

**MADRAS REDEVELOPMENT COMMISSION
JACKSON COUNTY, OREGON**

**FINANCIAL REPORT
-RESTATED-**

FOR THE YEAR ENDED JUNE 30, 2012



12700 SW 72nd Ave.
Tigard, OR 97223

MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of the City of Madras)
(A Component Unit of the City of Madras)
JEFFERSON COUNTY, OREGON

ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2012, RESTATED

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MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of the City of Madras)
(A Component Unit of the City of Madras)

JEFFERSON COUNTY, OREGON

AGENCY COMMISSIONERS AS OF JUNE 30, 2012

<u>NAME</u>	<u>TERM EXPIRES</u>
Tom Brown, Chair	February 1, 2015
Doug Lofting	February 1, 2013
Patty Woll	February 1, 2015
Kevin O'Meara	February 1, 2013
Melanie Widmer	February 1, 2013
Doeshia Jacobs	February 1, 2013
Rob Berg	February 1, 2015
Blanca Reynoso	February 1, 2015

Commissioners receive mail at the address listed below.

FINANCE DIRECTOR
Brandie McNamee

COMMISSIONERS' ADDRESS
Administrative Offices
125 SW E Street
Madras, OR 97741

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MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of the City of Madras)
(A Component Unit of the City of Madras)

JEFFERSON COUNTY, OREGON

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION:	
Management Discussion and Analysis	3
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets (Restated)	4
Statement of Activities (Restated)	5
Fund Financial Statements:	
Balance Sheet – Governmental Funds (Restated)	6
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Assets (Restated)	7
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds (Restated)	8
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to Statement of Activities (Restated)	9
Notes to Basic Financial Statements	10
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Actual and Budget – General Fund (Restated)	21
Schedule of Revenues, Expenditures and Changes in Fund Balances – Actual and Budget – Reinvestment Fund	22
SUPPLEMENTARY INFORMATION:	
Schedule of Property Tax Transactions and Balances of Taxes Uncollected	23
INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS	24

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
 - (503) 620-2632 • FAX (503) 684-7523

February 21, 2014

Agency Commissioners
Madras Redevelopment Commission
Madras, Oregon

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of the governmental activities and each major fund of the Madras Redevelopment Commission (a component unit of the City of Madras), as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements. These basic financial statements are the responsibility of management. Our responsibility is to express opinions on these basic financial statements based on our audit. The financial statements as of June 30, 2011, were audited by other auditors whose report dated December 12, 2011, issued an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing opinions on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Madras Redevelopment Commission, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

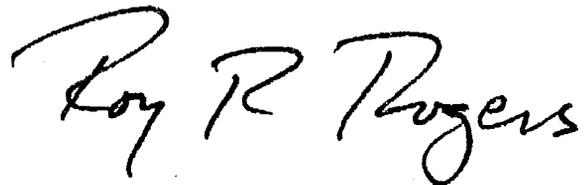
As discussed in Note 6 to the financial statements, the June 30, 2012 financial statements have been restated to correct misstatements. The previously-issued auditors' report dated December 15, 2012 is not to be relied on because the previously-issued financial statements were materially misstated. The previously-issued auditors' report is replaced by this report.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis, as listed in the table of contents, 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

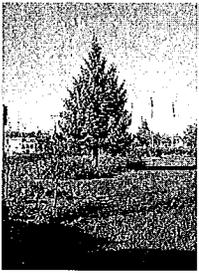
statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the Management's Discussion and Analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedules presented as Required Supplemental Information, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the supplementary information, as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

The listing of commissioners containing their term expiration dates, located before the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in black ink that reads "Roy R. Rogers". The signature is written in a cursive style with a large, prominent "R" at the beginning.

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



Madras Redevelopment Commission

125 SE E Street Madras Oregon 97741
Phone: 541-475-2344 Fax: 541-475-7061

Management's Discussion and Analysis

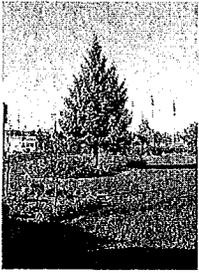
This is management's discussion and analysis (MD&A) of the financial performance of the Madras Redevelopment Commission (MRC), the urban renewal district of the City of Madras (City), for the fiscal year ending June 30, 2012. The report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Government Accounting Standard Board (GASB). The MD&A should be read in conjunction with the basic financial statements and notes to the financial statements.

History

The Madras Redevelopment Commission (MRC) was formed by City Ordinance No. 709 on June 24, 2003 and transferred the power of the Urban Renewal Agency of the City of Madras, to the Madras Redevelopment Commission pursuant to ORS 457.055. The Urban Renewal District lies primarily in the downtown corridor and extends to Lee Street to the north and Hall Street to the south. The Commission is managed by a governing board of eight members. The primary objectives of the Urban Renewal District are to 1) Eliminate blighted conditions; 2) Reverse physical and economic decline; and 3) Use tax increment financing to achieve its objectives to a \$14 million maximum indebtedness.

Financial Highlights

- The MRC provided \$245,000 in business grants and loaned an additional \$41,000 for façade improvement. These expenditures support the MRC's objectives identified above.
- During 2011-2012, the MRC repaid its Bond Anticipation Note with Bank of America in the amount of \$2,500,000. This was accomplished via an intergovernmental agreement between the City of Madras and the MRC that resulted in the MRC reporting a \$2,585,000 long-term obligation to the City of Madras.



Madras Redevelopment Commission

125 SE E Street Madras Oregon 97741
Phone: 541-475-2344 Fax: 541-475-7061

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the MRC's basic financial statements. The financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report contains required supplementary information and other supplementary information in addition to the basic financial statements themselves beginning on page 21 of this report.

The Government-Wide Financial Statements are designed to provide the reader with a broad overview of the Commission's finances and are made up of the following two statements: the *Statement of Net Assets* and the *Statement of Activities*. Both of these statements were 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 Assets* presents information on all of the Commission's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.
- The *Statement of Activities* presents information showing how the Commission's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the changes 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 property tax, which is earned but not physically collected by the Commission in this fiscal year).

Both of these government-wide financial statements distinguish functions of the Commission that are principally supported by taxes and assessments. The Commission does not have other functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as business-type activities).



Madras Redevelopment Commission

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Fund Financial Statements

Local governments use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Commission are considered governmental funds.

Governmental fund financial statements, unlike the government-wide statements, use modified accrual accounting which focuses on viewing 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?*” Therefore, under the modified accrual accounting, revenues are not recognized until they are measurable and available, and expenditures are recognized in the period in which liabilities are liquidated rather than when the liability is first incurred. Unlike the government-wide financial statements, the governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements. However, this information does not encompass the additional long-term focus of the government-wide statements. Therefore, both the governmental funds statements are followed by a reconciliation that explains the relationship or differences between governmental funds and the governmental-wide financial statements.

The MRC maintains two individual governmental funds, the *General Fund* and the *Reinvestment Fund*. The two funds are presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balance, beginning on page 6.

The MRC adopts an annual appropriated budget for all governmental funds. A budgetary comparison has been provided for each fund to demonstrate compliance with the adopted budget. These budgetary comparison statements can be found starting on page 21 of this report.

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 funds financial statements. The notes to the basic financial statements can be found beginning on page 10 of this report. In addition to the basic financial statements and the accompanying notes lies additional pertinent information for the reader referred to as *Auditor’s Comments and Reports*. This information can be found in this report following the notes to the basic financial statements.



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Financial Analysis of the Government-Wide Statements

Net Assets

Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) for the Madras Redevelopment Commission's government-wide financial statements.

As noted earlier, net assets may serve over time as a useful indicator of the MRC's financial position. Total negative net assets on June 30, 2012 totaled (\$1,489,001) versus (\$1,384,559) on June 30, 2011. The increase in the negative net assets balance is due to expenditures that exceeded property tax and other revenues. Typically the MRC operates at a deficit net assets (i.e., debt) balance. This is consistent with Oregon constitutional requirements for an Urban Renewal District. This debt is then repaid over time via the District's tax income.

Table 1
 MADRAS REDEVELOPMENT COMMISSION
 NET ASSETS

	Governmental Activities		Net Change	
	2012	2011	Increase/(Decrease) Amount	Percent
Assets:				
Cash and cash equivalents	\$ 350,928	\$ 374,699	\$ (23,771)	(6.3)%
Receivables	284,565	324,421	(39,856)	(12.3)%
Reinvestment Properties	463,691	463,691	---	---
Total Assets	1,099,184	1,162,811	(63,627)	(5.5)%
Liabilities:				
Current liabilities	3,185	47,370	44,185	93.3%
Non-current liabilities	2,585,000	2,500,000	85,000	3.4%
Total Liabilities	2,588,185	2,547,370	40,815	1.6%
Net Assets:				
Unrestricted (deficit)	(1,489,001)	(1,384,559)	(104,442)	7.5%
Total Net Assets	\$(1,489,001)	\$(1,384,559)	\$(104,442)	7.5%



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At the end of the fiscal year 2011-12, total receivables decreased (\$39,856) from FY2010-11. This was a result of a net decrease of (\$37,155) in note receivables relating to the façade improvement program of \$57,493. The MRC façade improvement loan program is now complete. This program offered qualifying merchants the opportunity to obtain a combination of a grant and a low-interest loan to revitalize their storefronts and give the downtown businesses a fresh curb side appeal (i.e. remove blight).

In December 2004, the Commission authorized the issuance of a Bond Anticipation Loan (BAN) Line of Credit through Bank of America in the amount of \$2.5 million to be used primarily for blight removal and to improve infrastructure projects within the urban renewal district. During fiscal year 2011-12, the MRC paid a total of \$80,959 in interest toward this BAN; the interest remained fixed at 3.076 percent. The BAN debt was paid in full in fiscal year 2011-12 using the proceeds from the City of Madras' Full Faith and Credit tax-exempt bond sale on May 15, 2012. The City of Madras issued these tax-exempt bonds on behalf of the MRC through LOCAP in the amount of \$2,858,000 with an interest rate of 3.82 percent. The liability balance is reported as Due to Other Governmental Agencies on the Statement of Net Assets.

Change in Net Assets

Below, Table 2 reflects the change in net assets for fiscal year 2010-11 to fiscal year 2011-12. During the fiscal year 2011-12, total property tax revenue increased by \$12,455 due to the increase in the taxable assessed value of properties located within the Urban Renewal District. Assessments refer to payments from borrowers for their loans from the MRC associated with the façade improvement program.

Operating expenditures were greater than the prior year by \$175,755. Expenditures include the following special payments made from MRC:

- a) a façade improvement loan discussed in the Financial Highlights section;
- b) a \$40,000 grant to the City of Madras for the Transportation Enhancement Streetscape project on Highway 97 between "L" street and Fairgrounds Road; and
- c) other business grants - \$105,000 to the Cross Keys Inn and \$100,000 for the Madras Cinema.



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Table 2
MADRAS REDEVELOPMENT COMMISSION
CHANGE IN NET ASSETS

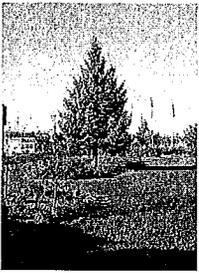
	Governmental Activities		Net Change	
	2012	2011	Increase/(Decrease) Amount	Percent
Revenue:				
Property taxes	\$ 367,766	\$ 355,311	\$ 12,455	3.5%
Interest on investments	6,764	6,007	757	12.6%
Total Revenues	374,530	361,318	13,212	3.7%
Expenses:				
Community development	478,972	303,217	175,755	58.0%
Total Expenses	478,972	303,217	175,755	58.0%
Change in Net Assets	(104,442)	58,101	(162,543)	(279.8)%
Net assets - beginning of year	(1,384,559)	(1,442,660)	58,101	4.0%
Net assets - end of year	\$(1,489,001)	\$(1,384,559)	\$ (104,442)	(7.5)%

Fund Financial Analysis

The focus of the governmental funds is to provide information on near-term inflows, outflows, and balance spending recourses. Such information is useful in assessing the government's financing requirements. Fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the conclusion of fiscal year 2011-12, the MRC's combined governmental funds reported an ending fund balance of \$819,202, up \$8,314 (1%) from the restated prior year fund balance of \$810,888.

Debt Administration

At the end of the fiscal year 2011-12, the MRC's total outstanding debt consists of a \$2,585,000 advance from City of Madras, reported as Due to Other Governmental Agencies on the Statement of Activities. The terms of the advance match the City's related bond issuance, with interest at 63.5% of the BBA Libor Daily floating Rate plus 2.6% with a 3.076% floor. The original amount of the advance was \$2,585,000, with an initial principal payment of \$95,000 due during the fiscal year ending June 30, 2013.



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Economic Factors and Next Year's Budget

Major factors anticipated in the 2012-2013 budget include the following:

- The downturn in the national, state, and regional economies is affecting the local economy, whereby marginal increases in property values within the urban renewal district have reduced the amount of property tax collected by the MRC.
- Property tax revenue from centrally assessed entities such as PGE, Century Link and Burlington Northern Santa Fe Railroad were greatly reduced by the local tax assessor this past year.
- A three (3) percent increase in property tax revenue is projected for the fiscal year 2012-2013. However, if the market values of properties within the urban renewal district remain less than assessed value, property tax revenue will become stagnant.
- During fiscal year 2009 the MRC executed a Memorandum of Understanding (MOU) with a developer to build a five-screen movie theater within the Madras Urban Renewal District. As part of the MOU, the MRC agreed to pay the developer \$100,000 per year for five years. The third of five payments in the amount of \$100,000 is forecasted in fiscal year 2012-2013.
- During fiscal year 2012 the MRC will contribute an additional \$75,000 towards to completion of the new Police Station/City Hall for the City of Madras located in the urban renewal district.
- The MRC has also committed \$15,000 for a Paint Grant program, \$15,000 for flowers in downtown Madras and \$10,000 for other economic development opportunities.

Request for Information

This financial report is designed to provide a general overview of the Madras Redevelopment Commission's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be address to the City of Madras/Madras Redevelopment Commission, Attention: Finance Director, 125 S.E. "E" Street, Madras, Oregon 97741, (541) 475-2344.

The City's website address is <http://www.ci.madras.or.us>.

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MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of the City of Madras)
(A Component Unit of the City of Madras)

MADRAS, OREGON

BASIC FINANCIAL STATEMENTS

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MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of the City of Madras, Oregon)
(A Component Unit of the City of Madras, Oregon)
JEFFERSON COUNTY, OREGON

STATEMENT OF NET ASSETS
June 30, 2012 (RESTATED)

ASSETS:

Cash and Cash Equivalents	\$ 350,928
Receivables:	
Property Taxes	36,936
Notes	247,629
Redevelopment Properties	<u>463,691</u>
 Total Assets	 <u>1,099,184</u>

LIABILITIES:

Accounts Payable	3,185
Long-term Obligations:	
Due to Other Governmental Agencies	<u>2,585,000</u>
 Total Liabilities	 <u>2,588,185</u>

NET ASSETS:

Unrestricted	<u>(1,489,001)</u>
 Total Net Assets, Restated	 <u>\$ (1,489,001)</u>

See accompanying notes to the basic financial statements

MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of the City of Madras, Oregon)
(A Component Unit of the City of Madras, Oregon)
JEFFERSON COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012 (RESTATED)

FUNCTIONS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
Governmental Activities				
Community Development	\$ 478,972	\$ -	\$ -	\$ (478,972)
Total Governmental Activities	\$ 478,972	\$ -	\$ -	(478,972)
General Revenues:				
Property Taxes Levied for General Service				367,766
Interest and Investment Earnings				6,764
Total General Revenues				374,530
Change in Net Assets				(104,442)
Net Assets - Beginning				(1,384,559)
Net Assets - Ending, Restated				\$ (1,489,001)

See accompanying notes to the basic financial statements

MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of the City of Madras, Oregon)
(A Component Unit of the City of Madras, Oregon)
JEFFERSON COUNTY, OREGON

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012 (RESTATED)

GOVERNMENTAL FUND TYPES			
	GENERAL FUND	REINVESTMENT FUND	TOTAL GOVERNMENTAL
ASSETS:			
Cash and Investments	\$ 284,433	\$ 66,495	\$ 350,928
Receivables:			
Property Taxes	36,936	-	36,936
Notes	-	247,629	247,629
Redevelopment Properties	463,691	-	463,691
Total Assets	\$ 785,060	\$ 314,124	\$ 1,099,184
LIABILITIES AND FUND EQUITY:			
Liabilities:			
Accounts Payable	\$ 3,185	\$ -	\$ 3,185
Deferred Revenue	29,168	247,629	276,797
Total Liabilities	32,353	247,629	279,982
Fund Equity:			
Restricted	752,707	66,495	819,202
Total Fund Equity, Restated	752,707	66,495	819,202
Total Liabilities and Fund Equity	\$ 785,060	\$ 314,124	\$ 1,099,184

See accompanying notes to the basic financial statements

MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of the City of Madras, Oregon)
(A Component Unit of the City of Madras, Oregon)
JEFFERSON COUNTY, OREGON

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS
June 30, 2012 (RESTATED)

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

Fund Balances	\$	819,202
Long-term liabilities applicable to the Agency's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.		
Due to Other Governmental Agencies		(2,585,000)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Deferred Revenue		<u>276,797</u>
Net Assets, Restated	\$	<u><u>(1,489,001)</u></u>

See accompanying notes to the basic financial statements

MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of the City of Madras, Oregon)
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JEFFERSON COUNTY, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012 (RESTATED)

	GENERAL FUND	REINVESTMENT FUND	TOTAL GOVERNMENTAL
REVENUES:			
Property Taxes	\$ 370,970	\$ -	\$ 370,970
Assessments	-	37,155	37,155
Interest on Investments	731	6,033	6,764
 Total Revenues	 371,701	 43,188	 414,889
EXPENDITURES:			
Current:			
Community Development	55,975	-	55,975
Debt Service	2,630,342	-	2,630,342
 Total Expenditures	 2,686,317	 -	 2,686,317
Excess of Revenues, Over (Under) Expenditures	(2,314,616)	43,188	(2,271,428)
OTHER FINANCING SOURCES (USES)			
Advance from Primary Government	2,585,000	-	2,585,000
Loss on Refinancing of Debt	(10,973)	-	(10,973)
Special Payments - Grants and Loans	(294,285)	-	(294,285)
 Total Other Financing Sources (Uses)	 2,279,742	 -	 2,279,742
Net Change in Fund Balance	(34,874)	43,188	8,314
Prior Period Adjustment	463,691	-	463,691
Beginning Fund Balance	323,890	23,307	347,197
Ending Fund Balance	\$ 752,707	\$ 66,495	\$ 819,202

See accompanying notes to the basic financial statements

MADRAS REDEVELOPMENT COMMISSION
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JEFFERSON COUNTY, OREGON

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012 (RESTATED).

Explanation of certain differences between the governmental fund statement of revenues, expenditures,
and changes in fund balance and the government-wide statement of activities

Net Change in Fund Balance	\$	8,314
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes in liability balances between years.

Long Term Debt Principal Payments		2,500,000
Long Term Debt Issued		(2,585,000)
Interest Payable		12,603

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This adjustment combines the net changes in deferred taxes between years.

Property Taxes		(3,204)
Notes Receivable		(37,155)
		<hr/>
Change in Net Assets	\$	<u>(104,442)</u>

See accompanying notes to the basic financial statements

MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of the City of Madras, Oregon)
(A Component Unit of the City of Madras, Oregon)
JEFFERSON COUNTY, OREGON

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Madras Redevelopment Commission (the Agency), the Urban Renewal Agency of the City of Madras, Oregon, is the urban renewal agency of and controlled by the City of Madras (the City). The Agency was formed by City Ordinance No. 709 on June 23, 2003 and transferred the power of the Urban Renewal Agency of the City of Madras, Oregon to the Madras Redevelopment Commission pursuant to ORS 457.055. The governing body consists of eight commissioners appointed by the Madras City Council.

B. Inclusion of the Agency in Madras, Oregon, Annual Financial Report

All significant activities and organizations for which the City exercises oversight responsibility have been included in the City's combined financial statements. The following criteria from Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units, regarding manifestation of oversight were considered by the City in its evaluation of City organizations and activities:

Financial interdependency – the City receives financial support or provides financial benefit to the Agency.

Authoritative appointment of governing authority – All eight members of the governing body are members of the City Council.

City management has determined that the Agency meets the criteria set forth above, and, therefore, is a Component Unit of the City. This report is issued solely to meet a State of Oregon, Department of Revenue interpretation of Oregon Revised Statutes that requires a separate audit report.

C. Agency-wide and Fund Financial Statements

The agency-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all activities of the Agency.

Governmental activities are supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of the City of Madras, Oregon)
(A Component Unit of the City of Madras, Oregon)
JEFFERSON COUNTY, OREGON

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus, Basis of Accounting and Basis of Presentation

The agency-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.

The agency-wide financial statements have applied all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental accounting Standards Board (GASB) pronouncements.

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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Other revenue items are considered to be measurable and available when received. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgment, are recorded only when payment is due.

The following major governmental funds are reported:

The *General Fund* is the primary operation fund. It accounts for all financial resources, except those required to be accounted for in another fund. Principal sources of revenue are property taxes and capital grants. Expenditures are primarily for the redevelopment of blighted areas and construction of public infrastructure assets for the City of Madras.

The *Reinvestment Fund* accounts for receipts from the repayment of redevelopment loans and the resources available for future projects.

E. Use of 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.

MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of the City of Madras, Oregon)
(A Component Unit of the City of Madras, Oregon)
JEFFERSON COUNTY, OREGON

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Cash Equivalents

The 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.

The bank accounts and investments are merged with the City of Madras, which are maintained in a central pool of cash and investments. The investment policy is to invest in the Local Government Investment Pool (LGIP), U.S. Government Obligations, and interest bearing demand deposits with local banks and to transfer resources to the general checking account as the need arises. This policy is in accordance with ORS 294.035, which specifies the types of investments, authorized for municipal corporations. Earnings on investments are allocated to each fund based on the average monthly balances throughout the year.

Investments in the LGIP are reported at cost, which approximates fair value in accordance with GASB Statement Number 31, and are considered cash equivalents for financial reporting purposes. All other investments are reported at fair value.

G. Property Taxes and Property Taxes Receivable

Property taxes receivable is recorded to indicate the amount of uncollected taxes that are expected to be received in the future. Such taxes are offset by a liability to indicate that these amounts have been recorded as receipts in the governmental statements. Ad valorem property taxes are levied and become a lien on all taxable property as of July 1. Property taxes are levied on November 15. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Taxes are billed and collected by Jefferson County and remittance is made at periodic intervals.

H. Receivables and Payables

Receivables including property taxes, accounts, entitlements, and shared revenues are reported in accordance with the policies enumerated in paragraph D above.

Activities between funds that are representative of lending and borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to or due from other funds". As of June 30, 2012, there were no activities between funds. Receivables for federal and state grants, and state, county and local shared revenue are recorded as revenue in all funds as earned. The receivables for state, county and local shared revenue are recorded in accounts receivable.

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 in the governmental funds, as assessment revenue is recognized upon collection.

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.

Investment earnings (e.g., accrued interest receivable) are recorded as revenue in all fund types as earned on investments.

MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of the City of Madras, Oregon)
(A Component Unit of the City of Madras, Oregon)
JEFFERSON COUNTY, OREGON

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Long-Term Obligations

In the agency-wide financial statements, long-term debt obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the lives of the bonds using the effective interest method. 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. As of June 30, 2012, all long-term debt has been retired.

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.

J. Fund Equity

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

- Nonspendable fund balance represents amounts that are not in a spendable form.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. By resolution, the decision-making for assigning amounts are delegated to the Urban Renewal Administrator and the Finance Director.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

There are no nonspendable, committed, unassigned or assigned fund balances.

MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of the City of Madras, Oregon)
(A Component Unit of the City of Madras, Oregon)
JEFFERSON COUNTY, OREGON

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Fund Equity (Continued)

The governing body has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

K. Net Assets

Net assets comprise the various net earnings from operations, nonoperating revenues, expenses and contributions of capital. Net assets are classified in the following three categories:

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

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

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

A budget is prepared for each governmental fund type in accordance with the legal requirements set forth in the Oregon Local Budget Law. The budget process begins early 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 generally published in early spring with a public hearing being held approximately three weeks later. The budget may be amended 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 30.

The expenditure budgets are appropriated at the following levels:

Level of Control

Materials and Services
Capital Outlay
Debt Service
Operating Contingency
Special Payments
Transfers

MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of the City of Madras, Oregon)
(A Component Unit of the City of Madras, Oregon)
JEFFERSON COUNTY, OREGON

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

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 Commissioner approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the Commissioners approve them due to a need which exists which was not determined at the time the budget was adopted.

Budget amounts shown in the financial statements reflect the original and final budget amounts. Expenditures in all funds were within authorized appropriations, except for an overexpenditure of Special Payments in the General Fund of \$294,285.

3. DETAILED NOTES ON ALL FUNDS

State statutes govern the cash management policies. Statutes authorize investing in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

A. Deposits and Investments

The cash and cash equivalents at June 30, 2012 are shown below:

Carrying amount of deposits	\$ 129,126
Investment in LGIP	<u>221,802</u>
Total cash and cash equivalents	<u>\$ 350,928</u>

Cash and cash equivalents by fund are as follows:

Governmental activities:	
General	\$ 284,433
Reinvestment	<u>66,495</u>
Total cash and cash equivalents	<u>\$ 350,928</u>

Deposits

Deposits consist of bank demand deposits. The total bank balance per the bank statements for all pooled cash is \$129,126. Of these deposits, \$129,126 was covered by Federal Depository Insurance. Effective July 1, 2008, state statutes (ORS 295.002) allow public officials to deposit public funds in one or more depositories currently qualified pursuant to ORS 295.001 to 295.108. As long as the bank depository has entered into an agreement (ORS 295.008(2)(b)) and has deposited securities pursuant to state statutes (ORS 295.015(1)), there now may be on deposit at any one bank depository and its branches, a sum in excess of the amount insured by the Federal Deposit Insurance Corporation. At June 30, 2012, the collateral was sufficient to meet the requirements of Oregon Law.

MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of the City of Madras, Oregon)
(A Component Unit of the City of Madras, Oregon)
JEFFERSON COUNTY, OREGON

3. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of bank failure, the deposits may not be returned. There is no deposit policy for custodial risk. As of June 30, 2012, none of the bank balance was exposed to custodial credit risk because it was insured.

Investments

The investment balances at year end were as follows:

Investment type	Fair Value	Percent of Investment Portfolio	Rating
Local Government Investment Pool	\$ 221,802	100.00%	Not Rated

The “weighted average maturity in years” calculation assumes that all investments are held until maturity.

Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the value of the deposit will not be recovered. There is no formal investment policy for custodial credit risk. All of the investments are within the LGIP. Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE.

Concentration of Credit Risk

At June 30, 2012, 100% of total investments were in the Local Government Investment Pool. State statutes do not limit the percentage of investments in this instrument.

B. Receivables

At June 30, 2012, the receivables are as follows:

Property Taxes	\$	36,936
Notes Receivable		247,629
Total receivables	\$	284,565

MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of the City of Madras, Oregon)
(A Component Unit of the City of Madras, Oregon)
JEFFERSON COUNTY, OREGON

3. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables (Continued)

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.

C. Deferred Revenue

Governmental funds report deferred 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 revenue only for amounts that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds included \$29,168 in unavailable property taxes and \$247,629 of unavailable revenue from notes receivable.

D. 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 Agency purchases property to be refurbished and sold. At June 30, 2012, the redevelopment properties consist of a non-depreciable property purchased to refurbish and sell, in the amount of \$463,691.

E. Long - Term Obligations

A \$2,500,000 bond anticipation line of credit was established by the Agency to finance various projects. During the current year, the line of credit was paid off using proceeds from an advance from the City of Madras. The advance was the direct result of a new bond issuance by the City specifically meant to refinance the Agency's bond anticipation line of credit. The terms of the advance from the City of Madras match the related bond issuance, with interest at 63.5% of the BBA Libor Daily floating Rate plus 2.6% with a 3.076% floor. The original amount of the advance was \$2,585,000, with an initial principal payment of \$95,000 due during the fiscal year ending June 30, 2013.

Changes in long-term obligations for the fiscal year ended June 30, 2012, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bond Anticipation					
Line of Credit	\$ 2,500,000	\$ -	\$ 2,500,000	\$ -	\$ -
Due to Other Governmental Agencies	-	2,585,000	-	2,585,000	95,000
Total Long-Term Obligations	<u>\$ 2,500,000</u>	<u>\$ 2,585,000</u>	<u>\$ 2,500,000</u>	<u>\$ 2,585,000</u>	<u>\$ 95,000</u>

MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of the City of Madras, Oregon)
(A Component Unit of the City of Madras, Oregon)
JEFFERSON COUNTY, OREGON

3. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long - Term Obligations (Continued)

Future payments are as follows:

<u>Due in</u>	<u>Principal</u>	<u>Interest</u>
2012-13	\$ 95,000	\$ 84,496
2013-14	100,000	79,000
2014-15	100,000	77,000
2015-16	105,000	75,900
2016-17	105,000	73,800
2017-22	580,000	323,700
2022-27	685,000	215,775
2027-32	815,000	87,850
Total	<u>\$ 2,585,000</u>	<u>\$ 1,017,521</u>

F. Risk Management

There is exposure to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; and natural disasters for which the Agency carries commercial insurance coverage in the name of the City. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage for the past three years.

G. Related Party Activity

The Agency provides funds to local businesses to improve and refurbish properties in the Urban Renewal District through a combination of grants and loans. For the year 2009-2010, one of the Agency's Commissioners was awarded \$57,425, which consisted of a 50% grant and 50% loan payable to the Agency. The outstanding loan balance at year end was \$20,095, and is payable in monthly installments through January 2020. This award was consistent with the Agency's policy and was discussed and approved during a monthly public meeting of the Urban Renewal District. This particular director did not participate in the deliberation or vote.

H. Commitments and Contingencies

There is an agreement with the developer of the Madras Cinema to pay a sum not to exceed \$500,000. The movie theater is required to be operated at least four days a week, year round. The theater opened on June 3, 2011, but did not receive final certificate of occupancy until September, 2011. The Agency will make the first of five annual payments in the amount of \$100,000 in July, 2012.

MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of the City of Madras, Oregon)
(A Component Unit of the City of Madras, Oregon)
JEFFERSON COUNTY, OREGON

4. PROPERTY TAX LIMITATIONS

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

The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction is accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions.

The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues.

5. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to add Redevelopment Properties in the amount of \$463,691 to the governmental fund financial statements. The land previously reported as capital assets on the agency-wide financial statements was acquired with the intent of sale, meaning that it qualifies as a financial asset and will convert to cash in due course.

6. RESTATEMENTS – CORRECTIONS OF MISSTATEMENTS

The previously-issued 2012 financial statements are restated to properly reflect correct expenditure amounts in the proper budgetary appropriation categories in the General Fund, to change the presentation of the notes receivable and related deferred revenue to be included on the governmental fund financial statements in addition to the agency-wide statements, to include reinvestment properties on the governmental fund statements, and to include a liability due to other governmental agencies that was not included in the previously-issued financial statements. The accompanying financial statements have been restated to reflect those changes.

MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of the City of Madras, Oregon)
(A Component Unit of the City of Madras, Oregon)
JEFFERSON COUNTY, OREGON

6. RESTATEMENTS – CORRECTIONS OF MISSTATEMENTS (CONTINUED)

The effects of the restatement on the previously-issued 2012 financial statements are summarized as follows:

*Statement of Net Assets
as of June 30, 2012:*

	Previously Reported	Increase (Decrease)	Restated
Liabilities:			
Due to Other Governmental Agencies	\$ -	\$ 2,585,000	\$ 2,585,000
Net Assets	1,095,999	(2,585,000)	(1,489,001)

*Statement of Activities
For the Year Ended June 30, 2012:*

	Previously Reported	Increase (Decrease)	Restated
Revenues:			
Intergovernmental Revenues	\$ 2,574,027	\$ (2,574,027)	\$ -
Expenses:			
Community Development	467,999	10,973	478,972
Net Assets - Ending	1,095,999	(2,585,000)	(1,489,001)

*Balance Sheet - Governmental Funds
as of June 30, 2012:*

	Previously Reported	Increase (Decrease)	Restated
Assets:			
Notes Receivable	\$ -	\$ 247,629	\$ 247,629
Reinvestment Properties	-	463,691	463,691
Liabilities:			
Deferred Revenue	29,168	247,629	276,797
Fund Equity	355,511	463,691	819,202

*Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2012:*

	Previously Reported	Increase (Decrease)	Restated
Revenues:			
Intergovernmental Revenues	\$ 2,574,027	\$ (2,574,027)	\$ -
Expenditures:			
Community Development	47,979	7,996	55,975
Capital Outlay	302,281	(302,281)	-
Other Financing Sources (Uses):			
Advance from Primary Government	-	2,585,000	2,585,000
Loss on Refinancing of Debt	-	(10,973)	(10,973)
Special Payments - Grants and Loans	-	(294,285)	(294,285)
Prior Period Adjustment	-	463,691	463,691
Ending Fund Balance	355,511	463,691	819,202

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MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of the City of Madras)
(A Component Unit of the City of Madras)

JEFFERSON COUNTY, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

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MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of the City of Madras, Oregon)
(A Component Unit of the City of Madras, Oregon)
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2012 (RESTATED)

GENERAL FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUES:				
Property Taxes	\$ 346,390	\$ 346,390	\$ 370,970	\$ 24,580
Interest on Investments	500	500	731	231
Total Revenues	<u>346,890</u>	<u>346,890</u>	<u>371,701</u>	<u>24,811</u>
EXPENDITURES:				
Current:				
Materials and Services	46,550	71,959 (1)	55,975	15,984
Capital Outlay	320,000	320,000 (1)	-	320,000
Debt Service	234,220	2,919,220 (1)	2,630,342	288,878
Contingency	15,000	4,591 (1)	-	4,591
Total Expenditures	<u>615,770</u>	<u>3,315,770</u>	<u>2,686,317</u>	<u>629,453</u>
Excess of Revenues, Over (Under) Expenditures	(268,880)	(2,968,880)	(2,314,616)	654,264
Other Financing Sources, (Uses)				
Intergovernmental Revenues	-	2,700,000	2,574,027	(125,973)
Special Payments - Grants and Loans	-	- (1)	(294,285)	(294,285)
Total Other Financing Sources, (Uses)	<u>-</u>	<u>2,700,000</u>	<u>2,279,742</u>	<u>(420,258)</u>
Net Change in Fund Balance	(268,880)	(268,880)	(34,874)	234,006
Prior Period Adjustment	-	-	463,691	463,691
Beginning Fund Balance	<u>268,880</u>	<u>268,880</u>	<u>323,890</u>	<u>55,010</u>
Ending Fund Balance, Restated	<u>\$ -</u>	<u>\$ -</u>	<u>752,707</u>	<u>\$ 752,707</u>

(1) Appropriation Level

MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of the City of Madras, Oregon)
(A Component Unit of the City of Madras, Oregon)
JEFFERSON COUNTY, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET
For the Year Ended June 30, 2012

REINVESTMENT FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
REVENUES:				
Assessments	\$ 20,000	\$ 20,000	\$ 37,155	\$ 17,155
Interest on Investments	3,100	3,100	6,033	2,933
Total Revenues	<u>23,100</u>	<u>23,100</u>	<u>43,188</u>	<u>20,088</u>
Net Change in Fund Balance	23,100	23,100	43,188	20,088
Beginning Fund Balance	<u>18,825</u>	<u>18,825</u>	<u>23,307</u>	<u>4,482</u>
Ending Fund Balance	<u>\$ 41,925</u>	<u>\$ 41,925</u>	<u>\$ 66,495</u>	<u>\$ 24,570</u>

MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of The City of Madras)
(A Component Unit of the City of Madras)

JEFFERSON COUNTY, OREGON

SUPPLEMENTARY INFORMATION

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MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of the City of Madras, Oregon)
(A Component Unit of the City of Madras, Oregon)
JEFFERSON COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2012

GENERAL FUND:

TAX YEAR	ORIGINAL LEVY OR BALANCE UNCOLLECTED AT 7/01/11	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/12
Current:						
2011-12	\$ 381,091	\$ 9,218	\$ (1,193)	\$ 325	\$ 353,158	\$ 17,847
Prior Years:						
2010-11	19,735	(14)	(328)	824	10,252	9,993
2009-10	9,788	(1)	(88)	781	4,675	5,807
2008-09	5,460	(1)	(68)	805	3,339	2,859
2007-08	1,391	-	(44)	443	1,584	206
2006-07 & Prior	325	-	(61)	25	65	224
Total Prior	36,699	(16)	(589)	2,878	19,915	19,089
Total	\$ 417,790	\$ 9,202	\$ (1,782)	\$ 3,203	\$ 373,073	\$ 36,936

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer Above	\$ 373,073
Amount Accrued as of 6/30/12	(3,032)
Taxes, (Adjustments) in Lieu	929
Total Revenue	<u>\$ 370,970</u>

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MADRAS REDEVELOPMENT COMMISSION
(The Urban Renewal District of The City of Madras)
(A Component Unit of the City of Madras)

JEFFERSON COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED BY
OREGON STATE REGULATIONS

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
 - (503) 620-2632 • FAX (503) 684-7523

February 21, 2014

Independent Auditors' Report Required by Oregon State Regulations

We have audited the restated basic financial statements of the Madras Redevelopment Commission as of and for the year ended June 30, 2012 and have issued our report thereon dated February 21, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

- **Deposit of public funds with financial institutions (ORS Chapter 295)**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **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 Madras Redevelopment Commission was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

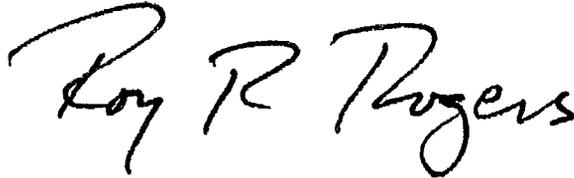
1. Expenditures of all the various funds were within authorized appropriations, except as noted on page 15 of the notes to the financial statements.

OAR 162-10-0230 Internal Control

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

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in our management letter dated February 21, 2014.

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

A handwritten signature in black ink that reads "Roy R. Rogers". The signature is written in a cursive style with a large, looping initial "R".

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