

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

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015

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

CITY COUNCIL

JUNE 30, 2015

<u>NAME</u>	<u>TERM EXPIRES</u>
Royce Embanks, Jr, Mayor	December 31, 2016
Richard Ladeby	December 31, 2018
William Montgomery	December 31, 2018
Jim Leach	December 31, 2018
Tom Brown	December 31, 2016
Chuck Schmidt	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, 2015, 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, 2015, 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, the Schedule of Funding Progress, the Budgetary Comparison Schedules – General Fund, Parks Fund, Industrial Site Fund, Transportation Operations Fund, the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Contributions 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 Management's Discussion and Analysis, the Schedule of Funding Progress, the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Contributions 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The other 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 other 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

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

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

The Other Financial Schedules and Post Compliance Reporting Disclosure Requirements, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Emphasis of a Matter

As discussed in Note 17 to the financial statements, in 2015 the District adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27. As required by GASB No. 68, the District has restated the beginning net position at July 1, 2014 to reflect the net pension liability calculated actuarially as of June 30, 2014. Our opinion is not modified with respect to this matter.

Reports on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 16, 2015 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with Government Auditing Standards in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated November 16, 2015, 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.

A handwritten signature in black ink that reads "Brenda Bartlett". The signature is written in a cursive, flowing style.

Brenda Bartlett, CPA
SGA Certified Public Accountants & Consultants, LLP

November 16, 2015

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, 2015. 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 \$2.0 million for total net position of \$46.9 million. This is the net result of a \$4.39 thousand (2.39%) decrease in the governmental net position and \$2.46 million (9.23%) increase in the business-type net position.
- Net capital assets for business-type activities increased approximately \$2.0 million (5.55%). Increases are primarily due to increased funding for construction on various projects, including the reconstructions of the airport runway and replacement of airport fuel tanks.
- Property tax revenue remained steady compared to prior year. Property tax revenues primarily consist of \$1.14 million in the General Fund, \$0.03 million to Debt Service Fund, and \$0.32 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 \$2.8 million, an increase of \$0.5 million from the prior year's fund balance of \$2.3 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 absences).

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 general government, parks, community development, public safety and highways and streets. 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 separate *Madras Redevelopment Commission* (an 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 activities which are supported by charges for services. The measurement focus for each of these activities is 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 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 fund 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 fund 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 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 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 allocated 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.

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, 2015 totaled \$46.9 million, an increase of \$2.0 million from June 30, 2014. Tables 1 & 2 have been adjusted for 2014 prior period adjustment, but do not reflect the cumulative change in accounting principle in the 2014 column.

Table 1

STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Total	
			(Restated)		(Restated)	
	2015	2014	2015	2014	2015	2014
Assets:						
Current and other assets	\$ 4,614,468	\$ 3,879,219	\$ 3,059,412	\$ 2,609,797	\$ 7,673,880	\$ 6,489,016
Capital assets	23,655,151	24,076,049	38,558,409	36,587,132	62,213,560	60,663,181
Total Assets	28,269,619	27,955,268	41,617,821	39,196,929	69,887,440	67,152,197
Deferred Outflows	177,320	-	19,702	-	197,022	-
Liabilities:						
Current liabilities	1,927,113	1,924,425	433,597	450,297	2,360,710	2,374,722
Non-current liabilities	7,492,572	7,638,217	11,915,620	12,000,067	19,408,192	19,638,284
Total Liabilities	9,419,685	9,562,642	12,349,217	12,450,364	21,768,902	22,013,006
Deferred Inflows	1,149,777	75,820	218,801	135,174	1,368,578	210,994
Net Position:						
Invested in capital assets,						
net of related debt	18,713,685	18,933,949	26,582,823	24,562,454	45,296,508	43,496,403
Restricted	3,244,049	3,190,278	282,896	178,548	3,526,945	3,368,826
Unrestricted	(4,080,257)	(3,807,421)	2,203,786	1,870,389	(1,876,471)	(1,937,032)
Total Net Position	\$ 17,877,477	\$ 18,316,806	\$ 29,069,505	\$ 26,611,391	\$ 46,946,982	\$ 44,928,197

The largest component of the City's \$46.9 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 increased \$158,199 (4.69%), 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

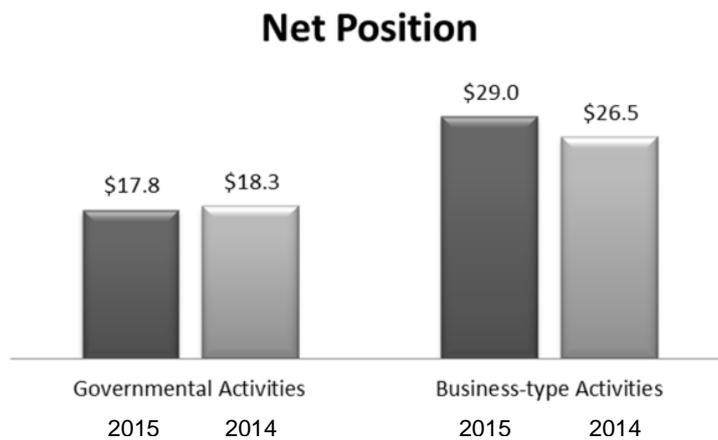
	Governmental Activities		Business-type Activities		Total	
	2015	2014	(Restated)		(Restated)	
			2015	2014	2015	2014
Revenue:						
Program Revenues:						
Charges for services	\$ 311,335	\$ 343,386	\$ 3,705,283	\$ 3,355,699	\$ 4,016,618	\$ 3,699,085
Operating grants and contributions	1,009,274	1,770,902	-	-	1,009,274	1,770,902
Capital grants and contributions	315,145	1,173,310	2,636,927	787,517	2,952,072	1,960,827
General Revenues:					-	-
Property taxes	1,475,715	1,453,672	-	-	1,475,715	1,453,672
Franchise and public services tax	1,194,747	1,169,551	-	-	1,194,747	1,169,551
Investment earnings and other	122,985	102,395	238,970	207,192	361,955	309,587
Transfers	(410,266)	344,980	410,266	(211,025)	-	133,955
Total Revenues	4,018,935	6,358,196	6,991,446	4,139,383	11,010,381	10,497,579
Expenses:						
General services	320,708	58,011	-	-	320,708	58,011
Parks	228,143	272,066	-	-	228,143	272,066
Community development	639,922	566,431	-	-	639,922	566,431
Public safety	1,073,056	1,516,772	-	-	1,073,056	1,516,772
Highway and streets	865,790	1,270,742	-	-	865,790	1,270,742
Interest on long-term obligations	281,568	141,402	-	-	281,568	141,402
Enterprise operations	-	-	4,417,257	3,971,366	4,417,257	3,971,366
Loss on disposal of capital assets	4,384	135,401	-	-	4,384	135,401
Total Expenses	3,413,571	3,960,825	4,417,257	3,971,366	7,830,828	7,932,191
Change in Net Position	605,364	2,397,371	2,574,189	168,017	3,179,553	2,565,388
Net position - beginning of year	18,316,806	16,276,526	26,611,392	26,448,712	44,928,198	42,725,238
Cumulative effect of accounting principle change	(1,044,693)	-	(116,076)		(1,160,769)	-
Prior period adjustment	-	(357,091)		(5,337)	-	(362,428)
Net position - end of year	\$ 17,877,477	\$ 18,316,806	\$ 29,069,505	\$ 26,611,392	\$ 46,946,982	\$ 44,928,198

Governmental Activities:

Governmental activities represent 38% of the City’s total net position. The governmental activities net position decreased slightly by \$4.34 thousand in 2015. Total revenues from governmental activities for fiscal year 2015 were \$1,651,844 below prior year, primarily due to less capital grants for City projects.

Business-Type Activities:

Business-type activities represent 62% 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 2015, net position increased by \$2.54 million. The increase is attributed to airport capital grants.



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, 2015 and June 30, 2014. *Governmental funds* are divided into two categories consisting of major and non-major funds. During fiscal year end 2015, 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 2014, the City’s governmental funds reported a combined ending fund balance of \$2.3 million. For the current fiscal year, the ending fund balance for the General Fund increased slightly (\$0.16 million) and the net change in fund balance for Total Governmental Funds increased by \$0.5 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

Fiscal Year 2014-2015	General Fund	Transportation Operations Fund	Madras Redevelopment Commission	Debt Service Fund	Other Governmental Funds	Total
Total revenues	\$ 2,195,733	\$ 913,616	\$ 403,564	\$ 180,681	\$ 461,739	\$ 4,155,333
Total expenditures	2,003,519	728,954	241,270	177,450	547,228	3,698,421
Revenues over/(under) expenditures	192,214	184,662	162,294	3,231	(85,489)	456,912
Total other financing sources/(uses)	(27,796)	(50,000)	(82,500)	(80,906)	279,500	38,298
Net change in fund balance	164,418	134,662	79,794	(77,675)	194,011	495,210
Fund balance - beginning	822,180	154,309	(1,690,550)	2,372,221	678,760	2,336,920
Fund balance (deficit) - ending	<u>\$ 986,598</u>	<u>\$ 288,971</u>	<u>\$ (1,610,756)</u>	<u>\$ 2,294,546</u>	<u>\$ 872,771</u>	<u>\$ 2,832,130</u>

Fiscal Year 2013-2014	General Fund	Transportation Operations Fund	Madras Redevelopment Commission	Debt Service Fund	Other Governmental Funds	Total
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	5,367,432
Revenues over/(under) expenditures	(184,739)	70,301	134,808	(98,473)	(116,550)	(194,653)
Total other financing sources/(uses)	341,280	(142,000)	(76,510)	-	466,845	589,615
Net change in fund balance	156,541	(71,699)	58,298	(98,473)	350,295	394,962
Fund balance - beginning	676,560	226,008	(1,714,852)	2,570,693	329,173	2,087,582
Prior period adjustment	(10,920)	-	(133,995)	-	(1,248)	(146,163)
Fund balance (deficit) - ending	<u>\$ 822,181</u>	<u>\$ 154,309</u>	<u>\$ (1,790,549)</u>	<u>\$ 2,472,220</u>	<u>\$ 678,220</u>	<u>\$ 2,336,381</u>

GENERAL FUND BUDGET HIGHLIGHTS

The City adopted the operating budget for the fiscal year 2014-15 budget on June 10, 2014 in the amount of \$17,303,035. The General Fund budgetary comparison can be found on page 60. Other major governmental funds budgetary comparison can be found on pages 61 and 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 decreased \$0.42 million (1.75%). Business-type activities capital asset increased by \$1.97 million (5.39%), due to increase in capital projects at the airport. (See table 4 for more detail).

Table 4
CAPITAL ASSETS (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Non-depreciable assets:						
Land	\$ 3,038,867	\$ 2,956,465	\$ 1,727,177	\$ 1,727,177	\$ 4,766,044	\$ 4,683,642
Construction in progress	46,913	1,039,082	2,591,840	821,608	2,638,753	1,860,690
Total non-depreciable assets	3,085,780	3,995,547	4,319,017	2,548,785	7,404,797	6,544,332
Capital assets being depreciated:						
Land improvements	2,582,981	2,744,998	117,677	112,849	2,700,658	2,857,847
Building and improvements	7,061,671	7,215,834	4,461,808	4,217,135	11,523,479	11,432,969
Equipment	463,399	517,934	144,687	244,160	608,086	762,094
Infrastructure	10,461,321	9,601,736	29,515,221	29,464,203	39,976,542	39,065,939
Total depreciable assets, net	20,569,372	20,080,502	34,239,393	34,038,347	54,808,765	54,118,849
Total capital assets	\$ 23,655,152	\$ 24,076,049	\$ 38,558,410	\$ 36,587,132	\$ 62,213,562	\$ 60,663,181

DEBT ADMINISTRATION

The table below (Table 5) shows the City's combined total outstanding debt for fiscal years ending June 30, 2015 and 2014. 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	
	2015	2014	2015	2014	2015	2014
Bonds Payable	\$ 6,042,353	\$ 6,221,620	\$ 10,583,796	\$ 10,589,062	\$ 16,626,149	\$ 16,810,682
Loans and Notes	1,289,114	1,310,480	1,391,792	1,435,641	2,680,906	2,746,121
OPEB Liability	298,775	257,672	31,396	-	330,171	257,672
Total outstanding debt	\$ 7,630,242	\$ 7,789,772	\$ 12,006,984	\$ 12,024,703	\$ 19,637,226	\$ 19,814,475

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 accepted a line of credit for the Madras Redevelopment Commission and utilized \$100,000 on June 30, 2015. Total outstanding debt for Business-type Activities decreased approximately \$.017 million from the prior year. Total outstanding debt for Governmental Activities decreased approximately \$.16 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 (2015-16) 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, Daimler expansion at the Madras airport, and the new Jefferson County Court House that initiated construction efforts in the 2015-16 fiscal year.
- Airport/Industrial leases continue to be developed and negotiated to accommodate business expansion which will ultimately increase the airport/industrial fund revenues. Development of an enterprise zone assists with this effort that is planning to be implemented in 2015-16 fiscal year.

Other factors considered in developing the FY 2015-16 budget include:

- The City implemented a 4.5% increase in water user rates and an 7.0% increase in sewer user rates effective July 1, 2015. 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.
- Personnel costs continue to be a budget priority to retain qualified staff and maintain competitive benefits. The City Council Governance Policy states that the City Administrator will prevent *“establishing compensation that deviates materially from the geographic or professional market for the skills employed and/or that is outside of the approved budget.”* It also states that the City will conduct a bi-annual wage survey to ensure market competitiveness, incentivize the recruitment process, and retain quality employees. Effective July 1, 2015 employee wages were adjusted to market standards and resulted in 3% up to 13% adjustments for positions. Insurance premiums also increased by 17%.
- Due to the Oregon Supreme Court rejection of the pension reform, it is anticipated that the unfunded liability in Oregon's Public Employees Retirement System (“PERS”) will increase substantially and contributions from public employers will increase approximately 20% starting in July 2017. Staff is aware of this and will be making every effort to ensure ample funds are designated to meet the required pension rates.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF MADRAS
(Jefferson County, Oregon)

STATEMENT OF NET POSITION

JUNE 30, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,477,128	\$ 770,850	\$ 3,247,978
Receivables			
Accounts, net	248,289	565,528	813,817
Property taxes	101,845	-	101,845
Interfund receivable	-	1,414,514	1,414,514
Prepaid expenses	13,746	621	14,367
Inventories	57,518	68,737	126,255
Restricted cash and investments	706,525	178,547	885,072
Total Current Assets	<u>3,605,051</u>	<u>2,998,798</u>	<u>6,603,849</u>
Noncurrent assets			
Redevelopment properties	329,698	-	329,698
Notes receivable	134,193	-	134,193
Capital assets			
Land	3,038,867	1,727,177	4,766,044
Construction in progress	46,913	2,591,839	2,638,752
Depreciable assets, net	20,569,371	34,239,393	54,808,764
Net pension asset	545,526	60,614	606,140
Total Noncurrent Assets	<u>24,664,568</u>	<u>38,619,023</u>	<u>63,283,591</u>
Total Assets	<u>28,269,619</u>	<u>41,617,821</u>	<u>69,887,440</u>
DEFERRED OUTFLOW			
Pension contributions subsequent to measurement date	177,320	19,702	197,022
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	104,275	105,677	209,952
Payroll liabilities	48,063	-	48,063
Deposits	6,000	60,784	66,784
Accrued interest payable	43,994	72,668	116,662
Retainage payable	-	103,106	103,106
Interfund payable	1,414,514	-	1,414,514
Long-term debt, due within one year	310,267	91,363	401,630
Total Current Liabilities	<u>1,927,113</u>	<u>433,597</u>	<u>2,360,710</u>
Noncurrent liabilities			
Accrued compensated absences	172,597	-	172,597
Other post-employment benefits	298,775	31,396	330,171
Long-term debt, due after one year	7,021,200	11,884,224	18,905,424
Total Noncurrent Liabilities	<u>7,492,572</u>	<u>11,915,620</u>	<u>19,408,192</u>
Total Liabilities	<u>9,419,685</u>	<u>12,349,218</u>	<u>21,768,903</u>
DEFERRED INFLOWS			
Difference between projected and actual investment earnings - pension related	1,052,647	116,958	1,169,605
Changes in employer proportionate share of contributions - pension related	24,547	2,728	27,275
Unamortized bond premium	-	79,297	79,297
Unearned revenue	72,583	19,818	92,401
Total Deferred Inflows	<u>1,149,777</u>	<u>218,801</u>	<u>1,368,578</u>
Net Position			
Invested in capital assets net of related debt	18,713,685	26,582,823	45,296,508
Restricted for			
Highways and streets	252,907	-	252,907
Improvement fees	349,418	-	349,418
System development	78,138	266,772	344,910
Debt service and reserves	2,563,586	16,124	2,579,710
Unrestricted	(4,080,257)	2,203,786	(1,876,471)
Total Net Position	<u>\$ 17,877,477</u>	<u>\$ 29,069,505</u>	<u>\$ 46,946,982</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, 2015 AND SUMMARIZED INFORMATION FOR 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	\$ 320,708	\$ 112,079	\$ 365,702	\$ 6,874
Parks	228,143	31,364	-	6,855
Community development	639,922	148,352	75,000	-
Public safety	1,073,056	5,706	73,670	-
Highways and streets	865,790	13,834	494,902	301,416
Interest expense on long-term debt	281,568	-	-	-
Loss on disposal of capital assets	4,384	-	-	-
Total Governmental Activities	<u>3,413,571</u>	<u>311,335</u>	<u>1,009,274</u>	<u>315,145</u>
Business-Type Activities				
Water	435,196	547,949	-	-
Wastewater	3,010,341	2,707,993	-	103,454
Airport	971,721	449,341	-	2,533,472
Total Business-Type Activities	<u>4,417,257</u>	<u>3,705,283</u>	<u>-</u>	<u>2,636,927</u>
Total Primary Government	<u>\$ 7,830,828</u>	<u>\$ 4,016,618</u>	<u>\$ 1,009,274</u>	<u>\$ 2,952,072</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

Cumulative Effect of an Accounting Principle Change

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
\$ 163,947	\$ -	\$ 163,947
(189,924)	-	(189,924)
(416,570)	-	(416,570)
(993,680)	-	(993,680)
(55,638)	-	(55,638)
(281,568)	-	(281,568)
(4,384)	-	(4,384)
<u>(1,777,817)</u>	<u>-</u>	<u>(1,777,817)</u>
-	112,754	112,754
-	(198,893)	(198,893)
<u>-</u>	<u>2,011,093</u>	<u>2,011,093</u>
<u>-</u>	<u>1,924,953</u>	<u>1,924,953</u>
<u>(1,777,817)</u>	<u>1,924,953</u>	<u>147,136</u>
1,143,413	-	1,143,413
3,335	-	3,335
328,967	-	328,967
1,194,747	-	1,194,747
18,237	10,070	28,307
104,748	228,900	333,648
(410,266)	410,266	-
<u>2,383,181</u>	<u>649,236</u>	<u>3,032,417</u>
605,364	2,574,189	3,179,553
(1,044,693)	(116,076)	(1,160,769)
	81,734	81,734
<u>18,316,806</u>	<u>26,529,658</u>	<u>44,846,464</u>
<u>\$ 17,877,477</u>	<u>\$ 29,069,505</u>	<u>\$ 46,946,982</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, 2015 AND SUMMARIZED INFORMATION FOR JUNE 30, 2014

	General Fund	Transportation Operations Fund	Madras Redevelopment Commission	Debt Service Fund	Other Governmental Funds	Total	
						2015	2014
ASSETS:							
Cash and cash equivalents	\$ 927,455	\$ 181,160	\$ 349,138	\$ 3,875	\$ 869,050	\$ 2,330,677	\$ 840,196
Receivables:							
Property taxes	75,253	-	23,471	3,122	-	101,845	121,956
Accounts	108,192	85,085	6	-	44,846	238,130	1,176,842
Notes	-	-	134,193	-	-	134,193	199,074
Inventory	6,680	36,064	-	-	-	42,744	-
Due from other funds	-	-	-	2,290,000	-	2,290,000	2,457,768
Due from business-type funds	-	-	-	-	-	-	147,473
Prepaid expenses	8,541	-	-	450	-	8,991	-
Redevelopment properties	-	-	329,698	-	-	329,698	329,698
Total Assets	\$ 1,126,120	\$ 302,309	\$ 836,505	\$ 2,297,446	\$ 913,896	\$ 5,476,277	\$ 5,273,007
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts payable and accrued liabilities	\$ 20,837	\$ 6,765	\$ 1,924	\$ -	\$ 22,148	\$ 51,674	\$ 110,431
Payroll liabilities	21,783	-	-	-	1,953	23,736	22,923
Deposits	-	5,000	-	-	-	5,000	14,000
Due to other funds	-	-	2,290,000	-	-	2,290,000	2,457,768
Total Liabilities	42,620	11,765	2,291,924	-	24,100	2,370,410	2,605,121
Deferred outflow							
Unavailable property taxes	70,158	-	21,845	2,900	-	94,903	-
Unearned revenue	26,744	1,573	133,493	-	17,025	178,834	330,965
Total Deferred Outflow	96,902	1,573	155,337	2,900	17,025	273,737	330,965
Fund Balances:							
Nonspendable	15,221	36,064	-	450	-	51,734	-
Restricted	-	252,907	-	2,394,096	697,046	3,344,049	3,178,813
Committed	-	-	-	-	103,812	103,812	63,405
Assigned	162,621	-	-	-	103,843	266,464	246,660
Unassigned	808,757	0	(1,610,756)	(100,000)	(31,930)	(933,930)	(1,151,958)
Total Fund Balances	986,598	288,971	(1,610,756)	2,294,546	872,771	2,832,130	2,336,920
Total Liabilities, Deferred Outflow and Fund Balances	\$ 1,126,120	\$ 302,309	\$ 836,505	\$ 2,297,446	\$ 913,896	\$ 5,476,277	\$ 5,273,007

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, 2015

Total Fund Balances		\$ 2,832,130
<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	28,755,301	
Less accumulated depreciation	<u>(5,100,150)</u>	23,655,151
<p>Notes receivable are not available to pay for current period expenditures and, therefore are deferred in the fund statements.</p>		
		133,493
<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		94,902
<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	(43,994)	
Other post-employment benefits liability	(298,775)	
Accrued compensated absences	(172,597)	
Long-term debt	<u>(7,331,467)</u>	(7,846,833)
<p>Long term pension related assets, liabilities, deferred outflows and deferred inflows are reported in the Statement of Net Position, whereas in governmental funds, pension related balances not due and payable in the current period are not reported.</p>		
Net pension asset	545,526	
Pension contributions subsequent to measurement date	177,320	
Difference between projected and actual investment earnings	(1,052,400)	
Changes in employer proportionate share of contributions	<u>(24,793)</u>	(354,347)
<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	852,977	
Receivables	10,159	
Prepaid expenditures	4,755	
Inventories	14,774	
Accounts payable and accrued expenses	(52,601)	
Payroll liabilities	(24,327)	
Deposits	(1,000)	
Unearned revenue	(27,242)	
Internal balances	<u>(1,414,514)</u>	<u>(637,019)</u>
Total Net Position		<u>\$ 17,877,477</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 BALANCES
GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2015

	General Fund	Transportation Operations Fund	Madras Redevelopment Commission	Debt Service Fund	Other Governmental Funds		
						2015	2014
REVENUES:							
Property taxes	\$ 1,142,922	\$ -	\$ 328,967	\$ 3,335	\$ -	\$ 1,475,224	\$ 1,474,903
Other taxes	283,898	-	-	-	92,697	376,595	347,083
Franchise fees	409,076	409,076	-	-	-	818,152	821,915
Assessment	-	184	-	-	-	184	553
Licenses and fees	1,180	-	-	-	91,056	92,236	99,790
Charges for services	32,714	7,000	-	333	52,644	92,692	85,605
Intergovernmental	271,899	487,575	65,582	177,000	-	1,002,056	2,036,319
Fines and forfeitures	42,987	-	-	-	-	42,987	45,159
System development charges	-	-	-	-	135,147	135,147	151,599
Rental income	6,711	-	-	-	-	6,711	9,348
Interest on investments	3,951	1,083	8,344	12	2,195	15,585	98,939
Miscellaneous	395	8,698	671	-	88,000	97,764	1,566
Total Revenues	2,195,733	913,616	403,564	180,681	461,739	4,155,333	5,172,779
EXPENDITURES:							
Current:							
General government	65,528	-	-	-	-	65,528	54,607
Parks	193,607	-	-	-	-	193,607	175,643
Community development	-	-	64,270	-	372,044	436,314	650,519
Public safety	1,702,871	-	-	-	-	1,702,871	1,622,504
Highways and streets	41,513	675,642	-	-	-	717,155	721,577
Capital outlay	-	53,312	-	-	-	53,312	1,550,813
Debt service	-	-	177,000	177,450	175,184	529,634	440,490
Total Expenditures	2,003,519	728,954	241,270	177,450	547,228	3,698,421	5,216,153
Excess of Revenues Over, (Under) Expenditures	192,214	184,662	162,294	3,231	(85,489)	456,912	(43,374)
Other Financing Sources, (Uses)							
Special payments - grants and loans	-	-	(182,500)	-	-	(182,500)	(76,510)
Proceeds from note payable	-	-	100,000	-	-	100,000	-
Transfers in	214,941	20,000	-	-	331,500	566,441	820,125
Transfers out	(242,737)	(70,000)	-	(80,906)	(52,000)	(445,643)	(305,280)
Total Other Financing Sources (Uses)	(27,796)	(50,000)	(82,500)	(80,906)	279,500	38,298	438,335
Net Change in Fund Balance	164,418	134,662	79,794	(77,675)	194,011	495,210	394,961
Fund Balance - Beginning of Year	822,180	154,309	(1,690,550)	2,372,221	678,760	2,336,920	2,088,122
Prior period adjustment	-	-	-	-	-	-	(146,163)
Fund Balance - End of Year	\$ 986,598	\$ 288,971	\$ (1,610,756)	\$ 2,294,546	\$ 872,771	\$ 2,832,130	\$ 2,336,920

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, 2015

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

Net changes in fund balances - total governmental funds		\$ 495,210
<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	37,541	
Loss on disposal of capital assets	(4,384)	
Depreciation expense	<u>(498,446)</u>	(465,289)
<p>Donations for infrastructure that are not in the form of cash are not recorded in the governmental funds, however the Statement of Activities records the revenue as the result of the donation is assets under title to the City.</p>		
		166,435
<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>		
		(65,582)
<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>		
		491
<p>Net pension assets that do not provide current financial resources are not recorded in the government funds. The the Statement of Activities, these revenues are recognized as revenue as it is earned, as estimated by actuarial methodology.</p>		
		306,821
<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	221,366	
New loan proceeds	(100,000)	
Change in compensated absences	4,166	
Change in other post employment benefits	(15,257)	
Change in accrued interest payable	<u>(8,233)</u>	102,042
<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>65,236</u>
Changes in net position of governmental activities		<u><u>\$ 605,364</u></u>

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

CITY OF MADRAS
(Jefferson County, Oregon)

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2015

	Business-Type Activities - Enterprise Funds				Governmental
	Water Funds	Wastewater Funds	Airport Funds	Total	Internal Service Funds
ASSETS:					
Current Assets:					
Cash and cash equivalents	\$ 161,323	\$ 503,094	\$ 106,433	\$ 770,850	\$ 852,976
Restricted cash and equivalents	50,123	112,300	16,124	178,547	-
Receivables:					
Accounts, net	61,591	288,978	214,960	565,528	10,159
Interfund loan receivable	-	-	-	-	-
Prepaid expense	-	565	56	621	4,755
Inventories	15,592	18,079	35,066	68,737	14,774
Total Current Assets	288,629	923,016	372,639	1,584,284	882,664
Noncurrent Assets:					
Land	6,048	1,608,784	112,345	1,727,177	2,270,000
Construction in progress	-	59,372	2,532,467	2,591,839	34,763
Depreciable assets	1,503,310	32,326,308	10,785,662	44,615,280	6,602,729
Accumulated depreciation	(804,692)	(7,289,555)	(2,281,639)	(10,375,886)	(1,006,113)
Net pension asset	30,307	30,307	-	60,614	303,070
Total Noncurrent Assets	734,973	26,735,216	11,148,835	38,619,023	8,204,449
DEFERRED OUTFLOWS:					
Pension contributions subsequent to measurement date	9,851	9,851	-	19,702	98,511
LIABILITIES:					
Current Liabilities:					
Accounts payable	\$ 16,416	\$ 13,791	\$ 75,470	\$ 105,677	\$ 52,601
Payroll liabilities	-	-	-	-	24,327
Accrued interest payable	3,145	37,981	31,542	72,668	16,737
Retainage payable	-	-	103,106	103,106	-
Deposits	33,629	27,155	-	60,784	1,000
Current portion of long-term debt	5,158	49,599	36,606	91,363	80,182
Total Current Liabilities	58,348	128,526	246,724	433,597	174,847
Noncurrent Liabilities:					
Other post employment benefits liability	15,698	15,698	-	31,396	167,565
Compensated absences	-	-	-	-	110,094
Notes and contracts payable	116,485	217,333	1,012,147	1,345,965	-
Bonds payable, due after one year	-	10,455,000	83,259	10,538,259	3,672,171
Total Noncurrent Liabilities	132,183	10,688,031	1,095,406	11,915,620	3,949,830
DEFERRED INFLOWS					
Difference between projected and actual investment earnings - pension related	58,479	58,479	-	116,958	584,803
Changes in employer proportionate share of contributions - pension related	1,364	1,364	-	2,728	13,638
Unamortized bond premium	-	79,297	-	79,297	-
Unearned revenue	-	12,767	7,051	19,818	27,242
Total Deferred Inflows	59,843	151,907	7,051	218,801	625,683
Net Position:					
Invested in capital assets, net of related debt	583,023	15,982,977	10,016,823	26,582,823	4,149,026
Restricted for system development	57,505	209,267	-	266,772	-
Restricted for debt services	-	6,038	10,086	16,124	-
Unrestricted	142,550	501,337	145,384	789,272	286,237
Total Net Position	\$ 783,078	\$ 16,699,619	\$ 10,172,293	\$ 27,654,991	\$ 4,435,263

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, 2015

Net position - total enterprise funds	\$ 27,654,991
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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	<u>1,414,514</u>
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Net position of business - type activities	<u><u>\$ 29,069,505</u></u>
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CITY OF MADRAS
(Jefferson County, Oregon)

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

YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds			Total	Governmental Activities
	Water Funds	Wastewater Funds	Airport Funds		Internal Service Funds
OPERATING REVENUES:					
Charges for services	\$ 547,949	\$ 2,707,993	\$ 449,341	\$ 3,705,283	\$ 3,063,395
Licenses and fees	-	-	-	-	42,583
Rental income	-	2,272	226,628	228,900	250
Total Operating Revenues	547,949	2,710,265	675,969	3,934,183	3,106,228
OPERATING EXPENSES:					
Personal services	171,757	1,175,610	-	1,347,367	1,119,889
Materials and services	237,553	912,942	592,169	1,742,663	1,037,846
Depreciation	21,662	549,100	250,750	821,512	213,457
Total Operating Expenses	430,972	2,637,652	842,919	3,911,542	2,371,192
Operating Income (Loss)	116,977	72,613	(166,950)	22,641	735,036
Nonoperating Revenues (Expenses):					
Interest on investments	688	8,582	800	10,070	2,652
Interest expense	(6,290)	(433,992)	(56,692)	(496,974)	(142,067)
Loss on disposal of capital assets	(10,328)	(9,339)	(75,270)	(94,937)	-
Total Non-Operating Revenues (Expenses)	(15,930)	(434,749)	(131,162)	(581,841)	(139,414)
Income (Loss) Before Contributions and Transfers	101,047	(362,135)	(298,112)	(559,200)	595,622
Capital Contributions					
Intergovernmental	-	20,000	2,187,837	2,207,837	86,362
System development charges	-	82,211	-	82,211	-
Insurance proceeds	-	-	345,635	345,635	-
Assessments	-	1,243	-	1,243	-
Total Capital Contributions	-	103,454	2,533,472	2,636,927	86,362
Transfers					
Transfers in	-	81,257	371,000	452,257	23,662
Transfers out	-	(15,905)	(26,086)	(41,991)	(554,375)
Total Transfers	-	65,352	344,914	410,266	(530,713)
Change in Net Position	101,047	(193,329)	2,580,274	2,487,993	151,271
Prior Period Adjustment	(12,251)	93,985	-	81,734	-
Cumulative Change in Accounting Principle	(58,038)	(58,038)	-	(116,076)	(580,385)
Beginning Net Position	752,320	16,857,001	7,592,019	25,201,340	4,864,377
Ending Net Position	\$ 783,078	\$ 16,699,619	\$ 10,172,293	\$ 27,654,991	\$ 4,435,263

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, 2015

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

Net changes in fund balances - total enterprise funds	\$ 2,487,993
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>86,196</u>
Changes in net position of enterprise activities	<u>\$ 2,574,189</u>

CITY OF MADRAS
(Jefferson County, Oregon)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2015

	Business-Type Activities - Enterprise Funds				Governmental
	Water	Wastewater	Airport	Total	Internal
	Funds	Funds	Funds		Service Funds
Cash Flows from Operating Activities:					
Receipts from customers and users	\$ 545,986	\$ 2,705,319	\$ 753,688	\$ 4,004,993	\$ 105,485
Receipts from interfund services provided	-	-	-	-	3,023,193
Payments to suppliers	(240,431)	(939,080)	(503,161)	(1,682,672)	(1,056,992)
Payments to employees	-	-	-	-	(1,457,293)
Payments for interfund services used	(206,663)	(1,253,626)	(67,240)	(1,527,529)	-
Net Cash Flows Provided by Operating Activities	98,892	512,613	183,287	794,792	614,393
Cash Flows from Non-capital Financing Activities					
Transfers from other funds	-	81,257	371,000	452,257	-
Transfers to other funds	-	(15,905)	(26,086)	(41,991)	(530,713)
Net Cash Flows Provided by (Used in) Non-capital Financing Activities	-	65,352	344,914	410,266	(530,713)
Cash Flows from Capital and Related Financing Activities					
Proceeds from intergovernmental revenue	-	20,000	2,187,837	2,207,837	86,362
System development charges	-	82,211	-	82,211	-
Insurance proceeds	-	-	345,635	345,635	-
Assessments	-	1,243	-	1,243	-
Interfund loans	-	37,807	(147,473)	(109,666)	-
Interest revenue	688	8,582	800	10,070	2,652
Acquisition of capital assets	-	(84,164)	(2,700,457)	(2,784,621)	(129,063)
Principal paid on long-term obligations	(4,913)	(9,277)	(34,923)	(49,113)	(79,267)
Interest paid on long-term obligations	(6,290)	(433,585)	(57,063)	(496,938)	(142,260)
Restricted cash deposits	(50,123)	(112,300)	(16,124)	(178,547)	-
Net Cash Flows Used in Capital and Related Financing Activities	(60,638)	(489,483)	(421,768)	(971,888)	(261,575)
Net Increase (Decrease) in Cash and Cash Equivalents	38,254	88,482	106,433	233,170	(177,895)
Cash - Beginning of the Year	123,069	414,611	-	537,680	1,030,871
Cash - End of the Year	\$ 161,323	\$ 503,093	\$ 106,433	\$ 770,850	\$ 852,976
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	\$ 116,977	\$ 72,613	\$ (166,950)	\$ 22,640	\$ 735,036
Cash flow reported in other activities:					
Depreciation expense	21,662	549,100	250,750	821,512	213,457
(Increase) Decrease in Assets and Deferred Outflows					
Receivables	(5,046)	(5,244)	70,668	60,378	21,451
Inventory and prepaid expenses	(1,362)	4,772	7,317	10,727	(18,031)
Net pension asset	(98,538)	(98,538)	-	(197,076)	(985,384)
Deferred outflows	342	342	-	684	3,418
Increase (Decrease) in Liabilities and Deferred Inflows					
Accounts payable and accrued expenses	(1,516)	(30,910)	14,451	(17,975)	3,572
Deposits	3,083	298	-	3,381	-
Compensated absences payable	-	-	-	-	27,685
Other postemployment benefits	3,447	3,447	-	6,894	25,846
Deferred inflows	59,843	16,733	7,051	83,627	587,343
Net Cash Provided By Operating Activities	\$ 98,892	\$ 512,613	\$ 183,287	\$ 794,792	\$ 614,393
Non-cash Transactions					
Non-cash additions to construction in progress for contractor retainage hold back			<u>\$ 103,106</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, 2015

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.

ORGANIZATION

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.

THE FINANCIAL REPORTING ENTITY

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 and 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' 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, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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. Because 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.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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. Exceptions to this include interfund services provided and/or used between the governmental and proprietary funds. 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.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

FUND FINANCIAL STATEMENTS

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.

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, 2015

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 separate 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, 2015

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, 2015

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, 2015

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.

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, 2015

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.

CITY OF MADRAS
(Jefferson County, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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 consumed. 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. The inventory amounts presented in the governmental and proprietary funds for materials and supplies are based on actual quantities and historical cost.

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. The redevelopment properties are reported at their estimated fair value in both the fund and government-wide financial statements.

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.

CITY OF MADRAS
(Jefferson County, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Exhaustible assets are depreciated using the straight line method over the following estimated useful lives:

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

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

Compensated Absences

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

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, 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, 2015

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 inventories and 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 is 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 report any negative residual fund balance as unassigned.

CITY OF MADRAS
(Jefferson County, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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	\$ 400
Demand deposits	932,011
Investments	<u>3,200,639</u>
 Total Cash and Investments	 <u>\$ 4,133,050</u>
 Reconciliation of cash as reported in financial statements:	
Unrestricted	\$ 3,247,978
Restricted	<u>885,072</u>
 Total Cash and Investments	 <u>\$ 4,133,050</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 \$1,135,092, of which \$423,513 was covered by federal depository insurance.

The uninsured cash deposits were deposited with an approved depository as part of the Public Funds Collateralization Program. ORS Chapter 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the Public Funds Collateralization Program. Bank depositories are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank loss.

ORS Chapter 295 creates a shared liability structure for participating bank depositories, though still not guaranteeing the funds are 100% protected.

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

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 2 – CASH AND INVESTMENTS - continued

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 (LGIP).

Investments are valued at fair value. At June 30, 2015, 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, 2015, there were the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities (in months)</u>			
	<u>Fair Value</u>	<u>Less than 3</u>	<u>3-17</u>	<u>18-59</u>
Local Government Investment Pool	\$ 3,200,639	\$ 3,200,639	\$ -	\$ -

The State of Oregon LGIP is unrated.

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. With the exception of pass-through funds, the maximum amount of pooled investments that can be placed in the Oregon LGIP is limited by the State.

CITY OF MADRAS
(Jefferson County, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 3 – NOTES RECEIVABLE

Madras Redevelopment Commission funds are expended to improve and refurbish buildings for the benefit of businesses in the local area through a combination grant and loan program, and notes receivable have been recorded to reflect the amount the property owners will repay under the program. The loan portion of the assistance is payable over a maximum of 120 months. The loans are secured by the improved property and are considered fully collectible.

Governmental funds report deferred inflows representing unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. The government-wide financial statements report deferred inflows only for amounts that have been received, but not earned. At the end of the current fiscal year, the various components of deferred inflows reported in the governmental funds included \$21,844 in unavailable property taxes and \$133,492 of unearned revenue from notes receivable.

CITY OF MADRAS
(Jefferson County, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 4 – CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2015 was as follows:

GOVERNMENTAL ACTIVITIES CAPITAL ASSETS				
Description	June 30, 2014	Additions	Disposals	June 30, 2015
Capital Assets Not Being Depreciated				
Land	\$ 2,956,465	\$ 82,402	\$ -	\$ 3,038,867
Construction in progress	1,039,082	23,181	1,015,350	46,913
Total Capital Assets				
Not Being Depreciated	3,995,547	105,583	1,015,350	3,085,780
Other Capital Assets				
Land improvements	3,284,710	-	-	3,284,710
Buildings and improvements	8,052,620	47,056	4,976	8,094,700
Equipment	2,150,679	57,670	66,115	2,142,234
Infrastructure	11,047,758	1,100,275	-	12,148,033
Total Other Capital Assets	24,535,767	1,205,001	71,091	25,669,677
Less Accumulated Depreciation				
Land improvements	539,712	162,017	-	701,729
Buildings and improvements	836,786	196,991	748	1,033,029
Equipment	1,632,745	112,205	66,115	1,678,835
Infrastructure - streets	1,446,022	240,690	-	1,686,712
Total Accumulated Depreciation	4,455,265	711,903	66,863	5,100,305
Total Capital Assets Being				
Depreciated, Net	20,080,502	493,098	4,228	20,569,372
Total Governmental Activities	\$ 24,076,049	\$ 598,681	\$ 1,019,578	\$ 23,655,152

CITY OF MADRAS
(Jefferson County, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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	\$ 270,765
Parks	89,085
Public Safety	32,169
Highway and Streets	<u>319,884</u>
Total	<u>\$ 711,903</u>

CITY OF MADRAS
(Jefferson County, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 4 – CAPITAL ASSETS – continued

Capital asset activity for business type activities for the year ended June 30, 2015 was as follows:

Description	BUSINESS TYPE ACTIVITIES			
	June 30, 2014	Additions	Disposals	June 30, 2015
Capital Assets Not Being Depreciated				
Land	\$ 1,727,177	\$ -	\$ -	\$ 1,727,177
Construction in progress	821,608	2,453,548	683,316	2,591,840
Total Capital Assets Not Being Depreciated	2,548,785	2,453,548	683,316	4,319,017
Other Capital Assets				
Land improvement	132,765	9,535	-	142,300
Buildings and improvements	4,940,429	409,387	77,510	5,272,306
Equipment	1,261,145	15,257	22,816	1,253,586
Infrastructure	37,315,740	685,111	51,968	37,948,883
Total Other Capital Assets	43,650,079	1,119,290	152,294	44,617,075
Less Accumulated Depreciation				
Land improvement	19,916	4,707	-	24,623
Buildings and improvements	723,294	95,722	8,518	810,498
Equipment	1,016,985	109,546	17,632	1,108,899
Infrastructure	7,851,536	611,538	29,412	8,433,662
Total Accumulated Depreciation	9,611,731	821,513	55,562	10,377,682
Total Capital Assets Being Depreciated, Net	34,038,348	297,777	96,732	34,239,393
Total Business Type Activities	\$ 36,587,133	\$ 2,751,325	\$ 780,048	\$ 38,558,410

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

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 4 – CAPITAL ASSETS – continued

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

Function	Business Type Funds
Water	\$ 21,662
Wastewater	549,100
Airport	250,751
Total	\$ 821,513

NOTE 5 – ACCRUED COMPENSATED ABSENCES

The compensated absences balances at June 30, 2015 were as follows:

Compensated Absences	Beginning Balance	Additional Accrued	Used	Ending Balance
Governmental Activities	\$ 149,078	\$ 136,801	\$ (113,282)	\$ 172,597

NOTE 6 – 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. At June 30, 2015, the City was in compliance with Oregon law with regard to debt limitations.

CITY OF MADRAS
(Jefferson County, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 6 – LONG TERM DEBT - continued

	June 30, 2014	Additions	Payments	June 30, 2015	Due Within One Year
Governmental Activities:					
Contracts, loans and notes	\$ 1,310,480	\$ 100,000	\$ (121,366)	\$ 1,289,114	\$ 125,085
Bonds payable	6,221,620	-	(179,267)	6,042,353	185,182
OPEB liability	257,672	41,103	-	298,775	-
Governmental activity					
Long-term obligations	<u>\$ 7,789,772</u>	<u>\$ 141,103</u>	<u>\$ (300,633)</u>	<u>\$ 7,630,242</u>	<u>\$ 310,267</u>
Business-Type Activities:					
Contracts, loans and notes	\$ 1,435,641	\$ -	\$ (43,849)	\$ 1,391,792	\$ 45,826
Bonds payable	10,589,062	-	(5,266)	10,583,796	45,537
OPEB liability	-	31,396	-	31,396	-
Business-type activity					
Long-term obligations	<u>\$ 12,024,703</u>	<u>\$ 31,396</u>	<u>\$ (49,115)</u>	<u>\$ 12,006,984</u>	<u>\$ 91,363</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 6 – LONG TERM DEBT - continued

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>
2016	\$ 125,085	\$ 49,100	\$ 174,185
2017	133,946	44,237	178,183
2018	137,958	39,027	176,985
2019	142,122	33,661	175,783
2020	36,501	28,136	64,637
2021-2025	216,836	115,337	332,173
2026-2030	270,539	64,144	334,683
2031-2035	126,127	8,396	134,523
	<u>\$1,189,114</u>	<u>\$382,038</u>	<u>\$1,571,152</u>

CITY OF MADRAS
(Jefferson County, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 6 – LONG TERM DEBT - continued

Bonds Payable – Governmental Activities

During 2012, the Madras Redevelopment Commission converted a bond anticipation line of credit into a long-term bonding obligation in the amount of \$2,585,000 provided by the Local Oregon Capital Assets program. The obligation is secured by the full faith and credit of the City with interest rates ranging from 1.1% to 3.5% and matures June 1, 2032.

Amortization of the outstanding balance is as follows:

June 30	Principal	Interest	Total
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	115,000	65,100	180,100
2021-2025	645,000	261,625	906,625
2026-2030	755,000	141,750	896,750
2031-2034	345,000	18,200	363,200
	\$ 2,290,000	\$ 777,025	\$ 3,067,025

Bonds Payable – Internal Services Activities

On March 14, 2011, the City issued bonds to finance the design and construction of a new City Hall and Police Station on the corner of 4th Street and E Street in Madras. The funding is through a Certificate of Participation, Series 2011 B, Local Oregon Capital Assets Program. Interest is to be paid semi-annually on June 1 and December 1. The obligations are secured by the full faith and credit of the City with interest rates ranging from 3% to 5.2%.

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 6 – LONG TERM DEBT - continued

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	89,135	128,265	217,400
2021-2025	507,360	588,286	1,095,646
2026-2030	618,523	477,348	1,095,871
2031-2035	759,868	330,552	1,090,420
2036-2040	417,260	191,514	608,774
2041-2045	346,702	138,951	485,653
2046-2050	404,367	81,286	485,653
2051-2054	272,632	17,163	289,795
	<u>\$ 3,752,353</u>	<u>\$2,495,238</u>	<u>\$ 6,247,591</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's portion of the annual payment is \$11,075.

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

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 6 – LONG TERM DEBT - continued

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

June 30	Principal	Interest	Total
2016	\$ 5,158	\$ 6,046	\$ 11,204
2017	5,414	5,789	11,203
2018	5,683	5,520	11,203
2019	5,966	5,238	11,204
2020	6,262	4,941	11,203
2021-2025	36,301	19,717	56,018
2026-2030	46,264	9,754	56,018
2031-2033	10,596	527	11,123
	\$ 121,644	\$ 57,532	\$ 179,176

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's portion of the annual payment 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, 2015

NOTE 6 – 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>
2016	\$ 9,599	\$ 7,278	\$ 16,877
2017	9,911	6,966	16,877
2018	10,234	6,644	16,878
2019	10,567	6,311	16,878
2020	10,913	5,965	16,878
2021-2025	60,196	24,191	84,387
2026-2030	70,896	13,491	84,387
2031-2034	44,595	2,425	47,020
	<u>\$ 226,911</u>	<u>\$ 73,271</u>	<u>\$ 300,182</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. The obligation is secured by the full faith and credit of the City with interest rates ranging from 2.0% to 4.125% and matures June 30, 2038.

Future maturities of the bond issue are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	195,000	413,531	608,531
2021-2025	1,510,000	1,921,656	3,431,656
2026-2030	2,425,000	1,527,569	3,952,569
2031-2035	3,465,000	958,400	4,423,400
2036-2040	2,510,000	209,756	2,719,756
	<u>\$10,495,000</u>	<u>\$6,722,737</u>	<u>\$17,217,737</u>

CITY OF MADRAS
(Jefferson County, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 6 – 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. The note matures on December 1, 2035.

Amortization of the outstanding balance is as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 31,069	\$ 50,832	\$ 81,901
2017	32,547	49,354	81,901
2018	34,098	47,804	81,902
2019	35,722	46,178	81,900
2020	37,427	44,473	81,900
2021-2025	215,741	193,764	409,505
2026-2030	267,192	136,868	404,060
2031-2035	315,031	67,250	382,281
2036-2039	<u>74,389</u>	<u>3,712</u>	<u>78,101</u>
	<u>\$ 1,043,216</u>	<u>\$ 640,235</u>	<u>\$ 1,683,451</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 and mature on July 19, 2026. 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>
2016	\$ 5,537	\$ 4,550	\$ 10,087
2017	5,820	4,266	10,086
2018	6,119	3,968	10,087
2019	6,432	3,654	10,086
2020	6,762	3,325	10,087
2021-2025	39,378	11,054	50,432
2026-2029	<u>18,722</u>	<u>1,452</u>	<u>20,174</u>
	<u>\$ 88,770</u>	<u>\$ 32,269</u>	<u>\$ 121,039</u>

CITY OF MADRAS
(Jefferson County, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 7 – PARTICIPATION IN PUBLIC EMPLOYEES’ RETIREMENT SYSTEM

Plan Description

The City contributes to the Oregon Public Employees Retirement System (PERS) which is a cost sharing multiple employer defined benefit pension plan. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the plan. PERS issues a publicly available financial report which can be obtained on their website, www.oregon.gov/PERS.

PERS is administered in accordance with Oregon Revised Statutes (ORS) Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a). The Oregon Legislature has delegated authority to the Public Employees Retirement Board (Board) to administer and manage the System. All members of the Board are appointed by the governor and confirmed by the state Senate. The governor designates the chairperson. One member must be a public employer manager or a local elected official, one member must be a union-represented public employee or retiree, and three members must have experience in business management, pension management, or investing.

The 1995 Legislature enacted Chapter 654, Section 3, Oregon Laws 1995, which has been codified into ORS 238.435. This legislation created a second tier of benefits for those who established membership on or after January 1, 1996. The second tier does not have the Tier One assumed earnings rate guarantee and has a higher normal retirement age of 60, compared to 58 for Tier One. As of June 30, 2014, there were 36,176 active plan members, 118,496 inactive plan members or their beneficiaries currently receiving benefits, 14,901 inactive plan members entitled to but not yet receiving benefits, and 1,712 inactive plan members not eligible for refund or retirement, for a total of 171,285 Tier One members. As of June 30, 2014, there were 43,367 active plan members, 9,447 inactive plan members or their beneficiaries currently receiving benefits, 11,277 inactive plan members entitled to but not yet receiving benefits, and 5,112 inactive plan members not eligible for refund or retirement, for a total of 69,203 Tier Two members in the System.

The 2003 Legislature enacted HB 2020, codified as ORS 238A, which created the Oregon Public Service Retirement Plan (OPSRP). OPSRP consists of the Pension Program (defined benefit), which is part of the Plan and the Individual Account Program, which is reported as a separate plan in PERS financial statements. Membership includes public employees hired on or after August 29, 2003. As of June 30, 2014, there were 85,431 active plan members, 1,195 inactive plan members or their beneficiaries currently receiving benefits, 3,652 inactive plan members entitled to but not yet receiving benefits, and 6,992 inactive plan members not eligible for refund or retirement, for a total of 97,270 OPSRP Pension Program members.

CITY OF MADRAS
(Jefferson County, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

**NOTE 7 – PARTICIPATION IN PUBLIC EMPLOYEES’ RETIREMENT
SYSTEM - continued**

Beginning January 1, 2004, PERS active Tier One and Tier Two members became members of the Individual Account Program (IAP) of OPSRP. PERS members retain their existing Plan accounts, but member contributions are now deposited into the member’s IAP account, not into the member’s Defined Benefit Plan account. Accounts are credited with earnings and losses net of administrative expenses. OPSRP is part of PERS and is administered by the Board. The PERS Board is directed to adopt any rules necessary to administer OPSRP, and such rules are to be considered part of the plan for IRS purposes.

For the year ended June 30, 2015, the City’s total payroll for all employees was \$1,673,138. Total covered payroll was \$1,571,466. Covered payroll refers to all compensation paid by the City to active employees covered by PERS.

Contributions

PERS members are required to contribute 6% of their salary and the employer makes contributions at an actuarially determined rate as adopted by the PERS Board. The rate for Tier I and Tier II for the year ended June 30, 2015 was 15.5% of covered annual payroll. The rate for OPSRP for the year ended June 30, 2015 was 13.5%. The contribution requirements of plan members are established by state statute. The employer contribution is set and may be amended by the Retirement Board. The City’s contributions to Oregon PERS for the year ended June 30, 2015 was \$197,022. In addition, employee contributions made by the City under employment contracts were \$94,065 employee contributions for the year ended June 30, 2015.

Pension Assets, Pension Income, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the City reported an asset of \$606,140 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012. Update procedures were used to roll forward the total pension liability to the measurement date.

The basis for the employer’s proportion is actuarially determined by comparing the employer’s projected long-term contribution effort to the Plan with the total projected long-term contribution effort of all employers. No change has been made to the City’s proportionate share since the prior measurement date. The rate for every employer has at least two major components; Normal Cost Rate and Unfunded Actuarial Liability (UAL) Rate.

The projected long-term contribution effort is estimated by projecting the present value of all future Normal Cost Rate Contributions (PVFNC). The PVFNC represents the portion of the projected long-term contribution effort related to future service.

CITY OF MADRAS
(Jefferson County, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

**NOTE 7 – PARTICIPATION IN PUBLIC EMPLOYEES’ RETIREMENT
SYSTEM - continued**

An employer’s PVFNC depends on both the Normal Cost Rates charged on the employer’s payrolls, and on the underlying demographics of the respective payrolls. For PERS funding, employers have three different payrolls, each with a different Normal Cost Rate:

- Tier 1/Tier 2 payroll
- OPSRP General Service payroll
- OPSRP Police & Fire payroll

A UAL exists when Plan assets are less than the actuarial liability as measured by the Plan’s actuarial funding valuations. UAL can arise in a biennium when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises in a given biennium over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year’s component of the cumulative amortization schedules, stated as a percent of payroll. The UAL represents the portion of the projected long-term contribution effort related to past service. The projected long-term contribution effort is equal to the sum of the PVFNC and the UAL.

After the employer’s projected long-term contribution effort is calculated, that amount is reduced by the value of the employer’s supplemental lump-sum payments, known as side accounts, transition surpluses and pre-SLGRP (State and Local Government Rate Pool) surpluses. Side accounts decrease the employer’s projected long-term contribution effort because side accounts are effectively pre-paid contributions.

The employer’s projected long-term contribution effort does not include contributions toward the current value of transition liabilities and pre-SLGRP (State and Local Government Rate Pool) liabilities, which PERS has determined meet the definition of separately financed employer liabilities.

CITY OF MADRAS
(Jefferson County, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 7 – PARTICIPATION IN PUBLIC EMPLOYEES’ RETIREMENT SYSTEM - continued

For the year ended June 30, 2015, the City recognized pension income of \$767,052. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between projected and actual investment earnings	\$ -	\$ 1,169,605
Changes in employer proportion and differences between employer contributions and proportionate share of contributions	-	27,275
District contributions subsequent to the measurement date	197,022	-
Total	\$ 197,022	\$ 1,196,880

The \$197,022 of deferred outflows of resources resulting from the City’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2016	\$ (298,331)
2017	(298,331)
2018	(298,331)
2019	(298,331)
2020	(3,556)
	\$ (1,196,880)

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

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

**NOTE 7 – PARTICIPATION IN PUBLIC EMPLOYEES’ RETIREMENT
SYSTEM - continued**

Actuarial Assumptions

The total pension liability in the December 31, 2012 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	2.75 percent
Salary increases	3.75 percent, plus assumed rates of mortality/longevity increases
Investment rate of return	7.75 percent

Mortality rates were based on the RP-2000 sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.

The actuarial assumptions used in the December 31, 2012 valuation were based on the results of an actuarial experience study for 2012, published September 18, 2013.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long term expected real rate of return</u>
Cash	0.0%	0.0%
Debt securities	20.0%	4.4%
Public equity	37.5%	22.3%
Private equity	20.0%	26.2%
Real estate	12.5%	11.2%
Alternative equity	10.0%	6.3%
Opportunity portfolio	0.0%	21.5%

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

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

**NOTE 7 – PARTICIPATION IN PUBLIC EMPLOYEES’ RETIREMENT
SYSTEM - continued**

Discount Rate

The discount rate used to measure the total pension liability of the Plan was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	Discount rate	Proportionate share of net pension liability (asset)
1% decrease	6.75%	\$ 1,283,586
Current discount rate	7.75%	(606,140)
1% increase	8.75%	(2,204,405)

Plan Fiduciary Net Position

Detailed information about PERS’s fiduciary net position is available in the separately issued Oregon Public Employees’ Retirement Plan financial report, available on the Oregon PERS website.

Changes in Plan Provisions Subsequent to Measurement Date

The Oregon Supreme Court on April 30, 2015, ruled in the Moro decision, that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law were unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. PERS will make restoration payments to those benefit recipients.

PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

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

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 7 – PARTICIPATION IN PUBLIC EMPLOYEES’ RETIREMENT SYSTEM - continued

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, which will be reflected in the next year’s actuarial valuations. The impact of the Moro decision on the total pension liability and employer’s net pension liability (asset) has not been fully determined. However, PERS’ third-party actuaries have estimated the impact of the Moro decision under one possible methodology, which is summarized below (dollars in millions). Estimates have been rounded to the nearest \$10 million.

	June 30, 2014 Measurement Date	
	Prior to Moro	After Moro (estimated)
Total pension liability	\$ 63,134.8	\$ 68,050.0
Fiduciary net position	65,401.5	65,400.0
Net pension liability (asset)	\$ (2,266.7)	\$ 2,650.0

NOTE 8 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

The OPEB for the City combines two separate plans. The City provides a stand alone early retirement plan for employees meeting certain eligibility requirements and a contribution to the State of Oregon’s OPERS cost sharing multiple employer defined benefit plan.

Early retirement plan

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, 2015.

CITY OF MADRAS
(Jefferson County, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 8 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS
(OPEB) – continued

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>June 30, 2015</u>
Annual Required Contribution (ARC)	\$ 101,379
Interest on net position obligation	9,019
Adjustment to annual required contribution	<u>(30,983)</u>
Annual OPEB cost	79,415
Contributions made	<u>(6,916)</u>
Increase in net pension obligation	72,499
Net OPEB obligation (Asset) at Beginning of the Year	<u>257,672</u>
Net OPEB obligation (Asset) at End of the Year	<u>\$ 330,171</u>
Percentage of APC Contributed	9%

CITY OF MADRAS
(Jefferson County, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 8 – 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, 2015, along with preceding fiscal years, were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>OPEB Contribution</u>	<u>Percentage</u>	<u>Net OPEB Obligation</u>
6/30/2012	\$ 58,893	\$ 22,968	39%	\$150,931
6/30/2013	61,999	22,273	36%	190,657
6/30/2014	77,926	10,911	14%	257,672
6/30/2015	79,415	6,916	9%	330,171

Funding status and funding progress

As of August 1, 2014 the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$413,866, 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, 2015

**NOTE 8 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS
(OPEB) - continued**

The following simplifying assumptions were made:

- Discount rate: 3.5% for unfunded liabilities.
- Health Cost Trend for medical and vision: increases of 5.75% for the first year, 5.5% for years 2015-2019, 5.75% in 2030, 6.0% in 2031, 6.5% in 2032, ranging from 6.75% to 5.0% for years 2033-2069 and 4.75 thereafter.
- General Inflation: 2.75% .
- Disability: Not used.
- Retirement: Based on the Oregon PERS assumptions.
- Withdrawal: Based on the Oregon PERS assumptions.
- Mortality: RP-2000 healthy white collar male and female mortality tables, set back one year for males. Mortality was projected on a generational basis using Scale AA for males and females.
- Excluded employees: Temporary and part-time employees, elected officials and volunteers.
- Past PERS service: Estimated based on elapsed time from date of hire to the most recent valuation.
- Future PERS service: Generally assumed to accrue at a rate of 1.0 per year until retirement.
- Future retiree coverage: 100% of active members eligible for employer-paid health care coverage.
- Spousal age: Females spouses are assumed to be two years younger than male spouses.

OPERS Retirement Health Insurance Account (RHIA)

Plan description

As a member of Oregon Public Employees Retirement System (OPERS), the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other post-employment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and Required Supplementary Information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, or by calling (888) 320-7377.

CITY OF MADRAS
(Jefferson County, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 8 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS
(OPEB) - continued

Funding Policy

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

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.59% of annual covered payroll for Tier 1 & 2 and 0.49% for OPSRP. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 (or funding excess) of the plan over a period not to exceed thirty years.

NOTE 9 – 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, 2016	\$ 19,830
June 30, 2017	19,830
June 30, 2018	<u>11,568</u>
Total	<u>\$ 51,228</u>

The total rental expense under these leases was approximately \$19,830 for the year ended June 30, 2015.

CITY OF MADRAS
(Jefferson County, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 10 – INTERFUND TRANSFERS

Transfers between funds provide support for various City programs in accordance with budgetary authorizations. During fiscal year 2014-15, the City made the following interfund transfers between its governmental activities and business-type activities:

<u>Amount</u>	<u>Description</u>
\$ 10,086	To the Debt Reserve Fund from the Airport Fund to fund debt service
15,905	To the Debt Reserve Fund from the Wastewater Fund to fund debt service
(80,906)	From the Debt Service Fund to the Wastewater Fund for debt service
(355,000)	From the Internal Service Fund to the Airport Fund to fund general operations
(351)	From the Internal Service Fund to the Wastewater Fund for general operations

NOTE 11 – RESTRICTED NET POSITION

At June 30, 2015 net position included \$3,526,945 of restricted net position. Of this amount, \$2,974,559 is restricted by enabling legislation.

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.

CITY OF MADRAS
(Jefferson County, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 13 – COMMITMENTS – continued

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.

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 committed to making 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 4th payment during fiscal year 2014-15.

The following chart illustrates construction contract obligations at June 30, 2015:

Project	Amount
7th Street Paving	\$ 28,839
HWY 97 and L Street Sidewalk Project	5,500
Wastewater Master Plan Update	137,487
Industrial Site Readiness Plan	47,024
Madras Municipal Airport Runway 16-34 Improvements	215,851
Madras Municipal Airport Runway 16-34 Improvements Construction Engineering	85,984
Madras Municipal Airport Fuel Tank/Apron Improvements/4-22 Improvements Design	14,637
Madras Municipal Airport Fuel Tank Replacement	120,000
SRTS Buff Street to McTaggart	42,000
Total	<u>\$ 697,322</u>

CITY OF MADRAS
(Jefferson County, Oregon)

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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.

NOTE 15 – RELATED PARTY TRANSACTIONS

Berg Air is owned and operated by the Fixed Base Operator (Manager) at City of Madras airport who was also formerly a commissioner on the Madras Development Commission. Berg Air purchases fuel from the City at cost plus \$0.05 per gallon. Annual fuel sales for fiscal year 2014-2015 were \$425,384.

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 \$9,961 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, 2015, deficit fund balances existed in the Redevelopment Commission General Fund in the amount of \$1,710,756, and in the SDC Storm Water Improvement Fund in the amount of \$31,930. 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 – BEGINNING NET POSITION RESTATEMENT

The City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the fiscal year ended June 30, 2015. The net position of the District's governmental activities as of June 30, 2014 has been restated to reflect the change in accounting principle.

In the course of implementing GASB 68, the City reevaluated its policy for allocating the liability for other post-employment benefits (OPEB) to include an allocation to the Water and Wastewater funds. All payroll for these funds are paid from the internal service fund, yet management determined the liability for both pension and OPEB liabilities should be allocated to the funds which will be responsible for liquidating the liabilities. The restatement has been accounted for as an error correction and beginning net position has been restated to reflect the prior year's liability under the new allocation method.

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

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

NOTE 17 – BEGINNING NET POSITION RESTATEMENT- continued

Management discovered an error in the previous financial statements with regard to the interest accrual for the full faith and credit bonds reported in the Wastewater fund. The City pays interest and principal on a monthly basis and the prior year accrual was recorded based on a semi-annual payment schedule.

The impact of these restatements on net position is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net position at June 30, 2014, as previously reported	\$18,316,806	\$26,529,658	\$44,846,464
<i>Cumulative effect of a change in accounting principle</i>			
Net pension liability	(1,228,165)	(136,462)	(1,364,627)
Deferred outflows	183,472	20,386	203,858
<i>Correction of an error</i>			
Interest accrual	-	106,236	106,236
Allocation of OPEB liability	-	(24,502)	(24,502)
Net position at June 30, 2014, as restated	<u>\$17,272,113</u>	<u>\$ 26,495,316</u>	<u>\$43,767,429</u>

NOTE 18 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 5, 2015, the date the financial statements were available to be issued.

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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to Final Budget</u>
REVENUES:				
Taxes				
Property taxes	\$ 1,100,000	\$ 1,140,000	\$ 1,142,922	\$ 2,922
Other taxes	250,587	285,587	283,898	(1,689)
Franchise fees	375,900	375,900	409,076	33,176
Charges for service	1,000	1,000	1,351	351
Licenses and permits	2,800	2,800	1,180	(1,620)
Intergovernmental	257,897	257,897	262,372	4,475
Fines	42,000	42,000	42,987	987
Interest	1,000	1,000	3,484	2,484
	<u>2,031,184</u>	<u>2,106,184</u>	<u>2,147,269</u>	<u>41,085</u>
EXPENDITURES:				
Police department	1,876,310	1,886,310 (1)	1,702,871	(183,439)
Non-departmental	65,528	65,528 (1)	65,528	-
Contingency	100,000	90,000 (1)	-	-
	<u>2,041,838</u>	<u>2,041,838</u>	<u>1,768,399</u>	<u>(183,439)</u>
Excess of Revenues Over, (Under) Expenditures	(10,654)	64,346	378,870	224,524
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(207,100)</u>	<u>(282,100) (1)</u>	<u>(242,737)</u>	<u>39,363</u>
Net Change in Fund Balance	(217,754)	(217,754)	136,133	263,887
Beginning Fund Balance	<u>599,079</u>	<u>599,079</u>	687,843	<u>88,764</u>
Ending Fund Balance	<u>\$ 381,325</u>	<u>\$ 381,325</u>	823,976	<u>\$ 352,651</u>
Reconciliation to Governmental Fund Balance				
Ending Fund Balance				
Parks fund			91,555	
Industrial site fund			<u>71,067</u>	
			<u>\$ 986,598</u>	

(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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance To Final Budget</u>
REVENUES:				
Charges for services	\$ 32,200	\$ 32,200	\$ 31,364	\$ (837)
Interest on investments	<u>100</u>	<u>100</u>	<u>263</u>	<u>163</u>
Total Revenues	<u>32,300</u>	<u>32,300</u>	<u>31,626</u>	<u>(674)</u>
EXPENDITURES:				
Community development:				
Materials and services	205,186	210,186 (1)	193,607	(16,579)
Operating contingency	<u>12,000</u>	<u>7,000 (1)</u>	<u>-</u>	<u>(7,000)</u>
Total Expenditures	<u>217,186</u>	<u>217,186</u>	<u>193,607</u>	<u>(23,579)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>170,050</u>	<u>170,050</u>	<u>189,941</u>	<u>19,891</u>
Net Change in Fund Balance	(14,836)	(14,836)	27,961	42,797
Beginning Fund Balance	<u>36,910</u>	<u>36,910</u>	<u>63,594</u>	<u>26,684</u>
Ending Fund Balance	<u>\$ 22,074</u>	<u>\$ 22,074</u>	<u>\$ 91,555</u>	<u>\$ 69,481</u>

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

(1) Appropriation Level

CITY OF MADRAS
(Jefferson County, Oregon)

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

YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance To Final Budget
REVENUES:				
Interest on investments	\$ 500	\$ 500	\$ 204	\$ (296)
Intergovernmental	-	30,000	9,527	(20,473)
Miscellaneous	-	-	395	395
Land lease income	6,500	6,500	6,711	211
	<u>7,000</u>	<u>37,000</u>	<u>16,837</u>	<u>(20,163)</u>
Total Revenues				
EXPENDITURES:				
Materials and services	28,500	83,500	41,513	(41,987)
Contingency	3,049	3,049	-	(3,049)
	<u>31,549</u>	<u>86,549</u>	<u>41,513</u>	<u>(45,036)</u>
Total Expenditures				
Other Financing Sources (Uses):				
Transfers in	-	25,000	25,000	-
	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balance	(24,549)	(24,549)	324	24,873
Beginning Fund Balance	25,021	25,021	70,743	45,722
Ending Fund Balance	<u>\$ 472</u>	<u>\$ 472</u>	<u>\$ 71,067</u>	<u>\$ 70,595</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 - TRANSPORTATION OPERATIONS FUND

YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to Final Budget</u>
REVENUES:				
Franchise fees	\$ 375,900	\$ 375,900	\$ 409,076	\$ 33,176
Intergovernmental	480,772	480,772	487,575	6,803
Interest on investments	286	286	1,083	797
Charges for service	-	-	7,000	7,000
L.I.D. payments	183	183	184	1
Miscellaneous	1,500	1,500	8,698	7,198
	<u>858,641</u>	<u>858,641</u>	<u>913,616</u>	<u>54,975</u>
Total Revenues				
EXPENDITURES:				
Current				
Highways and streets				
Materials and services	736,060	736,060 (1)	675,642	(60,418)
Capital outlay	76,000	96,000 (1)	53,312	(42,688)
Contingency	138,731	83,731 (1)	-	(83,731)
	<u>950,791</u>	<u>915,791</u>	<u>728,954</u>	<u>(186,837)</u>
Total Expenditures				
Excess of Revenues Over, (Under)				
Expenditures	(92,150)	(57,150)	184,662	241,812
Other Financing Sources (Uses):				
Transfers in	-	20,000	20,000	-
Transfers out	(15,000)	(70,000) (1)	(70,000)	-
	<u>(15,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balance	(107,150)	(107,150)	134,662	241,812
Beginning Fund Balance	107,150	107,150	154,309	47,159
Ending Fund Balance	\$ -	\$ -	\$ 288,971	\$ 288,971

(1) Appropriation Level

CITY OF MADRAS
(Jefferson County, Oregon)

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

JUNE 30, 2015

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
8/1/2014	\$ -	\$ 413,866	\$ 413,866	0.00%	\$ 1,533,879	27.0%
8/1/2012	-	442,955	442,955	0.00%	N/A	N/A
8/1/2010	-	413,797	413,797	0.00%	1,897,484	N/A

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2015	\$ 79,415	9 %
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 FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
PENSION RELATED**

JUNE 30, 2015

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) CAL's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	26.7%	\$ (606,140)	\$ 1,571,466	-38.6%	103.6%
2014	26.7%	1,364,628	1,533,879	89.0%	92.0%

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SCHEDULE OF CONTRIBUTIONS

Year	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2015	\$ 197,022	\$ 197,022	\$ -	\$ 1,571,466	12.5%
2014	203,857	203,857	-	1,533,879	13.3%

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SUPPLEMENTARY INFORMATION

CITY OF MADRAS
(Jefferson County, Oregon)

COMBINING BALANCE SHEET
MADRAS REDEVELOPMENT COMMISSION

JUNE 30, 2015 AND SUMMARIZED INFORMATION FOR JUNE 30, 2014

	Governmental Fund Types		Total	
	General Fund	Reinvestment Fund	2015	2014
ASSETS				
Current assets				
Cash and investments	\$ 145,165	\$ 203,973	\$ 349,138	\$ 264,083
Receivables:				
Property taxes	23,471	-	23,471	28,832
Notes	-	134,193	134,193	199,074
Other	6	-	6	-
Total current assets	168,641	338,166	506,807	491,989
Non-current assets				
Redevelopment properties	329,698	-	329,698	329,698
Total Assets	\$ 498,339	\$ 338,166	\$ 836,505	\$ 821,687
LIABILITIES, DEFERRED INFLOWS AND FUND EQUITY:				
Liabilities:				
Accounts payable	\$ 1,240	\$ 684	\$ 1,924	\$ 721
Due to other funds	2,290,000	-	2,290,000	2,390,000
Total Liabilities	2,291,240	684	2,291,924	2,390,721
Deferred inflows:				
Unearned property taxes	21,845	-	21,845	22,442
Unearned project fees	-	133,493	133,493	199,074
Total Deferred Inflows	21,845	133,493	155,337	221,516
Fund equity:				
Unassigned	(1,814,746)	203,990	(1,610,756)	(1,790,550)
Total Liabilities and Fund Equity	\$ 498,339	\$ 338,166	\$ 836,505	\$ 821,687

CITY OF MADRAS
(Jefferson County, Oregon)

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

YEAR ENDED JUNE 30, 2015 AND SUMMARIZED INFORMATION FOR JUNE 30, 2014

	General Fund	Reinvestment Fund	Total	
			2015	2014
REVENUES:				
Property taxes	\$ 328,967	\$ -	\$ 328,967	\$ 331,164
Assessments	-	-	-	26,510
Loan repayment	-	65,582	65,582	26,510
Interest on investments	1,709	6,635	8,344	13,765
	<u>631</u>	<u>40</u>	<u>671</u>	<u>13,765</u>
 Total Revenues	 <u>331,307</u>	 <u>72,257</u>	 <u>403,564</u>	 <u>411,714</u>
 EXPENDITURES:				
Current:				
Community development	58,048	6,222	64,270	57,632
Debt service	<u>177,000</u>	<u>-</u>	<u>177,000</u>	<u>179,000</u>
 Total Expenditures	 <u>235,048</u>	 <u>6,222</u>	 <u>241,270</u>	 <u>236,632</u>
 Excess of Revenues Over (Under)				
Expenditures	<u>96,259</u>	<u>66,035</u>	<u>162,294</u>	<u>134,807</u>
 OTHER FINANCING SOURCES (USES)				
Proceeds from line of credit	100,000	-	100,000	57,632
Special payments - grants and loans	<u>(182,500)</u>	<u>-</u>	<u>(182,500)</u>	<u>(76,510)</u>
 Total Other Financing Sources (Uses)	 <u>(82,500)</u>	 <u>-</u>	 <u>(82,500)</u>	 <u>(18,878)</u>
 Net Change in Fund Balance	 13,759	 66,035	 79,794	 115,929
 Prior Period Adjustment	 -	 -	 -	 (133,995)
 Beginning Fund Balance	 <u>(1,828,505)</u>	 <u>137,955</u>	 <u>(1,690,550)</u>	 <u>(1,714,852)</u>
 Ending Fund Balance	 <u>\$ (1,814,746)</u>	 <u>\$ 203,990</u>	 <u>\$ (1,610,756)</u>	 <u>\$ (1,732,918)</u>

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, 2015

	Original Budget	Final Budget	Actual	Variance to Final Budget
REVENUES:				
Taxes				
Property taxes	\$ 313,500	\$ 313,500	\$ 328,967	\$ 15,467
Interest	-	-	1,709	1,709
Miscellaneous	-	-	631	631
Total Revenues	313,500	313,500	331,307	17,807
EXPENDITURES:				
Materials and services	58,100	58,100 (1)	58,048	(52)
Debt services	178,000	178,000 (1)	177,000	(1,000)
Contingency	7,000	7,000 (1)	-	(7,000)
Total Expenditures	243,100	243,100	235,048	(8,052)
Excess of Revenues Over, (Under) Expenditures	70,400	70,400	96,259	25,859
Other Financing Sources (Uses):				
Proceeds from line of credit			100,000	100,000
Special payments - grants and loans	(182,500)	(182,500) (1)	(182,500)	-
Total Other Financing Sources (Uses)	(182,500)	(182,500)	(82,500)	100,000
Net Change in Fund Balance	(112,100)	(112,100)	13,759	125,859
Beginning Fund Balance	117,948	117,948	461,495	343,547
Ending Fund Balance	\$ 5,848	\$ 5,848	475,254	\$ 469,406
Reconciliation to generally accepted				
accepted account principals and governmental				
fund ending fund balance				
MRC Reinvestment fund			203,990	
Interfund Loan			(2,290,000)	
FUND BALANCE, ENDING			\$ (1,610,756)	

(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, 2015

MRC REINVESTMENT FUND

	Original Budget	Final Budget	Actual	Variance To Final Budget
REVENUES:				
Assessments	\$ 27,000	\$ 27,000	\$ 65,582	\$ 38,582
Interest on investments	1,000	1,000	6,635	5,635
Miscellaneous	-	-	40	40
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	28,000	28,000	72,257	44,257
EXPENDITURES:				
Materials and services	8,000	9,000	6,222	(2,778)
Contingency	43,000	42,000	-	(42,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	51,000	51,000	6,222	(44,778)
Net Change in Fund Balance	(23,000)	(23,000)	66,035	89,035
Beginning Fund Balance	123,385	123,385	137,955	14,570
	<hr/>	<hr/>	<hr/>	<hr/>
Ending Fund Balance	<u>\$ 100,385</u>	<u>\$ 100,385</u>	<u>\$ 203,990</u>	<u>\$ 103,605</u>

CITY OF MADRAS
(Jefferson County, Oregon)

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

JUNE 30, 2015 AND SUMMARIZED INFORMATION FOR JUNE 30, 2014

	Special Revenue Funds			
	Tourism/Economic Development Fund	Community Development Fund	Improvement Fee Fund	Debt Reserve Fund
ASSETS:				
Cash and cash equivalents	\$ 83,687	\$ 120,378	\$ 349,418	\$ 269,490
Receivables:				
Accounts	20,125	7,564	-	-
Notes	-	-	-	-
Due from other governmental funds	-	-	-	-
	<u>\$ 103,812</u>	<u>\$ 127,943</u>	<u>\$ 349,418</u>	<u>\$ 269,490</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ -	\$ 22,148	\$ -	\$ -
Payroll liabilities	-	1,953	-	-
Due to other funds	-	-	-	-
	<u>-</u>	<u>24,100</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>24,100</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOW				
Unearned revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Restricted	-	-	349,418	269,490
Committed	103,812	-	-	-
Assigned	-	103,843	-	-
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>103,812</u>	<u>103,843</u>	<u>349,418</u>	<u>269,490</u>
Total Liabilities and Fund Balances	<u>\$ 103,812</u>	<u>\$ 127,943</u>	<u>\$ 349,418</u>	<u>\$ 269,490</u>

Capital Projects Funds					
SDC Park Improvement Fund	SDC Street Improvement Fund	SDC Storm Water Improvement Fund	SDC Street Reimbursement Fund	Total	
				2015	2014
\$ 17,277	\$ 9,870	\$ 0	\$ 18,929	\$ 869,050	\$ 452,550
-	15,371	-	1,787	44,846	40,684
-	-	-	-	-	147,473
-	-	-	-	-	121,572
<u>\$ 17,277</u>	<u>\$ 25,240</u>	<u>\$ 0</u>	<u>\$ 20,716</u>	<u>\$ 913,896</u>	<u>\$ 762,279</u>
\$ -	\$ -	\$ -	\$ -	\$ 22,148	\$ 8,915
-	-	-	-	1,953	1,678
-	-	31,930	(31,930)	-	53,804
-	-	31,930	(31,930)	24,100	64,397
-	15,254	-	1,771	17,025	19,123
17,277	9,986	-	50,875	697,046	556,836
-	-	-	-	103,812	63,405
-	-	-	-	103,843	112,322
-	-	(31,930)	-	(31,930)	(53,804)
<u>17,277</u>	<u>9,986</u>	<u>(31,930)</u>	<u>50,875</u>	<u>872,771</u>	<u>678,759</u>
<u>\$ 17,277</u>	<u>\$ 25,240</u>	<u>\$ (0)</u>	<u>\$ 20,716</u>	<u>\$ 913,896</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, 2015 AND SUMMARIZED INFORMATION FOR JUNE 30, 2014

	Special Revenue Fund			
	Tourism/Economic Development Fund	Community Development Fund	Improvement Fee Fund	Debt Reserve Fund
REVENUES:				
Other taxes	\$ 92,697	\$ -	\$ -	\$ -
Licenses and fees	-	91,056	-	-
Charges for services	-	45,810	6,835	-
System development charges	-	-	-	-
Miscellaneous	-	-	88,000	-
Interest on investments	298	315	543	-
	<u>92,995</u>	<u>137,180</u>	<u>95,378</u>	<u>-</u>
Total Revenues				
EXPENDITURES:				
Current:				
Community development	105,383	266,660	-	-
Debt Service	-	-	-	-
	<u>105,383</u>	<u>266,660</u>	<u>-</u>	<u>-</u>
Total Expenditures				
Excess of Revenues Over (Under)				
Expenditures	<u>(12,389)</u>	<u>(129,479)</u>	<u>95,378</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers in	92,796	121,000	-	35,704
Transfers out	(40,000)	-	-	-
	<u>52,796</u>	<u>121,000</u>	<u>-</u>	<u>35,704</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balance	40,407	(8,479)	95,378	35,704
Fund Balance - Beginning of Year	63,405	112,322	254,040	233,786
Prior Period Adjustment	-	-	-	-
Fund Balance - End of Year	<u>\$ 103,812</u>	<u>\$ 103,843</u>	<u>\$ 349,418</u>	<u>\$ 269,490</u>

Capital Projects Funds					
SDC Park Improvement Fund	SDC Street Improvement Fund	SDC Storm Water Improvement Fund	SDC Street Reimbursement Fund	Total	
				2015	2014
\$ -	\$ -	\$ -	\$ -	\$ 92,697	\$ 83,675
-	-	-	-	91,056	98,815
-	-	-	-	52,645	45,042
6,855	106,759	6,874	14,660	135,147	151,599
-	-	-	-	88,000	-
44	741	-	254	2,195	1,963
<u>6,899</u>	<u>107,500</u>	<u>6,874</u>	<u>14,913</u>	<u>461,740</u>	<u>381,094</u>
-	-	-	-	372,043	321,227
-	175,185	-	-	175,185	176,417
-	175,185	-	-	547,228	497,644
<u>6,899</u>	<u>(67,684)</u>	<u>6,874</u>	<u>14,913</u>	<u>(85,488)</u>	<u>(116,550)</u>
-	67,000	15,000	-	331,500	478,845
-	-	-	(12,000)	(52,000)	(12,000)
-	67,000	15,000	(12,000)	279,500	466,845
6,899	(684)	21,874	2,913	194,012	350,295
10,378	10,670	(53,804)	47,962	678,759	329,713
-	-	-	-	-	(1,248)
<u>\$ 17,277</u>	<u>\$ 9,986</u>	<u>\$ (31,930)</u>	<u>\$ 50,875</u>	<u>\$ 872,771</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, 2015

TOURISM/ECONOMIC DEVELOPMENT FUND

	Original Budget	Final Budget	Actual	Variance To Final Budget
REVENUES:				
Other taxes	\$ 77,050	\$ 77,050	\$ 92,697	\$ 15,647
Interest on investments	50	50	298	248
Total Revenues	77,100	77,100	92,995	15,895
EXPENDITURES:				
Tourism and economic development				
Materials and services	105,400	105,400 (1)	105,383	(17)
Contingency	10,000	10,000	-	(10,000)
Total Expenditures	115,400	115,400	105,383	(10,017)
Excess of Revenues Over, (Under) Expenditures	(38,300)	(38,300)	(12,389)	25,911
OTHER FINANCING SOURCES (USES)				
Transfers in	77,050	77,050	92,796	15,746
Transfers out	(40,000)	(40,000) (1)	(40,000)	-
Total Other Financing Sources (Uses)	37,050	37,050	52,796	15,746
Net Change in Fund Balance	(1,250)	(1,250)	40,407	41,657
Beginning Fund Balance	38,861	38,861	63,405	24,544
Ending Fund Balance	\$ 37,611	\$ 37,611	\$ 103,812	\$ 66,201

(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, 2015

COMMUNITY DEVELOPMENT FUND

	Original Budget	Final Budget	Actual	Variance To Final Budget
REVENUES:				
Licenses and fees	\$ 36,550	\$ 36,550	\$ 91,056	\$ 54,506
Charges for services	45,000	45,000	45,810	810
Interest on investments	-	-	315	315
Miscellaneous	7,000	7,000	-	(7,000)
Total Revenues	<u>88,550</u>	<u>88,550</u>	<u>137,180</u>	<u>48,630</u>
EXPENDITURES:				
Community Development				
Personal services	118,844	118,844 (1)	114,452	(4,392)
Materials and services	162,544	184,544 (1)	152,207	(32,337)
Operating contingency	10,000	-	-	-
Total Expenditures	<u>291,388</u>	<u>303,388</u>	<u>266,660</u>	<u>(36,728)</u>
Excess of Revenues Over, (Under) Expenditures	(202,838)	(214,838)	(129,479)	85,359
OTHER FINANCING SOURCES (USES)				
Transfers in	121,000	121,000	121,000	-
Net Change in Fund Balance	(81,838)	(93,838)	(8,479)	85,359
Beginning Fund Balance	94,370	106,370	112,322	5,952
Ending Fund Balance	<u>\$ 12,532</u>	<u>\$ 12,532</u>	<u>\$ 103,843</u>	<u>\$ 91,311</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, 2015

IMPROVEMENT FEE FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance To Final Budget</u>
REVENUES:				
Street improvement fees	\$ -	\$ -	\$ 6,835	\$ 6,835
Miscellaneous revenue	-	-	88,000	88,000
Interest on investments	1,012	1,012	543	(469)
Total Revenues	<u>1,012</u>	<u>1,012</u>	<u>95,378</u>	<u>94,366</u>
EXPENDITURES:				
Improvement Fees:				
Operating contingency	255,245	255,245	-	(255,245)
Total Expenditures	<u>255,245</u>	<u>255,245</u>	<u>-</u>	<u>(255,245)</u>
Net Change in Fund Balance	(254,233)	(254,233)	95,378	349,611
Beginning Fund Balance	<u>254,233</u>	<u>254,233</u>	<u>254,040</u>	<u>(193)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 349,418</u>	<u>\$ 349,418</u>

CITY OF MADRAS
(Jefferson County, Oregon)

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

YEAR ENDED JUNE 30, 2015

DEBT SERVICE FUND

	Original Budget	Final Budget	Actual	Variance To Final Budget
REVENUES:				
Property taxes	\$ -	\$ -	\$ 3,335	\$ 3,335
Interest	-	-	12	12
Miscellaneous	-	-	333	333
	-	-	3,681	3,681
EXPENDITURES:				
Materials and services	500	500	450	(50)
Debt service	177,500	177,500 (1)	177,000	(500)
	178,000	178,000	177,450	(550)
Excess of Revenues Over, (Under) Expenditures	(178,000)	(178,000)	(173,769)	4,231
Other Financing Sources (Uses):				
Transfer in - loan repayment	178,000	178,000	177,000	(1,000)
Transfer out	(80,906)	(80,906) (1)	(80,906)	-
	(80,906)	(80,906)	(77,675)	3,231
Beginning Fund Balance	80,906	80,906	182,221	101,315
Ending Fund Balance	\$ -	\$ -	104,546	\$ 104,546
Reconciliation to generally accepted accounting principles				
Loan repayment			(100,000)	
Interfund loan balance			2,290,000	
FUND BALANCE, ENDING			\$ 2,294,546	

(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, 2015

DEBT RESERVE FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance To Final Budget</u>
REVENUES:				
Interest	\$ -	\$ -	\$ -	\$ -
Other Financing (Uses):				
Transfers in	<u>35,704</u>	<u>35,704</u>	<u>35,704</u>	<u>-</u>
Net Change in Fund Balance	35,704	35,704	35,704	-
Beginning Fund Balance	<u>233,786</u>	<u>233,786</u>	<u>233,786</u>	<u>-</u>
Ending Fund Balance	<u>\$ 269,490</u>	<u>\$ 269,490</u>	<u>\$ 269,490</u>	<u>\$ -</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, 2015

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	\$ 4,900	\$ 4,900	\$ 6,855	\$ 1,955
Interest	-	-	44	44
	<u>4,900</u>	<u>4,900</u>	<u>6,899</u>	<u>1,999</u>
Net Change in Fund Balance	4,900	4,900	6,899	1,999
Beginning Fund Balance	<u>5,289</u>	<u>5,289</u>	<u>10,378</u>	<u>5,089</u>
Ending Fund Balance	<u>\$ 10,189</u>	<u>\$ 10,189</u>	<u>\$ 17,277</u>	<u>\$ 7,088</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, 2015

SDC STREET IMPROVEMENT FUND

	Original Budget	Final Budget	Actual	Variance To Final Budget
REVENUES:				
System development charges	\$ 177,000	\$ 110,000	\$ 106,759	\$ (3,241)
Interest	100	100	741	641
Total Revenue	177,100	110,100	107,500	(2,600)
EXPENDITURES:				
Debt service	175,425	175,425 (1)	175,185	(240)
Contingency	6,386	6,386 (1)	-	(6,386)
Total Expenditures	181,811	181,811	175,185	(6,626)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	67,000	67,000	-
Net Change in Fund Balance	(4,711)	(4,711)	(684)	4,027
Beginning Fund Balance	4,711	4,711	10,670	5,959
Ending Fund Balance	\$ -	\$ -	\$ 9,986	\$ 9,986

(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, 2015

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	\$ 1,200	\$ 1,200	\$ 6,874	\$ 5,674
OTHER FINANCING SOURCES (USES)				
Transfers In	15,000	15,000	15,000	-
Net Change in Fund Balance	16,200	16,200	21,874	5,674
Beginning Fund Balance	<u>(55,048)</u>	<u>(55,048)</u>	<u>(53,804)</u>	<u>1,244</u>
Ending Fund Balance	<u>\$ (38,848)</u>	<u>\$ (38,848)</u>	<u>\$ (31,930)</u>	<u>\$ 6,918</u>

CITY OF MADRAS
(Jefferson County, Oregon)

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

YEAR ENDED JUNE 30, 2015

SDC STREET REIMBURSEMENT FUND

	Original Budget	Final Budget	Actual	Variance To Final Budget
REVENUES:				
System development charges	\$ 24,115	\$ 24,115	\$ 14,660	\$ (9,455)
Interest on investments	220	220	254	34
Total Revenues	24,335	24,335	14,913	(9,422)
EXPENDITURES:				
Capital Outlay	70,000	58,000 (1)	-	(58,000)
Operating Contingency	1,268	1,268	-	(1,268)
Total Expenditures	71,268	59,268	-	(59,268)
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(12,000)	(12,000)	-
Net Change in Fund Balance	(46,933)	(46,933)	2,913	49,846
Beginning Fund Balance	46,933	46,933	47,962	1,029
Ending Fund Balance	\$ -	\$ -	\$ 50,875	\$ 50,875

(1) Appropriation Level

CITY OF MADRAS
(Jefferson County, Oregon)

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

YEAR ENDED JUNE 30, 2015

	SDC Water Improvement	Water Operations	2015
REVENUES:			
Charges for services	\$ 7,208	\$ 540,741	\$ 547,949
Interest on investments	174	514	688
Total Revenues	7,382	541,255	548,637
EXPENDITURES:			
Materials and services	-	444,216	444,216
Debt service	-	11,204	11,204
Total Expenditures	-	455,420	455,420
Net Change in Fund Balance	7,382	85,835	93,217
Beginning Fund Balance	50,124	95,242	145,366
Ending Fund Balance	\$ 57,506	\$ 181,077	238,583
RECONCILIATION OF BUDGETARY BASIS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES			
Capital assets, net of depreciation			704,666
Net pension asset			30,307
Deferred outflows			9,851
Accrued interest payable			(3,145)
Long-term debt			(121,643)
Other post-employment liabilities			(15,698)
Deferred inflows			(59,843)
Ending Net Position			\$ 783,078

CITY OF MADRAS
(Jefferson County, Oregon)

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

YEAR ENDED JUNE 30, 2015

SDC WATER IMPROVEMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance To Final Budget</u>
REVENUES:				
Charges for services	\$ -	\$ -	\$ 7,208	\$ 7,208
Interest	199	199	174	(25)
	<u>199</u>	<u>199</u>	<u>7,382</u>	<u>7,183</u>
Total Revenue				
EXPENDITURES:				
Capital outlay	<u>25,000</u>	<u>25,000 (1)</u>	<u>-</u>	<u>(25,000)</u>
Net Change in Fund Balance	(24,801)	(24,801)	7,382	32,183
Beginning Fund Balance	<u>50,161</u>	<u>50,161</u>	<u>50,124</u>	<u>(37)</u>
Ending Fund Balance	<u>\$ 25,360</u>	<u>\$ 25,360</u>	<u>\$ 57,506</u>	<u>\$ 32,146</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, 2015

WATER OPERATIONS FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance To Final Budget</u>
REVENUES:				
Charges for services	\$ 456,125	\$ 456,125	\$ 540,741	\$ 84,616
Interest on investments	100	100	514	414
	<u>456,225</u>	<u>456,225</u>	<u>541,255</u>	<u>85,030</u>
EXPENDITURES:				
Materials and services	467,629	467,629 (1)	444,216	(23,413)
Debt service	11,700	11,700 (1)	11,204	(496)
Contingency	20,000	20,000 (1)	-	(20,000)
	<u>499,329</u>	<u>499,329</u>	<u>455,420</u>	<u>(43,909)</u>
Net Change in Fund Balance	(43,104)	(43,104)	85,835	128,939
Beginning Fund Balance	<u>51,335</u>	<u>51,335</u>	<u>95,242</u>	<u>43,907</u>
Ending Fund Balance	<u>\$ 8,231</u>	<u>\$ 8,231</u>	<u>\$ 181,077</u>	<u>\$ 172,846</u>

(1) Appropriation Level

**RECONCILIATION OF BUDGETARY BASIS TO
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

Total expenditures, budgetary basis	\$ 455,420
Pension related items are not reported on the budgetary basis but are reported as an expense (income) on the GAAP financial statements	(38,353)
Other post-employment benefits are not reported on the budgetary basis but are reported as an expense on the GAAP financial statements	3,447
Principal payments on debt reported as expenses on the budgetary basis are reported as a reduction in principal on the GAAP basis	(4,914)
Depreciation expense	21,662
Loss on sale of assets	<u>10,328</u>
Total expenses, GAAP basis	<u>\$ 447,590</u>

CITY OF MADRAS
(Jefferson County, Oregon)

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

YEAR ENDED JUNE 30, 2015

	SDC Wastewater Improvement	SDC Wastewater Reimbursement	Wastewater Operations	2015
REVENUES:				
Charges for services	\$ -	\$ -	\$ 2,707,994	\$ 2,707,994
Intergovernmental	-	-	20,000	20,000
Assessments	-	-	1,243	1,243
System development charges	72,215	9,996	-	82,211
Rental income	-	-	2,272	2,272
Interest on investments	1,588	73	3,397	5,058
	73,803	10,069	2,734,906	2,818,778
EXPENDITURES:				
Materials and services	-	-	2,123,458	2,123,458
Capital outlay	-	-	84,164	84,164
Debt service	12,986	-	429,876	442,862
	12,986	-	2,637,498	2,650,484
Excess of Revenues Over (Under) Expenditures	60,817	10,069	97,408	168,294
Other Financing Sources (Uses):				
Transfers In	38,157	-	80,906	119,063
Transfers Out	(6,038)	-	(9,867)	(15,905)
	32,119	-	71,039	103,158
Net Change in Fund Balance	92,936	10,069	168,447	271,452
Beginning Fund Balance	98,928	13,373	485,550	597,851
Ending Fund Balance	\$ 191,864	\$ 23,442	\$ 653,997	869,303
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES				
Capital assets, net of depreciation				26,704,909
Net pension asset				30,307
Deferred outflows				9,851
Accrued interest payable				(37,981)
Interfund loan				
Long-term liabilities				(10,721,932)
Other post-employment benefit liability				(15,698)
Deferred inflows				(139,139)
Ending Net Position				\$ 16,699,619

CITY OF MADRAS
(Jefferson County, Oregon)

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

YEAR ENDED JUNE 30, 2015

SDC WASTEWATER IMPROVEMENT FUND

	Original Budget	Final Budget	Actual	Variance To Final Budget
REVENUES:				
Charges for services				
System development fees	\$ 14,000	\$ 14,000	\$ 72,215	\$ 58,215
Intergovernmental grants	-	-	-	-
Interest	508	508	1,588	1,080
	14,508	14,508	73,803	59,295
EXPENDITURES:				
Capital outlay	70,000	70,000 (1)	-	(70,000)
Debt service	13,250	13,250 (1)	12,986	(264)
Operating contingency	10,000	3,962	-	(3,962)
	93,250	87,212	12,986	(74,226)
Excess of Revenues Over (Under) Expenditures	(78,742)	(72,704)	60,817	133,521
Other Financing Sources (Uses):				
Transfers In	38,157	38,157	38,157	-
Transfers out	-	(6,038) (1)	(6,038)	-
	38,157	32,119	32,119	-
Net Change in Fund Balance	(40,585)	(40,585)	92,936	133,521
Beginning Fund Balance	73,856	73,856	98,928	25,072
Ending Fund Balance	\$ 33,271	\$ 33,271	\$ 191,864	\$ 158,593

(1) Appropriation Level

**RECONCILIATION OF BUDGETARY BASIS TO
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

Total expenditures, budgetary basis	12,986
Principal payments on debt reported as expenses on the budgetary basis are reported as a reduction in principal on the GAAP basis	(7,171)
Total expenses, GAAP basis	\$ 5,815
Total other financing sources (uses), budgetary basis	32,119
Inter-fund transfers	(37,806)
Total other financing sources (uses), GAAP basis	\$ (5,687)

CITY OF MADRAS
(Jefferson County, Oregon)

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

YEAR ENDED JUNE 30, 2015

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	\$ 6,630	\$ 6,630	\$ 9,996	\$ 3,366
Interest on investments	-	-	73	73
	<u>6,630</u>	<u>6,630</u>	<u>10,069</u>	<u>3,439</u>
Total Revenue				
Net Change in Fund Balance	6,630	6,630	10,069	3,439
Beginning Fund Balance	<u>11,309</u>	<u>11,309</u>	<u>13,373</u>	<u>2,064</u>
Ending Fund Balance	<u>\$ 17,939</u>	<u>\$ 17,939</u>	<u>\$ 23,442</u>	<u>\$ 5,503</u>

CITY OF MADRAS
(Jefferson County, Oregon)

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

YEAR ENDED JUNE 30, 2015

WASTEWATER OPERATIONS FUND

	Original Budget	Final Budget	Actual	Variance To Final Budget
REVENUES:				
Charges for services	\$ 2,623,000	\$ 2,623,000	\$ 2,707,994	\$ 84,994
Assessments	-	-	1,243	1,243
Rental income	1,500	1,500	2,272	772
Intergovernmental revenue	-	-	20,000	20,000
Interest on investments	800	800	3,397	2,597
Miscellaneous	500	500	-	(500)
Total Revenues	2,625,800	2,625,800	2,734,906	109,106
EXPENDITURES:				
Materials and services	2,125,263	2,165,263 (1)	2,123,458	(41,805)
Capital outlay	90,000	90,000 (1)	84,164	(5,836)
Debt service	431,000	431,000 (1)	429,876	(1,124)
Contingency	100,000	60,000 (1)	-	(60,000)
Total Expenditures	2,746,263	2,746,263	2,637,498	(108,765)
OTHER FINANCING SOURCES (USES)				
Transfers In	80,906	80,906	80,906	-
Transfers Out	(9,867)	(9,867)	(9,867)	-
Total Other Financing Sources (Uses)	71,039	71,039	71,039	-
Net Change in Fund Balance	(49,424)	(49,424)	168,447	217,871
Beginning Fund Balance	366,811	366,811	485,550	118,739
Ending Fund Balance	\$ 317,387	\$ 317,387	\$ 653,997	\$ 336,610

(1) Appropriation Level

**RECONCILIATION OF BUDGETARY BASIS TO
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

Total revenue, budgetary basis	\$ 2,734,906
Amortization of bond premium is not reported on the budgetary basis but is reported as interest income on the GAAP statements	3,524
Total revenue, GAAP basis	\$ 2,738,430
Total expenditures, budgetary basis	\$ 2,637,498
Pension related items are not reported on the budgetary basis but are reported as an expense (income) on the GAAP financial statements	(38,353)
Other post-employment benefits are not reported on the budgetary basis but are reported as an expense on the GAAP financial statements	3,447
Principal payments on debt reported as expenses on the budgetary basis are reported as a reduction in principal on the GAAP basis	(2,106)
Capitalized amounts reported as expense on the budgetary basis are reported as assets on the GAAP basis.	(84,164)
Accrued interest	407
Depreciation expense	549,100
Loss on sale of assets	9,339
Total expenses, GAAP basis	\$ 3,075,168

CITY OF MADRAS
(Jefferson County, Oregon)

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

YEAR ENDED JUNE 30, 2015

	Airport Operations	Airport Construction	Total 2015
REVENUES:			
Charges for services	\$ 449,341	\$ -	\$ 449,341
Intergovernmental	2,171,547	16,290	2,187,837
Insurance proceeds	345,635	-	345,635
Rental income	226,628	-	226,628
Interest on investments	786	13	799
	<u>3,193,937</u>	<u>16,303</u>	<u>3,210,240</u>
Total Revenues			
EXPENDITURES:			
Materials and services	592,169	-	592,169
Capital outlay	2,640,368	60,088	2,700,456
Debt service	91,987	-	91,987
	<u>3,324,524</u>	<u>60,088</u>	<u>3,384,612</u>
Total Expenditures			
Excess of Revenues Over, (Under) Expenditures	<u>(130,587)</u>	<u>(43,785)</u>	<u>(174,372)</u>
Other Financing Sources (Uses):			
Transfers in	371,000	-	371,000
Transfers out	(10,086)	(16,000)	(26,086)
	<u>360,914</u>	<u>(16,000)</u>	<u>344,914</u>
Total Other Financing Sources (Uses)			
Net Change in Fund Balance	230,327	(59,785)	170,542
Beginning Fund Balance	<u>51,237</u>	<u>68,339</u>	<u>119,576</u>
Ending Fund Balance	<u>\$ 281,564</u>	<u>\$ 8,554</u>	290,118
RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES			
Capital assets, net of depreciation			11,148,835
Accrued interest payable			(31,542)
Retainage payable			(103,106)
Interfund loan			
Long-term liabilities			<u>(1,132,012)</u>
Ending Net Position			<u>\$ 10,172,293</u>

CITY OF MADRAS
(Jefferson County, Oregon)

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

YEAR ENDED JUNE 30, 2015

AIRPORT OPERATIONS FUND

	Original Budget	Final Budget	Actual	Variance To Final Budget
REVENUES:				
Charges for services	\$ 250,000	\$ 515,000	\$ 449,341	\$ (65,659)
Intergovernmental	3,262,700	3,283,700	2,171,547	(1,112,153)
Insurance proceeds	-	-	345,635	345,635
Rental income	205,495	529,895	226,628	(303,267)
Interest on investments	250	250	786	536
Miscellaneous	100	100	-	(100)
	<u>3,718,545</u>	<u>4,328,945</u>	<u>3,193,937</u>	<u>(1,135,008)</u>
Total Revenues				
EXPENDITURES:				
Materials and services	438,221	703,221 (1)	592,169	(111,052)
Capital outlay	3,585,765	3,955,665 (1)	2,640,368	(1,315,297)
Debt service	93,500	93,500 (1)	91,987	(1,513)
Contingency	35,000	9,914 (1)	-	(9,914)
	<u>4,152,486</u>	<u>4,762,300</u>	<u>3,324,524</u>	<u>(1,437,776)</u>
Total Expenditures				
Excess of Revenues Over (Under) Expenditures	<u>(433,941)</u>	<u>(433,355)</u>	<u>(130,587)</u>	<u>302,768</u>
Other Financing Sources (Uses):				
Transfers in	371,000	371,000	371,000	-
Transfers out	-	(10,086)	(10,086)	-
	<u>371,000</u>	<u>360,914</u>	<u>360,914</u>	<u>-</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balance	(62,941)	(72,441)	230,327	302,768
Beginning Fund Balance	<u>77,787</u>	<u>87,287</u>	<u>51,237</u>	<u>(36,050)</u>
Ending Fund Balance	<u>\$ 14,846</u>	<u>\$ 14,846</u>	<u>\$ 281,564</u>	<u>\$ 266,718</u>

(1) Appropriation Level

**RECONCILIATION OF BUDGETARY BASIS TO
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

Total expenditures, budgetary basis	\$ 3,324,524
Principal payments on debt reported as expenses on the budgetary basis are reported as a reduction in principal on the GAAP basis	(34,924)
Capitalized amounts reported as expense on the budgetary basis are reported as assets on the GAAP basis.	(2,640,368)
Accrued interest	(371)
Depreciation expense	250,750
Loss on sale of assets	75,270
	<u>974,881</u>
Total expenses, GAAP basis	<u>\$ 974,881</u>

CITY OF MADRAS
(Jefferson County, Oregon)

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

YEAR ENDED JUNE 30, 2015

AIRPORT CONSTRUCTION FUND

	Original Budget	Final Budget	Actual	Variance To Final Budget
REVENUES:				
Intergovernmental	\$ -	\$ 16,650	\$ 16,290	\$ (360)
Interest	-	-	13	13
Total Revenues	-	16,650	16,303	(347)
EXPENDITURES:				
Capital outlay	-	63,000	60,088	(2,912)
Contingency	4,180	-	-	-
Total Expenditures	4,180	63,000	60,088	(2,912)
Excess of Revenues Over (Under) Expenditures	(4,180)	(46,350)	(43,785)	2,565
Other Financing Sources (Uses):				
Transfers out	(16,000)	(16,000)	(16,000)	-
Net Change in Fund Balance	(20,180)	(62,350)	(59,785)	2,565
Beginning Fund Balance	20,180	62,350	68,339	5,989
Ending Fund Balance	\$ -	\$ -	\$ 8,554	\$ 8,554

(1) Appropriation Level

**RECONCILIATION OF BUDGETARY BASIS TO
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

Total expenditures, budgetary basis	\$ 60,088
Capitalized amounts reported as expense on the budgetary basis are reported as assets on the GAAP basis.	(60,088)
Total expenses, GAAP basis	\$ -

CITY OF MADRAS
(Jefferson County, Oregon)

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

JUNE 30, 2015

	Central Services	Public Works Staff	Buildings	Fleet	Total
ASSETS:					
Current Assets:					
Cash and investments	\$ 242,856	\$ 368,714	\$ 95,644	\$ 145,762	\$ 852,976
Accounts receivable	100	10,059	-	-	10,159
Prepaid expense	3,396	1,359	-	-	4,755
Inventory	-	-	-	14,774	14,774
Total Current Assets	246,352	380,133	95,644	160,536	882,664
Noncurrent Assets:					
Land	-	-	2,270,000	-	2,270,000
Construction in progress	-	34,763	-	-	34,763
Depreciable assets	5,718	7,125	5,421,300	1,168,586	6,602,729
Accumulated depreciation	(5,718)	(7,125)	(287,421)	(705,849)	(1,006,113)
Net pension asset	303,070	-	-	-	303,070
Total Noncurrent Assets	303,070	34,763	7,403,879	462,737	8,204,449
Total Assets	549,422	414,896	7,499,523	623,273	9,087,113
DEFERRED OUTFLOWS:					
Pension contributions subsequent to measurement date	98,511	-	-	-	98,511
LIABILITIES:					
Current Liabilities:					
Accounts payable	21,649	21,563	4,346	5,043	52,602
Payroll liabilities	9,660	14,667	-	-	24,327
Deposits	-	1,000	-	-	1,000
Accrued interest payable	-	-	16,737	-	16,737
Current portion of long-term debt	-	-	80,182	-	80,182
Total Current Liabilities	31,309	37,230	101,265	5,043	174,848
Noncurrent Liabilities					
Other post employment benefits	167,565	-	-	-	167,565
Compensated absences payable	46,863	63,231	-	-	110,094
Bonds payable	-	-	3,672,171	-	3,672,171
Total Noncurrent Liabilities	214,428	63,231	3,672,171	-	3,949,830
Total Liabilities	245,737	100,461	3,773,436	5,043	4,124,678
DEFERRED INFLOWS					
Difference between projected and actual investment earnings - pension related	584,803	-	-	-	584,803
Changes in employer proportionate share of contributions - pension related	13,638	-	-	-	13,638
Unearned revenue	1,724	25,518	-	-	27,242
Total Deferred Inflows	600,165	25,518	-	-	625,683
Net Position:					
Net position capital assets	-	34,763	3,651,526	462,737	4,149,026
Unrestricted	(197,969)	254,153	74,561	155,494	286,239
Total Net Position	\$ (197,969)	\$ 288,916	\$ 3,726,087	\$ 618,231	\$ 4,435,264

CITY OF MADRAS
(Jefferson County, Oregon)

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

YEAR ENDED JUNE 30, 2015

	Central Services	Public Works Staff	Buildings	Fleet	Total
OPERATING REVENUES:					
Charges for services	\$ 969,722	\$ 1,396,308	\$ 309,584	\$ 387,781	\$ 3,063,395
Licenses and fees	30,585	11,998	-	-	42,583
Rental income	250	-	-	-	250
Miscellaneous	-	-	-	-	-
Total Operating Revenues	1,000,556	1,408,307	309,584	387,781	3,106,228
OPERATING EXPENSES:					
Personal services	236,175	883,715	-	-	1,119,889
Materials and services	281,732	367,003	166,794	222,317	1,037,846
Depreciation	-	-	108,359	105,098	213,457
Total Operating Expenses	517,907	1,250,717	275,153	327,415	2,371,192
Operating Income	482,649	157,590	34,431	60,366	735,036
NONOPERATING REVENUES (EXPENSES):					
Intergovernmental	-	11,362	75,000	-	86,362
Interest on investments	655	1,237	314	446	2,652
Interest expense	-	-	(141,717)	(350)	(142,067)
Total Nonoperating Revenues (Expense)	655	12,599	(66,403)	96	(53,052)
Net Income Before Transfers	483,305	170,189	(31,972)	60,463	681,984
TRANSFERS					
Transfers in	-	23,662	-	-	23,662
Transfers out	(120,500)	(140,500)	(293,375)	-	(554,375)
Total Transfers	(120,500)	(116,838)	(293,375)	-	(530,713)
Change in Net Position	362,805	53,351	(325,347)	60,463	151,271
Cumulative change in accounting principle	(580,385)	-	-	-	(580,385)
Beginning Net Position	19,611	235,565	4,051,434	557,768	4,864,378
Ending Net Position	<u>\$ (197,969)</u>	<u>\$ 288,916</u>	<u>\$ 3,726,087</u>	<u>\$ 618,231</u>	<u>\$ 4,435,264</u>

CITY OF MADRAS
(Jefferson County, Oregon)

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2015

	Central Services	Public Works Staff	Buildings	Fleet	Total
Cash Flows from Operating Activities:					
Receipts from customers and users	\$ 65,307	\$ 35,109	\$ 2,068	\$ 3,001	\$ 105,485
Receipts from interfund services provided	938,000	1,392,897	307,516	384,780	3,023,193
Payments to suppliers	(277,604)	(374,263)	(167,310)	(237,815)	(1,056,992)
Payments to employees	(575,299)	(881,994)	-	-	(1,457,293)
Net Cash Flows Provided by Operating Activities	150,404	171,749	142,274	149,966	614,393
Cash Flows From Non-capital Financing Activities					
Transfer To/From Other Funds	(120,500)	(116,838)	(293,375)	-	(530,713)
Net Cash Flows Used in Non-capital Financing Activities	(120,500)	(116,838)	(293,375)	-	(530,713)
Cash Flows from Capital and Related Financing activities:					
Purchases of capital assets	-	(11,362)	(5,980)	(111,721)	(129,063)
Interest earned	655	1,237	314	446	2,652
Intergovernmental revenue	-	11,362	75,000	-	86,362
Principal paid on capital debt	-	-	(79,267)	-	(79,267)
Interest expense	-	-	(141,910)	(350)	(142,260)
Loan payment to other fund	-	-	-	-	-
Net Cash Flows Provided by (Used in) Capital and Related Financing Activities	655	1,237	(151,843)	(111,625)	(261,575)
Net Increase (Decrease) in Cash and Cash Equivalents	30,559	56,148	(302,944)	38,341	(177,895)
Balances - Beginning of the Year	212,296	312,566	398,588	107,421	1,030,871
Balances - End of the Year	<u>\$ 242,855</u>	<u>\$ 368,714</u>	<u>\$ 95,644</u>	<u>\$ 145,762</u>	<u>\$ 852,976</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating Income	\$ 482,649	\$ 157,590	\$ 34,431	\$ 60,366	\$ 735,036
Cash Flow Reported in Other Activities:					
Depreciation expense	-	-	108,359	105,098	213,457
Changes in Assets and Liabilities:					
Receivables	2,751	18,700	-	-	21,451
Prepaid expenses	(1,898)	(1,359)	-	-	(3,257)
Inventory	-	-	-	(14,774)	(14,774)
Pension asset	(985,384)	-	-	-	(985,384)
Deferred outflows	3,418	-	-	-	3,418
Accrued expenses	8,005	(3,193)	(516)	(724)	3,572
Other post employment benefits	25,846	-	-	-	25,846
Accrued compensated absences	15,817	11,868	-	-	27,685
Deferred inflows	599,200	(11,857)	-	-	587,343
Net Cash Provided by Operating Activities	\$ 150,404	\$ 171,749	\$ 142,274	\$ 149,966	\$ 614,393

CITY OF MADRAS
(Jefferson County, Oregon)

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

YEAR ENDED JUNE 30, 2015

CENTRAL SERVICES FUND

	Original Budget	Final Budget	Actual	Variance To Final Budget
REVENUES:				
Charges for services	\$ 954,500	\$ 954,500	\$ 969,722	\$ 15,222
Licenses and fees	30,000	30,000	30,585	585
Interest on investments	300	300	655	355
Rental income	200	200	250	50
	<u>985,000</u>	<u>985,000</u>	<u>1,001,212</u>	<u>16,212</u>
EXPENDITURES:				
Current				
Personal services	581,975	611,975 (1)	578,037	(33,938)
Materials and services	322,446	292,446 (1)	281,732	(10,714)
Contingency	75,000	75,000 (1)	-	(75,000)
	<u>979,421</u>	<u>979,421</u>	<u>859,769</u>	<u>(119,652)</u>
Excess of Revenues Over, (Under) Expenditures	5,579	5,579	141,443	135,864
Other Financing Sources (Uses):				
Transfers Out	(120,500)	(120,500) (1)	(120,500)	-
Net Change in Fund Balance	(114,921)	(114,921)	20,943	135,864
Beginning Fund Balance	186,686	186,686	192,373	5,687
Ending Fund Balance	<u>\$ 71,765</u>	<u>\$ 71,765</u>	213,316	<u>\$ 141,551</u>

**RECONCILIATION OF BUDGETARY BASIS TO
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

Total expenditures, budgetary basis	859,769
Pension related items are not reported on the budgetary basis but are reported as an expense (income) on the GAAP financial statements	(383,525)
Other post-employment benefits are not reported on the budgetary basis but are reported as an expense on the GAAP financial statements	25,846
Compensated absence liabilities are not reported on the budgetary basis but are reported as an expense on the GAAP financial statements	<u>15,817</u>
Total expenses, GAAP basis	<u>\$ 517,907</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, 2015

PUBLIC WORKS STAFF FUND

	Original Budget	Final Budget	Actual	Variance To Final Budget
REVENUES:				
Charges for services	\$ 1,416,559	\$ 1,416,559	\$ 1,396,308	\$ (20,251)
Intergovernmental	-	22,000	11,362	(10,638)
Licenses and fees	8,500	8,500	11,998	3,498
Interest on investments	1,500	1,500	1,237	(263)
Miscellaneous	2,500	2,500	-	(2,500)
	<u>1,429,059</u>	<u>1,451,059</u>	<u>1,420,905</u>	<u>(30,154)</u>
EXPENDITURES:				
Current:				
Personal services	994,053	994,053 (1)	871,847	(122,206)
Materials and services	341,877	404,877 (1)	367,003	(37,874)
Capital outlay	-	24,000 (1)	11,362	(12,638)
Operating contingency	100,000	15,000	-	(15,000)
	<u>1,435,930</u>	<u>1,437,930</u>	<u>1,250,212</u>	<u>(187,718)</u>
Excess of Revenues Over (Under) Expenditures	(6,871)	13,129	170,693	157,564
Other Financing Sources (Uses):				
Transfers in	-	-	23,662	23,662
Transfers out	(120,500)	(140,500) (1)	(140,500)	-
Net Change in Fund Balance	(127,371)	(127,371)	53,855	181,226
Beginning Fund Balance	165,814	165,814	263,528	97,714
Ending Fund Balance	<u>\$ 38,443</u>	<u>\$ 38,443</u>	<u>317,383</u>	<u>\$ 278,940</u>

**RECONCILIATION OF BUDGETARY BASIS TO
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

Total expenditures, budgetary basis	1,250,212
Capitalized amounts reported as expense on the budgetary basis are reported as assets on the GAAP basis.	(11,362)
Compensated absence liabilities are not reported on the budgetary basis but are reported as an expense on the GAAP financial statements	11,868
Total expenses, GAAP basis	<u>\$ 1,250,718</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, 2015

BUILDING FUND

	Original Budget	Final Budget		Actual	Variance To Final Budget
REVENUES:					
Charges for services	\$ 307,516	\$ 307,516		\$ 309,584	\$ 2,068
Intergovernmental	75,000	75,000		75,000	-
Interest	100	100		314	214
	<u>382,616</u>	<u>382,616</u>		<u>384,898</u>	<u>2,282</u>
EXPENDITURES:					
Materials and services	151,000	151,000	(1)	146,794	(4,206)
Capital outlay	25,000	30,000	(1)	25,980	(4,020)
Debt service	223,000	223,000	(1)	221,213	-
Operating contingency	30,000	-		-	-
	<u>429,000</u>	<u>404,000</u>		<u>393,987</u>	<u>(8,226)</u>
Other Financing Sources (Uses):					
Transfers out	(268,662)	(293,662)	(1)	(293,375)	287
	<u>(315,046)</u>	<u>(315,046)</u>		<u>(302,464)</u>	<u>10,795</u>
Net Change in Fund Balance	(315,046)	(315,046)		(302,464)	10,795
Beginning Fund Balance	351,624	351,624		393,762	42,138
Ending Fund Balance	<u>\$ 36,578</u>	<u>\$ 36,578</u>		<u>91,298</u>	<u>\$ 52,933</u>

**RECONCILIATION OF BUDGETARY BASIS TO
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

Total expenditures, budgetary basis	393,987
Capitalized amounts reported as expense on the budgetary basis are reported as assets on the GAAP basis.	(5,980)
Principal payments on debt reported as expenses on the budgetary basis are reported as a reduction in principal on the GAAP basis	(79,267)
Interest expense accrual	(229)
Depreciation expense	<u>108,359</u>
Total expenses, GAAP basis	<u>\$ 416,870</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, 2015

FLEET FUND

	Original Budget	Final Budget	Actual	Variance To Final Budget
REVENUES:				
Charges for service	\$ 384,780	\$ 384,780	\$ 387,781	\$ 3,001
Interest on investments	250	250	446	196
Total Revenues	385,030	385,030	388,227	3,197
EXPENDITURES:				
Current:				
Materials and services	252,500	267,500 (1)	222,317	(45,183)
Capital outlay	89,000	89,000 (1)	73,914	(15,086)
Debt service	38,157	38,157 (1)	38,157	-
Operating contingency	70,000	55,000	-	(55,000)
Total Expenditures	449,657	449,657	334,388	(115,269)
Net Change in Fund Balance	(64,627)	(64,627)	53,839	118,466
Beginning Fund Balance	81,470	81,470	101,654	20,184
Ending Fund Balance	\$ 16,843	\$ 16,843	155,493	\$ 138,650

**RECONCILIATION OF BUDGETARY BASIS TO
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

Total expenditures, budgetary basis	334,388
Capitalized amounts reported as expense on the budgetary basis are reported as assets on the GAAP basis.	(73,914)
Principal payments on debt reported as expenses on the budgetary basis are reported as a reduction in principal on the GAAP basis	(37,807)
Depreciation expense	105,098
Total expenses, GAAP basis	\$ 327,765

(1) Appropriation Level

OTHER INFORMATION

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

SCHEDULE OF TAX COLLECTIONS AND UNPAID BALANCES

YEAR ENDED JUNE 30, 2015

GENERAL FUND

<u>Tax Year</u>	<u>Imposed Levy or Balance Uncollected July 1, 2014</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, 2015</u>
Current:						
2014-15	\$ 1,170,669	\$ 29,034	\$ (1,741)	\$ 474	\$ 1,101,711	\$ 38,657
Prior years:						
2013-14	38,073	(1)	(215)	1,163	20,850	18,172
2012-13	22,230	-	(130)	1,635	12,738	10,997
2011-12	14,643	-	(131)	2,131	11,549	5,094
2010-11	8,796	-	(160)	2,163	9,932	867
2009-10	634	-	(160)	79	266	287
2008-09 & Prior	1,440	-	(66)	111	305	1,180
Total Prior	<u>85,816</u>	<u>(1)</u>	<u>(862)</u>	<u>7,282</u>	<u>55,640</u>	<u>36,597</u>
Total	<u>\$ 1,256,485</u>	<u>\$ 29,033</u>	<u>\$ (2,603)</u>	<u>\$ 7,756</u>	<u>\$ 1,157,351</u>	<u>\$ 75,254</u>

RECONCILIATION TO REVENUE:

Cash collections by County Treasurer above	\$ 1,157,351
Accrued June 30, 2014	(19,524)
Accrued June 30, 2015	<u>5,095</u>
Total Revenue per Fund Budgetary Statement	<u>\$ 1,142,922</u>

CITY OF MADRAS
(Jefferson County, Oregon)

SCHEDULE OF TAX COLLECTIONS AND UNPAID BALANCES

YEAR ENDED JUNE 30, 2015

REDEVELOPMENT COMMISSION GENERAL FUND

<u>Tax Year</u>	<u>Imposed Levy or Balance Uncollected July 1, 2014</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, 2015</u>
Current:						
2014-15	\$ 334,836	\$ 8,304	\$ (498)	\$ 136	\$ 315,113	\$ 11,057
Prior years:						
2013-14	11,847	-	(67)	362	6,488	5,654
2012-13	7,824	-	(46)	575	4,483	3,870
2011-12	5,396	-	(48)	785	4,256	1,877
2010-11	3,175	-	(52)	702	3,224	601
2009-10	191	-	(48)	24	80	87
2008-09 & Prior	398	-	(19)	31	85	325
Total Prior	<u>28,831</u>	<u>-</u>	<u>(280)</u>	<u>2,479</u>	<u>18,616</u>	<u>12,414</u>
Total	<u>\$ 363,667</u>	<u>\$ 8,304</u>	<u>\$ (778)</u>	<u>\$ 2,615</u>	<u>\$ 333,729</u>	<u>\$ 23,471</u>

RECONCILIATION TO REVENUE:

Cash collections by County Treasurer above	\$ 333,729
Accrued June 30, 2014	(6,389)
Accrued June 30, 2015	<u>1,627</u>
Total Revenue per Fund Budgetary Statement	<u>\$ 328,967</u>

CITY OF MADRAS
(Jefferson County, Oregon)

SCHEDULE OF TAX COLLECTIONS AND UNPAID BALANCES

YEAR ENDED JUNE 30, 2015

DEBT SERVICE FUND

<u>Tax Year</u>	<u>Imposed Levy or Balance Uncollected July 1, 2014</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, 2015</u>
Current:						
2014-15	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prior years:						
2013-14	3,032	-	(17)	93	1,660	1,448
2012-13	1,992	-	(12)	147	1,141	986
2011-12	1,359	-	(12)	198	1,072	473
2010-11	722	-	(13)	177	814	72
2009-10	58	-	(15)	7	25	25
2008-09 & Prior	144	-	(6)	12	33	117
Total Prior	<u>7,307</u>	<u>-</u>	<u>(75)</u>	<u>634</u>	<u>4,745</u>	<u>3,121</u>
Total	<u>\$ 7,307</u>	<u>\$ -</u>	<u>\$ (75)</u>	<u>\$ 634</u>	<u>\$ 4,745</u>	<u>\$ 3,121</u>

RECONCILIATION TO REVENUE:

Cash collections by County Treasurer above	\$ 4,745
Accrued June 30, 2014	(1,631)
Accrued June 30, 2015	<u>221</u>
Total Revenue per Fund Budgetary Statement	<u>\$ 3,335</u>

CITY OF MADRAS
(Jefferson County, Oregon)

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

YEAR ENDED JUNE 30, 2015

	INTEREST RATE	DATE OF ISSUE	OUTSTANDING JULY 1, 2014	ISSUED	MATURED AND PAID	OUTSTANDING JUNE 30, 2015	INTEREST MATURED AND PAID
GOVERNMENTAL FUNDS							
2012 Refunding Bond - Urban Renewal District	1.1-2.5%	5/15/2012	\$ 2,390,000	\$ -	\$ 100,000	\$ 2,290,000	\$ 77,000
Notes & Contracts Payable:							
2004 Full Faith & Credit	2.0-4.0%	8/31/2004	491,536	-	91,023	400,513	18,924
Special Public Works Fund	4.00%	7/15/2005	818,944	-	30,343	788,601	34,893
Line of Credit - Urban Renewal District	2.50%	6/30/2015		100,000	-	100,000	-
Total Governmental Funds			3,700,480	-	221,366	3,579,114	130,817
ISF Building Fund (Governmental Activities)							
Building Loan	3.0-5.2%	3/1/2011	1,660,000	-	50,000	1,610,000	74,083
USDA Loan	3.125%	3/22/2013	2,171,620	-	29,267	2,142,353	67,863
Total ISF Building Fund			3,831,620	-	79,267	3,752,353	141,946
Total Governmental Activities			7,532,100	-	300,633	7,331,467	272,763
ENTERPRISE FUNDS							
Water Fund							
Notes & Contracts Payable:							
Special Public Works Fund	4.97%	12/23/2004	126,557	-	4,914	121,643	6,290
Wastewater Fund							
Notes & Contracts Payable:							
Special Public Works Fund	4.97%	12/23/2004	54,239	-	2,106	52,133	2,696
Oregon DEQ	2.71%	11/1/2013	181,971	-	7,171	174,800	4,905
Bonds Payable:							
Sewer General Obligation	5.00%	8/1/1975	-	-	-	-	-
Series 2013 Refunding	2-4.125%	1/29/2013	10,495,000	-	-	10,495,000	425,074
Total Wastewater Fund			10,731,210	-	9,277	10,721,933	432,675
Airport Fund							
Notes & Contracts Payable:							
Special Public Works Fund	4.99%	10/2/2008	1,007,874	-	26,163	981,711	50,293
Jefferson County- Berg Drive	3.00%	7/15/2013	65,000	-	3,495	61,505	1,950
Bonds Payable:							
1996 Revenue bonds	5.13%	7/19/1996	94,062	-	5,266	88,796	4,820
Total Airport Fund			1,166,936	-	34,924	1,132,012	57,063
Total Enterprise Fund			12,024,703	-	49,115	11,975,588	496,028
Total			\$ 19,556,803	\$ -	\$ 349,748	\$ 19,307,055	\$ 768,791

**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, 2015, and have issued our report thereon dated November 16, 2015. 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. For public works contracts exceeding \$125,000, local governments are required by Oregon Public Contracting law to publish the advertisement in a newspaper of statewide circulation. The City published the advertisements for two contracts only in newspapers circulated within Central Oregon.
2. The lowest responsible bidder information is required to be reported to the Construction Contractors Board (CCB). While the City did award two contracts to the lowest responsible bidder, the information was not submitted to the CCB.

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.

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.



Brenda Bartlett, CPA
SGA Certified Public Accountants and Consultants, LLP

November 16, 2015



**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, 2015, 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 16, 2015.

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.

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. *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.

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

**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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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.



Brenda Bartlett, CPA
SGA Certified Public Accountants and Consultants, LLP

November 16, 2015



**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Madras, Jefferson County, Oregon (the City's) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2015. The City's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2015.

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 - continued**

Report on Internal Control over Compliance

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

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

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

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



Brenda Bartlett, CPA
SGA Certified Public Accountants and Consultants, LLP

November 16, 2015

CITY OF MADRAS
(Jefferson County, Oregon)

SCHEDULE FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the basic financial statements of City of Madras, Jefferson County, Oregon.
2. No significant deficiencies relating to the audit of the basic financial statements were reported in the *Independent Auditor's 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*.
3. No instances of noncompliance material to the basic financial statements of City of Madras, Jefferson County, Oregon were disclosed during the audit.
4. No significant deficiencies related to major federal award programs are reported in the *Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs for the City of Madras, Jefferson County, Oregon expresses an unqualified opinion on all major federal programs.
6. There were no audit findings that are required to be reported according to Section 510(a) of OMB Circular A-133.
7. The program tested as a major program was the USDOT Airport Improvement Program, CFDA #20.106.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The District was determined to be a high-risk auditee.

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

SCHEDULE FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

Findings - Financial Statements Audit

None.

Findings and Questioned Costs – Major Federal Award Programs Audit

None.

Update of Prior Year Financial Statement Audit Findings

2014-1

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

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

Current status: The finding has been corrected with implementation of a formal monthly and annual closing process with management review.

2014-2

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

Recommendations: We recommended 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.

Current status: Management implemented annual processes to monitor impairment and valuation of capital assets, including the performance of an annual physical count. They also purchased a capital asset software package that integrates with their accounting software for better tracking and accountability for capital assets.

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

SCHEDULE FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

2014-3

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

Recommendation: We recommended 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.

Current status: Management has implemented a process whereby 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.

Recommendation: We recommended 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: Management has implemented a new process whereby 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.

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

Federal Grantor and Pass Through Agency/Program Title	CFDA Number	Contract Number	Federal Expenditures
<u>US DEPARTMENT OF TRANSPORTATION</u>			
Airport Improvement Program Phase 2	20.106	DOT-FA12NM-0026	\$ 16,290
Airport Improvement Program Phase 3	20.106	DOT-FA12NM-0045	1,888,382
Passed through State of Oregon			
Enhanced Mobility for Seniors	20.513	ODOT 29342	66,528
State and Community Highway Safety	20.600	OP-14-45-03 MPD	3,620
Subtotal - passed through State of Oregon			<u>70,148</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,974,820</u></u>

CITY OF MADRAS
(Jefferson County, Oregon)

POST COMPLIANCE REPORTING

YEAR ENDED JUNE 30, 2015

Local Oregon Capital Assets Program, Certificates of Participation, Series 2011B (“2011B COPs”)
Local Oregon Capital Assets Program, Certificates of Participation, Series 2011B (“2012B COPs”)
City of Madras, Full Faith and Credit Refunding Obligations, Series 2013 (“2013 Obligations”)
City of Madras, Full Faith and Credit Refunding Obligations, Series 2015 (“2015 Obligations”)

Securities and Exchange Commission Rule 15c2-12, as amended (the “Rule”) requires at least annual disclosure of current financial information and timely disclosure of certain events with respect to the Obligations, if material. Pursuant to the Rule, the City has agreed to provide to the Municipal Securities Rulemaking Board (“MSRB”), audited financial information of the City and certain financial information or operating data. In addition, the City has agreed to provide to the MSRB, notice of certain events, pursuant to the requirements of Section (b)(5)(i) of the Rule.

The following information meets the other operating data required to be reported with the audited financial information of the City under the Securities and Exchange Commission Rule 15c2-12.

Property Values – City of Madras

Taxable Property Values

The City					
	Permanent Levy and Bond Levy				
Fiscal Year	Measure 5 Real Market Value	Total Taxable Assessed Value	Urban Renewal Excess Value	Assessed Value to compute the Taxes	Taxes to Be Received General Fund
2015	\$375,072,095	\$305,835,643	\$22,317,792	\$283,517,851	\$1,173,701
2014	362,214,121	283,117,698	21,112,484	262,005,214	1,150,281
2013	358,443,373	274,904,016	20,541,405	254,362,611	1,114,497
2012	369,575,050	279,339,617	21,942,895	257,396,722	1,130,073
2011 ³	407,423,469	296,192,033	20,677,896	275,141,137	1,207,632

¹ Value represents the Real Market Value of taxable properties, including the reduction in Real Market Value of specially assessed properties such as farm and forestland. This value is also commonly referred to as the Measure 5 Real Market Value by county assessors.

² Assessed value of property in the City on which the permanent rate is applied to derive *ad valorem* property taxes, excluding any other offsets.

³ In Fiscal Year 2011 the values for the permanent levy and the bond levy differed as the valuations for City’s permanent levy was subject a “Phase-in Levy” for industrial property annexed by the City. The Phase-in Levy was in place for seven years and sunset in Fiscal Year 2010/11. For Fiscal Year 2010/11 the City’s Measure 5 Real Market Value, Total Taxable Assessed Value, and Assessed Value to Compute the Taxes were equal to \$346,839,908, \$243,447,167 and \$222,769,271, respectively. The differences between the valuations shown in the table above represent the Phase-In Levy Valuations.

Source: Jefferson County Department of Assessment and Taxation and the Oregon Department of Revenue.

CITY OF MADRAS
(Jefferson County, Oregon)

POST COMPLIANCE REPORTING

YEAR ENDED JUNE 30, 2015

Tax Rate History and Percent Collected

Tax Collection Record¹

Percent collected as of

Fiscal Year	Permanent Tax		Local Option	Percent collected as of	
	Rate	Bond Tax Rate	Rate	Levy Year ²	6/30/2015 ³
2015	\$4.1262	\$0.000	\$0.00	96.7%	96.7%
2014	4.1262	0.2996	0.00	96.4	98.3
2013	4.1262	0.3602	0.00	95.7	98.9
2012	4.1262	0.3728	0.00	95.3	99.5
2011	4.1262	0.3689	0.00	94.7	99.9

¹ Percentage of total tax levy collection in the County. Pre-payment discounts are considered to be collected when outstanding taxes are calculated. The tax rates are before offsets.

² The percentage of taxes collected in the "year of the levy" represents taxes collected in a single levy year, beginning July 1 and ending June 30.

³ The percentage of taxes collected represents taxes collected for that levy year through June 30, 2015.

Source: *Jefferson County Department of Assessment and Taxation.*

Major Taxpayers – City of Madras

(Fiscal Year 2014-15)

The following table shows the top taxpayers in the City.

Taxpayer	Business/Service	Tax ¹	Assessed Value ²	Percent of Value
Bright Wood Corporation	Manufacturer (Wood Components)	\$369,799.50	\$19,901,149	6.5%
Keith Manufacturing	Manufacturer (Material Handling Systems)	139,660.88	7,565,800	2.5
Safeway, Inc.	Grocer	107,641.82	5,352,970	1.8
PacifiCorp	Power Utility	68,837.15	3,722,120	1.2
Keith Investments	Manufacturer (Material Handling Systems)	59,094.09	3,185,687	1.0
East Cascade Retirement	Retirement Community	56,544.23	3,955,240	1.3
RGV Palisades LLC	Commercial Property	53,049.83	2,638,140	0.9
Albina Fuel Co. Inc.	Petroleum Products	47,343.68	2,289,957	0.7
Cross Keys LLC	Lodging	44,327.65	2,204,390	0.7
CHS Inc.	Agricultural Products	40,159.54	2,175,548	0.7
Subtotal - Ten largest		<u>\$986,458.37</u>	52,991,001	17.3%
All other City taxpayers			<u>252,844,642</u>	82.7
Total City			<u>\$305,835,643</u>	100.0%

¹ Tax amount is the total tax paid by the taxpayer. This amount is distributed to individual local governments by the County. A breakdown of amounts paid to each individual local government is not available.

² Assessed value does not exclude offsets such as urban renewal and farm tax credits.

Source: *Jefferson County Department of Assessment and Taxation.*

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

POST COMPLIANCE REPORTING

YEAR ENDED JUNE 30, 2015

Major Taxpayers – Jefferson County

(Fiscal Year 2014-2015)

The following table shows the top taxpayers in the County.

Taxpayer	Business/Service	Tax ¹	Assessed Value ²	Percent of Value
Portland General Electric	Electric Utility	\$3,258,969.85	\$227,527,000	15.2%
Northwest Corp. Gas Trans.	Gas Utility	582,106.54	43,044,910	2.9
PacifiCorp	Power Utility	502,283.67	32,625,120	2.2
Bright Wood Corporation	Manufacturer (Wood Components)	379,025.61	20,478,409	1.4
Keith Investments/Manufacturing	Manufacturer (Material Handling Systems)	215,966.08	11,690,817	0.8
Warm Springs Power	Hydroelectric Utilities	207,027.67	14,500,000	1.0
Safeway, Inc.	Grocer	127,685.51	6,438,790	0.4
Burlington Northern Sante Fe	Railroad	120,843.39	7,799,160	0.5
Union Pacific Railroad	Railroad	96,195.08	6,064,000	0.4
Centurylink	Telecommunications	85,309.37	5,164,000	0.3
Subtotal - Ten largest		<u>\$5,575,412.77</u>	\$375,332,206	25.1
All other County taxpayers			1,126,001,841	74.9
Total County			<u>\$1,501,334,047</u>	100.0%

¹ Tax amount is the total tax paid by the taxpayer within the boundaries of the County. This amount is distributed to individual local governments by the County. A breakdown of amounts paid to each individual local government is not available.

² Assessed value does not exclude offsets such as urban renewal and farm tax credits.

³ Portland General Electric (“PGE”) operates the Pelton Round Butte hydroelectric project. It is the only project in the U.S. jointly owned by a Native American tribe and a utility. Currently, the project is two-thirds owned by PGE, and one-third owned by the Confederated Tribes of the Warm Springs Reservation of Oregon, through its Warm Springs Power Enterprises. The project is located on the Deschutes River in Jefferson County approximately six miles west of Madras, and approximately 90 miles southeast of downtown Portland. About one third of the central hydro project (dams, reservoirs and shore land) is located on the Warm Springs Reservation. Source: portlandgeneral.com.

Source: Jefferson County Department of Assessment and Taxation

Summary of Overlapping Debt

Fiscal Year 2014/15				
Overlapping Issuer Name	Overlapping		Overlapping Debt	
	Real Market Valuation	Percent Overlapping	Gross Property Tax-Backed Debt ¹	Net Property Tax-Backed Debt ²
Central Oregon Community College	\$26,612,464,840	1.59%	\$1,172,030	\$946,071
Jefferson County	1,944,666,082	21.74	1,925,201	1,766,486
Jefferson Co./Madras School District No. 509J	1,139,121,383	37.12	168,705,516	16,870,516
Madras Aquatic Center ³	1,108,813,830	38.13	2,251,612	2,251,612
North Unit Irrigation District	60,074,901	100.00	995,000	0
			<u>\$23,214,359</u>	<u>\$21,834,688</u>

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

POST COMPLIANCE REPORTING

YEAR ENDED JUNE 30, 2015

¹ Gross Property Tax-Backed Debt includes all limited and unlimited tax supported debt.

² Net Property Tax-backed Debt is Gross Property Tax-Backed debt less self-supporting unlimited tax general obligation debt and less self-supporting full faith and credit debt.

³ Does not take into the account a refunding that is scheduled to close on or about August 4, 2015.

Source: Debt Management Division, the Office of the State Treasurer.

Debt Ratios

The following table presents information regarding the City's tax supported direct debt, including the Obligations, and the estimated portion of the debt of overlapping taxing districts allocated to the City's property owners. Property tax-backed debt shown in the following table does not include appropriation credits, conduit revenue bonds, dedicated niche obligations, revenue bonds, obligations issued for less than 13-month, lease purchase agreements, loans, lines of credit or other non-publicly offered financial obligations.

Debt Ratios		
Real Market Value	\$375,072,095	
Estimated Population	6,260	
Per Capita Real Market Value	\$59,916	
Debt Information	Gross Property Tax- Backed Debt ^{1,2}	Net Property Tax- Backed Debt ^{1,3}
Direct Debt	\$19,077,866	\$8,182,353
Overlapping Direct Debt	23,214,359	21,834,688
Total Direct Debt	\$42,292,225	\$30,017,041
Bonded Debt Ratios ¹		
Direct Debt to Real Market Value	5.09%	2.218%
Total Direct Debt to Real Market Value	11.28%	8.00%
Per Capita Direct Debt	\$3,048	\$1,307
Per Capita Total Direct Debt	\$6,756	\$4,795

¹ Preliminary; subject to change.

² Gross Property Tax-Backed Debt includes all limited and unlimited tax supported debt, including the Obligations.

³ Net Property Tax-backed Debt is Gross Property Tax-Backed debt less self-supporting unlimited tax general obligation debt and less self-supporting full faith and credit debt. The Obligations are *NOT* classified as self-supporting for the purposes of this table.

Source: Jefferson County, Oregon State Treasury, City's Audited Financial Statements and the Obligations.

CITY OF MADRAS
(Jefferson County, Oregon)

POST COMPLIANCE REPORTING

YEAR ENDED JUNE 30, 2015

City Pension Plan Actuarial Valuations

	Actuarial Valuation as of			
	12/31/2011	12/31/2012 (Advisory Only)	12/31/2013	12/31/2014 (Advisory Only)
Allocated Pooled SLGRP T1/T2 UAL	\$2,578,069	\$1,859,819	\$1,411,873	\$2,587,569
Allocated Pre SLGRP pooled liability/(surplus)	\$0	\$0	\$0	\$0
Transition liability/(surplus)	\$(603,984)	\$(602,535)	\$(594,832)	\$(586,450)
Allocated pooled OPSRP UAL	\$27,593	\$128,029	\$131,663	\$183,201
Side Account	\$0	\$0	\$0	\$0
Net unfunded pension actuarial accrued liability	\$2,001,678	\$1,385,313	\$948,704	\$2,184,320
Combined Valuation Payroll	\$1,617,204	\$1,816,462	\$1,862,119	\$1,602,507
Net Pension UAL as a % of Payroll	124%	76%	51%	136%
Pre-SLGRP Pooled Rate	0.00%	0.00%	0.00%	0.00%
Transition Rate	(3.21)%	(2.94)%	(2.98)%	(3.62)%
Side Account Rate Relief	0.00%	0.00%	0.00%	0.00%
Allocated Pooled RHIA UAL	\$41,894	\$38,110	\$25,774	\$12,738
Allocated Pooled RHIPA UAL	\$0	\$0	\$0	\$0

Source: Oregon Public Employees Retirement System (OPERS) website, 2015 Actuarial Valuations

Possible Contribution Rate Collar

12/31/2013 Valuation:

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 1140%
July 1, 2015 Normal Cost & Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2015 Rate	14.58%	10.93%
Maximum July 1, 2015 Rate	21.88%	25.53%