\$ 3,612,434	\$ 129,520
Receipts from interfund services provided	-	-	-	-	2,877,519
Payments to suppliers	(201,798)	(552,985)	(474,446)	(1,229,229)	(1,186,967)
Payments to employees	-	-	-	-	(1,451,850)
Payments for interfund services used	(266,394)	(1,337,964)	(67,612)	(1,671,970)	-
<b>Net Cash Provided from (used by)</b>					
<b>Operating Activities</b>	<u>(4,342)</u>	<u>778,999</u>	<u>(63,422)</u>	<u>711,235</u>	<u>368,222</u>
<b>Cash Flows From Noncapital Financing</b>					
Transfers from other funds	-	167,036	25,000	-	-
Transfers to other funds	-	(403,061)	-	(403,061)	(179,713)
<b>Net cash flows provided by (used in) non-capital financing activities</b>	<u>-</u>	<u>(236,025)</u>	<u>25,000</u>	<u>(403,061)</u>	<u>(179,713)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Proceeds from intergovernmental revenue	-	29,823	647,675	677,498	103,781
System development charges	-	107,568	-	107,568	-
Assessments	-	2,451	-	2,451	-
Interfund loans	-	63,324	147,473	210,797	(63,324)
Interest revenue	469	8,659	370	9,498	3,457
Acquisition of capital assets	-	(65,441)	(738,877)	(804,318)	(83,072)
Proceeds from note payable	-	-	65,000	65,000	-
Principal paid on long-term obligations	(3,828)	(90,906)	(29,315)	(124,049)	(73,380)
Interest paid on long-term obligations	(7,376)	(438,033)	(57,228)	(502,637)	(145,742)
<b>Net Cash Flows from (used by) Capital and Related Financing Activities</b>	<u>(10,735)</u>	<u>(382,555)</u>	<u>35,098</u>	<u>(358,192)</u>	<u>(258,280)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(15,077)</u>	<u>160,419</u>	<u>(3,324)</u>	<u>142,018</u>	<u>(69,771)</u>
<b>Balances - Beginning of the Year</b>	<u>138,146</u>	<u>254,192</u>	<u>3,324</u>	<u>395,662</u>	<u>1,100,642</u>
<b>Balances - End of the Year</b>	<u>\$ 123,069</u>	<u>\$ 414,611</u>	<u>\$ -</u>	<u>\$ 537,680</u>	<u>\$ 1,030,871</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided from (used by) Operating Activities:</b>					
Operating income (loss)	\$ (11,703)	\$ 81,026	\$ (204,383)	\$ (135,060)	\$ 159,976
Cash flow reported in other activities:					
Depreciation expense	23,518	544,294	224,557	792,369	216,962
(Increase) Decrease in Assets					
Receivables	(11,204)	128,744	(130,108)	(12,568)	28,117
Inventory and prepaid expenses	1,817	(23,416)	(7,447)	(29,046)	(890)
Increase (Decrease) in Liabilities					
Accounts payable and accrued expenses	(7,088)	(22,941)	53,959	23,930	(49,083)
Deposits	318	4,850	-	5,168	-
Unearned revenues	-	66,442	-	66,442	(6,694)
Compensated absences payable	-	-	-	-	(17,024)
Other postemployment benefits	-	-	-	-	36,858
<b>Net Cash Provided from (used by) Operating Activities</b>	<u>\$ (4,342)</u>	<u>\$ 778,999</u>	<u>\$ (63,422)</u>	<u>\$ 711,235</u>	<u>\$ 368,222</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**

**YEAR ENDED JUNE 30, 2014**

**NOTE 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 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.

**CITY OF MADRAS  
(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**MADRAS REDEVELOPMENT COMMISSION**

The Madras Redevelopment Commission (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 an 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 97741-1685.

**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 extent on fees and charges for support. Entries 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.

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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. These funds have been reported as sub-funds of the Combined General Fund.

**CITY OF MADRAS  
(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

***Transportation Operations Fund***

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

***Madras Redevelopment Commission Fund (MRC)***

This fund includes both the MRC General Fund and Reinvestment Fund. The general 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 reinvestment fund is a legally budgeted separated fund, however management combines the fund with the MRC general fund for major fund purposes to present the full financial results of the component unit. The purpose of the reinvestment fund is to account for receipts from the repayment of redevelopment loans and the resources available for future projects.

***Debt Service Fund***

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

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 and utility 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 Reserve Fund***

This fund accounts for legally required debt reserve funds where the debtor has required establishment of a reserve fund.

***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.

**CITY OF MADRAS  
(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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.

***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***

These funds account 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.

**CITY OF MADRAS  
(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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.

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

**LEVEL OF CONTROL**

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

**CITY OF MADRAS  
(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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 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.

**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.

**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.

**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.

**CITY OF MADRAS  
(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

***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***

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 deferred 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 deferred 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 deferred 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.

**CITY OF MADRAS  
(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

***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.

***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, 2014, the redevelopment properties consist of a non-depreciable property purchased to refurbish and sell, in the amount of \$329,698.

***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 operating cycle. 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:

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

<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.

***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.

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

***Net Position***

Net position comprises 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 net asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - consists of all other net position that is not included in the other categories previously mentioned.

***Fund Equity***

The City reports fund equity in the following classifications:

- 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.
- 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.

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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.

**NOTE 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	\$ 300
Demand deposits	805,263
Investments	<u>1,603,185</u>
 Total Cash and Investments	 <u><u>\$ 2,408,748</u></u>
 Reconciliation of cash as reported in financial statements:	
Unrestricted Statement of Net Assets	\$ 1,683,519
Restricted Statement of Net Assets	<u>725,229</u>
 Total Cash and Investments	 <u><u>\$ 2,408,748</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 \$991,774, of which \$540,538 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.

**CITY OF MADRAS  
(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 2 – CASH AND INVESTMENTS - continued**

Investments are valued at fair value as required by GASB 31. At June 30, 2014, the value of the Pool shares as reported in the Oregon Short Term Fund represent the full fair value position of LGIP.

As of June 30, 2014, there were the following investments and maturities:

Investment Type	Investment Maturities (in months)			
	Fair Value	Less than 3	3-17	18-59
Local Government Investment Pool	\$ 1,603,185	\$ 1,603,185	\$ -	\$ -

***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 are 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.

**NOTE 3 – ACCRUED COMPENSATED ABSENCES**

The compensated absences balances at June 30, 2014 were as follows:

Compensated Absences	Beginning Balance	Additional Accrued	Used	Ending Balance
Governmental	\$ 181,615	\$ -	\$ (32,537)	\$ 149,078

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended June 30, 2014 was as follows:

Description	GOVERNMENTAL ACTIVITIES CAPITAL ASSETS				June 30, 2014
	June 30, 2013	Prior Period Adjustments	Additions	Disposals	
<b>Capital Assets Not Being Depreciated</b>					
Land	\$ 2,956,465	\$ -	\$ -	\$ -	\$ 2,956,465
Construction in progress	334,954	(45,550)	1,929,925	1,180,247	1,039,082
<b>Total Capital Assets</b>					
Not Being Depreciated	3,291,419	(45,550)	1,929,925	1,180,247	3,995,547
<b>Other Capital Assets</b>					
Land improvements	1,780,994	-	1,503,716	-	3,284,710
Buildings and improvements	8,276,110	(15,502)	-	207,988	8,052,620
Equipment	2,303,203	-	59,671	212,195	2,150,679
Infrastructure	11,047,758	-	-	-	11,047,758
<b>Total Other Capital Assets</b>	23,408,065	(15,502)	1,563,387	420,183	24,535,767
<b>Less Accumulated Depreciation</b>					
Land improvements	376,749	-	162,963	-	539,712
Buildings and improvements	712,783	(154)	196,744	72,587	836,786
Equipment	1,728,706	-	116,234	212,195	1,632,745
Infrastructure - streets	1,225,067	-	220,955	-	1,446,022
<b>Total Accumulated Depreciation</b>	4,043,305	(154)	696,896	284,782	4,455,265
<b>Total Capital Assets Being Depreciated, Net</b>					
	19,364,760	(15,348)	866,491	135,401	20,080,502
<b>Total Governmental Activities</b>	<b>\$ 22,656,179</b>	<b>\$ (60,898)</b>	<b>\$ 2,796,416</b>	<b>\$ 1,315,648</b>	<b>\$ 24,076,049</b>

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 4 – CAPITAL ASSETS - continued**

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

<u>Function</u>	<u>Governmental Funds</u>
General Services	\$ 219,315
Parks	89,185
Public Safety	348
Highway and Streets	<u>388,048</u>
Total	<u>\$ 696,896</u>

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 4 – CAPITAL ASSETS – continued**

Capital asset activity for business type activities for the year ended June 30, 2014 was as follows:

Description	BUSINESS TYPE ACTIVITIES			
	June 30, 2013	Additions	Disposals	June 30, 2014
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 1,727,177	\$ -	\$ -	\$ 1,727,177
Construction in progress	783,775	772,654	734,821	821,608
<b>Total Capital Assets Not Being Depreciated</b>	<b>2,510,952</b>	<b>772,654</b>	<b>734,821</b>	<b>2,548,785</b>
<b>Other Capital Assets</b>				
Land improvement	132,765	-	-	132,765
Buildings and improvements	4,940,429	-	-	4,940,429
Equipment	1,280,645	-	19,500	1,261,145
Infrastructure	36,549,255	766,485	-	37,315,740
<b>Total Other Capital Assets</b>	<b>42,903,094</b>	<b>766,485</b>	<b>19,500</b>	<b>43,650,079</b>
<b>Less Accumulated Depreciation</b>				
Land improvement	15,490	4,426	-	19,916
Buildings and improvements	638,340	84,954	-	723,294
Equipment	928,255	108,230	19,500	1,016,985
Infrastructure	7,256,776	594,760	-	7,851,536
<b>Total Accumulated Depreciation</b>	<b>8,838,861</b>	<b>792,370</b>	<b>19,500</b>	<b>9,611,731</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>34,064,233</b>	<b>(25,885)</b>	<b>-</b>	<b>34,038,348</b>
<b>Total Business Type Activities</b>	<b>\$ 36,575,185</b>	<b>\$ 746,769</b>	<b>\$ 734,821</b>	<b>\$ 36,587,133</b>

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 4 – CAPITAL ASSETS – continued**

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

Function	Business Type Funds
Water	\$ 23,519
Wastewater	544,294
Airport	224,557
Total	<u>\$ 792,370</u>

**NOTE 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.

	June 30, 2013	Additions	Payments	June 30, 2014	Due Within One Year
<b>Governmental Activities:</b>					
Contracts, Loans and Notes	\$ 1,428,568	\$ -	\$ (118,088)	\$ 1,310,480	\$ 121,366
Bonds Payable	6,395,000	-	(173,380)	6,221,620	179,267
OPEB Liability	190,657	67,015	-	257,672	-
	<u>8,014,225</u>	<u>67,015</u>	<u>(291,468)</u>	<u>7,789,772</u>	<u>300,633</u>
<b>Governmental activity</b>					
Long-term obligations	<u>\$ 8,014,225</u>	<u>\$ 67,015</u>	<u>\$ (291,468)</u>	<u>\$ 7,789,772</u>	<u>\$ 300,633</u>
<b>Business-Type Activities:</b>					
Bonds Payable	\$ 10,674,991	\$ -	\$ (85,929)	\$ 10,589,062	\$ 5,267
Contracts, Loans and Notes	1,403,421	65,000	(32,780)	1,435,641	43,871
	<u>12,078,412</u>	<u>65,000</u>	<u>(118,709)</u>	<u>12,024,703</u>	<u>49,138</u>
<b>Business-type activity</b>					
Long-term obligations	<u>\$ 12,078,412</u>	<u>\$ 65,000</u>	<u>\$ (118,709)</u>	<u>\$ 12,024,703</u>	<u>\$ 49,138</u>

**CITY OF MADRAS  
(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 5 – LONG TERM DEBT - continued**

See page 100 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%. Effective March 24, 2014 the City and County renegotiated the contract in light of the County's decision to pay off their outstanding debt and finance the residual balance of \$491,536 directly with the City at a fixed interest rate of 3.85%. The updated contract is payable through 6/1/19 at annual installments of \$109,948.

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:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 121,366	\$ 53,817	\$ 175,184
2016	125,085	49,100	174,185
2017	133,946	44,237	178,184
2018	137,958	39,027	176,985
2019	142,122	33,661	175,784
2020-2024	205,342	124,019	329,361
2025-2029	258,630	75,459	334,089
2030-2034	186,031	16,535	202,566
	<u>\$ 1,310,480</u>	<u>\$ 435,855</u>	<u>\$ 1,746,336</u>

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 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. Interest is paid quarterly and all principal is payable on June 30, 2014.

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:

June 30	Principal	Interest	Total
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	110,000	68,950	178,950
2020-2024	625,000	283,500	908,500
2025-2029	725,000	167,125	892,125
2030-2033	510,000	36,050	546,050
	\$ 2,390,000	\$ 854,025	\$ 3,244,025

***Bonds Payable – Internal Services 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 4<sup>th</sup> 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**

**YEAR ENDED JUNE 30, 2014**

**NOTE 5 – LONG TERM DEBT - continued**

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	88,101	131,225	219,326
2020-2024	486,682	606,869	1,093,551
2025-2029	591,901	502,101	1,094,002
2030-2034	727,145	363,278	1,090,423
2035-2039	523,252	209,751	733,003
2040-2044	336,196	149,458	485,654
2045-2049	392,113	93,539	485,652
2050-2053	358,558	28,369	386,927
	<u>\$ 3,831,620</u>	<u>\$ 2,637,184</u>	<u>\$ 6,468,804</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.

**CITY OF MADRAS  
(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 5 – LONG TERM DEBT - continued**

Future maturities for the Water Fund portion of the loan are as follows:

June 30	Principal	Interest	Total
2015	\$ 4,914	\$ 6,290	\$ 11,204
2016	5,158	6,046	11,204
2017	5,414	5,789	11,204
2018	5,683	5,520	11,204
2019	5,966	5,238	11,204
2020-2024	34,582	21,436	56,018
2025-2029	44,073	11,944	56,017
2030-2032	20,767	1,559	22,326
	\$ 126,557	\$ 63,822	\$ 190,379

***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.

The City drew down \$734,821 through DEQ's Clean Water 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, 2014 is \$181,971.

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 5 – LONG TERM DEBT - continued**

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

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 9,299	\$ 7,579	\$ 16,878
2016	9,599	7,278	16,878
2017	9,911	6,966	16,878
2018	10,234	6,644	16,878
2019	10,567	6,311	16,878
2020-2024	58,274	26,114	84,388
2025-2029	68,602	15,786	84,388
2030-2033	59,724	4,173	63,897
	<u>\$ 236,210</u>	<u>\$ 80,850</u>	<u>\$ 317,061</u>

***Bond Payable – Business Type Activities – Wastewater Fund***

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:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 424,944	\$ 424,944
2016	40,000	424,944	464,944
2017	75,000	424,144	499,144
2018	110,000	422,606	532,606
2019	165,000	420,131	585,131
2020-2024	1,335,000	1,975,056	3,310,056
2025-2029	2,230,000	1,621,075	3,851,075
2030-2034	3,260,000	1,089,725	4,349,725
2035-2039	3,280,000	345,056	3,625,056
	<u>\$ 10,495,000</u>	<u>\$ 7,147,681</u>	<u>\$ 17,642,681</u>

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 5 – LONG TERM DEBT - continued**

***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 39,500 square foot aircraft hangar and related infrastructure at the Madras Airport. 25 level installment payments of principal and interest at 4.99% are required.

Amortization of the outstanding balance is as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 29,658	\$ 52,243	\$ 76,456
2016	31,069	50,832	76,456
2017	32,547	49,354	76,456
2018	34,098	47,804	76,456
2019	35,722	46,178	76,456
2020-2024	205,895	203,610	382,281
2025-2029	260,152	149,353	382,281
2030-2034	300,058	82,222	382,281
2035-2038	143,675	10,881	154,557
	<u>\$ 1,072,875</u>	<u>\$ 692,477</u>	<u>\$ 1,683,680</u>

***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:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 5,267	\$ 4,820	\$ 10,087
2016	5,537	4,550	10,087
2017	5,820	4,266	10,087
2018	6,119	3,968	10,087
2019	6,432	3,654	10,087
2020-2024	37,458	12,974	50,433
2025-2028	27,429	2,856	30,260
	<u>\$ 94,062</u>	<u>\$ 37,088</u>	<u>\$ 131,125</u>

**CITY OF MADRAS  
(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 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. 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, 2014 was 9.97% for general members and 12.7% for police.

The PERS rates for the year ended June 30, 2014 was 14.31%. 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, 2012, 2013, and 2014 were \$318,666, \$333,530 and \$301,241, respectively, which were the required contributions for the years.

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 7 – POST EMPLOYMENT 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. Because 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.

*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, 2014.

*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.

	<u>6/30/2011</u>	<u>6/30/2012</u>	<u>6/30/2013</u>	<u>6/30/2014</u>
Annual Required Contribution (ARC)	\$ 52,233	\$ 62,114	\$ 66,219	\$ 94,178
Interest on Net Position Obligation	3,797	4,608	6,037	6,673
Adjustment to Annual Required Contribution	<u>(5,956)</u>	<u>(7,829)</u>	<u>(10,257)</u>	<u>(22,925)</u>
Annual OPEB Cost	50,074	58,893	61,999	77,926
Contributions Made	<u>(19,247)</u>	<u>(23,164)</u>	<u>(22,273)</u>	<u>(10,911)</u>
Increase in Net Pension Obligation	30,827	35,729	39,726	67,015
Net OPEB Obligation (Asset) at Beginning of the Year	<u>84,375</u>	<u>115,202</u>	<u>150,931</u>	<u>190,657</u>
Net OPEB Obligation (Asset) at End of the Year	<u>\$ 115,202</u>	<u>\$ 150,931</u>	<u>\$ 190,657</u>	<u>\$ 257,672</u>
Percentage of APC Contributed	38%	39%	36%	14%

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 7 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - continued**

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, 2014, along with preceding fiscal years, were as follows:

<u>Ended</u>	<u>OPEB Cost</u>	<u>Percentage</u>	<u>Obligation</u>
6/30/2011	\$ 50,074	38%	\$ 115,202
6/30/2012	58,893	39%	150,931
6/30/2013	61,999	36%	190,657
6/30/2014	77,926	14%	257,672

*Funding status and funding progress.* As of August 1, 2012 the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$442,995, of which none was funded.

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 substitutive plan 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.

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 7 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) - continued**

The following simplifying assumptions were made:

- Discount rate: 4.0% for unfunded liabilities.
- Health Cost Trend for medical and vision: increases of 8.5% for the first year, 7.5% in the second year, 6.5% in the third year, 6.0% in the fourth year through the 23rd year, 5.5% for the 24th through the 47th year, and 5.0% 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.

**NOTE 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, 2015	\$ 19,830
June 30, 2016	19,830
June 30, 2017	19,830
June 30, 2018	11,568
Total	<u>\$ 71,058</u>

The total rental expense under these leases was approximately \$20,147 for the year ended June 30, 2014.

**CITY OF MADRAS  
(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 9 – INTERFUND TRANSFERS**

Interfund transfers for the fiscal year ended June 30, 2014 are as follows:

	<u>Transfers to other funds</u>	<u>Transfer from other funds</u>
<b>GOVERNMENTAL FUNDS</b>		
General	\$ (243,940)	\$ -
Transportation Operations	(142,000)	-
Redevelopment Commission General	(249,000)	-
Parks	-	151,280
Tourism/Economic Development	-	92,660
Debt Service	-	179,000
Debt Reserve	-	222,185
SDC Street Improvement	-	64,000
SDC Street Reimbursement	(12,000)	-
Improvement Fees	-	-
Industrial Site	-	155,000
Community Development	-	85,000
<b>PROPRIETARY FUNDS</b>		
SDC Wastewater Improvement	-	64,772
SDC Storm Water Improvement	-	15,000
SDC WW Reimbursement	-	33,589
Airport Construction	-	25,000
Airport Operations	-	5,000
Water Operations	-	-
Wastewater Operations	(271,061)	-
<b>INTERNAL SERVICE FUNDS</b>		
Central Services	(85,000)	-
Public Works	(80,000)	-
Buildings	(14,713)	70,000
Fleet	(64,772)	-
<b>Total Fund Transfers</b>	<u><u>\$ (1,162,486)</u></u>	<u><u>\$ 1,162,486</u></u>

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 9 – INTERFUND TRANSFERS - continued**

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.

**NOTE 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.

**NOTE 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	\$ 149,756	\$ -
Debt Service	2,483,754	
Debt Reserves	233,718	16,124
Improvement Fees	254,041	
System Development Charges:		
SDC Park Improvement	10,378	
SDC Street Improvement	10,669	
SDC Street Reimbursement	47,962	
SDC Water Improvement		50,124
SDC Wastewater Improvement		98,928
SDC Wastewater Reimbursement		13,372
	<hr/>	<hr/>
Total restricted net position	<u>\$ 3,190,278</u>	<u>\$ 178,548</u>

**CITY OF MADRAS  
(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 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.

**NOTE 13 – COMMITMENTS**

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**

**YEAR ENDED JUNE 30, 2014**

**NOTE 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 will 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 third of five payments during fiscal year 2013-14.

The following chart shows all construction contract obligations at June 30, 2014:

<u>Project</u>	<u>Amount</u>
US 97 Fairgrounds Road to L Street	\$ 211,540
Airport Runway Reconstruction - Design	209,239
Veteran's War Memorial	91,618
Berg Drive Extension / Cherry Lane Upgrade	23,500
Desert Peaks Golf Course	<u>20,000</u>
 Total	 <u>\$ 555,897</u>

**NOTE 14 – CONTINGENCIES AND 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.

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 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. 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 \$13,749 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. The commissioner did not participate in the deliberation or vote.

**NOTE 16 – DEFICIT FUND BALANCES**

As of the year ended June 30, 2014, deficit fund balances existed in the Redevelopment Commission General Fund in the amount of \$1,790,550, and in the SDC Storm Water Improvement Fund in the amount of \$53,804. Management has a plan in place to correct these negative fund balances by prudent fiscal management and by ensuring that revenues exceed expenditures in the coming years.

**NOTE 17 – OVERSPENDING OF APPROPRIATION**

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, 2014, except as noted below:

General fund	
Non-departmental	\$ 21,653
Transfers out	27,762
Redevelopment commission general fund	
Special payments - grants and loans	176,510
Water operations fund	
Materials and services	3,963
SDC wastewater improvement fund	
Debt service	6,038

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 18 – BEGINNING FUND BALANCE AND NET POSITION RESTATEMENT**

Beginning net position and beginning fund balances for the governmental and proprietary funds have been restated due to the following misstatements found in the statements:

- Redevelopment property is available for sale and must be reported at its estimated fair value, as opposed to historical cost
- Bond issue costs must be written off in prior periods due to the City's adoption of *GASB Statement Number 65, Items Previously Reported as Assets and Liabilities*, which requires bond issue costs to be treated as an operating expense in the year incurred, as opposed to an amortizable asset. The statement requires retroactive reporting.
- Construction in progress costs for the demolition of City Hall were capitalized, but must be written off under generally accepted accounting principles, as they have no ongoing value.
- A note payable was recorded in the proprietary statement fund, but the debt was serviced from the debt service fund and should have been reported accordingly.
- The bond premium on bonds issued during fiscal year 2012-13 was not capitalized as required by generally accepted accounting principles.
- Various expenditures related to fiscal year 2012-13 were not properly accrued as expenses.

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 18 – BEGINNING FUND BALANCE AND NET POSITION RESTATEMENT - continued**

The effects of the restatements on the previously issued financial statements are as follows:

**Statement of Net Position as of June 30, 2013:**

	Previously Reported	Increase (Decrease)	Restated
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 2,631,452	\$ -	\$ 2,631,452
Receivables, Net	741,573	-	741,573
Prepaid Expenses	608	-	608
Bond Issue Costs	58,838	(58,838)	-
Redevelopment Properties	463,691	(133,993)	329,698
Capital Assets, Net	22,656,179	(60,898)	22,595,281
<b>Liabilities:</b>			
Accounts Payable and Accrued Expenses	1,821,780	22,360	1,844,140
Deposits	34,600	-	34,600
Unearned Revenue	48,595	-	48,595
Accrued Compensated Absences	181,615	-	181,615
Litigation	175,000	-	175,000
Long-term Debt and OPEB	8,014,225	81,000	8,095,225
Net Position	16,276,526	(357,089)	15,919,437

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 18 – BEGINNING FUND BALANCE AND NET POSITION RESTATEMENT -  
continued**

**Combined Balance Sheet - Governmental Funds as of June 30, 2013:**

	Previously Reported	Increase (Decrease)	Restated
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 1,530,810	\$ -	\$ 1,530,810
Property Taxes Receivable	143,801	-	143,801
Accounts Receivable	314,510	-	314,510
Notes Receivable	223,535	-	223,535
Due from Other Funds	2,570,719	-	2,570,719
Redevelopment Properties	463,691	(133,993)	329,698
<b>Liabilities:</b>			
Accounts Payable and Accrued Liabilities	210,887	12,168	223,055
Deposits	34,600	-	34,600
Deferred Revenue	342,738	-	342,738
Due to Other Funds	2,570,719	-	2,570,719
Fund Equity	2,088,122	(146,161)	1,941,961

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2014**

**NOTE 18 – BEGINNING FUND BALANCE AND NET POSITION RESTATEMENT - continued**

**Statement of Net Position - Proprietary Funds as of June 30, 2013:**

	Previously Reported	Increase (Decrease)	Restated
<b>Assets:</b>			
Cash and Cash Equivalents - Proprietary	\$ 395,662	\$ -	\$ 395,662
Cash and Cash Equivalents - Internal Services	1,100,642	-	1,100,642
Accounts Receivable - Proprietary	613,339	-	613,339
Accounts Receivable - Internal Services	59,727	-	59,727
Interfund Loan Receivable - Proprietary	101,131	-	101,131
Inventories and Prepaids - Proprietary	51,039	-	51,039
Inventories and Prepaids - Internal Services	608	-	608
Bond Issue Costs - Internal Services	58,838	(58,838)	-
Capital Assets, net - Proprietary	36,575,185	-	36,575,185
Capital Assets, net - Internal Services	8,218,367	(60,898)	8,157,469
<b>Liabilities:</b>			
Accrued Expenses - Proprietary	448,386	-	448,386
Accrued Expenses - Internal Services	119,454	10,190	129,644
Deposits - Proprietary	52,235	-	52,235
Unearned Revenue - Proprietary	68,732	-	68,732
Unearned Revenue - Internal Services	45,034	-	45,034
Compensated Absences Payable - Internal Services	99,433	-	99,433
Interfund Payable - Internal Services	101,131	-	101,131
Long-Term Debt - Proprietary	12,078,415	5,337	12,083,752
Long-Term Debt - Internal Services	4,009,861	-	4,009,861
Net Position - Proprietary	25,088,588	(5,337)	25,083,251
Net Position - Internal Services	5,063,269	(129,926)	4,933,343

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

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

**YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual	Variance to Final Budget
<b>REVENUES:</b>				
Taxes				
Property taxes	\$ 984,140	\$ 1,004,140	\$ 1,058,975	\$ 54,835
Hotel/Motel tax	202,500	202,500	263,408	60,908
Franchise fees	374,400	374,400	410,958	36,558
Charges for service	5,000	5,000	10,038	5,038
Licenses and permits	1,200	1,200	975	(225)
Intergovernmental	219,354	219,354	253,561	34,207
Fines	43,800	43,800	45,159	1,359
Interest	1,200	1,200	2,392	1,192
	<u>1,831,594</u>	<u>1,851,594</u>	<u>2,045,465</u>	<u>193,871</u>
<b>EXPENDITURES:</b>				
Police department	1,772,011	1,772,011 (1)	1,622,504	(149,507)
Non-departmental	32,954	32,954 (1)	54,607	21,653
Contingency	100,000	100,000 (1)	-	-
	<u>1,904,965</u>	<u>1,904,965</u>	<u>1,677,111</u>	<u>(127,854)</u>
Excess of Revenues Over, (Under) Expenditures	(73,371)	(53,371)	368,355	321,726
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(178,746)	(216,718) (1)	(243,940)	(27,222)
Net Change in Fund Balance	(252,117)	(270,089)	124,415	294,504
Prior Period Adjustment	-	-	(10,920)	(10,920)
Beginning Fund Balance	<u>420,989</u>	<u>438,961</u>	<u>574,348</u>	<u>135,387</u>
Ending Fund Balance	<u>\$ 168,872</u>	<u>\$ 168,872</u>	<u>687,843</u>	<u>\$ 418,971</u>
<b>Reconciliation to Governmental Fund Balance</b>				
Ending Fund Balance				
Parks fund			63,594	
Industrial site fund			70,743	
			<u>\$ 822,180</u>	

(1) Appropriation Level

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**SCHFDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - TRANSPORTATION OPERATIONS FUND**

**YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to Final Budget</u>
<b>REVENUES:</b>				
Franchise fees	\$ 374,400	\$ 374,400	\$ 410,958	\$ 36,558
Intergovernmental	584,634	610,634	601,650	(8,984)
Interest on investments	286	286	669	383
L.I.D. payments	183	183	553	370
Miscellaneous	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>
Total Revenues	<u>961,003</u>	<u>987,003</u>	<u>1,013,830</u>	<u>26,827</u>
<b>EXPENDITURES:</b>				
Current				
Highways and streets				
Materials and services	725,385	725,385 (1)	697,496	(27,889)
Capital outlay	255,807	291,327 (1)	246,034	(45,293)
Contingency	<u>63,261</u>	<u>1,741 (1)</u>	<u>-</u>	<u>(1,741)</u>
Total Expenditures	<u>1,044,453</u>	<u>1,018,453</u>	<u>943,529</u>	<u>(74,924)</u>
Excess of Revenues Over, (Under)				
Expenditures	(83,450)	(31,450)	70,301	101,751
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	<u>(90,000)</u>	<u>(142,000) (1)</u>	<u>(142,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(90,000)</u>	<u>(142,000)</u>	<u>(142,000)</u>	<u>-</u>
Net Change in Fund Balance	(173,450)	(173,450)	(71,699)	101,751
Beginning Fund Balance	<u>173,450</u>	<u>173,450</u>	<u>226,008</u>	<u>52,558</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,309</u>	<u>\$ 154,309</u>

(1) Appropriation Level

**CITY OF MADRAS**  
(Jefferson County, Oregon)

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - REDEVELOPMENT COMMISSION GENERAL FUND**

**YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual	Variance to Final Budget
<b>REVENUES:</b>				
Taxes				
Property taxes	\$ 349,000	\$ 349,000	\$ 331,164	\$ (17,836)
Interest	500	500	1,945	1,445
Total Revenues	349,500	349,500	333,109	(16,391)
<b>EXPENDITURES:</b>				
Materials and services	55,600	62,600 (1)	58,452	(4,148)
Capital outlay	184,500	185,000 (1)	-	(185,000)
Debt services	179,000	179,500 (1)	179,000	(500)
Contingency	10,000	2,000 (1)	-	(2,000)
Total Expenditures	429,100	429,100	237,452	(191,648)
Excess of Revenues Over, (Under) Expenditures	(79,600)	(79,600)	95,658	175,258
<b>Other Financing Sources (Uses):</b>				
Special payments - grants and loans	-	(1)	(176,510)	(176,510)
Transfers in	-	-	-	-
Transfers out	-	- (1)	-	-
Total Other Financing Sources (Uses)	-	-	(176,510)	(176,510)
Net Change in Fund Balance	(79,600)	(79,600)	(80,852)	(1,252)
Prior Period Adjustment	-	-	(133,995)	(133,995)
Beginning Fund Balance	192,067	192,067	676,343	484,276
Ending Fund Balance	\$ 112,467	\$ 112,467	461,496	\$ 349,029
Reconciliation to generally accepted				
accepted account principals and governmental				
fund ending fund balance				
MRC Reinvestment fund			137,954	
Interfund Loan			(2,390,000)	
			\$ (1,790,550)	
<b>FUND BALANCE, ENDING</b>				

(1) Appropriation Level

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

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

**YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual	Variance To Final Budget
<b>REVENUES:</b>				
Charges for services	\$ 30,200	\$ 30,200	\$ 30,525	\$ 325
Interest on investments	100	100	702	602
<b>Total Revenues</b>	<u>30,300</u>	<u>30,300</u>	<u>31,227</u>	<u>927</u>
<b>EXPENDITURES:</b>				
Community development:				
Materials and services	180,730	198,730 (1)	175,643	(23,087)
Operating contingency	14,250	14,250 (1)	-	(14,250)
<b>Total Expenditures</b>	<u>194,980</u>	<u>212,980</u>	<u>175,643</u>	<u>(37,337)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	146,246	173,232	186,280	13,048
<b>Net Change in Fund Balance</b>	(18,434)	(9,448)	41,863	51,311
<b>Beginning Fund Balance</b>	<u>18,434</u>	<u>18,434</u>	<u>21,731</u>	<u>3,297</u>
<b>Ending Fund Balance</b>	<u>\$ -</u>	<u>\$ 8,986</u>	<u>\$ 63,594</u>	<u>\$ 54,608</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**

**YEAR ENDED JUNE 30, 2014**

**DEBT SERVICE FUND**

	Original Budget	Final Budget	Actual	Variance To Final Budget
REVENUES:				
Property taxes	\$ 86,754	\$ 86,754	\$ 84,763	\$ (1,991)
Interest	76,263	76,263	79,271	3,008
Miscellaneous	-	-	1,566	1,566
Total Revenues	163,017	163,017	165,600	2,583
EXPENDITURES:				
Debt service	264,050	264,075 (1)	264,073	(3)
Excess of Revenues Over, (Under) Expenditures	(101,033)	(101,058)	(98,472)	2,586
Other Financing Sources (Uses):				
Transfer in - loan repayment	105,000	105,000 (1)	100,000	(5,000)
Net Change in Fund Balance	3,967	3,942	1,528	(2,414)
Beginning Fund Balance	69,430	69,455	180,693	111,238
Ending Fund Balance	\$ 73,397	\$ 73,397	182,221	\$ 108,824
Reconciliation to generally accepted accounting principles				
Loan repayment			(100,000)	
Interfund loan balance			2,390,000	
FUND BALANCE, ENDING			\$ 2,472,221	

(1) Appropriation Level

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

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

**YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual	Variance To Final Budget
<b>REVENUES:</b>				
Interest on investments	\$ 500	\$ 500	\$ 176	\$ (324)
Intergovernmental	1,099,552	1,156,045	1,154,598	(1,447)
Land lease income	6,940	6,940	9,348	2,408
<b>Total Revenues</b>	<b>1,106,992</b>	<b>1,163,485</b>	<b>1,164,123</b>	<b>638</b>
<b>EXPENDITURES:</b>				
Materials and services	33,805	33,805	24,081	(9,724)
Capital outlay	1,253,432	1,349,925	1,304,779	(45,146)
Contingency	15,000	15,000	-	(15,000)
<b>Total Expenditures</b>	<b>1,302,237</b>	<b>1,398,730</b>	<b>1,328,860</b>	<b>(69,870)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	115,000	155,000	155,000	-
<b>Total Other Financing Sources (Uses)</b>	<b>115,000</b>	<b>155,000</b>	<b>155,000</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(80,245)</b>	<b>(80,245)</b>	<b>(9,738)</b>	<b>70,507</b>
<b>Beginning Fund Balance</b>	<b>83,674</b>	<b>83,674</b>	<b>80,481</b>	<b>(3,193)</b>
<b>Ending Fund Balance</b>	<b>\$ 3,429</b>	<b>\$ 3,429</b>	<b>\$ 70,743</b>	<b>\$ 67,314</b>

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

**SUPPLEMENTARY INFORMATION**

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**COMBINING BALANCE SHEET**  
**MADRAS REDEVELOPMENT COMMISSION**

**JUNE 30, 2014**

	Governmental Fund Types		
	General Fund	Reinvestment Fund	Total Governmental
<b>ASSETS</b>			
Current assets			
Cash and investments	\$ 126,128	\$ 137,955	\$ 264,083
Receivables:			
Property taxes	28,832	-	28,832
Notes	-	199,074	199,074
Total current assets	154,960	337,029	491,989
Non-current assets			
Redevelopment properties	329,698	-	329,698
Total Assets	\$ 484,658	\$ 337,029	\$ 821,687
<b>LIABILITIES, DEFERRED INFLOWS AND FUND EQUITY:</b>			
Liabilities:			
Accounts payable	\$ 721	\$ -	\$ 721
Due to other funds	2,390,000	-	2,390,000
Total Liabilities	2,390,721	-	2,390,721
Deferred inflows:			
Unearned property taxes	22,442	-	22,442
Unearned project fees	199,074	199,074	199,074
Total Deferred Inflows	22,442	199,074	221,516
Fund equity:			
Unassigned	(1,928,505)	137,955	(1,790,550)
Total Liabilities and Fund Equity	\$ 484,658	\$ 337,029	\$ 821,687

**CITY OF MADRAS**  
(Jefferson County, Oregon)

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
MADRAS REDEVELOPMENT COMMISSION**

**JUNE 30, 2014**

	General Fund	Reinvestment Fund	Total Governmental
<b>REVENUES:</b>			
Property taxes	\$ 331,164	\$ -	\$ 331,164
Assessments	-	26,510	26,510
Interest on investments	1,945	11,820	13,765
Total Revenues	333,109	38,330	371,439
<b>EXPENDITURES:</b>			
Current:			
Community development	57,632	-	57,632
Debt service	179,000	-	179,000
Total Expenditures	236,632	-	236,632
Excess of Revenues Over (Under)			
Expenditures	96,477	38,330	134,807
<b>OTHER FINANCING SOURCES (USES)</b>			
Special payments - grants and loans	(76,510)	-	(76,510)
Total Other Financing Sources (Uses)	(76,510)	-	(76,510)
Net Change in Fund Balance	19,967	38,330	58,297
Prior Period Adjustment	(133,995)	-	(133,995)
Beginning Fund Balance	(1,813,657)	98,805	(1,714,852)
Ending Fund Balance	\$ (1,927,685)	\$ 137,135	\$ (1,790,550)

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**

**JUNE 30, 2014**

	Special Revenue Funds			
	Tourism/Economic Development Fund	Community Development Fund	Improvement Fee Fund	Debt Reserve Fund
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 43,093	\$ 69,112	\$ 38,801	\$ 233,786
Restricted cash and cash equivalents				
Receivables:				
Accounts	20,310	-	-	-
Notes	-	-	-	-
Due from business type funds			147,473	-
Due from other governmental funds	-	53,804	67,767	-
	-	53,804	67,767	-
Total Assets	\$ 63,404	\$ 122,916	\$ 254,041	\$ 233,786
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 8,915	\$ -	\$ -
Payroll liabilities	-	1,678	-	-
Due to other funds	-	-	-	-
	-	-	-	-
Total Liabilities	-	10,593	-	-
<b>DEFERRED INFLOW</b>				
Unearned revenue	-	-	-	-
<b>Fund Balances:</b>				
Restricted			254,040	233,786
Committed	63,405			
Assigned		112,322		
Unassigned	-	-	-	-
	-	-	-	-
Total Fund Balances	63,405	112,322	254,040	233,786
Total Liabilities and Fund Balances	\$ 63,405	\$ 122,915	\$ 254,040	\$ 233,786

Capital Projects Funds				
SDC Park Improvement Fund	SDC Street Improvement Fund	SDC Storm Water Improvement Fund	SDC Street Reimbursement Fund	Total Other Governmental Funds
\$ 10,378	\$ 9,418	\$ (0)	\$ 47,962	\$ 452,550
-	18,398	-	1,975	40,684
-	-	-	-	-
-	-	-	-	147,473
-	-	-	-	121,572
<u>\$ 10,378</u>	<u>\$ 27,817</u>	<u>\$ (0)</u>	<u>\$ 49,937</u>	<u>\$ 762,279</u>
\$ -	\$ -	\$ -	\$ -	\$ 8,915
-	-	-	-	1,678
-	-	53,804	-	53,804
-	-	53,804	-	64,397
-	17,147	-	1,975	19,123
10,378	10,670	-	47,962	556,836
-	-	-	-	63,405
-	-	-	-	112,322
-	-	(53,804)	-	(53,804)
<u>10,378</u>	<u>10,670</u>	<u>(53,804)</u>	<u>47,962</u>	<u>678,760</u>
<u>\$ 10,378</u>	<u>\$ 27,817</u>	<u>\$ 0</u>	<u>\$ 49,937</u>	<u>\$ 762,279</u>

**CITY OF MADRAS**  
(Jefferson County, Oregon)

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
OTHER GOVERNMENTAL FUNDS**

**YEAR ENDED JUNE 30, 2014**

	Special Revenue Fund			
	Tourism/Economic Development Fund	Community Development Fund	Improvement Fee Fund	Debt Reserve Fund
REVENUES:				
Other taxes	\$ 83,675	\$ -	\$ -	\$ -
Licenses and fees	-	98,815	-	-
Charges for services	-	45,042	-	-
System development charges	-	-	-	-
Interest on investments	205	383	819	0
Total Revenues	83,879	144,240	819	0
EXPENDITURES:				
Current:				
Community development	128,589	192,638	-	-
Debt Service	-	-	-	-
Total Expenditures	128,589	192,638	-	-
Excess of Revenues Over (Under)				
Expenditures	(44,710)	(48,398)	819	0
Other Financing Sources (Uses)				
Bond proceeds				
Transfers in	92,660	85,000	-	222,185
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	92,660	85,000	-	222,185
Net Change in Fund Balance	47,950	36,602	819	222,185
Fund Balance - Beginning of Year	16,703	75,720	253,221	11,601
Prior period adjustment	(1,248)			
Fund Balance - End of Year	\$ 63,405	\$ 112,322	\$ 254,040	\$ 233,786

Capital Projects Funds				
SDC Park Improvement Fund	SDC Street Improvement Fund	SDC Storm Water Improvement Fund	SDC Street Reimbursement Fund	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 83,675
-	-	-	-	98,815
-	-	-	-	45,042
9,955	112,534	11,849	17,261	151,599
33	332	-	190	1,963
<u>9,989</u>	<u>112,866</u>	<u>11,849</u>	<u>17,451</u>	<u>381,094</u>
-	-	-	-	321,227
-	176,417	-	-	176,417
-	176,417	-	-	497,644
<u>9,989</u>	<u>(63,551)</u>	<u>11,849</u>	<u>17,451</u>	<u>(116,550)</u>
-	64,000	15,000	-	-
-	-	-	(12,000)	478,845
-	64,000	15,000	(12,000)	(12,000)
9,989	449	26,849	5,451	466,845
389	10,221	(80,653)	42,511	350,295
				329,713
				(1,248)
<u>\$ 10,378</u>	<u>\$ 10,670</u>	<u>\$ (53,804)</u>	<u>\$ 47,962</u>	<u>\$ 678,760</u>

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

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

**YEAR ENDED JUNE 30, 2014**

**MRC REINVESTMENT FUND**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance To Final Budget</u>
REVENUES:				
Assessments	\$ 27,000	\$ 27,000	\$ 27,328	\$ 328
Interest on investments			<u>11,821</u>	<u>11,821</u>
Total Revenues	<u>27,000</u>	<u>27,000</u>	<u>39,149</u>	<u>12,149</u>
Net Change in Fund Balance	27,000	27,000	39,149	12,149
Beginning Fund Balance	<u>93,993</u>	<u>93,993</u>	<u>98,805</u>	<u>4,812</u>
Ending Fund Balance	<u>\$ 120,993</u>	<u>\$ 120,993</u>	<u>\$ 137,954</u>	<u>\$ 16,961</u>

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

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

**YEAR ENDED JUNE 30, 2014**

**TOURISM/ECONOMIC DEVELOPMENT FUND**

	Original Budget	Final Budget	Actual	Variance To Final Budget
<b>REVENUES:</b>				
Other taxes	\$ 67,500	\$ 67,500	\$ 83,675	\$ 16,175
Interest on investments	30	30	205	175
<b>Total Revenues</b>	<b>67,530</b>	<b>67,530</b>	<b>83,879</b>	<b>16,349</b>
<b>EXPENDITURES:</b>				
Community development:				
Materials and services	100,962	102,962 (1)	93,589	(9,373)
Contingency	6,500	6,500	-	(6,500)
<b>Total Expenditures</b>	<b>107,462</b>	<b>109,462</b>	<b>93,589</b>	<b>(15,873)</b>
Excess of Revenues Over, (Under) Expenditures	(39,932)	(41,932)	(9,710)	32,222
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	67,500	78,486	92,660	14,174
Transfers out	(35,000)	(35,000) (1)	(35,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>32,500</b>	<b>43,486</b>	<b>57,660</b>	<b>14,174</b>
Net Change in Fund Balance	(7,432)	1,554	47,950	46,396
Beginning Fund Balance	13,525	13,525	16,703	3,178
Prior Period Adjustment	-	-	(1,248)	(1,248)
Ending Fund Balance, Restated	\$ 6,093	\$ 15,079	\$ 63,405	\$ 48,326

(1) Appropriation Level

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

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

**YEAR ENDED JUNE 30, 2014**

**COMMUNITY DEVELOPMENT FUND**

	Original Budget	Final Budget	Actual	Variance To Final Budget
<b>REVENUES:</b>				
Licenses and fees	\$ 42,500	\$ 42,500	\$ 98,815	\$ 56,315
Charges for services	45,000	45,000	45,042	42
Interest on investments	200	200	383	183
Miscellaneous	100	100	-	(100)
	<u>87,800</u>	<u>87,800</u>	<u>144,240</u>	<u>56,440</u>
<b>EXPENDITURES:</b>				
Community Development				
Personal services	113,017	114,017 (1)	112,072	(1,945)
Materials and services	91,786	91,786 (1)	80,566	(11,220)
Operating contingency	3,306	2,306		
	<u>208,109</u>	<u>208,109</u>	<u>192,638</u>	<u>(13,165)</u>
Excess of Revenues Over, (Under) Expenditures	(120,309)	(120,309)	(48,398)	69,605
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	85,000	85,000	85,000	-
Net Change in Fund Balance	(35,309)	(35,309)	36,602	69,605
Beginning Fund Balance	35,309	35,309	75,720	40,411
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,322</u>	<u>\$ 110,016</u>

(1) Appropriation Level

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

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

**YEAR ENDED JUNE 30, 2014**

**IMPROVEMENT FEE FUND**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance To Final Budget</u>
REVENUES:				
Interest on investments	\$ 700	\$ 700	\$ 819	\$ 119
Net Change in Fund Balance	700	700	819	119
Beginning Fund Balance	<u>253,130</u>	<u>253,130</u>	<u>253,221</u>	<u>91</u>
Ending Fund Balance	<u>\$ 253,830</u>	<u>\$ 253,830</u>	<u>\$ 254,040</u>	<u>\$ 210</u>

(Jefferson County, Oregon)

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

**YEAR ENDED JUNE 30, 2014**

**DEBT RESERVE FUND**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance To Final Budget</u>
REVENUES:				
Interest	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 0</u>	<u>\$ (10)</u>
Other Financing (Uses):				
Transfers in	<u>209,713</u>	<u>222,213</u>	<u>222,185</u>	<u>(28)</u>
Net Change in Fund Balance	209,723	222,223	222,185	(38)
Beginning Fund Balance	<u>11,597</u>	<u>11,597</u>	<u>11,601</u>	<u>4</u>
Ending Fund Balance	<u>\$ 221,320</u>	<u>\$ 233,820</u>	<u>\$ 233,786</u>	<u>\$ (34)</u>

(1) Appropriation Level

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

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

**YEAR ENDED JUNE 30, 2014**

**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	\$ 4,917	\$ 4,917	\$ 9,955	\$ 5,038
Interest			33	33
Total Revenue	<u>4,917</u>	<u>4,917</u>	<u>9,989</u>	<u>5,072</u>
Net Change in Fund Balance	4,917	4,917	9,989	5,072
Beginning Fund Balance	<u>(4,528)</u>	<u>(4,528)</u>	<u>389</u>	<u>4,917</u>
Ending Fund Balance	<u>\$ 389</u>	<u>\$ 389</u>	<u>\$ 10,378</u>	<u>\$ 9,989</u>

(1) Appropriation Level

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

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

**YEAR ENDED JUNE 30, 2014**

**SDC STREET IMPROVEMENT FUND**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance To Final Budget</u>
<b>REVENUES:</b>				
System development charges	\$ 180,000	\$ 116,000	\$ 112,534	\$ (3,466)
Interest	<u>100</u>	<u>100</u>	<u>332</u>	<u>232</u>
Total Revenue	<u>180,100</u>	<u>116,100</u>	<u>112,866</u>	<u>(3,234)</u>
<b>EXPENDITURES:</b>				
Debt service	176,802	176,802 (1)	176,417	(385)
Contingency	<u>3,324</u>	<u>3,324 (1)</u>	<u>-</u>	<u>(3,324)</u>
Total Expenditures	180,126	180,126	176,417	(3,709)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	<u>-</u>	<u>64,000</u>	<u>64,000</u>	<u>-</u>
Net Change in Fund Balance	(26)	(26)	449	475
Beginning Fund Balance	<u>26</u>	<u>26</u>	<u>10,221</u>	<u>10,195</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,670</u>	<u>\$ 10,670</u>

(1) Appropriation Level

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

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

**YEAR ENDED JUNE 30, 2014**

**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	\$ 5,535	\$ 5,535	\$ 11,849	\$ 6,314
Net Change in Fund Balance	5,535	5,535	11,849	6,314
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Beginning Fund Balance	<u>(81,564)</u>	<u>(81,564)</u>	<u>(80,653)</u>	<u>911</u>
Ending Fund Balance	<u>\$ (61,029)</u>	<u>\$ (61,029)</u>	<u>\$ (53,804)</u>	<u>\$ 7,225</u>

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

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

**YEAR ENDED JUNE 30, 2014**

**SDC STREET REIMBURSEMENT FUND**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance To Final Budget</u>
<b>REVENUES:</b>				
System development charges	\$ 16,500	\$ 16,500	\$ 17,261	\$ 761
Interest on investments	<u>200</u>	<u>200</u>	<u>190</u>	<u>(10)</u>
Total Revenues	<u>16,700</u>	<u>16,700</u>	<u>17,451</u>	<u>751</u>
<b>EXPENDITURES:</b>				
Capital Outlay	55,000	43,000 (1)	-	(43,000)
Operating Contingency	<u>4,191</u>	<u>4,191</u>	<u>-</u>	<u>(4,191)</u>
Total Expenditures	<u>59,191</u>	<u>47,191</u>	<u>-</u>	<u>(47,191)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>-</u>	<u>(12,000)</u>	<u>(12,000)</u>	<u>-</u>
Net Change in Fund Balance	(42,491)	(42,491)	5,451	47,942
Beginning Fund Balance	<u>42,491</u>	<u>42,491</u>	<u>42,511</u>	<u>20</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,962</u>	<u>\$ 47,962</u>

(1) Appropriation Level

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**WATER FUNDS**

**YEAR ENDED JUNE 30, 2014**

	SDC Water Improvement	Water Operations	Total
<b>REVENUES:</b>			
Charges for services	\$ -	\$ 474,736	\$ 474,736
Interest on investments	162	307	469
Miscellaneous	-	-	-
Total Revenues	162	475,043	475,205
<b>EXPENDITURES:</b>			
Materials and services	-	462,922	462,922
Debt service	-	11,204	11,204
Total Expenditures	-	474,125	474,125
Net Change in Fund Balance	162	918	1,080
Beginning Fund Balance	49,962	94,324	144,286
Ending Fund Balance	\$ 50,124	\$ 95,242	145,366
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>			
Capital assets, net of depreciation			736,656
Long-term debt			(126,557)
Accrued interest payable			(3,145)
Ending Net Position			\$ 752,320

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

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

**YEAR ENDED JUNE 30, 2014**

**SDC WATER IMPROVEMENT FUND**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance To Final Budget</u>
REVENUES:				
Interest	\$ 200	\$ 200	\$ 162	(38)
Total Revenue	<u>200</u>	<u>200</u>	<u>162</u>	<u>(38)</u>
EXPENDITURES:				
Capital outlay	25,000	25,000 (1)	-	(25,000)
Net Change in Fund Balance	(24,800)	(24,800)	162	24,962
Beginning Fund Balance	<u>49,986</u>	<u>49,986</u>	<u>49,962</u>	<u>(24)</u>
Ending Fund Balance	<u>\$ 25,186</u>	<u>\$ 25,186</u>	<u>\$ 50,124</u>	<u>\$ 24,938</u>

(1) Appropriation Level

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

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

**YEAR ENDED JUNE 30, 2014**

**WATER OPERATIONS FUND**

	Original Budget	Final Budget	Actual	Variance To Final Budget
<b>REVENUES:</b>				
Charges for services	\$ 452,568	\$ 452,568	\$ 474,736	\$ 22,168
Interest on investments	300	300	307	7
Miscellaneous	500	500	-	(500)
Total Revenues	453,368	453,368	475,043	21,675
<b>EXPENDITURES:</b>				
Materials and services	454,959	458,959 (1)	462,922	3,963
Capital outlay	18,450	18,450	-	(18,450)
Debt service	11,074	11,214 (1)	11,204	(11)
Contingency	11,550	7,410 (1)	-	(7,410)
Total Expenditures	496,033	496,033	474,125	(21,908)
Net Change in Fund Balance	(42,665)	(42,665)	918	43,583
Beginning Fund Balance	48,760	48,760	94,324	45,564
Ending Fund Balance	\$ 6,095	\$ 6,095	\$ 95,242	\$ 89,147

(1) Appropriation Level

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**WASTEWATER FUNDS**

**YEAR ENDED JUNE 30, 2014**

	SDC Wastewater Improvement	SDC Wastewater Reimbursement	Wastewater Operations	Total
<b>REVENUES:</b>				
Charges for services	\$ -	\$ -	\$ 2,467,716	\$ 2,467,716
Intergovernmental	29,823	-	-	29,823
Assessments	-	-	2,451	2,451
System development charges	92,177	15,391	-	107,568
Rental income	-	-	2,196	2,196
Interest on investments	2,152	43	2,940	5,135
Miscellaneous	-	-	-	-
	<u>124,152</u>	<u>15,434</u>	<u>2,475,303</u>	<u>2,614,889</u>
<b>Total Revenues</b>				
<b>EXPENDITURES:</b>				
Materials and services	-	-	1,844,592	1,844,592
Capital outlay	33,777	-	31,664	65,441
Debt service	6,038	-	436,556	442,594
	<u>39,815</u>	<u>-</u>	<u>2,312,811</u>	<u>2,352,626</u>
<b>Total Expenditures</b>				
Excess of Revenues Over (Under) Expenditures	84,337	15,434	162,491	262,262
<b>Other Financing Sources (Uses):</b>				
Transfers In	64,772	33,589	132,000	230,361
Transfers Out	<u>(132,000)</u>	<u>-</u>	<u>(271,061)</u>	<u>(403,061)</u>
Net Change in Fund Balance	17,109	49,023	23,430	89,562
Beginning Fund Balance	<u>81,819</u>	<u>(35,650)</u>	<u>462,120</u>	<u>508,289</u>
Ending Fund Balance	<u>\$ 98,928</u>	<u>\$ 13,373</u>	<u>\$ 485,550</u>	597,851
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Interfund loan				37,807
Unamortized bond premium				(82,821)
Capital assets, net of depreciation				27,179,184
Long-term debt				(10,731,210)
Accrued interest payable				<u>(143,810)</u>
Ending Net Position				<u>\$ 16,857,001</u>

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

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

**YEAR ENDED JUNE 30, 2014**

**SDC WASTEWATER IMPROVEMENT FUND**

	Original Budget	Final Budget	Actual	Variance To Final Budget
<b>REVENUES:</b>				
Charges for services				
System development fees	\$ 18,700	\$ 19,981	\$ 92,177	\$ 72,196
Intergovernmental grants		29,823	29,823	-
Interest	100	100	2,152	2,052
	<u>18,800</u>	<u>49,904</u>	<u>124,152</u>	<u>74,248</u>
Total Revenues				
<b>EXPENDITURES:</b>				
Capital outlay	-	33,778 (1)	33,777	(1)
Debt service	-	- (1)	6,038	6,038
Operating contingency	14,750	10,795	-	(10,795)
	<u>14,750</u>	<u>44,573</u>	<u>39,815</u>	<u>(4,758)</u>
Total Expenditures				
Excess of Revenues Over (Under) Expenditures	4,050	5,331	84,337	79,006
<b>Other Financing Sources (Uses):</b>				
Transfers In	64,772	64,772	64,772	-
Transfers out	(132,000)	(132,000) (1)	(132,000)	-
	<u>(63,178)</u>	<u>(61,897)</u>	<u>17,109</u>	<u>79,006</u>
Net Change in Fund Balance				
Beginning Fund Balance	63,954	63,954	81,819	17,865
	<u>63,954</u>	<u>63,954</u>	<u>81,819</u>	<u>17,865</u>
Ending Fund Balance	<u>\$ 776</u>	<u>\$ 2,057</u>	<u>\$ 98,928</u>	<u>\$ 96,871</u>

(1) Appropriation Level

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

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

**YEAR ENDED JUNE 30, 2014**

**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	\$ 3,830	\$ 3,830	\$ 15,391	\$ 11,561
Interest on investments			43	43
Total Revenue	<u>3,830</u>	<u>3,830</u>	<u>15,434</u>	<u>11,604</u>
Other Financing Sources (Uses):				
Transfers In	<u>33,589</u>	<u>33,589</u>	<u>33,589</u>	<u>-</u>
Net Change in Fund Balance	3,830	3,830	49,023	11,604
Beginning Fund Balance	<u>(37,419)</u>	<u>(37,419)</u>	<u>(35,650)</u>	<u>1,769</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,373</u>	<u>\$ 13,373</u>

**CITY OF MADRAS**  
(Jefferson County, Oregon)

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

**YEAR ENDED JUNE 30, 2014**

**WASTEWATER OPERATIONS FUND**

	Original Budget	Final Budget	Actual	Variance To Final Budget
<b>REVENUES:</b>				
Charges for services	\$ 2,331,500	\$ 2,331,500	\$ 2,467,716	\$ 136,216
Assessments	-	-	2,451	2,451
Rental income	1,500	1,500	2,196	696
Interest on investments	2,500	2,500	2,940	440
Miscellaneous	500	500	-	(500)
	<u>2,336,000</u>	<u>2,336,000</u>	<u>2,475,303</u>	<u>139,303</u>
<b>Total Revenues</b>				
<b>EXPENDITURES:</b>				
Materials and services	1,892,188	1,912,188 (1)	1,844,592	(67,596)
Capital outlay	60,000	60,000 (1)	31,664	(28,337)
Debt service	425,152	437,152 (1)	436,556	(596)
Contingency	50,000	5,500 (1)	-	(5,500)
	<u>2,427,340</u>	<u>2,414,840</u>	<u>2,312,811</u>	<u>(102,029)</u>
<b>Total Expenditures</b>				
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	132,000	132,000	132,000	-
Transfers Out	(258,589)	(271,089)	(271,061)	28
	<u>(126,589)</u>	<u>(139,089)</u>	<u>(139,061)</u>	<u>28</u>
<b>Total Other Financing Sources (Uses)</b>				
Net Change in Fund Balance	(217,929)	(217,929)	23,430	241,359
Beginning Fund Balance	363,506	363,506	462,120	98,614
Ending Fund Balance	<u>\$ 145,577</u>	<u>\$ 145,577</u>	<u>\$ 485,550</u>	<u>\$ 339,973</u>

(1) Appropriation Level

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**AIRPORT FUNDS**

**YEAR ENDED JUNE 30, 2014**

	Airport Operations	Airport Construction	Total
<b>REVENUES:</b>			
Charges for services	\$ 413,246	\$ -	\$ 413,246
Intergovernmental	57,663	655,011	712,675
Rental income	190,501	-	190,501
Interest on investments	149	220	370
Miscellaneous	4,997	-	4,997
Total Revenues	666,558	655,232	1,321,789
<b>EXPENDITURES:</b>			
Materials and services	588,570	-	588,570
Capital outlay	52,364	686,513	738,877
Debt service	86,542	-	86,542
Total Expenditures	727,477	686,513	1,413,990
Excess of Revenues Over, (Under) Expenditures	(60,919)	(31,281)	(92,200)
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	25,000	25,000
Net Change in Fund Balance	(60,919)	(6,281)	(67,200)
Beginning Fund Balance	112,156	74,620	186,776
Ending Fund Balance	\$ 51,237	\$ 68,339	119,576
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>			
Capital assets, net of depreciation			8,671,292
Long-term debt			(1,166,936)
Accrued interest payable			(31,913)
Ending Net Position			\$ 7,592,019

**CITY OF MADRAS**  
(Jefferson County, Oregon)

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

**YEAR ENDED JUNE 30, 2014**

**AIRPORT OPERATIONS FUND**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance To Final Budget</u>
<b>REVENUES:</b>				
Charges for services	\$ 243,500	\$ 462,000	\$ 413,246	\$ (48,754)
Intergovernmental	74,900	79,900	57,663	(22,237)
Rental income	174,584	174,584	190,501	15,917
Interest on investments	250	250	149	(101)
Miscellaneous	<u>100</u>	<u>3,100</u>	<u>4,997</u>	<u>1,897</u>
Total Revenues	<u>493,334</u>	<u>719,834</u>	<u>666,558</u>	<u>(53,276)</u>
<b>EXPENDITURES:</b>				
Materials and services	386,155	642,607 (1)	588,570	(54,037)
Capital outlay	70,000	70,000	52,364	(17,636)
Debt service	90,142	90,142 (1)	86,542	(3,600)
Contingency	<u>47,990</u>	<u>7,952 (1)</u>	<u>-</u>	<u>(7,952)</u>
Total Expenditures	<u>594,287</u>	<u>810,701</u>	<u>727,477</u>	<u>(83,224)</u>
Net Change in Fund Balance	(100,953)	(90,867)	(60,919)	29,948
Beginning Fund Balance	<u>100,953</u>	<u>90,867</u>	<u>112,156</u>	<u>21,289</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,237</u>	<u>\$ 51,237</u>

(1) Appropriation Level

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

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

**YEAR ENDED JUNE 30, 2014**

**AIRPORT CONSTRUCTION FUND**

	Original Budget	Final Budget	Actual	Variance To Final Budget
REVENUES:				
Intergovernmental	\$ 570,620	\$ 667,910	\$ 655,011	\$ (12,899)
Interest	300	300	220	(80)
Total Revenues	570,920	668,210	655,232	(12,978)
EXPENDITURES:				
Capital outlay	641,295	749,395	686,513	(62,882)
Contingency	18,933	8,123		(8,123)
Total Expenditures	660,228	757,518	686,513	(71,005)
Excess of Revenues Over (Under) Expenditures	(89,308)	(89,308)	(31,281)	58,027
Other Financing Sources (Uses):				
Transfers in	25,000	25,000	25,000	(0)
Net Change in Fund Balance	(64,308)	(64,308)	(6,281)	58,027
Beginning Fund Balance	64,308	64,308	74,620	10,312
Ending Fund Balance	\$ -	\$ -	\$ 68,339	\$ 68,339

(1) Appropriation Level

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**

**JUNE 30, 2014**

	Central Services	Public Works Staff	Buildings	Fleet	Total
<b>ASSETS:</b>					
Current Assets:					
Cash and investments	\$ 212,296	\$ 312,566	\$ 398,588	\$ 107,421	\$ 1,030,871
Accounts receivable	2,851	28,759	-	-	31,610
Prepaid expense	1,498	-	-	-	1,498
<b>Total Current Assets</b>	<b>216,646</b>	<b>341,324</b>	<b>398,588</b>	<b>107,421</b>	<b>1,063,980</b>
Noncurrent Assets:					
Land	-	-	2,270,000	-	2,270,000
Construction in progress	-	23,401	-	-	23,401
Depreciable assets	5,718	7,125	5,415,320	1,160,787	6,588,950
Accumulated depreciation	(5,718)	(7,125)	(179,062)	(666,866)	(858,771)
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>23,401</b>	<b>7,506,258</b>	<b>493,921</b>	<b>8,023,580</b>
<b>Total Assets</b>	<b>\$ 216,646</b>	<b>\$ 364,725</b>	<b>\$ 7,904,846</b>	<b>\$ 601,342</b>	<b>\$ 9,087,560</b>
<b>LIABILITIES:</b>					
Current Liabilities:					
Accounts payable	\$ 15,623	\$ 27,464	\$ 4,826	\$ 5,767	\$ 53,681
Payroll liabilities	7,685	12,956	-	-	20,641
Accrued interest payable	-	-	16,966	-	16,966
Compensated absences payable	31,046	51,363	-	-	82,409
Interfund payable	-	-	-	37,807	37,807
Current portion of long-term debt	-	-	79,267	-	79,267
<b>Total Current Liabilities</b>	<b>54,354</b>	<b>91,784</b>	<b>101,059</b>	<b>43,574</b>	<b>290,771</b>
Noncurrent Liabilities					
Other post employment benefits	38,650	103,069	-	-	141,719
Bonds payable	-	-	3,752,353	-	3,752,353
<b>Total Noncurrent Liabilities</b>	<b>38,650</b>	<b>103,069</b>	<b>3,752,353</b>	<b>-</b>	<b>3,894,072</b>
<b>Total Liabilities</b>	<b>93,004</b>	<b>194,853</b>	<b>3,853,412</b>	<b>43,574</b>	<b>4,184,843</b>
<b>DEFERRED INFLOW</b>					
Unearned revenue	965	37,375	-	-	38,340
<b>Net Position:</b>					
Net investment in capital assets		23,401	3,674,688	493,921	4,192,010
Unrestricted	122,677	109,096	376,746	63,847	672,367
<b>Total Net Position</b>	<b>\$ 122,677</b>	<b>\$ 132,497</b>	<b>\$ 4,051,434</b>	<b>\$ 557,768</b>	<b>\$ 4,864,377</b>

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**INTERNAL SERVICE FUNDS**

**YEAR ENDED JUNE 30, 2014**

	Central Services	Public Works Staff	Buildings	Fleet	Total
<b>OPERATING REVENUES:</b>					
Charges for services	\$ 932,109	\$ 1,252,319	\$ 417,148	\$ 290,200	\$ 2,891,776
Licenses and fees	28,960	25,729	-	-	54,689
Rental income	450	-	50	-	500
Miscellaneous	-	29,543	-	9,108	38,650
<b>Total Operating Revenues</b>	<b>961,519</b>	<b>1,307,591</b>	<b>417,198</b>	<b>299,308</b>	<b>2,985,616</b>
<b>OPERATING EXPENSES:</b>					
Personal services	572,221	899,942	-	-	1,472,163
Materials and services	328,432	428,849	161,001	218,232	1,136,515
Depreciation	190	-	108,306	108,466	216,962
<b>Total Operating Expenses</b>	<b>900,843</b>	<b>1,328,791</b>	<b>269,307</b>	<b>326,698</b>	<b>2,825,640</b>
<b>Operating Income (loss)</b>	<b>60,676</b>	<b>(21,200)</b>	<b>147,891</b>	<b>(27,391)</b>	<b>159,975</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>					
Intergovernmental	-	-	103,781	-	103,781
Interest on investments	533	1,338	1,258	328	3,456
Interest expense	-	-	(155,018)	(1,448)	(156,466)
<b>Total Nonoperating Revenues (Expense)</b>	<b>533</b>	<b>1,338</b>	<b>(49,979)</b>	<b>(1,120)</b>	<b>(49,229)</b>
<b>Net Income Before Transfers</b>	<b>61,208</b>	<b>(19,863)</b>	<b>97,912</b>	<b>(28,511)</b>	<b>110,747</b>
<b>TRANSFERS</b>					
Transfers in	-	-	-	-	-
Transfers out	(85,000)	(80,000)	(14,713)	-	(179,713)
<b>Total Transfers</b>	<b>(85,000)</b>	<b>(80,000)</b>	<b>(14,713)</b>	<b>-</b>	<b>(179,713)</b>
<b>Change in Net Position</b>	<b>(23,792)</b>	<b>(99,863)</b>	<b>83,199</b>	<b>(28,511)</b>	<b>(68,966)</b>
<b>Prior Period Adjustment</b>	<b>(10,190)</b>	<b>-</b>	<b>(119,736)</b>	<b>-</b>	<b>(129,926)</b>
<b>Beginning Net Position</b>	<b>156,659</b>	<b>232,360</b>	<b>4,087,971</b>	<b>586,279</b>	<b>5,063,269</b>
<b>Ending Net Position</b>	<b>\$ 122,677</b>	<b>\$ 132,497</b>	<b>\$ 4,051,434</b>	<b>\$ 557,768</b>	<b>\$ 4,864,377</b>

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**

**YEAR ENDED JUNE 30, 2014**

	Central Services	Public Works Staff	Buildings	Fleet	Total
Cash Flows from Operating Activities:					
Receipts from customers and users	\$ 23,486	\$ 63,749	\$ 33,177	\$ 9,108	\$ 129,520
Receipts from interfund services provided	920,000	1,252,319	415,000	290,200	2,877,519
Payments to suppliers	(340,179)	(429,902)	(197,334)	(219,552)	(1,186,967)
Payments to employees	(567,262)	(884,588)	-	-	(1,451,850)
Net Cash Provided (Used) by Operating Activities	<u>36,045</u>	<u>1,578</u>	<u>250,843</u>	<u>79,756</u>	<u>368,222</u>
Cash Flows From Noncapital Financing Activities					
Transfer To/From Other Funds	<u>(85,000)</u>	<u>(80,000)</u>	<u>(14,713)</u>	<u>-</u>	<u>(179,713)</u>
Net Cash Flows From Noncapital Financing Activities	<u>(85,000)</u>	<u>(80,000)</u>	<u>(14,713)</u>	<u>-</u>	<u>(179,713)</u>
Cash Flows from Capital and Related Financing					
Financing activities:	-	-	-	-	-
Purchases of capital assets	-	(23,400)	-	(59,672)	(83,072)
Interest earned	533	1,338	1,258	328	3,457
Intergovernmental revenue	-	-	103,781	-	103,781
Principal paid on capital debt	-	-	(73,380)	-	(73,380)
Interest expense	-	-	(144,294)	(1,448)	(145,742)
Loan payment to other fund	-	-	-	(63,324)	(63,324)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>533</u>	<u>(22,062)</u>	<u>(112,635)</u>	<u>(124,116)</u>	<u>(258,280)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(48,422)	(100,484)	123,495	(44,360)	(69,771)
Balances - Beginning of the Year	<u>260,718</u>	<u>413,050</u>	<u>275,093</u>	<u>151,781</u>	<u>1,100,642</u>
Balances - End of the Year	<u>\$ 212,296</u>	<u>\$ 312,566</u>	<u>\$ 398,588</u>	<u>\$ 107,421</u>	<u>\$ 1,030,871</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating Income	\$ 60,676	\$ (21,200)	\$ 147,891	\$ (27,391)	\$ 159,976
Cash Flow Reported in Other Activities:					
Depreciation expense	190	-	108,306	108,466	216,962
Changes in Assets and Liabilities:					
Receivables	10,545	(13,407)	30,979	-	28,117
Prepaid expenses	(890)	-	-	-	(890)
Unearned revenue	(28,578)	21,884	-	-	(6,694)
Accrued expenses	(10,849)	(582)	(36,333)	(1,319)	(49,083)
Other post employment benefits	10,052	26,806	-	-	36,858
Accrued compensated absences	(5,101)	(11,923)	-	-	(17,024)
Net Cash Provided (Used) by Operating Activities	<u>\$ 36,045</u>	<u>\$ 1,578</u>	<u>\$ 250,843</u>	<u>\$ 79,756</u>	<u>\$ 368,222</u>

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

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

**YEAR ENDED JUNE 30, 2014**

**CENTRAL SERVICES FUND**

	Original Budget	Final Budget	Actual	Variance To Final Budget
<b>REVENUES:</b>				
Charges for services	\$ 920,000	\$ 925,500	\$ 932,109	\$ 6,609
Licenses and fees	29,000	29,000	28,960	(40)
Interest on investments	400	400	533	133
Rental income	5,500	-	450	450
Total Revenues	954,900	954,900	962,051	7,151
<b>EXPENDITURES:</b>				
Current				
Personal services	535,745	577,745 (1)	567,270	(10,475)
Materials and services	267,500	355,500 (1)	328,432	(27,068)
Contingency	120,000	-	-	-
Total Expenditures	923,245	933,245	895,702	(37,543)
Excess of Revenues Over, (Under) Expenditures	31,655	21,655	66,349	44,694
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(85,000)	(85,000) (1)	(85,000)	-
Net Change in Fund Balance	(53,345)	(63,345)	(18,651)	44,694
Prior Period Adjustment	-	-	(10,190)	44,694
Beginning Fund Balance	193,493	203,493	221,214	17,721
Ending Fund Balance	\$ 140,148	\$ 140,148	192,373	\$ 107,110
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Compensated absences			(31,046)	
Other post employment liability			(38,650)	
Ending Net Position			\$ 122,677	

(1) Appropriation Level

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

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

**YEAR ENDED JUNE 30, 2014**

**PUBLIC WORKS STAFF FUND**

	Original Budget	Final Budget	Actual	Variance To Final Budget
<b>REVENUES:</b>				
Charges for services	\$ 1,252,319	\$ 1,252,319	\$ 1,252,319	\$ -
Licenses and fees	14,500	34,000	25,729	(8,271)
Interest on investments	1,500	1,500	1,338	(162)
Miscellaneous	2,500	2,500	29,543	27,043
Total Revenues	1,270,819	1,290,319	1,308,929	18,610
<b>EXPENDITURES:</b>				
Current:				
Personal services	972,761	954,761 (1)	885,059	(69,702)
Materials and services	298,368	446,918 (1)	428,849	(18,069)
Capital outlay	-	25,000 (1)	23,401	(1,599)
Operating contingency	150,000	-	-	-
Total Expenditures	1,421,129	1,426,679	1,337,309	(89,370)
Excess of Revenues Over (Under) Expenditures	(150,310)	(136,360)	(28,381)	107,979
<b>Other Financing Sources (Uses):</b>				
Transfers out	(40,000)	(80,000) (1)	(80,000)	-
Net Change in Fund Balance	(190,310)	(216,360)	(108,381)	107,979
Beginning Fund Balance	338,949	364,999	371,909	6,910
Ending Fund Balance	\$ 148,639	\$ 148,639	263,528	\$ 114,889

**RECONCILIATION TO GENERALLY  
ACCEPTED ACCOUNTING PRINCIPLES**

Construction in progress	23,401
Compensated absences	(51,363)
Other post employment liability	(103,069)
Ending Net Position	\$ 132,497

(1) Appropriation Level

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

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

**YEAR ENDED JUNE 30, 2014**

**BUILDING FUND**

	Original Budget	Final Budget	Actual	Variance To Final Budget
<b>REVENUES:</b>				
Charges for services	\$ 415,000	\$ 415,000	\$ 417,148	\$ 2,148
Rental income			50	50
Intergovernmental	162,254	162,254	103,781	(58,473)
Interest	100	100	1,258	1,158
Total Revenues	577,354	577,354	522,237	(55,117)
<b>EXPENDITURES:</b>				
Materials and services	218,000	218,000 (1)	161,001	(56,999)
Capital outlay	121,007	121,007 (1)	-	(121,007)
Debt service	217,638	217,638 (1)	217,638	-
Operating contingency	14,000	14,000	-	(14,000)
Total Expenditures	570,645	570,645	378,639	(192,006)
<b>Other Financing Sources (Uses):</b>				
Transfers out	(9,713)	(14,713) (1)	(14,713)	-
Net Change in Fund Balance	(3,004)	(8,004)	128,885	136,888
Beginning Fund Balance	3,004	8,004	264,877	256,873
Ending Fund Balance, Restated	\$ -	\$ -	393,762	\$ 393,761
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>				
Capital assets, net of depreciation			7,506,258	
Accrued interest payable			(16,966)	
Long-term debt			(3,831,620)	
Ending Net Position			\$ 4,051,434	

(1) Appropriation Level

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

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

**YEAR ENDED JUNE 30, 2014**

**FLEET FUND**

	Original Budget	Final Budget		Actual	Variance To Final Budget
<b>REVENUES:</b>					
Charges for service	\$ 290,200	\$ 290,200		\$ 290,200	\$ -
Interest on investments	200	200		328	128
Miscellaneous	-	-		9,108	9,108
	290,400	290,400		299,636	9,236
<b>EXPENDITURES:</b>					
Current:					
Materials and services	212,982	237,982	(1)	218,232	(19,750)
Capital outlay	77,000	77,000	(1)	59,672	(17,328)
Debt service	-	-	(1)	0	0
Operating contingency	25,000	-		-	-
	314,982	314,982		277,904	(37,078)
Excess of Revenues Over, (Under) Expenditures	(24,582)	(24,582)		21,731	46,313
<b>Other Financing Sources (Uses):</b>					
Transfers Out	(64,772)	(64,772)		(64,772)	-
Net Change in Fund Balance	(89,354)	(89,354)		(43,041)	46,313
Beginning Fund Balance	113,354	113,354		144,695	31,341
Ending Fund Balance	\$ 24,000	\$ 24,000		101,654	\$ 77,654
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>					
Interfund loan				(37,807)	
Capital assets, net of depreciation				493,921	
Ending Net Position				\$ 557,768	

(1) Appropriation Level

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS**  
**OTHER POST EMPLOYMENT BENEFITS**

**JUNE 30, 2014**

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
8/1/2006	-	330,572	330,572	0.00%	NA	NA

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2014	\$ 77,926	14 %
2013	61,999	36
2012	58,893	39
2011	50,074	38

The above table presents the most recent actuarial valuations for the District's post-retirement health insurance and it provides information that approximates the funding progress of the plan.

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**SCHEDULE OF TAX COLLECTIONS AND UNPAID BALANCES**

**YEAR ENDED JUNE 30, 2014**

**GENERAL FUND**

<u>Tax Year</u>	<u>Imposed Levy or Balance Uncollected July 1, 2013</u>	<u>Deduct Discounts</u>	<u>Adjustment To Rolls</u>	<u>Add Interest</u>	<u>Cash Collections By County Treasurer</u>	<u>Balance Uncollected or Unsegregated June 30, 2014</u>
Current:						
2013-14	\$ 1,065,433	\$ 26,569	\$ (981)	\$ 531	\$ 1,000,341	\$ 38,073
Prior years:						
2012-13	44,311	-	(95)	1,398	23,384	22,230
2011-12	25,889	-	(32)	1,641	12,855	14,643
2010-11	18,895	-	(37)	2,284	12,346	8,796
2009-10	8,358	-	(38)	2,159	9,845	634
2008-09	825	-	(48)	119	422	474
2007-08 & Prior	1,121	-	(119)	22	58	966
Total Prior	99,399	-	(369)	7,623	58,910	47,743
Total	<u>\$ 1,164,832</u>	<u>\$ 26,569</u>	<u>\$ (1,350)</u>	<u>\$ 8,154</u>	<u>\$ 1,059,251</u>	<u>\$ 85,816</u>

RECONCILIATION TO REVENUE:

Cash collections by County Treasurer above	\$ 1,059,251
Accrued June 30, 2013	(19,800)
Accrued June 30, 2014	<u>19,524</u>
Total Revenue per Fund Budgetary Statement	<u>\$ 1,058,975</u>

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**SCHEDULE OF TAX COLLECTIONS AND UNPAID BALANCES**

**YEAR ENDED JUNE 30, 2014**

**REDEVELOPMENT COMMISSION GENERAL FUND**

<u>Tax Year</u>	<u>Imposed Levy or Balance Uncollected July 1, 2013</u>	<u>Deduct Discounts</u>	<u>Adjustment To Rolls</u>	<u>Add Interest</u>	<u>Cash Collections By County Treasurer</u>	<u>Balance Uncollected or Unsegregated June 30, 2014</u>
Current:						
2013-14	\$ 331,526	\$ 8,268	\$ (305)	\$ 166	\$ 311,272	\$ 11,847
Prior years:						
2012-13	15,596	-	(34)	492	8,230	7,824
2011-12	9,541	-	(13)	605	4,737	5,396
2010-11	6,453	-	(12)	742	4,008	3,175
2009-10	2,522	-	(11)	651	2,971	191
2008-09	241	-	(14)	35	123	139
2007-08 & Prior	294	-	(26)	8	16	260
Total Prior	<u>34,647</u>	<u>-</u>	<u>(110)</u>	<u>2,533</u>	<u>20,085</u>	<u>16,985</u>
Total	<u>\$ 366,173</u>	<u>\$ 8,268</u>	<u>\$ (415)</u>	<u>\$ 2,699</u>	<u>\$ 331,357</u>	<u>\$ 28,832</u>

RECONCILIATION TO REVENUE:

Cash collections by County Treasurer above	\$ 331,357
Accrued June 30, 2013	(6,582)
Accrued June 30, 2014	<u>6,389</u>
Total Revenue per Fund Budgetary Statement	<u>\$ 331,164</u>

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**SCHEDULE OF TAX COLLECTIONS AND UNPAID BALANCES**

**YEAR ENDED JUNE 30, 2014**

**DEBT SERVICE FUND**

<u>Tax Year</u>	<u>Imposed Levy or Balance Uncollected July 1, 2013</u>	<u>Deduct Discounts</u>	<u>Adjustment To Rolls</u>	<u>Add Interest</u>	<u>Cash Collections By County Treasurer</u>	<u>Balance Uncollected or Unsegregated June 30, 2014</u>
Current:						
2013-14	\$ 84,848	\$ 2,116	\$ (78)	\$ 42	\$ 79,664	\$ 3,032
Prior years:						
2012-13	3,970	-	(8)	125	2,095	1,992
2011-12	2,403	-	(3)	152	1,193	1,359
2010-11	1,550	-	(3)	187	1,012	722
2009-10	772	-	(4)	200	910	58
2008-09	76	-	(4)	11	39	44
2007-08 & Prior	116	-	(11)	-	4	101
Total Prior	8,887	-	(33)	675	5,253	4,276
Total	<u>\$ 93,735</u>	<u>\$ 2,116</u>	<u>\$ (111)</u>	<u>\$ 717</u>	<u>\$ 84,917</u>	<u>\$ 7,308</u>

RECONCILIATION TO REVENUE:

Cash collections by County Treasurer above	\$ 84,917
Accrued June 30, 2013	(1,785)
Accrued June 30, 2014	<u>1,631</u>
Total Revenue per Fund Budgetary Statement	<u>\$ 84,763</u>

## **OTHER INFORMATION**

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**SCHEDULE OF OUTSTANDING DEBT PRINCIPAL  
AND INTEREST TRANSACTIONS**

**YEAR ENDED JUNE 30, 2014**

	INTEREST RATE	DATE OF ISSUE	OUTSTANDING JULY 1, 2013	ISSUED	MATURED AND PAID	OUTSTANDING JUNE 30, 2014	INTEREST MATURED AND PAID
<b>GOVERNMENTAL FUNDS</b>							
2012 Refunding Bond	1.1-2.5%	5/15/2012	\$ 2,490,000	\$ -	\$ 100,000	\$ 2,390,000	\$ 79,000
Notes & Contracts Payable:							
2004 Full Faith & Credit	2.0-4.0%	8/31/2004	579,486	-	87,950	491,536	22,230
Special Public Works Fund	4.00%	7/15/2005	849,082	-	30,138	818,944	36,099
Total Governmental Funds			3,918,568	-	218,088	3,700,480	137,329
<b>ISF Building Fund (Governmental Activities)</b>							
Building Loan	3.0-5.2%	3/1/2011	1,705,000	-	45,000	1,660,000	75,508
USDA Loan	3.125%	3/22/2013	2,200,000	-	28,380	2,171,620	68,750
Total ISF Building Fund			3,905,000	-	73,380	3,831,620	144,258
Total Governmental Activities			7,823,568	-	291,468	7,532,100	281,586
<b>ENTERPRISE FUNDS</b>							
<b>Water Fund</b>							
Notes & Contracts Payable:							
Special Public Works Fund	4.97%	12/23/2004	130,417	-	3,860	126,557	7,344
<b>Wastewater Fund</b>							
Notes & Contracts Payable:							
Special Public Works Fund	4.97%	12/23/2004	57,065	-	2,826	54,239	1,974
Oregon DEQ	2.71%	11/1/2013	183,705	-	1,734	181,971	4,304
Bonds Payable:							
Sewer General Obligation	5.00%	8/1/1975	81,000	-	81,000	-	4,073
Series 2013 Refunding	2-4.125%	1/29/2013	10,495,000	-	-	10,495,000	431,754
Total Wastewater Fund			10,816,770	-	85,560	10,731,210	442,105
<b>Airport Fund</b>							
Notes & Contracts Payable:							
Special Public Works Fund	4.99%	10/2/2008	1,032,234	-	24,360	1,007,874	52,096
Jefferson County- Berg Drive	3.00%	7/15/2013	-	65,000	-	65,000	-
Bonds Payable:							
1996 Revenue bonds	5.13%	7/19/1996	98,991	-	4,954	94,062	5,132
Total Airport Fund			1,131,225	65,000	29,314	1,166,936	57,228
Total Enterprise Fund			12,078,412	65,000	118,734	12,024,703	506,677
Total			\$ 19,901,980	\$ 65,000	\$ 410,202	\$ 19,556,803	\$ 788,264

**REPORTS ON LEGAL AND OTHER  
REGULATORY REQUIREMENTS**



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

We have audited the restated basic financial statements of the City of Madras, Oregon as of and for the year ended June 30, 2014, and have issued our report thereon dated November 7, 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 162-10000 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 162-10320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

**INDEPENDENT AUDITORS REPORT REQUIRED**  
**BY OREGON STATE REGULATIONS - continued**

1. Expenditures of all the various funds were within authorized appropriations, except as disclosed in Note 17 of the notes to the financial statements.
2. Two instances of non-compliance with Oregon Public Contracting law were noted, more fully described in the Schedule of Findings and Responses, numbers 2014-3 and 2014-4.

**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 and material weaknesses under standards established by the American Institute of Certified Public Accountants which are described in the Schedule of Findings and Responses, numbers 2014-1 and 2014-2.

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.

*SGA CPAs & Consultants, LLP*

SGA Certified Public Accountants and Consultants, LLP

November 7, 2014



**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***

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

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, the aggregate discretely presented component unit, each major fund and aggregate remaining fund information of the City of Madras (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 7, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as Finding #2014-1 in the accompanying Schedule of Findings and Responses to be a material weakness.

*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 deficiency described as Finding #2014-2 in the accompanying Schedule of Findings and Responses to be a significant deficiency.

**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* - continued**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its 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. The results of our tests disclosed two instances of noncompliance with law that are required to be reported under *Government Auditing Standards*, described as Findings 2014-3 and 2014-4 in the Schedule of Findings and Responses.

**City of Madras' Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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 is not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SGA CPAs & Consultants, LLP

SGA Certified Public Accountants and Consultants, LLP

November 7, 2014

**CITY OF MADRAS  
(Jefferson County, Oregon)**

**SCHEDULE FINDINGS AND RESPONSES**

**YEAR ENDED JUNE 30, 2014**

2014-1

*Condition:* There is a general lack of control over the year end accounts payable and accounts receivable balances being accurate and complete.

*Criteria:* The year end financial closing process should include procedures designed to ensure that accounts payable and accounts receivable balances are accurate, complete and include verifiable documentation including aging schedules that reflect the detail within the account balance. These accruals affect both balance sheet items, as well as proper reporting of expenses and revenue under generally accepted accounting principles.

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

*Cause:* There is no final review step at year end to ensure the aging schedules were correct, included all balances that should have been included in the general ledger balance, and that the schedules reflected the balance in the general ledger.

*Recommendation:* We recommend the City implement an overall closing process where Finance Director review of staff work ensures the schedules are complete, accurate and tie out to the balance in the general ledger.

*Management's response:* At the time the trial balance was finalized for audit the supporting reports for accounts payable and accounts receivable did not match the general ledger. Subsequent research during audit fieldwork determined which reports to properly reconcile to the general ledger and tie out the aging of payables and receivables. Going forward, starting with October 2014 staff are now completing month end reconciliations of both accounts payable and accounts receivables. Accounts payable is reconciled 100% year to date. Staff is continuing efforts on getting the proper reconciliation in place for Accounts Receivable and is anticipated to be completed by 12/31/2014. Going forward the finance department is completing structured month end closing procedures that includes checklists directly built in the Caselle accounting software to ensure that control over the accounts payable and accounts receivable is maintained and reviewed regularly.

**CITY OF MADRAS**  
**(Jefferson County, Oregon)**

**SCHEDULE FINDINGS AND RESPONSES**

**YEAR ENDED JUNE 30, 2014**

2014-2

*Condition:* There is a general lack of control over valuation of capital assets.

*Criteria:* Formal processes are necessary to value capital assets as required under generally accepted accounting principles, because the finance department is not always aware that asset values have been impacted for reporting purposes. Declines in value of assets held for sale, donated assets, and disposal of obsolete assets are all conditions where one department may be aware of the change, but there is no mechanism in place those who are required to report the changes.

*Effect:* The possibility exists that asset value changes or obsolete assets would not be properly reported.

*Cause:* No policy exists for various City departments to alert the finance department to changes occurring in assets under their control.

*Recommendations:* We recommend the City formalize a procedures intended to assist various departments in monitoring potential impairment of capital assets. Further, at the end of each year, the capital asset list should be reviewed and compared to a physical count to ensure that assets on the list are still in service.

*Management's response:* Capital Assets were tracked in Excel as of June 30, 2014. In October when deficiencies over capital assets were discovered, the City purchased the Asset Management software module through the current Accounting System. The purchase of the new software will allow staff to improve tracking and reporting of capital assets. Implementation of converting the assets into the accounting system is currently in process and anticipated to be complete by March 2015. At the end of each year when inventory is counted, a review of the capital asset reports directly from the accounting system will be reviewed by all directors for accuracy and tracking any disposals or additions. Staff is also researching contributed property policies that establish value of assets acquired in result of donations or transfers. This policy will improve on how assets are valued and timing of when assets are recorded. Staff understands what changes need to occur to ensure tracking of capital assets is correctly stated.

2014-3

*Condition:* During our testing of compliance with Oregon Public Contracting law, we noted the City did not comply with public notice requirements

*Criteria:* Oregon Public Contracting law requires governments to advertise in a newspaper of general circulation in cases where the public improvement has an estimated cost exceeding \$125,000.

**CITY OF MADRAS  
(Jefferson County, Oregon)**

**SCHEDULE FINDINGS AND RESPONSES**

**YEAR ENDED JUNE 30, 2014**

*Effect:* The City advertised a project whose projected costs exceeded \$125,000 only on the State Exchange.

*Cause:* The City employee was not aware of the additional requirement for projects whose costs exceed \$125,000.

*Recommendation:* We recommend the City ensure they have reviewed the most recent rules for the competitive bidding process prior to advertising a public contract that falls under the law.

*Management's response:* Going forward all services that are to be procured by competitive sealed bidding or competitive sealed proposals as defined by ORS 279B.055 and ORS 279B.060 will be advertised in a newspaper of general circulation as well as electronically.

2014-4

*Condition:* During our testing of compliance with Oregon Public Contracting law, we noted the City did not independently confirm that the price quoted on a police car was in accordance with the bidder's exchange.

*Criteria:* Oregon Public Contracting law allows governments to participate in state bidder's exchanges to take advantage of other governments' purchase contracts performed in accordance with public contracting law. In this case, the City obtained information from the local dealer of the state price was and purchased the vehicle without independently confirming that the price offered was indeed the low bid from the state bidder's exchange.

*Effect:* The City may not have received the lowest possible price on the purchase of the vehicle.

*Cause:* The cause is unknown.

*Recommendation:* We recommend a formal policy in which all non-capital purchases that fall within Oregon Local Budget law be vetted through the finance department first to ensure compliance.

*Management's response:* Going forward the police department will submit a purchase order to the City Administrator prior to authorizing the order with the local dealer. The Finance Director will confirm the bidders exchange price independently from the dealer's documentation to ensure pricing is accurate on the dealer's records. Once confirmed the vehicle may be authorized for purchase. This will ensure correct procurement guidelines are followed going forward.