

**CITY OF MADRAS, OREGON**

**ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2010**



City of Madras

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ANNUAL FINANCIAL REPORT  
For the fiscal year ended June 30, 2010**

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**CITY OF MADRAS, OREGON  
OFFICIALS OF THE CITY  
AS OF JUNE 30, 2010**

**MAYOR AND CITY COUNCIL**

<u>Name and Address</u>	<u>Term Expires December 31,</u>
Melanie Widmer, Mayor 287 N.E. 16 <sup>th</sup> Street Madras, OR 97741	2010
Walt Chamberlain, Council Member 1022 SW Kenwood Drive Madras, Oregon 97741	2010
Bob McConnell, Council Member 68 S.E. Claremont Drive P.O. Box 425 Madras, OR 97741	2010
Benjamin Keeton, Council Member 639 S.W. Cedar Hill Drive Madras, Oregon 97741	2010
Royce W. Embanks Jr., Council Member 733 S.E. Turner Street Madras, OR 97741	2012
Tom Brown, Council Member 206 N.E. 11 <sup>th</sup> Street P.O. Box 668 Madras, OR 97741	2012
Kevin O'Meara, Council Member 85 N.W. Poplar Street Madras, OR 97741	2012

**CITY ADMINISTRATOR**

Mike Morgan

**FINANCE DIRECTOR**

Bruce Foltz

**CITY ADDRESS**

71 SE D Street  
Madras, Oregon 97741-1685



City of Madras

## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Madras, Oregon's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, Oregon, as of June 30, 2010, the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General, Transportation Operations, and Redevelopment Commission Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2011, on our consideration of the City of Madras, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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## **INDEPENDENT AUDITOR'S REPORT (Continued)**

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Madras, Oregon's financial statements as a whole. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and other financial schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and other financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Dickey and Tremper, LLP*  
**Dickey and Tremper, LLP**  
**Certified Public Accountants**

April 29, 2011



City of Madras

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

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City of Madras



## **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, 2010. 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 assets increased \$1.9 million over the course of the fiscal year from \$36.3 million for year end 2009 to \$38.3 million in fiscal year ended 2010. This is the result of the cumulative 8.4% increase in the governmental net assets and a 3.9% increase in the business- type net assets.
- Total capital assets for business-type activities increased 9.0 percent from \$32.4 million in 2009 to \$35.3 million in 2010, mostly due to the completion of the new heavy aircraft and engine maintenance facility.
- The City collected \$1.4 million in property tax revenue. This was an increase of 3.9 percent from the prior year.
- As of the end of the fiscal year, total governmental funds had an ending fund balance of \$1.5 million, a decrease of \$105,670 from the prior year.
- During the current fiscal year, the City eliminated three administrative positions due to a reduction in work volume and a sluggish local economy. At year end, the City maintained 33 full time employees.

## 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 three components: 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 Assets* 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 Assets* presents information on all of the City'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 City is improving or deteriorating.
- The *Statement of Activities* presents information showing how the government'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 change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused compensated absents).

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

## Measurement focus and basis of accounting

Governmental financial reporting is characterized as having two distinct objectives for its financial reporting. These objectives are categorized as governmental activities which are supported by levying taxes and business-type (proprietary) activities which are supported by charges for services. The measurement focus for each of these activities are uniquely different, both the governmental-wide financial statements and the business-type activities focus on the changes in economic resources similar to private-sector businesses. The objective of the proprietary fund operating statement is to answer the question, *“What transactions and events have incurred that increase or decrease the fund’s total economic resources during the period?”* Therefore, both the Governmental-wide and the proprietary funds financial statements are based on full accrual accounting. Accrual accounting measures the effects of transactions, events, and interfund activities when they occur, regardless of the timing of the related cash flows. The measurement focus for governmental funds however, is to view changes in current financial resources. The objective is to answer the question, *“What are the transactions or events of the current period that have increased or decreased the resources available for spending in the near future?”* Governmental funds use modified accrual accounting in which revenues are not recognized until they are measurable and available, and expenditures are recognized in the period in which governments in general normally liquidate the related liability rather than when the liability is first incurred.

## Fund Financial Statements

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

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

wide statements. Therefore, both the governmental funds financial statements are followed by a reconciliation that explains the relationship or differences between governmental funds and the governmental-wide financial statements.

- The City maintains thirteen individual governmental funds. Of these individual funds, the City considers three funds to be *major governmental funds*. These three major governmental funds, are represented individually in the balance sheet and the statement of revenues expenditures, and change in fund balances, consists of the General Fund, Transportation Operations Fund, and the Redevelopment Commission Fund. The remaining ten funds are considered non-major governmental funds and are combined in a single, aggregated presentation.
- As part of required supplementary information, budgetary comparison statements are presented for the reader's information. These statements compare the original adopted budget along with the final adjusted budget to the year-end actual activities.
- **Proprietary Funds** are similar to business-type activities which utilize full accrual accounting. The City maintains two different types of proprietary funds consisting of the *enterprise funds* and the *internal service funds*. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds are used to account for the City's Water, Wastewater and Airport operations. Internal Service Funds are an accounting device used to accumulate the allocate costs internally among the City's various functions (departments). The City uses internal service funds to allocate costs associated with administrative services, public works staff, buildings, and fleet services. These costs are considered to be indirect overhead costs that cannot be directly associated with an individual function. Therefore, these costs are allocated to other functions in a systematic method. Because these services predominantly benefit governmental activities rather than business-type functions, they are included within the governmental activities in the government-wide financial statements.
- Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Wastewater and Airport operations. The Internal Service fund is shown as a separate fund in the proprietary fund financial statement.

The financial statements also include notes that provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 18 of this report.

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### *Net Assets*

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

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

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Madras, combined net assets for fiscal year ended June 30, 2010 totaled \$38.3 million, an increase of \$1.9 million June 30 2009.

Table 1  
CITY OF MADRAS  
NET ASSETS

	Governmental Activities		Business Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Assets:</b>						
Current and other assets	\$ 3,021,233	\$ 2,835,648	\$ 4,078,827	\$ 4,768,802	\$ 7,100,060	\$ 7,604,450
Capital assets	14,125,475	13,245,298	35,349,907	32,428,414	49,475,382	45,673,712
<b>Total Assets</b>	<b>17,146,708</b>	<b>16,080,946</b>	<b>39,428,734</b>	<b>37,197,216</b>	<b>56,575,442</b>	<b>53,278,162</b>
<b>Liabilities:</b>						
Current liabilities	691,883	510,678	1,045,625	1,049,079	1,737,508	1,559,757
Non-current liabilities	4,240,139	4,305,560	12,337,421	11,069,905	16,577,560	15,375,465
<b>Total Liabilities</b>	<b>4,932,022</b>	<b>4,816,238</b>	<b>13,383,046</b>	<b>12,118,984</b>	<b>18,315,068</b>	<b>16,935,222</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	9,865,509	8,884,052	22,783,350	21,136,810	32,648,859	30,020,862
Restricted	548,651	558,038	2,596,173	3,341,392	3,144,824	3,899,430
Unrestricted	1,800,526	1,822,618	666,165	600,030	2,466,691	2,422,648
<b>Total Net Assets</b>	<b>\$ 12,214,686</b>	<b>\$ 11,264,708</b>	<b>\$ 26,045,688</b>	<b>\$ 25,078,232</b>	<b>\$ 38,260,374</b>	<b>\$ 36,342,940</b>

The largest component of the City's net assets, \$32.6 million, is investments in capital assets (e.g., land, buildings, improvements, equipment, infrastructure and construction in progress) less any related debt used to acquire those assets that is still outstanding. 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 assets are calculated by reducing the carrying value of restricted assets by amounts repayable from those assets, excluding capital-related debt. The restricted net assets 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 assets decreased 19.4 percent from \$3.9 million in 2009 to \$3.1 million in 2010. During this fiscal year restricted net assets which represents mostly previously collected System Development Charges (SDC), were reduced in the SDC Wastewater fund. This was a result of purchasing three new vehicles and the initial construction cost for a storage facility to house the new vehicles. Unrestricted new assets rose slightly gaining a 1.2 percent increase.

At the end of the current fiscal year, the City has a positive balance in all three categories of net assets, both for the government as a whole, as well as for the separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Change in Net Assets

The analysis below focuses on the change in net assets (Table 2) of the City’s governmental and business-type activities.

Table 2  
CITY OF MADRAS  
CHANGE IN NET ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenue:</b>						
<i>Program Revenues:</i>						
Charges for services	255,570	364,839	2,386,294	2,296,246	2,641,864	2,661,085
Operating grants and contributions	557,172	352,349			557,172	352,349
Capital grants and contributions	658,427	2,993,101	2,259,488	3,156,799	2,917,915	6,149,900
<i>General Revenues:</i>						
Property taxes	1,442,895	1,388,308	102,440	99,258	1,545,335	1,487,566
Franchise and public services tax	868,848	834,891			868,848	834,891
Investment earnings and other	131,329	166,430	21,581	53,828	152,910	220,258
<b>Total Revenues</b>	<b>3,914,241</b>	<b>6,099,918</b>	<b>4,769,803</b>	<b>5,606,131</b>	<b>8,684,044</b>	<b>11,706,049</b>
<b>Expenses:</b>						
General services	32,116	22,333			32,116	22,333
Parks	249,256	248,051			249,256	248,051
Community development	675,916	675,892			675,916	675,892
Public safety	1,592,883	1,482,231			1,592,883	1,482,231
Highways and streets	683,533	814,919			683,533	814,919
Interest on long-term obligations	151,529	154,664			151,529	154,664
Enterprise operations	-	-	3,381,377	3,248,788	3,381,377	3,248,788
<b>Total Expenses</b>	<b>3,385,233</b>	<b>3,398,090</b>	<b>3,381,377</b>	<b>3,248,788</b>	<b>6,766,610</b>	<b>6,646,878</b>
Increase (decrease) in Net Assets before other revenue and transfers	529,008	2,701,828	1,388,426	2,357,343	1,917,434	5,059,171
Transfers	420,970	6,000	(420,970)	(6,000)	-	-
<b>Change in Net Assets</b>	<b>949,978</b>	<b>2,707,828</b>	<b>967,456</b>	<b>2,351,343</b>	<b>1,917,434</b>	<b>5,059,171</b>
Net assets - beginning of year	11,264,708	8,556,880	25,078,232	22,726,889	36,342,940	31,283,769
<b>Net assets - end of year</b>	<b>12,214,686</b>	<b>11,264,708</b>	<b>26,045,688</b>	<b>25,078,232</b>	<b>38,260,374</b>	<b>36,342,940</b>

Governmental Activities:

The City’s net assets for governmental activities increased \$949,978 or 8.4 percent in 2010. This accounted for 49.5 percent of the total government-wide net assets. Total revenues for fiscal year 2010 decreased by \$2.2 million primarily due to a reduction in capital contributions.

During the prior year, the City capitalized \$2.5 million in infrastructure improvements mostly as a result of two new residential developments within the City. During the current fiscal year the majority of the new home construction ceased due to the sluggish economy.

In the current year, property tax revenue increased 3.9 percent over the prior fiscal year. This increase is a combination of the results of the 3.0 percent statutory limit increase of the taxable assessed value and a higher than anticipated “prior year’s” property tax revenue. The sudden upsurge in “prior year’s” property tax revenue, approximately 44 percent higher than last fiscal year, is primarily a result of the increase in real estate foreclosures in the local real estate market. Because of the forced real estate sales, the City was able to collect on prior delinquent property taxes.

During the current fiscal year, total accrued expenses for the highway and street fund decreased \$131,386 mostly as a result of a decrease in expenditures in bicycle path maintenance, equipment rental, street greenway maintenance and the funds total contribution to internal service funds.

During this current year, \$420,970 was transferred from business-type activities to governmental activities which helped to contribute to the increase in the governmental net assets. This transfer was associated to infrastructure improvements in connection to the new heavy aircraft and maintenance facility located at the Madras Airport. These infrastructure improvements consisted of expanding both water and wastewater service lines and expansion of Airport Way road.

Business-Type Activities:

The City’s business–type activities consist of the Water, Wastewater and Airport operations. In fiscal year end 2010, combined charges for services increased 3.9 percent while total combined accrued expenses increased 4.1 percent from year end 2009. The increase in revenues was primarily due to a rate increase in service fees for both the water and wastewater operation funds which were implemented July 1, 2009. The increase in operating expense was mostly a result of an increase in indirect overhead costs charged by internal service funds, most noticeably public works staff and central services.

**FINANCIAL ANALYSIS OF THE CITY’S FUNDS**

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

Below, (Table 3) shows the governmental funds balances for the two fiscal years ending June 30, 2010 and June 30, 2009. *Governmental funds* are divided into two categories consisting of major

and non-major funds. During fiscal year end 2010, three funds were classified as major governmental funds: the General fund; Transportation Operations fund; and the Redevelopment Commission fund. All other funds were classified as non-major funds. A major fund is any individual fund that meets the criteria of the following combined two tests. A fund is classified as a major fund if the corresponding total revenues, expenses or (expenditures), assets or liability for all funds of that category or type (governmental funds or enterprise funds) are at least 10 percent of total aggregate for all funds and at least 5 percent of the total aggregate for all funds (governmental and enterprise funds) combined.

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

<b>Fiscal Year 2009-2010</b>	General Fund	Transportation Operation Fund	Redevelopment Commission Fund	Non-Major Governmental Funds	Total
Total revenues:	1,941,860	929,801	328,703	432,166	3,632,530
Total expenditures:	1,781,279	837,807	288,635	856,389	3,764,110
Revenues over (under) Expenditures	160,581	91,994	40,068	(424,223)	(131,580)
Total other financing sources (uses)	(173,621)	(138,000)		337,533	25,912
Net change in fund balance	(13,040)	(46,006)	40,068	(86,690)	(105,668)
Fund balance - beginning	602,828	146,286	279,949	587,185	1,616,248
Fund balance - ending	589,788	100,280	320,017	500,495	1,510,580
<b>Fiscal Year 2008-2009</b>	General Fund	Transportation Operation Fund	Redevelopment Commission Fund	Non-Major Governmental Funds	Total
Total revenues:	1,719,064	721,255	309,662	1,281,644	4,031,625
Total expenditures:	1,550,517	778,238	348,431	2,017,008	4,694,194
Revenues over (under) Expenditures	168,547	(56,983)	(38,769)	(735,364)	(662,569)
Total other financing sources (uses)	(206,246)		84,948	127,298	6,000
Net change in fund balance	(37,699)	(56,983)	46,179	(608,066)	(656,569)
Fund balance - beginning	640,528	203,271	233,770	1,195,250	2,272,819
Fund balance - ending	602,829	146,288	279,949	587,184	1,616,250

As of fiscal year ended 2010, the City's governmental funds reported a combined ending fund balance of \$1.5 million. For the current fiscal year, the ending fund balance for the General fund dropped slightly by 2.2 percent. Overall revenues of both property tax and franchise fees increased 3.6 percent and 11.3 percent respectfully from prior year. However, total operating expenditures rose 14.9 percent from 2009 mostly as a result of an increase in wages for public safety.

### **General Fund Budget Highlight**

The City adopted the appropriated the operating budget for the fiscal year 2009-2010 on June 23, 2009 in the amount of \$17,999,129 Major governmental funds budgetary comparison can be found on pages 8 through 10, while the non-major governmental funds budgetary comparison begin on page 50, shows the relationship between the original adopted budget, the final budget, and actual amount of revenues and expenditures. The budgeted figures are presented on the modified accrual basis. During the current year, the general fund increased appropriations in the amount of \$23,242 as a result of contributing funds to the Thomas Tucker Veteran's Memorial to construct and erect a monument in memory of Thomas Tucker. During the fiscal year, the City approved a supplemental budget to transfer funds in conjunction with the construction of the new heavy aircraft hangar facility. These transfers are as follows:

Water Operation Fund	(\$ 35,000)
Wastewater Improvement Fund	(\$ 100,000)
Airport Operations Fund	(\$ 65,000)
Industrial Site Find	(\$ 60,000)
Airport Construction Fund	\$ 260,000

For more information regarding the budget see page 23 of the notes to the financial statements.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

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 Construction in progress represents capital projects

that are incomplete at the end of the fiscal year. Because these projects are incomplete they are classified under non-depreciable assets. Once the project is completed a one-half year depreciation is applied to that asset the first fiscal year with a full year depreciation each following year until the asset is completely depreciated. During the current fiscal year, construction-in-process decreased \$516,526 and \$670,138 for both governmental and business-type activities respectively. During this fiscal year, the City completed the Sahalee Park project which is classified under governmental activities. While under business-type activities, the City completed the new heavy aircraft hangar located at the Madras Airport (see table 4 for more detail).

Table 4  
CITY OF MADRAS  
Capital Assets  
(net of depreciation)

	Governmental Activities		Business Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Non-depreciable assets:</b>						
Land	\$ 686,465	\$ 686,465	\$ 1,404,544	\$ 1,404,544	\$ 2,091,009	\$ 2,091,009
Assets available for sale	463,691	463,691			463,691	463,691
Construction in progress	489,040	1,005,566	429,388	1,099,526	918,428	2,105,092
Total non-depreciable assets	1,639,196	2,155,722	1,833,932	2,504,070	3,473,128	4,659,792
<b>Capital assets being depreciated:</b>						
Land Improvements	290,667	318,195	130,552		421,219	318,195
Buildings and improvements	2,600,266	2,014,968	4,377,402	1,102,870	6,977,668	3,117,838
Equipment	812,409	674,166	731,375	263,276	1,543,784	937,442
Infrastructure	8,782,937	8,082,248	28,276,646	28,558,198	37,059,583	36,640,446
Total depreciable assets, net	12,486,279	11,089,577	33,515,975	29,924,344	46,002,254	41,013,921
<b>Total capital assets</b>	<b>\$ 14,125,475</b>	<b>\$ 13,245,299</b>	<b>\$ 35,349,907</b>	<b>\$ 32,428,414</b>	<b>\$ 49,475,382</b>	<b>\$ 45,673,713</b>

During the current fiscal year, total capital assets for the government wide financial statement, net of depreciation, increased \$3.8 million or approximately 8.1 percent. This consists of an increase of 6.6 percent for governmental activities and 9.0 percent for business-type activities.

Governmental Activities:

- For governmental activities, the increase in capital assets during the fiscal year is primarily due to an increase in buildings, equipment and infrastructure.
- Under buildings and improvements, the City capitalizing \$673,741 for the Sahlee Park project. This project was initially started in fiscal year 2008-2009 and was completed in the fall of 2009.
- Total equipment increased 20.0 percent as a result of purchasing two 2010 Crown Victory police cars for a combined cost of \$65,586 and a Schwarze street sweeper for \$185,707. Both the police cars and the street sweeper are expected to have a useful life of ten years.

- During this fiscal year total infrastructure increased to \$700,689 as a result of street improvements, and the installation of both water and wastewater lines. The City also expanded approximately 1,800 feet of new streets located at the Madras Airport and industrial site complex for a cost of \$480,970. This expansion was part of the total project of constructing the new heavy aircraft and maintenance facility located at 2322 N.W. Airport Way. Additional expenditures for infrastructure consisted of street expansion along with sidewalk improvements associated with the development of the Taco Bell restaurant located on the corner of "B" and 4<sup>th</sup> street, Madras, Oregon. This project contributed \$144,402 toward the total capitalized infrastructure costs for this fiscal year. Also completed this year, was the Buff Street pedestrian bridge for a total capitalized cost of \$253,894.

*Business-Type Activities:*

- Beginning in spring 2009 the City embarked on a project to construct a 39,550 square foot heavy aircraft and maintenance facility located at the north the Madras Airport terminal. This facility was designed to house one, four-engine, DC-7 aircraft. This building stand over 55 feet tall with a uniquely designed in-floor heating system that was constructed with over 7 mile of polycarbonate tubing to heat the hangar floor. The building is designed with three separate, state-of-the-art fire suppression systems which utilizes both foam and water. This project encompassed four revenue sources consist of both grant funding and a 25 year loan through the Oregon Business Development Department. This facility which took approximately 16 months to complete was finalized in June 2010. The overall cost of this project was \$4.1 million including infrastructure cost of \$624,897. This facility will be depreciated based on a seventy-five year useful life.
- During the current year capitalized equipment increased from \$263,000 in 2009 to \$731,375 in 2010. This increase was due to the purchase of three vehicles for the wastewater operations fund. These vehicles comprised of the following: a 2010 Freightliner sludge truck for \$200,668; a 2010 Freightliner bio-solids spreader truck for \$188,738; and a 2010 International, four-wheel-drive service truck with a built in light duty crane designed to lift man-hole-covers, sewer pumps and motors, for \$170,291. The bio-solids spreader truck is a multipurpose truck that is utilized year round. During the dry seasons of spring, summer, and fall this apparatus is used to spread dried sludge from the north wastewater treatment facility onto City owned agricultural land located north of the Madras Airport. During the snow season this vehicles is utilized to spread sand on the City's streets to help provide traction for motorist. These three vehicles will be depreciated based on a useful life of seven years.

Below, (Table 5) show the City's combined total outstanding debt for both fiscal years ending 2010 and 2009

Table 5  
CITY OF MADRAS  
Outstanding Debt

	Governmental Activities		Business Activities		Total	
	2010	2009	2010	2009	2010	2009
Governmental activities:						
Bond Anticipation Note	\$ 2,500,000	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000	\$ 2,500,000
Bond			8,251,235	8,467,428	8,251,235	8,467,428
Loans and Notes	1,759,966	1,861,246	4,315,322	2,824,177	6,075,288	4,685,423
OPEB Liability	84,375	45,594			84,375	45,594
Total capital assets	\$ 4,344,341	\$ 4,406,840	\$ 12,566,557	\$ 11,291,605	\$ 16,910,898	\$ 15,698,445

Governmental Activities:

- The bond anticipation note of the urban renewal district remains unchanged for fiscal year 2010. Currently, the City is paying interest only on this note. The first principal payment will be due by June 30, 2012. During the current year the City paid a total of \$77,983 in interest towards this note.
- During this year Other Post Employment Benefits (OPEB) liability increased from \$45,594 in 2009 to \$84,375 in 2010. This was the result of calculating an annual OPEB expense of \$48,222 less \$9,441 of explicit benefit payments made during the fiscal year. For more information on the explanation and calculation of the OPEN liability please see page 35 of the notes to the financial statements.

Business Activities:

- In December 2009 the City entered into a 25 year loan agreement with the Oregon Business Development Department (OBDD) for \$1,078,650 in connection with constructing a 39,550 square-foot heavy aircraft and engine maintenance facility located at the Madras Airport. This loan was funded through the Special Public Works Fund (SPWF) under the state of Oregon. The first interest only payment on this loan is due in December 2010, the first combined interest and principal payment will be due in December 2011. In reviewing table 5 above, total loans and notes for business-type activities increased 52.8 percent as a direct result of the loan with OBDD.

For more information regarding the City's outstanding debt please refer to the note of the financial statements located on page 30 of this report.

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

The future economic outlook for the City of Madras is uncertain at this time. While the national economy is facing one of the greatest recession since the great depression of the 1930's, the City of Madras has not seen the same catastrophic effects of the economic downturn that other parts of the county have felt. At this point the City believes it will be able to continue all major services for next fiscal year and no further reduction in work force will be required. Major factors expected to affect the fiscal year 2010-2011 budget include:

- Despite the weak economy, property tax revenue for next fiscal year is anticipated to increase 2.4 percent while franchise fee are budgeted to be approximately 15 percent higher than current year.
- The City anticipates offering a step increase of 2.5 percent to all eligible non-represented employees and a 5.0 percent step increase to eligible represented employees. All employees will receive a cost of living adjustment ranging between 2.5 and 5.0 percent. Wages and benefits represent approximately 14.3 percent of the total budget for fiscal year 2010-2011.
- In 2005 an independent feasibility analysis was performed on water and sewer rates which concluded that the City should increase utility fees by 4.5 percent per year in order to meet the rising cost of operations. In keeping with this recommendation, the City will forecast a rate increase of 4.5 percent for both water and sewer fees beginning July 1, 2010.
- Future outlook beyond fiscal year 2010-2011 budget cycle is uncertain at this time however, as the national economy continues to show signs of slowing down, this too will have an effect on the local economy. If housing foreclosures continue to rise and the population of Madras declines; this could result in placing the city in a financial dilemma. If these two events were to occur, several of the City's key revenue sources will also be directly affected. If assessed property values decline this will result in less property tax revenue for the City. Should the population decline, this will also affect both franchise fees revenue and state shared revenues. Franchise fees are imposed on local utility companies and are base on a percent of their gross revenues. In return, these fees allow the utility companies to have access to the City's public right-of-way. With fewer customers living in Madras, this may result in less revenue for these utility companies and less revenue for the City. The State of Oregon imposes excise taxes on such items as liquor, cigarette, highway fuel and emergency 9-1-1 calls. These taxes are imposed at the state level and distributed to local government based on population size. Not only will this affect the immediate future but, this could have a long term impact on the City since both property values and population growth are generally slow to increase. Both the General Fund and the Transportation Operation Fund would be directly affected by this reduction in revenue since each funds is completely supported

by these revenue sources. In addition, water and sewer revenues could also be affected as a result of the reduction in population.

### **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, 71 S.E. "D" Street, Madras, Oregon 97741-1685, (541) 475-2344, or visit the City's website at <http://www.ci.madras.or.us>.



City of Madras

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF MADRAS, OREGON**  
**STATEMENT OF NET ASSETS**  
**June 30, 2010**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,530,077	\$ 19,805	\$ 2,549,882
Receivables:			
Accounts, net	376,028	1,066,144	1,442,172
Property taxes	137,961	9,733	147,694
Assessments	107,146	54,940	162,086
Notes	227,291	59,188	286,479
Internal balances	(905,921)	905,921	-
Inventories	-	48,462	48,462
Restricted assets (temporary):			
Cash and cash equivalents	548,651	1,914,634	2,463,285
Capital assets:			
Land	686,465	1,404,544	2,091,009
Assets available for sale	463,691	-	463,691
Construction in progress	489,040	429,388	918,428
Depreciable assets, net of depreciation	12,486,279	33,515,975	46,002,254
 Total assets	 <u>17,146,708</u>	 <u>39,428,734</u>	 <u>56,575,442</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	247,151	244,799	491,950
Accrued interest payable	38,190	533,282	571,472
Deposits	29,000	38,408	67,408
Unearned revenue	228,653	-	228,653
Compensated absences payable	44,687	-	44,687
Long-term obligations:			
Due within one year	104,202	229,136	333,338
Due in more than one year	4,240,139	12,337,421	16,577,560
 Total liabilities	 <u>4,932,022</u>	 <u>13,383,046</u>	 <u>18,315,068</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	9,865,509	22,783,350	32,648,859
Restricted for:			
Highways and streets	100,280	-	100,280
System development	448,371	2,176,897	2,625,268
Debt service	-	419,276	419,276
Unrestricted	1,800,526	666,165	2,466,691
 Total net assets	 <u>\$ 12,214,686</u>	 <u>\$ 26,045,688</u>	 <u>\$ 38,260,374</u>

**CITY OF MADRAS, OREGON**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Governmental activities:</b>							
General services	\$ 32,116	\$ 80,608	\$ -	\$ -	\$ 48,492	\$ -	\$ 48,492
Parks	249,256	82,307	-	15,017	(151,932)	-	(151,932)
Community development	675,916	69,167	91,288	-	(515,461)	-	(515,461)
Public safety	1,592,883	-	189,960	-	(1,402,923)	-	(1,402,923)
Highways and streets	683,533	23,488	275,924	643,410	259,289	-	259,289
Interest on long-term obligations	151,529	-	-	-	(151,529)	-	(151,529)
<b>Total governmental activities</b>	<b>3,385,233</b>	<b>255,570</b>	<b>557,172</b>	<b>658,427</b>	<b>(1,914,064)</b>	<b>-</b>	<b>(1,914,064)</b>
<b>Business-type activities:</b>							
Water	386,876	411,336	-	-	-	24,460	24,460
Wastewater	2,608,031	1,741,095	-	69,916	-	(797,020)	(797,020)
Airport	386,470	233,863	-	2,189,572	-	2,036,965	2,036,965
<b>Total business-type activities</b>	<b>3,381,377</b>	<b>2,386,294</b>	<b>-</b>	<b>2,259,488</b>	<b>-</b>	<b>1,264,405</b>	<b>1,264,405</b>
<b>Total primary government</b>	<b>\$ 6,766,610</b>	<b>\$ 2,641,864</b>	<b>\$ 557,172</b>	<b>\$ 2,917,915</b>	<b>(1,914,064)</b>	<b>1,264,405</b>	<b>(649,659)</b>
<b>General revenues:</b>							
Property taxes levied for:							
General purposes					1,108,413	-	1,108,413
Debt service					334,482	102,440	436,922
Franchise and public services taxes					868,848	-	868,848
Interest and investment earnings					19,390	21,581	40,971
Miscellaneous					111,939	-	111,939
Transfers					420,970	(420,970)	-
<b>Total general revenues, special items, and transfers</b>					<b>2,864,042</b>	<b>(296,949)</b>	<b>2,567,093</b>
<b>Change in net assets</b>					<b>949,978</b>	<b>967,456</b>	<b>1,917,434</b>
<b>Net assets, beginning</b>					<b>11,264,708</b>	<b>25,078,232</b>	<b>36,342,940</b>
<b>Net assets, ending</b>					<b>\$ 12,214,686</b>	<b>\$ 26,045,688</b>	<b>\$ 38,260,374</b>

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



City of Madras

## **FUND FINANCIAL STATEMENTS**

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### **Major Governmental Funds**

#### **General Fund**

The General Fund accounts for the financial operations of the City not accounted for in any other fund. Principal sources of revenue are property taxes, franchise fees, hotel-motel tax, and state shared revenues. Expenditures are primarily for Police and transfers to other funds.

#### **Transportation Operations Fund**

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

#### **Redevelopment Commission Fund**

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

**CITY OF MADRAS, OREGON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010**

	General Fund	Transportation Operations Fund	Redevelopment Commission Fund	Other Governmental Funds	Totals
<b>ASSETS</b>					
Cash and cash equivalents	\$ 363,402	\$ 121,271	\$ 316,431	\$ 717,736	\$ 1,518,840
Receivables:					
Property taxes	106,691	-	31,270	-	137,961
Accounts	147,895	196,411	2,511	14,927	361,744
Assessments	-	3,406	-	100,318	103,724
Notes	-	-	-	227,291	227,291
Due from other funds	170,225	-	-	-	170,225
 Total assets	<u>\$ 788,213</u>	<u>\$ 321,088</u>	<u>\$ 350,212</u>	<u>\$ 1,060,272</u>	<u>\$ 2,519,785</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 95,208	\$ 53,037	\$ 513	\$ 14,625	\$ 163,383
Deposits	-	-	-	29,000	29,000
Deferred revenue	103,217	167,771	29,682	345,927	646,597
Due to other funds	-	-	-	170,225	170,225
 Total liabilities	<u>198,425</u>	<u>220,808</u>	<u>30,195</u>	<u>559,777</u>	<u>1,009,205</u>
<b>FUND BALANCES</b>					
Reserved for:					
Highways and streets	-	100,280	-	-	100,280
System development	-	-	-	448,371	448,371
Unreserved, reported in:					
Major funds	589,788	-	320,017	-	909,805
Special revenue funds	-	-	-	52,124	52,124
 Total fund balances	<u>589,788</u>	<u>100,280</u>	<u>320,017</u>	<u>500,495</u>	<u>1,510,580</u>
 Total liabilities and fund balances	<u>\$ 788,213</u>	<u>\$ 321,088</u>	<u>\$ 350,212</u>	<u>\$ 1,060,272</u>	<u>\$ 2,519,785</u>

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

**CITY OF MADRAS, OREGON**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2010**

<b>Fund balances - total governmental funds</b>		\$ 1,510,580
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds		13,231,673
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.		465,847
Accrued compensated absences and other post employment benefits are not due and payable in the current period, and, therefore, are not reported in the funds.		(45,878)
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements.		(38,190)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period, and, therefore, are not reported in the fund statements.		(4,259,966)
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 Assets.		
Cash and cash equivalents	\$ 1,559,888	
Receivables	17,706	
Construction in progress	61,536	
Depreciable assets, net of depreciation	832,266	
Accounts payable and accrued expenses	(83,768)	
Internal balances	(905,921)	
Compensated absences payable	(37,317)	
Other post employment benefits liability	(45,867)	
Unearned revenue	(47,903)	
Total internal service funds		<u>1,350,620</u>
<b>Net assets of governmental activities</b>		<u>\$ 12,214,686</u>

**CITY OF MADRAS, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2010**

	General Fund	Transportation Operations Fund	Redevelopment Commission Fund	Other Governmental Funds	Totals
<b>REVENUES</b>					
Property taxes	\$ 1,086,572	\$ -	\$ 327,138	\$ -	\$ 1,413,710
Other taxes	122,185	-	-	61,093	183,278
Franchise fees	270,072	270,072	-	-	540,144
Assessments	-	316	-	15,711	16,027
Licenses and fees	2,684	-	-	76,421	79,105
Charges for services	-	-	-	30,075	30,075
Intergovernmental	365,958	635,413	-	12,833	1,014,204
Fines and forfeitures	56,075	-	-	-	56,075
System development charges	-	-	-	110,202	110,202
Rental income	-	-	-	21,850	21,850
Interest on investments	2,670	512	1,565	9,004	13,751
Miscellaneous	35,644	23,488	-	94,977	154,109
<b>TOTAL REVENUES</b>	<u>1,941,860</u>	<u>929,801</u>	<u>328,703</u>	<u>432,166</u>	<u>3,632,530</u>
<b>EXPENDITURES</b>					
Current:					
General services	-	-	-	27,367	27,367
Parks	-	-	-	189,059	189,059
Community development	114,530	-	48,407	380,310	543,247
Public safety	1,666,749	-	-	-	1,666,749
Highways and streets	-	569,760	-	29,295	599,055
Capital outlay	-	268,047	162,245	54,970	485,262
Debt service	-	-	77,983	175,388	253,371
<b>TOTAL EXPENDITURES</b>	<u>1,781,279</u>	<u>837,807</u>	<u>288,635</u>	<u>856,389</u>	<u>3,764,110</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>160,581</u>	<u>91,994</u>	<u>40,068</u>	<u>(424,223)</u>	<u>(131,580)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	397,533	397,533
Transfers out	(173,621)	(138,000)	-	(60,000)	(371,621)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(173,621)</u>	<u>(138,000)</u>	<u>-</u>	<u>337,533</u>	<u>25,912</u>
<b>NET CHANGE IN FUND BALANCE</b>	(13,040)	(46,006)	40,068	(86,690)	(105,668)
<b>FUND BALANCE, Beginning</b>	<u>602,828</u>	<u>146,286</u>	<u>279,949</u>	<u>587,185</u>	<u>1,616,248</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 589,788</u>	<u>\$ 100,280</u>	<u>\$ 320,017</u>	<u>\$ 500,495</u>	<u>\$ 1,510,580</u>

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

**CITY OF MADRAS, OREGON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2010**

**Net change in fund balance - governmental funds** \$ (105,668)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred revenues 94,701

Repayment of long-term obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Assets.

101,280

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.

Change in compensated absences 2,947

Change in other post employment benefits (17,990)

Change in accrued interest payable 562

Governmental funds report capital outlays as expenditures and proceeds from the sale of capital assets as revenues. However, in the Statement of Activities, the cost of capital assets are allocated over the useful lives and reported as depreciation expense, and only the net gain (loss) on sale of capital assets are reported.

Capital asset purchases \$ 365,368

Contributed capital assets 614,227

Depreciation expense (325,824)

653,771

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.

220,375

**Change in net assets - governmental activities** \$ 949,978

**CITY OF MADRAS, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,100,567	\$ 1,100,567	\$ 1,086,572	\$ (13,995)
Other taxes	115,000	115,000	122,185	7,185
Franchise fees	201,215	201,215	270,072	68,857
Licenses and fees	15,200	15,200	2,684	(12,516)
Intergovernmental	552,470	552,470	365,958	(186,512)
Fines and forfeitures	50,000	50,000	56,075	6,075
Interest on investments	10,000	10,000	2,670	(7,330)
Miscellaneous	1,000	24,242	35,644	11,402
<b>TOTAL REVENUES</b>	<u>2,045,452</u>	<u>2,068,694</u>	<u>1,941,860</u>	<u>(126,834)</u>
<b>EXPENDITURES</b>				
Current:				
Community development	350,000	373,242	114,530	258,712
Public safety	1,765,885	1,765,885	1,666,749	99,136
<b>TOTAL EXPENDITURES</b>	<u>2,115,885</u>	<u>2,139,127</u>	<u>1,781,279</u>	<u>357,848</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(70,433)</u>	<u>(70,433)</u>	<u>160,581</u>	<u>231,014</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(170,028)	(170,028)	(173,621)	(3,593)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(170,028)</u>	<u>(170,028)</u>	<u>(173,621)</u>	<u>(3,593)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(240,461)	(240,461)	(13,040)	227,421
<b>FUND BALANCE, Beginning</b>	413,102	413,102	602,828	189,726
<b>FUND BALANCE, Ending</b>	<u>\$ 172,641</u>	<u>\$ 172,641</u>	<u>\$ 589,788</u>	<u>\$ 417,147</u>

**CITY OF MADRAS, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**TRANSPORTATION OPERATIONS FUND**  
**For the Fiscal Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Franchise fees	\$ 201,215	\$ 201,215	\$ 270,072	\$ 68,857
Assessments	820	820	316	(504)
Intergovernmental	909,676	1,031,544	635,413	(396,131)
Interest on investments	1,000	1,000	512	(488)
Miscellaneous	201,710	201,710	23,488	(178,222)
<b>TOTAL REVENUES</b>	<u>1,314,421</u>	<u>1,436,289</u>	<u>929,801</u>	<u>(506,488)</u>
<b>EXPENDITURES</b>				
Current:				
Highways and streets:				
Materials and services	612,431	599,431	569,760	29,671
Capital outlay	751,210	808,078	268,047	540,031
Contingency	36,180	36,180	-	36,180
<b>TOTAL EXPENDITURES</b>	<u>1,399,821</u>	<u>1,443,689</u>	<u>837,807</u>	<u>605,882</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(85,400)</u>	<u>(7,400)</u>	<u>91,994</u>	<u>99,394</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	(138,000)	(138,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>(138,000)</u>	<u>(138,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(85,400)	(145,400)	(46,006)	99,394
<b>FUND BALANCE, Beginning</b>	<u>85,400</u>	<u>145,400</u>	<u>146,286</u>	<u>886</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,280</u>	<u>\$ 100,280</u>

**CITY OF MADRAS, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**REDEVELOPMENT COMMISSION FUND**  
**For the Fiscal Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 373,608	\$ 373,608	\$ 327,138	\$ (46,470)
Interest on investments	5,000	5,000	1,565	(3,435)
<b>TOTAL REVENUES</b>	<u>378,608</u>	<u>378,608</u>	<u>328,703</u>	<u>(49,905)</u>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Materials and services	56,000	60,500	48,407	12,093
Capital outlay	272,608	268,108	162,245	105,863
Debt service	145,000	145,000	77,983	67,017
Contingency	11,000	11,000	-	11,000
<b>TOTAL EXPENDITURES</b>	<u>484,608</u>	<u>484,608</u>	<u>288,635</u>	<u>195,973</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(106,000)</u>	<u>(106,000)</u>	<u>40,068</u>	<u>146,068</u>
<b>NET CHANGE IN FUND BALANCE</b>	(106,000)	(106,000)	40,068	146,068
<b>FUND BALANCE, Beginning</b>	<u>251,000</u>	<u>251,000</u>	<u>279,949</u>	<u>28,949</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 145,000</u>	<u>\$ 145,000</u>	<u>\$ 320,017</u>	<u>\$ 175,017</u>

## **FUND FINANCIAL STATEMENTS**

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### **Proprietary Funds**

The City of Madras utilizes seven Proprietary Funds comprised of three Enterprise Funds and four Internal Service Funds.

Enterprise Funds are used to report for activities for which a fee is charged to external users for goods and services, and to account for the acquisition, operation, and maintenance of the water, wastewater, and airport. These funds are entirely or predominantly self-supported through user charges to the customer. Funds included are:

- **Water**
- **Wastewater**
- **Airport**

For budgetary purposes (see budget schedules in the Supplemental Information section), the Enterprise Funds are accounted for in the following separate funds:

- **All Water Funds**
  - Water Operations Fund
  - Water SDC Fund
- **All Wastewater Funds**
  - Wastewater Operations Fund
  - Wastewater Improvement SDC Fund
  - Wastewater Reimbursement SDC Fund
  - Wastewater Debt Service Fund
- **All Airport Funds**
  - Airport Fund
  - Airport Construction Fund

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the City and to other government units on a cost reimbursement basis. The Internal Service Funds are eliminated for the Government-Wide Financial Statements and any residual assets and income and expenses from outside sources are combined with the Governmental and Business – Type Activities. Internal Service Funds of the City are:

- **Central Services Fund**
- **Public Works Fund**
- **Buildings Fund**
- **Fleet Fund**

**CITY OF MADRAS, OREGON**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2010**

	<b>Business - type Activities - Enterprise Funds</b>				Governmental
	All Water Funds	All Waste- Water Funds	All Airport Funds	Total	Activities - Internal Service Funds
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 19,805	\$ -	\$ -	\$ 19,805	\$ 1,559,888
Restricted cash and cash equivalents	49,419	1,865,215	-	1,914,634	-
<b>Receivables:</b>					
Property taxes	-	9,733	-	9,733	-
Accounts, net	38,189	197,459	830,496	1,066,144	14,284
Assessments	-	54,940	-	54,940	3,422
Notes	-	-	59,188	59,188	-
Interfund	-	598,415	-	598,415	-
Inventories	16,366	1,287	30,809	48,462	-
<b>Total current assets</b>	<u>123,779</u>	<u>2,727,049</u>	<u>920,493</u>	<u>3,771,321</u>	<u>1,577,594</u>
<b>Noncurrent assets:</b>					
Advances to other funds	-	224,583	-	224,583	-
<b>Capital assets:</b>					
Land	6,048	1,286,151	112,345	1,404,544	-
Construction in progress	-	210,255	219,133	429,388	61,536
Depreciable assets, net of depreciation	843,359	26,436,260	6,236,356	33,515,975	832,266
<b>Total noncurrent assets</b>	<u>849,407</u>	<u>28,157,249</u>	<u>6,567,834</u>	<u>35,574,490</u>	<u>893,802</u>
<b>Total assets</b>	<u>\$ 973,186</u>	<u>\$ 30,884,298</u>	<u>\$ 7,488,327</u>	<u>\$ 39,345,811</u>	<u>\$ 2,471,396</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current liabilities (payable from unrestricted assets):</b>					
Accounts payable	\$ 11,148	\$ 65,735	\$ 167,916	\$ 244,799	\$ 83,768
Accrued interest payable	4,174	496,993	32,115	533,282	-
Deposits	21,081	17,327	-	38,408	-
Unearned revenue	-	-	-	-	47,903
Compensated absences payable	-	-	-	-	37,317
Interfund payable	-	-	538,240	538,240	60,175
Current portion of long-term debt	4,048	220,773	4,315	229,136	-
<b>Total current liabilities</b>	<u>40,451</u>	<u>800,828</u>	<u>742,586</u>	<u>1,583,865</u>	<u>229,163</u>
<b>Long-term debt, net of current portion:</b>					
Advances from other funds	-	-	-	-	224,583
Other post employment benefits liability	-	-	-	-	45,867
Notes and contracts payable	139,946	3,090,944	1,078,650	4,309,540	-
Bonds payable	-	7,919,583	108,298	8,027,881	-
<b>Total long-term debt, net of current portion</b>	<u>139,946</u>	<u>11,010,527</u>	<u>1,186,948</u>	<u>12,337,421</u>	<u>270,450</u>
<b>Total liabilities</b>	<u>180,397</u>	<u>11,811,355</u>	<u>1,929,534</u>	<u>13,921,286</u>	<u>499,613</u>
<b>Net assets:</b>					
Invested in capital assets, net of related debt	705,413	16,701,366	5,376,571	22,783,350	893,802
Restricted for system development	49,419	2,031,748	95,730	2,176,897	-
Restricted for debt service	-	409,190	10,086	419,276	-
Unrestricted (deficit)	37,957	(69,361)	76,406	45,002	1,077,981
<b>Total net assets</b>	<u>792,789</u>	<u>19,072,943</u>	<u>5,558,793</u>	<u>25,424,525</u>	<u>1,971,783</u>
<b>Total liabilities and net assets</b>	<u>\$ 973,186</u>	<u>\$ 30,884,298</u>	<u>\$ 7,488,327</u>	<u>\$ 39,345,811</u>	<u>\$ 2,471,396</u>

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

**CITY OF MADRAS, OREGON**  
**RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF NET ASSETS**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2010**

**Net assets - total enterprise funds** \$ 25,424,525

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 621,163

**Net assets of business - type activities** \$ 26,045,688

**CITY OF MADRAS, OREGON**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2010**

	<b>Business - type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>All Water Funds</b>	<b>All Waste- Water Funds</b>	<b>All Airport Funds</b>	<b>Total</b>	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 411,311	\$ 1,727,816	\$ 133,020	\$ 2,272,147	\$ 2,810,708
Licenses and fees	-	-	-	-	63,219
Rental income	-	10,923	96,291	107,214	-
Miscellaneous	25	2,356	4,552	6,933	13,075
<b>TOTAL OPERATING REVENUES</b>	<b>411,336</b>	<b>1,741,095</b>	<b>233,863</b>	<b>2,386,294</b>	<b>2,887,002</b>
<b>OPERATING EXPENSES</b>					
Personal services	-	-	-	-	1,547,019
Materials and services	392,786	1,941,007	264,335	2,598,128	644,239
Depreciation	29,702	429,143	134,286	593,131	87,486
<b>TOTAL OPERATING EXPENSES</b>	<b>422,488</b>	<b>2,370,150</b>	<b>398,621</b>	<b>3,191,259</b>	<b>2,278,744</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(11,152)</b>	<b>(629,055)</b>	<b>(164,758)</b>	<b>(804,965)</b>	<b>608,258</b>
<b>NON-OPERATING INCOME (EXPENSES)</b>					
Intergovernmental	-	-	-	-	185
Property taxes	-	102,440	-	102,440	-
Interest on investments	544	19,133	1,904	21,581	5,507
Interest expense	(7,236)	(482,215)	(4,788)	(494,239)	(3,545)
<b>TOTAL NON-OPERATING INCOME (EXPENSES)</b>	<b>(6,692)</b>	<b>(360,642)</b>	<b>(2,884)</b>	<b>(370,218)</b>	<b>2,147</b>
<b>NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	<b>(17,844)</b>	<b>(989,697)</b>	<b>(167,642)</b>	<b>(1,175,183)</b>	<b>610,405</b>
<b>CAPITAL CONTRIBUTIONS</b>					
Intergovernmental	-	19,400	2,189,572	2,208,972	-
System development charges	-	47,252	-	47,252	-
Assessments	-	3,264	-	3,264	-
Capital asset transfers	42,015	101,912	-	143,927	-
<b>TRANSFERS</b>					
Transfers In	-	-	260,000	260,000	-
Transfers out	(35,000)	(100,000)	(689,897)	(824,897)	(85,912)
<b>CHANGE IN NET ASSETS</b>	<b>(10,829)</b>	<b>(917,869)</b>	<b>1,592,033</b>	<b>663,335</b>	<b>524,493</b>
<b>NET ASSETS, Beginning</b>	<b>803,618</b>	<b>19,990,812</b>	<b>3,966,760</b>	<b>24,761,190</b>	<b>1,447,290</b>
<b>NET ASSETS, Ending</b>	<b>\$ 792,789</b>	<b>\$ 19,072,943</b>	<b>\$ 5,558,793</b>	<b>\$ 25,424,525</b>	<b>\$ 1,971,783</b>

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

**CITY OF MADRAS, OREGON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS OF ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2010**

**Change in net assets - total enterprise funds** \$ 663,335

Amounts reported for business-type activities in the Statement of Activities are different because:

Internal service funds are used by management to charge the costs of certain activities to individual funds. A portion of the net revenue (expense) of the internal service funds are allocated to business - type activities.

304,121

**Change in net assets of business - type activities** \$ 967,456

**CITY OF MADRAS, OREGON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Business-type Activities - Enterprise Funds</u>			Totals	Governmental Activities Internal Service Funds
	All Water Funds	All Wastewater Funds	All Airport Funds		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 417,624	\$ 1,710,250	\$ 181,577	\$ 2,309,451	\$ 31,185
Receipts from interfund services provided	-	-	9,900	9,900	2,776,795
Payments to suppliers	(163,312)	(436,620)	(158,685)	(758,617)	(1,081,581)
Payments to employees	-	-	-	-	(1,051,839)
Payments for interfund services used	(228,992)	(1,486,398)	(69,061)	(1,784,451)	-
Net cash provided from (used by) operating activities	<u>25,320</u>	<u>(212,768)</u>	<u>(36,269)</u>	<u>(223,717)</u>	<u>674,560</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Property taxes	-	100,507	-	100,507	-
Transfers in	-	-	260,000	260,000	-
Transfers out	(35,000)	(100,000)	(65,000)	(200,000)	(85,912)
Net cash provided from (used by) non-capital financing activities	<u>(35,000)</u>	<u>507</u>	<u>195,000</u>	<u>160,507</u>	<u>(85,912)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from intergovernmental revenue	-	19,400	1,825,420	1,844,820	185
System development charges	-	101,267	-	101,267	-
Notes receivable principal collections	-	-	53,881	53,881	-
Proceeds from issuance of debt	-	558,368	917,858	1,476,226	-
Interfund loans	-	(609,805)	447,285	(162,520)	162,520
Acquisition of capital assets	-	(646,263)	(3,478,349)	(4,124,612)	(313,897)
Principal paid on long-term obligations	(3,855)	(213,740)	(4,104)	(221,699)	-
Interest paid on long-term obligations	(7,345)	(410,537)	(5,982)	(423,864)	(3,545)
Net cash provided from (used by) capital and related financing activities	<u>(11,200)</u>	<u>(1,201,310)</u>	<u>(243,991)</u>	<u>(1,456,501)</u>	<u>(154,737)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest on investments	544	19,133	1,904	21,581	5,507
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(20,336)	(1,394,438)	(83,356)	(1,498,130)	439,418
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<u>89,560</u>	<u>3,259,653</u>	<u>83,356</u>	<u>3,432,569</u>	<u>1,120,470</u>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<u>\$ 69,224</u>	<u>\$ 1,865,215</u>	<u>\$ -</u>	<u>\$ 1,934,439</u>	<u>\$ 1,559,888</u>
<b>COMPRISED AS FOLLOWS:</b>					
Cash and cash equivalents	\$ 19,805	\$ -	\$ -	\$ 19,805	\$ 1,559,888
Restricted cash and cash equivalents	49,419	1,865,215	-	1,914,634	-
	<u>\$ 69,224</u>	<u>\$ 1,865,215</u>	<u>\$ -</u>	<u>\$ 1,934,439</u>	<u>\$ 1,559,888</u>

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

**CITY OF MADRAS, OREGON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2010**

	<u>Business-type Activities - Enterprise Funds</u>			Totals	Governmental Activities Internal Service Funds
	All Water Funds	All Wastewater Funds	All Airport Funds		
<b>Reconciliation of operating income (loss) to net cash provided from (used by) operating activities</b>					
Operating income (loss)	\$ (11,152)	\$ (629,055)	\$ (164,758)	\$ (804,965)	\$ 608,258
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	29,702	429,143	134,286	593,131	87,486
(Increase) decrease in assets:					
Receivables	5,625	(32,133)	(42,386)	68,894	2,775
Inventories	547	145	8,566	9,258	-
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	(65)	17,844	28,023	45,802	33,856
Deposits	663	1,288	-	1,951	-
Unearned revenues	-	-	-	-	(81,797)
Compensated absences payable	-	-	-	-	3,191
Other postemployment benefits	-	-	-	-	20,791
	<u>25,320</u>	<u>(212,768)</u>	<u>(36,269)</u>	<u>(223,717)</u>	<u>674,560</u>
Net cash provided from (used by) operating activities	<u>\$ 25,320</u>	<u>\$ (212,768)</u>	<u>\$ (36,269)</u>	<u>\$ (223,717)</u>	<u>\$ 674,560</u>
Transfer of capital assets and debt between funds	<u>\$ 42,015</u>	<u>\$ 101,912</u>	<u>\$ (624,897)</u>	<u>\$ (480,970)</u>	<u>\$ -</u>



City of Madras

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**CITY OF MADRAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The City of Madras, Oregon (the City) is organized under the general laws of the State of Oregon. The City Council, composed of the Mayor and six Council members, comprises the legislative branch of the City. Individual departments are under the direction of the City Administrator, who is appointed by the City Council.

The accompanying financial statements present all activities, funds and component units for which the City is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of this criteria, the City is a primary government with the following includable component unit.

**Madras Redevelopment Commission**

The Madras Redevelopment Commission (the Commission or the Agency) is the Urban Renewal Agency for the City of Madras, and was formed to undertake urban renewal projects and activities pursuant to the City's redevelopment plan. The Board of Directors of the Agency consists of a nine member board with three members of the Madras City Council and six members at large appointed by the Madras City Council. The City is required to certify to the County Assessor any incremental taxes to be levied for the benefit of the Agency. Since the City Council appoints its governing board and services are provided almost entirely within the City of Madras, it has been included as a blended component unit in the financial statements. Complete financial statements for the Agency may be obtained at the City's administrative offices, 71 SE D Street, Madras, Oregon 97741-1685.

**B. Government – Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City (the primary government) and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-types activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the City is financially accountable.

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. 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

### **C. Measurement Focus, Basis of Accounting and Basis of Presentation**

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

The government-wide statements and proprietary funds 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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the functions of the City, the elimination of which would distort the direct costs and program revenues reported for the various functions concerned.

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 are charges to customers for sales and services. Operating expenses for proprietary funds included 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 City's policy to use restricted resources first, and 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 government considers revenues to be available if they are collected within 30 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 franchise fees. Intergovernmental revenues are recognized when all eligibility

requirement are met. Other revenue items are considered to be measurable and available when received by the City. 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.

The bases of accounting described above are in accordance with accounting principles generally accepted in the United States of America.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, hotel-motel tax, and state shared revenues. Expenditures are primarily for police and transfers to other funds.

The *Transportation Operations Fund* accounts for revenues received from state gasoline tax, which are to be expended for the construction, maintenance, and use of City streets.

The *Redevelopment Commission Fund* accounts 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 City reports the following major proprietary funds:

The *Water Funds* account for revenues and expenses related to the City's water utility operations.

The *Wastewater Funds* account for revenues and expenses related to the City's waste water utility operations.

The *Airport Funds* account for the activity associated with the operations and capital improvements of the City's municipal airport.

Additionally, the City reports *Internal Service Funds*. These funds account for operations that provide service to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The services provided include central services, public works administration, building maintenance and improvement, and fleet maintenance and acquisition.

The City also includes the following fund types as other governmental funds:

*Special revenue funds* are primarily operating funds that account for revenue derived from specific taxes or other revenue sources, which are legally restricted to finance particular functions or activities. When a special revenue fund is not an operating fund, transfers are made from the special revenue fund to the operating funds authorized to make expenditures.

*Capital projects funds* 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.

## **D. Assets, Liabilities and Equity**

### **1. Cash, Cash Equivalents, and Investments**

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

The City maintains merged bank accounts and investments for its funds in a central pool of cash and investments. The investment policy of the City is to invest in the State and County Local Government Investment Pool, U.S. Government and Agency 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. The City allocates earnings on investments to selected funds based on the average monthly balances throughout the year.

Investments in the Local Government Investment Pool are stated at amortized cost, which approximates fair value. All other investments are reported at fair value.

### **2. Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund 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." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not available expendable financial resources.

Other receivables including accounts, entitlements, and shared revenues are reported in accordance with the policies enumerated in Paragraph C above. An allowance for uncollectible accounts has been established for the Public Works Staff Fund and represents the portion of receivables not expected to be collected.

### **3. Inventories and Prepaid Items**

Inventories in Water, Wastewater, and Airport Funds are determined by physical count and are stated at the lower of cost (first in, first out) or market. Expenses are recognized when inventories are consumed. Other inventories are taken for control purposes only with no dollar value assigned.

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.

#### 4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, 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 by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost when actual cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period. There was no interest capitalized during the year.

Property, plant, and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

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

#### 5. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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.

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.

## **6. Compensated Absences**

It is the City's policy to permit employees to accumulate earned, but unused, vacation, holiday and sick pay benefits. No liability is reported for unpaid accumulated sick pay benefits. All vacation and holiday pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Compensated absences are normally paid from the General Fund, Internal Service Funds, and Community Development Fund.

## **7. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **8. Restricted Net Assets**

Restrictions on net assets that are either imposed by creditors, grantors, laws or other regulations, or by enabling legislation are reported as restricted net assets.

## **9. 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 certain assets, liabilities, revenues, expenditures, expenses and other disclosures. Accordingly, actual results could differ from those estimates.

# **II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

## **A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all funds, except for the proprietary funds. The annual budget for proprietary funds is adopted on the modified accrual basis of accounting, which is not consistent with GAAP, in order to comply with Oregon Local Budget Law. All annual appropriations lapse at fiscal year end.

Oregon Local Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the annual budget.

The City begins its budgeting process by appointing Budget Committee members in the fall of each year. Budget recommendations are developed by management through early spring, with the Budget Committee meeting and approving the budget document in late spring. Public notices of the budget hearing are generally published in May or June and the hearing is held in June. The City Council adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Expenditure appropriations may not be legally over expended, except in the case of grant receipts

and bond sale proceeds which could not be reasonably estimated at the time the budget was adopted.

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of budgetary control is established at the department level for the General Fund. For all other funds, the level of budgetary control is established at the personal services, materials and services, capital outlay, contingency, interfund transfers, debt service, interfund loans, and all other requirement levels.

Unexpected additional resources may be added to the budget and appropriated for expenditure through the use of a supplemental budget. The supplemental budget process requires a hearing before the public, publication in the newspaper, and approval by the City Council. Oregon Local Budget Law also provides certain specific exceptions to the supplemental budget process to increase appropriations. Management must obtain City Council authorization for all appropriation transfers and supplementary budgetary appropriations.

During the year ended June 30, 2010, appropriation increases and transfers were approved, and supplemental budgets were adopted. Appropriations are limited to a single fiscal year; therefore, all spending authority of the City lapses as of year-end.

#### **B. Excess of Expenditures over Appropriations**

Expenditures exceeded appropriations in the following amounts:

Parks Fund:	
Material and Services	<u>\$      824</u>
Industrial Site Fund:	
Material and Services	<u>\$     6,867</u>
Parks SDC Fund:	
Capital Outlay	<u>\$    14,732</u>
Street Construction Fund:	
Material and Services	<u>\$      6,692</u>
Capital Outlay	<u>\$       238</u>
Debt Service	<u>\$       597</u>
Public Works Staff Fund:	
Materials and Services	<u>\$    23,904</u>

#### **C. Deficit Fund Balances**

Funds having a deficit fund balance at June 30, 2010 are as follows:

Park SDC Fund	<u>\$    71,986</u>
Storm Water SDC Fund	<u>\$    98,239</u>
Wastewater Reimbursement SDC Fund	<u>\$    62,976</u>

Management expects the deficit fund balances to be reversed in future years by system development charge collections.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

**Deposits.** The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which includes standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the City at June 30, 2010. If bank deposits at year end are not entirely insured or collateralized by the City or by its agent in the City's name, the City must disclose the custodial credit risk that exists. The City's deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. For deposits in excess of federal depository insurance, Oregon Revised Statutes require that Public officials report to the Office of the State Treasurer (OST) all bank depositories in which they deposit public funds and bank depositories will then report financial information and total public funds deposits quarterly to OST. OST will then calculate the required collateral that must be pledged by the bank based on this information and the depository's FDIC assigned capitalization category. Bank depositories will then have a shared liability in the event of a bank loss. For the fiscal year ended June 30, 2010, the carrying amount of the City's deposits was \$132,452 and the bank balance was \$255,518. All deposits are held in the name of the City or the Madras Redevelopment Commission (blended component unit). The entire balance of \$255,518 was covered by federal depository insurance.

Custodial credit risk for deposits is the risk that, in the event of bank failure, a government's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk.

**Investments.** The City of Madras has invested funds in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool during the year.

The Oregon Short-Term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). The State Local Government Investment Pool (LGIP) is an unrated external investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes.

The amounts invested in the State pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry as defined by GASB Statement No. 40. In addition, State LGIP distributes investment income on an amortized cost basis and the participant's equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the City's cash position.

**Credit Risk.** State statutes authorize the City to invest primarily in general obligations of the US Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers, and the State Treasurer's investment pool, among others. The City has no formal investment policy that further restricts its investment choices.

Concentration of Credit Risk. The City is required to provide information about the concentration of credit risk associated with its investments in one issuer that represent 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The City has no such investments.

Interest Rate Risk. The City has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

Foreign Currency Risk. The City's investment policy prohibits investments that are not U.S. dollar denominated; therefore, the City is not exposed to this risk.

A reconciliation of cash and cash equivalents as shown on the Statement of Net Assets is as follows:

Cash equivalents - State Treasurer's Investment Pool	\$ 4,880,415
Deposits with financial institutions	132,452
Cash on hand	<u>300</u>
Total cash and cash equivalents	<u>\$ 5,013,167</u>

Cash restricted in the governmental activities section of the Statement of Net Assets includes \$100,280 for highways and streets, and \$441,210 for system development. Business type activities restricted cash includes \$1,495,358 for system development and \$419,276 for debt service.

**B. Receivables**

Receivables as of fiscal-year end for the governmental activities individual major funds, internal service funds classified as governmental activities and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Transportation Operations	Redevelopment Commission	Other Governmental Funds	Internal Service Funds	Total Governmental Activities
Property taxes	\$ 106,691	\$ -	\$ 31,270	\$ -	\$ -	\$ 137,961
Accounts	83,534	23,526	2,511	1,300	86,962	197,833
Intergovernmental	64,361	172,885	-	13,627	-	250,873
Assessments	-	3,406	-	100,318	3,422	107,146
Notes	-	-	-	227,291	-	227,291
Allowance for doubtful accounts	-	-	-	-	(72,678)	(72,678)
	<u>\$ 254,586</u>	<u>\$ 199,817</u>	<u>\$ 33,781</u>	<u>\$ 342,536</u>	<u>\$ 17,706</u>	<u>\$ 848,426</u>

Receivables as of year-end for the business-type activities individual major funds are as follows:

	Water	Wastewater	Airport	Total Business-Type Activities
Property taxes	\$ -	\$ 9,733	\$ -	\$ 9,733
Accounts	38,189	157,634	85,005	280,828
Intergovernmental	-	39,825	745,491	785,316
Assessments	-	54,940	-	54,940
Notes	-	-	59,188	59,188
	<u>\$ 38,189</u>	<u>\$ 262,132</u>	<u>\$ 889,684</u>	<u>\$ 1,190,005</u>

Uncollected property taxes in governmental funds and business-type activities are shown on the statement of net assets as receivables. Property taxes are assessed and attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable on November 15. They may be paid in installments due November 15, February 15, and May 15. Taxes unpaid as of May 16 are considered delinquent. Taxes are billed and collected by Jefferson County, and remittance to the City is made at periodic intervals.

For the fiscal year 2009-2010, the City levied property taxes in the net amount of \$1,247,574. The tax rate for the fiscal year was \$4.1262 per \$1,000 of assessed value. The Madras Redevelopment Commission, a blended component unit of the City, levied taxes at its maximum taxing authority of \$344,635.

Following is a summary of property tax transactions for the year ended June 30, 2010:

	Balances July 1, 2009	2009-10 Levy	Discounts & Adjustments	Interest	Collections	Balances June 30, 2010
2009-10	\$ -	\$ 1,592,209	\$ (51,169)	\$ 546	\$ (1,454,598)	\$ 86,988
2008-09	80,849	-	(178)	1,985	(42,407)	40,249
2007-08	24,489	-	(76)	1,057	(9,734)	15,736
2006-07	9,949	-	(66)	1,136	(7,041)	3,978
2005-06	1,486	-	(47)	233	(1,213)	459
2004-05	319	-	(42)	15	(74)	218
2003-04	83	-	(44)	5	(21)	23
Prior years	292	-	(243)	5	(11)	43
	<u>\$ 117,467</u>	<u>\$ 1,592,209</u>	<u>\$ (51,865)</u>	<u>\$ 4,982</u>	<u>\$ (1,515,099)</u>	<u>\$ 147,694</u>

Assessment liens receivable represent the uncollected amounts levied against benefited property for costs of local improvements. Since the assessments are liens against the benefited property, an allowance for uncollectible amounts is not necessary.

The City has notes receivable from businesses purchasing real property. These loans include a 5-year loan with monthly installments of \$2,539 at 7.74% interest and a loan to

Jefferson County with annual principal only payments of not less than \$25,000. Since the notes are liens against real property, an allowance for uncollectible amounts is not necessary.

The Agency has expended funds 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, with no interest for the first 24 months, 2% interest for 25 to 60 months, and 5% interest from 61 to 120 months. The loans are secured by the improved property and are considered fully collectible.

Other accounts and intergovernmental receivables are considered to be fully collectible. Accordingly, no provision for estimated uncollectible accounts has been established.

### C. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 686,465	\$ -	\$ -	\$ -	\$ 686,465
Assets available for sale	463,691	-	-	-	463,691
Construction in progress	1,005,566	(720,033)	203,507	-	489,040
<b>Total capital assets, not being depreciated</b>	<b>2,155,722</b>	<b>(720,033)</b>	<b>203,507</b>	<b>-</b>	<b>1,639,196</b>
Capital assets, being depreciated:					
Land Improvements	550,553	-	-	-	550,553
Buildings and improvements	2,300,747	659,009	14,732	-	2,974,488
Equipment	1,902,159	-	257,010	-	2,159,169
Infrastructure	8,489,196	541,994	337,272	-	9,368,462
<b>Total capital assets, being depreciated</b>	<b>13,242,655</b>	<b>1,201,003</b>	<b>609,014</b>	<b>-</b>	<b>15,052,672</b>
Accumulated depreciation for:					
Land Improvements	(232,358)	-	(27,528)	-	(259,886)
Buildings and improvements	(285,779)	-	(88,443)	-	(374,222)
Equipment	(1,227,993)	-	(118,767)	-	(1,346,760)
Infrastructure	(406,948)	-	(178,577)	-	(585,525)
<b>Total accumulated depreciation</b>	<b>(2,153,078)</b>	<b>-</b>	<b>(413,315)</b>	<b>-</b>	<b>(2,566,393)</b>
<b>Total capital assets, being depreciated, net</b>	<b>11,089,577</b>	<b>1,201,003</b>	<b>195,699</b>	<b>-</b>	<b>12,486,279</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 13,245,299</b>	<b>\$ 480,970</b>	<b>\$ 399,206</b>	<b>\$ -</b>	<b>\$ 14,125,475</b>

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

General services	\$ 5,637
Parks	82,447
Community development	18,707
Public safety	8,464
Highways and streets	210,574
Internal service funds	<u>87,486</u>
 Total depreciation expense - governmental activities	 <u><u>\$ 413,315</u></u>

Capital asset activity for the business-type activities for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:					
Land	\$ 1,404,544	\$ -	\$ -	\$ -	\$ 1,404,544
Construction in progress	1,099,526	(903,970)	233,832	-	429,388
 Total capital assets, not being depreciated	 <u>2,504,070</u>	 <u>(903,970)</u>	 <u>233,832</u>	 <u>-</u>	 <u>1,833,932</u>
Capital assets, being depreciated:					
Land Improvement	-	132,765	-	-	132,765
Buildings and improvements	1,444,878	92,999	3,228,149	-	4,766,026
Equipment	720,949	26,083	533,613	-	1,280,645
Infrastructure	33,760,096	171,153	-	-	33,931,249
 Total capital assets, being depreciated	 <u>35,925,923</u>	 <u>423,000</u>	 <u>3,761,762</u>	 <u>-</u>	 <u>40,110,685</u>
Less accumulated depreciation for:					
Land Improvement	-	-	(2,213)	-	(2,213)
Buildings and improvements	(342,008)	-	(46,616)	-	(388,624)
Equipment	(457,673)	-	(91,597)	-	(549,270)
Infrastructure	(5,201,898)	-	(452,705)	-	(5,654,603)
 Total accumulated depreciation	 <u>(6,001,579)</u>	 <u>-</u>	 <u>(593,131)</u>	 <u>-</u>	 <u>(6,594,710)</u>
 Total capital assets, being depreciated, net	 <u>29,924,344</u>	 <u>423,000</u>	 <u>3,168,631</u>	 <u>-</u>	 <u>33,515,975</u>
 Business-type activities capital assets, net	 <u><u>\$ 32,428,414</u></u>	 <u><u>\$ (480,970)</u></u>	 <u><u>\$ 3,402,463</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 35,349,907</u></u>

Depreciation expense for the business-type activities was charged to functions/programs of the City as follows:

Water	\$ 29,702
Wastewater	429,143
Airport	<u>134,286</u>
 Total depreciation expense - business-type activities	 <u><u>\$ 593,131</u></u>

#### D. 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, there was unearned deferred revenue for prepaid rent of \$18,318, unearned grant advances of \$162,431, and unearned plan assurance fees from the internal service funds of \$47,904. The various components of deferred revenue reported in the governmental funds were as follows:

	General	Transportation Operations	Redevelopment Commission	Other Governmental Funds	Totals
Property taxes	\$ 101,284	\$ -	\$ 29,682	\$ -	\$ 130,966
Franchise fees	1,933	1,933	-	-	3,866
Notes	-	-	-	227,291	227,291
Grant	-	162,431	-	-	162,431
Special assessments	-	3,407	-	100,318	103,725
Unearned revenue	-	-	-	18,318	18,318
	<u>\$ 103,217</u>	<u>\$ 167,771</u>	<u>\$ 29,682</u>	<u>\$ 345,927</u>	<u>\$ 646,597</u>

#### E. Long-term obligations

##### 1. Bond Anticipation Note – Governmental Activities

The Madras Redevelopment Commission established a bond anticipation line of credit to finance projects of the Agency. The line of credit is authorized for \$2,500,000 and is to be repaid from proceeds of a bond sale that the Agency has authorized. The interest rate on the line of credit is set at 63.5% of the BBA Libor Daily Floating Rate plus 2.6% with a 3.076% floor. As of June 30, 2010, the Agency has a balance of \$2,500,000 and the interest rate was 3.076%. Interest is paid quarterly and all principal is payable on June 30, 2012.

##### 2. Notes and Contracts Payable – Governmental Activities

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

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

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

Year Ending June 30	Principal	Interest
2011	\$ 104,202	\$ 70,228
2012	112,130	66,658
2013	115,066	62,585
2014	118,010	58,408
2015	120,961	53,420
2016-2020	576,095	194,576
2021-2025	216,836	115,338
2026-2030	270,539	64,144
2031-2032	126,127	8,396
	<u>\$ 1,759,966</u>	<u>\$ 693,753</u>

### 3. Bonds Payable – Business-Type Activities – Wastewater Fund

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

The Wastewater Fund sold four revenue bond issues to the Rural and Economic Community Development Department, which were used to finance improvements to the City's wastewater treatment plant. The bond principal and interest is payable annually with interest rates from 4.5% to 5.0%. Final payment is due July 20, 2040.

Future maturities of the combined bond issues are as follows:

Year Ending June 30	Principal	Interest
2011	\$ 219,039	\$ 396,936
2012	226,334	386,141
2013	243,988	374,987
2014	253,013	362,963
2015	180,433	350,492
2016-2020	1,043,633	1,610,991
2021-2025	1,178,072	1,340,087
2026-2030	1,456,893	1,029,682
2031-2035	1,686,792	637,828
2036-2040	1,380,674	268,080
2041	269,751	13,150
	<u>\$ 8,138,622</u>	<u>\$ 6,771,337</u>

**4. Bonds Payable – Business-Type Activities – Airport Fund**

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

Year Ending June 30	Principal	Interest
2011	\$ 4,315	\$ 5,771
2013	4,536	5,550
2013	4,769	5,318
2014	5,013	5,073
2015	5,270	4,816
2016-2020	30,688	19,742
2021-2025	39,398	11,032
2026-2027	18,624	1,440
	<u>\$ 112,613</u>	<u>\$ 58,742</u>

**5. Notes and Contracts Payable – Business Type Activities – Water Fund**

The City received a Special Public Works Fund loan through the Oregon Economic and Community Development Department for water and wastewater system improvements. The loan is divided between the Water Fund and the Wastewater Fund in the business type activities. The Water Fund is responsible for 70% of the outstanding liability. The loan requires annual payments of \$16,005, including interest at 4.97%. The final payment is due December 1, 2030. The Water Fund portion of the annual payments is \$11,204.

Future maturities for the Water Fund Portion are as follows:

Year Ending June 30	Principal	Interest
2011	\$ 4,048	\$ 7,156
2012	4,248	6,955
2013	4,459	6,744
2014	4,681	6,523
2015	4,914	6,290
2016-2020	28,483	27,534
2021-2025	36,300	19,716
2026-2030	46,264	9,754
2031	10,597	527
	<u>\$ 143,994</u>	<u>\$ 91,199</u>

**6. Notes and Contracts Payable – Business Type Activities – Wastewater Fund**

The City received a Special Public Works Fund loan through the Oregon Business Development Division for water and wastewater system improvements. The loan is divided between the Water Fund and the Wastewater Fund in the business type activities. The Wastewater Fund is responsible for 30% of the outstanding liability. The loan requires annual payments of \$16,005, including interest at 4.97%. The final payment is due December 1, 2030. The Wastewater Fund portion of the annual payments is \$4,802.

In addition, the City has a Clean Water State Revolving Fund loan payable to provide additional financing for the wastewater effluent disposal system improvements project. The loan is authorized for \$4,632,181 and at June 30, 2010, \$3,030,967 in loan proceeds has been received. An interest only payment at 2.98% interest is due six months after the project completion date and thereafter, semi-annual principal and interest payments are due for 20 years. The loan also requires an annual fee of 0.5% of the outstanding loan amount. Amortization of the outstanding balance is not yet available.

Future maturities of the Wastewater Fund notes and contracts payable, excluding the Clean Water State Revolving Fund loan of \$3,030,967, are as follows:

Year Ending June 30	Principal	Interest
2011	\$ 1,734	\$ 3,149
2012	1,821	3,067
2013	1,911	2,981
2014	2,006	2,890
2015	2,106	2,795
2016-2020	12,207	11,801
2021-2025	15,556	8,449
2026-2030	19,827	4,180
2031	4,543	226
	<u>\$ 61,711</u>	<u>\$ 39,538</u>

**7. Notes and Contracts Payable – Business Type Activities – Airport Funds**

The City has a Special Public Works loan through the State of Oregon Business Development Division for the construction of a 30,000 square foot aircraft hangar and related infrastructure at the Madras Airport. The loan is authorized for \$1,078,650 and at June 30, 2010, the full amount had been received or accrued as a receivable. The City will also receive grant funds of \$50,000. The first payment date is the earlier of December 1, 2011 or the December following the project completion. Commencing on the first payment date and December 1 of each year, 25 level installment payments of principal and interest at 4.99% are required. Amortization of the outstanding balance is as follows:

Year Ending June 30	Principal	Interest
2011	\$ -	\$ 42,977
2012	22,632	53,825
2013	23,761	52,695
2014	24,947	51,510
2015	26,191	50,265
2016-2020	151,915	230,366
2021-2025	193,794	188,487
2026-2030	247,218	135,063
2031-2035	315,370	66,911
2036	72,822	3,634
	<u>\$ 1,078,650</u>	<u>\$ 875,733</u>

### 8. Changes in Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2010 as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bond Anticipation Note	\$ 2,500,000	\$ -	\$ -	\$ 2,500,000	\$ -
Contracts, Loans and Notes	1,861,246	-	(101,280)	1,759,966	104,202
OPEB Liability	45,594	48,222	(9,441)	84,375	-
Governmental activity Long-term obligations	<u>\$ 4,406,840</u>	<u>\$ 48,222</u>	<u>\$ (110,721)</u>	<u>\$ 4,344,341</u>	<u>\$ 104,202</u>
<b>Business - type activities:</b>					
Bonds payable	\$ 8,467,428	\$ -	\$ (216,193)	\$ 8,251,235	\$ 223,354
Contracts, Loans and Notes	2,824,177	1,496,651	(5,506)	4,315,322	5,782
Business-type activity Long-term obligations	<u>\$11,291,605</u>	<u>\$1,496,651</u>	<u>\$ (221,699)</u>	<u>\$12,566,557</u>	<u>\$ 229,136</u>

### F. Transfers and Interfund Balances

Transfers in the fund financial statements consist of recurring transfers of motel tax collections from the General Fund to support parks and the tourism/economic development department, transfers of land sales proceeds between urban renewal funds, and transfers from SDC funds for their portion of capital projects.

In the fund financial statements, the Storm Water SDC and the Parks SDC owe the General Fund \$98,239 and \$71,986, respectively, for cash management purposes. The Wastewater Fund is owed \$538,240 from the Airport Fund for cash management purposes and \$284,758 from the Internal Services Funds for the purchase of equipment.

The remaining interfund balances reported in the government-wide Statement of Net Assets consists of the business type activities portion of the internal service funds residual balances, which are reported in the governmental activities column of \$905,921.

## IV. Other Information

### A. Risk Management

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

### B. Other Postemployment Benefits

In addition to providing pension benefits, the City provides certain health care benefits for retired employees. For employees retiring with at least 20 years of service, the City provides medical and dental coverage for employees who are eligible for and receive an Oregon State PERS retirement benefit. The City pays 100% of the employee only premium for a specified medical benefit plan from the date of retirement until the employee is eligible for Medicare coverage at age 65. GASB Statement No. 45 is applicable to the City for this explicit benefit. This plan is not a stand-alone plan and therefore does not issue its own financial statements.

The City is also required by Oregon Revised Statute 243.303 to provide retirees with group health insurance from the date of retirement to age 65 at the same rate provided to current employees. All medical or dental coverage offered to its employees and retirees are community rated. As a consequence of this community rating, the City does not have an implicit employer OPEB subsidy related to its retiree medical or dental coverage.

**Funding Policy.** The City collects insurance premiums from all retirees each month and deposits them in the General Fund. The City then pays healthcare insurance premiums for all retirees at the appropriate rate for each family classification. The City had 1 retired members and 35 active members in its plan on August 1, 2008, the date of its actuarial valuation. The annual required contribution (ARC) to the plan includes the employer's pay-as you-go amount and an additional amount calculated to prefund future benefits.

**Annual OPEB Costs and Net OPEB Obligation.** The City's annual other postemployment benefit cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortized any unfunded actuarial liabilities (UAAL) over a period of not more than 30 years.

The City's ARC is made up of normal cost of \$24,278 and amortization of the UAAL of \$24,478. The Actuarial Accrued Liability is the present value of benefits that are attributed to past service only. The portion attributed to future service is excluded. For retirees, this is equal to the present value of benefits. For active employees, this is equal to the present value of benefits prorated by service to date over service at the expected retirement age. The normal cost is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement. Since retirees are not accruing any more service, their normal cost is zero. Normal costs are increased from the valuation date to the fiscal

year end dates using a combination of the discount rate and health cost trend assumptions. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's OPEB obligation to the plan. For fiscal year 2009-10, the City's explicit benefit payments were \$9,441.

Nominal cost at year end	\$ 24,278
Interest on net OPEB obligation	2,052
One year's amortization of UAAL	24,478
Adjustment to annual required contribution	<u>(2,586)</u>
Annual OPEB cost (expense)	48,222
Contributions made (Explicit benefit payments)	<u>(9,441)</u>
Increase in net OPEB obligation	38,781
Net OPEB obligation - beginning of year	<u>45,594</u>
Net OPEB obligation - end of year	<u><u>\$ 84,375</u></u>

**Funding Policy.** The City has elected to not prefund the actuarially determine future cost amount of \$84,375. The City funds the benefits on a pay-as-you-go basis. Since the total annual contribution in the current year was less than the Annual Required Contribution, a liability is presented on the City's Statement of Net Assets.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percent of Annual OPEB Cost Contributions	Net OPEB Obligation
6/30/2010	\$ 48,756	19%	\$ 84,375
6/30/2009	\$ 51,367	11%	\$ 45,594

**Funded Status and Funding Progress.** As of August 1, 2008, the most recent alternative valuation date, the plan was considered unfunded. The actuarial accrued liability for benefits was \$321,032, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$321,032. The covered payroll (annual payroll of active employees covered by the plan) was \$1,837,504 and the ratio of UAAL to the covered payroll was 17.5%.

Actuarial valuations of an ongoing plan involve 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 cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress shown below presents trend information about whether the actuarial value of plan assets is increasing or decreasing overtime relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial 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.

Assumptions used in calculating the actuarial liabilities associated with the City's health plan include a 4.5% investment return and discount rate; an increase in health costs of 8.0% in the first year (August 1, 2009 premiums compared to August 1, 2008, premiums), 7.0% for the second year, 6.5% for the third year, 6.0% for the 4<sup>th</sup> through 14<sup>th</sup> year, 5.5% for the 15<sup>th</sup> through 29<sup>th</sup> year, and 5.0% thereafter; and retirement rates used by Oregon PERS for its December 31, 2007, actuarial valuation.

Retirement age for active employees was estimated based on PERS retirement rates. The marital status of members at the calculation date was assumed to continue through retirement. Non-group-specific age-based turnover data from GASB 45 were used as the basis for assigning the probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

The Projected Unit Credit Cost Method was used to determine the Normal Cost and Actuarial Accrued Liability. Amortization of the UAAL is calculated as a level percentage of payroll over a rolling period of fifteen years. Payroll was assumed to increase 3.75% per year for this purpose.

The City's Plan is deemed to be "unfunded" in accordance with the relevant GASB statements. The table below presents a schedule of funding progress for the most recent actuarial valuations for the City's postretirement health plans.

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll (b-a/c)
8/1/2008	\$ -	\$ 321,032	\$ 321,032	0%	\$1,837,504	17.5%

**C. Defined Benefit Pension Plan – Public Employees Retirement System**

**1. Plan Description**

The City of Madras contributes to the Oregon Public Employees Retirement Fund (OPERF), a cost sharing, multiple employer Defined Benefit Pension Plan, administrated by the State of Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Oregon Revises Statutes 238 assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan ("OPSRP") is

effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six month or greater break in service. The new plan consists of a defined benefit program (the "Pension Program") and a defined contribution portion (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on the type of service (general versus police or fire).

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by OPERB may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, by calling 1-503-598-7377, or by accessing the PERS web site at [www.pers.state.or.us](http://www.pers.state.or.us).

## **2. Funding Policy**

The required employee contribution of 6% is paid by the City for the members. The City is required by ORS 238.225 to contribute at an actuarially determined rate; the current rate is 10.02% of annual covered payroll for Tier I and Tier II employees. Public employees hired after August 29, 2003, after a six month waiting period, become members of the Oregon Public Service Retirement Plan (OPSRP). The rate for OPSRP is set at 10.51% of covered payroll for police employees and 7.8% for all others. The contribution requirement of plan members and their employers are established under ORS Chapter 238, and may be amended by the PERS Board of Trustees. The City's contributions to PERS for the years ending June 30, 2010, 2009, and 2008 were \$288,336, \$333,978, and \$297,129, respectively, equal to the required contributions each year.

The pension liability (asset) was determined in accordance with Government Accounting Standards Board Statement No. 27. Since all actuarially determined contributions have been paid, the pensions liability (asset) is zero.

## **D. Construction in Progress**

The City is committed under various construction contracts at June 30, 2010. Major projects in progress at June 30, 2010 are as follows:

The City is in the preliminary stages for the construction of a new City Hall and Police Station. The total project budget is estimated at \$6,371,540. At June 30, 2010, a total of \$61,536 has been spent towards the project and construction had not yet been bid or started.

The City is in the preliminary planning stages for major improvements to the Highway 97 and J Street intersection, which will be performed in collaboration with the Oregon

Department of Transportation. At June 30, 2010, \$317,138 has been spent towards the project, but an estimate of the total project cost has not been established. The City's estimated portion of the project is \$350,000, of which, 91% has been paid. Funding at the State level is currently on hold.

The City has construction in progress for the improvement of the Jefferson Street Sewer. At June 30, 2010, \$170,049 has been spent on the project. Total estimated project costs are \$401,093 and the project is estimated to be 42% complete.

The City is in the process of updating the Madras Municipal Airport Master Plan. At June 30, 2010, \$154,450 has been spent on the project. Total estimated project costs are \$157,895 and the project is estimated to be 98% complete.

The City has construction in progress for the B Street Pedestrian improvements. As of June 30, 2010, \$92,672 has been spent on the project. Total estimated project costs are \$620,960 and the project is estimated to be 15% complete.

The City has construction in progress for the North Y Connection. At June 30, 2010, \$13,601 has been spent. Total estimated project costs are \$179,000 and the project is 8% complete.

The City has construction in progress for US 97 and Fairgrounds Road. As of June 30, 2010, \$112 has been spent. Total estimated projects costs are \$12 million and the project is estimated to be 0% complete.

The City has construction in progress for Wastewater Storage Building. At June 30, 2010, \$39,856 has been spent. Total estimated project costs are \$149,208 and the project is estimated to be 27% complete.

The City has construction in progress for North Y Sewer Collector. As of June 30, 2010, \$350 has been spent. Total estimated project costs are \$30,409 and the project is estimated to be 1% complete.

The City has construction in progress for South hangar Weatherization. As of June 30, 2010, \$64,673 has been spent. Total estimated project costs are \$106,542 and the project is estimated to be 61% complete.

#### **E. Subsequent Events**

After June 30, 2010, the City, in its normal course of business, has awarded contracts for projects or approved for purchase the following items:

- Construction contract to construct concrete abutments, bridge deck, and curbs for North Y Trail Connection. \$ 16,040
- Construction contract for Rocky Ridge Excavation, LLC to install a North Y Collector at Willow Creek for \$11,396, contract change order No. 1 for \$5,698, and authorize staff to purchase materials and testing services for \$13,315. \$ 30,409
- Construction services contract with Kirby Nagelhout Construction to construct south wastewater treatment plant equipment storage facility. \$ 101,900
- Purchase of a Kioti tractor and related equipment. \$ 32,578

The City was approved for a Connect Oregon III grant in the amount of \$1,704,624, which represents 80% of the estimated project costs. The remaining costs will be funded by an FAA grant and about \$20,000 of airport resources. The City also approved engineering and design service contracts for \$332,134 related to the project.

The City signed personal service contract with Wallace Group, Inc in the amount of \$14,500 for the environmental review work required for funding application consideration of the central Corridor Stormwater Collection and Water Quality forgiveness.

The City entered into an airport hangar lease agreement with Butler Aircraft Co. on 8/1/2010. Lease begins immediately on August 1 and shall continue for five years with three renewal options of five years each. Monthly rent will be \$6,600 for the first year and will be adjusted each year thereafter per lease agreement.

In September of 2010, the City established a temporary moratorium on System Development Charge increases and reduced the current charges by 20%.

The City approved a warranty deed conveying a 20 acre parcel to the Jefferson County School District 509-J, as part of a previous land exchange agreement.

City Council accepted bargain and sale deeds from Jefferson County conveying Ashwood Road right-of-ways and the related easements.

The Oregon Transportation Commission awarded the City a federally funded Bike and Pedestrian Trail grant of \$465,000 to construct a 3,000 foot trail. The total project costs are estimated at \$510,000.

The City issued \$1,775,000 in Certificates of Participation to assist in funding the construction of a new city hall and police station. The City is also in the process of issuing \$2.2 million in debt with USDA to fund the project. The Certificates will be repaid over a period of 25 years with interest rates ranging from 3% to 5.2%.

#### **F. Related Party Activity**

The Madras Redevelopment Commission (MRC), a blended component unit, provides funds to local businesses to improve and refurbish properties in the Urban Renewal District through a combination of grants and loans, as described in Note III. B. During the year, one of the Commission's Directors 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 \$26,822, and is payable in monthly installments through January 2020. This award was consistent with MRC's policy and was discussed and approved during a monthly public meeting of the Urban Renewal District. This particular commissioner did not participate in the deliberation or vote.

#### **G. Commitments and Contingencies**

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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 on event will the purchase price be less than \$9,000 per acre.

The City's SPWF loan/grant agreement includes a job creation requirement that should cause Butler Air to create or retain 35 FTE for a one year period consisting of four consecutive calendar quarters that begins no earlier than 1/1/2010 and no later than 12/31/2013. The potential penalty is \$5,000 per job requirement not met. The IOF grant agreement requires that within two years of execution of this agreement, the City shall provide to the State, documentation from Madras Airport that two FTE have been retained and 13 FTE positions created. 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 Madras Redevelopment Commission has an agreement with a developer to promote the construction of a movie theater. The Commission will make the first of five annual payments in the amount of \$100,000 each upon completion of construction and issuance of a certificate of ownership.

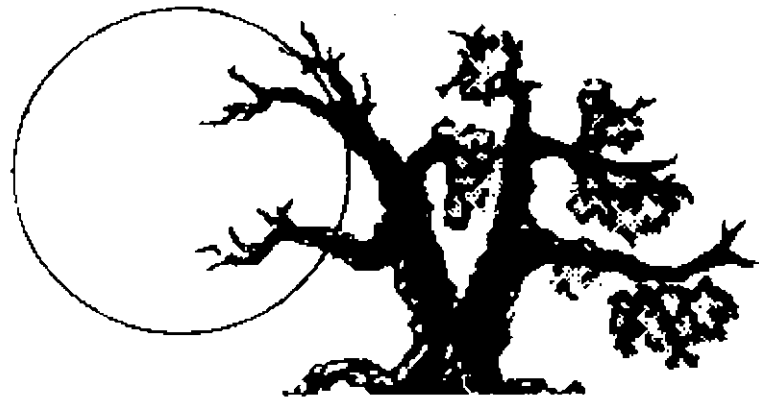
The Madras Redevelopment Commission has an agreement with a local hotel to provide \$105,000 for each of five years to promote the development of the new hotel and meeting room, beginning with the date the hotel opened, which occurred in October 2007. The Agency made the fourth payment in October, 2010.



City of Madras

## **SUPPLEMENTAL INFORMATION**

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City of Madras

# COMBINING STATEMENTS

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## Non-Major Governmental Funds

### Special Revenue Funds

The Special Revenue Funds account for specific revenues that are restricted to expenditures for specified purposes. Funds included in this category are:

**PARKS FUND** – The Parks Fund is used to account for the operations and maintenance of the City parks. The major sources of revenues are fees and transfers from the General Fund.

**TOURISM / ECONOMIC DEVELOPMENT FUND** – The Tourism/Economic Development Fund primary revenues are from motel taxes and transfers from the General Fund. Expenditures are for tourism and economic development.

**INDUSTRIAL SITE FUND** – This fund collects revenues from sales and rental of real property in the City's industrial park. Expenditures are for the promotion and development of the industrial park.

**COMMUNITY DEVELOPMENT FUND** – The primary source of revenues are fees and transfers from other City funds. Expenditures are for development projects in the City.

**MRC REINVESTMENT FUND** – This fund accounts for receipts from the repayment of redevelopment loans and the resources available for future projects.

### Capital Projects Funds

The Capital Projects Funds account for the acquisition and construction of capital facilities.

**PARKS SDC FUND** – This fund accounts for financial resources to be used for the acquisition or construction of City parks. Principal resources include intergovernmental revenue and system development fees.

**STORM WATER SDC FUND** – This fund accounts for financial resources to be used for the improvement or construction of the City's storm water system. Principal resources include system development charges, intergovernmental revenues and interest on investments.

**STREET CONSTRUCTION FUND** – This fund accounts for the construction of major street, sidewalk, and storm sewer improvements. The primary source of revenues is system development fees and issuance of debt.

**STREET REIMBURSEMENT SDC FUND** – This fund accounts for financial resources to be used for capital improvement projects that improve the existing street infrastructure system. Principal resources include system development charges and interest on investments.

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



Capital Projects Funds

Parks SDC	Storm Water SDC	Street Construction	Street Reimbursement SDC	Improvement Fee	Totals
\$ -	\$ -	\$ 4,815	\$ 7,162	\$ 441,209	\$ 717,736
-	-	-	-	-	14,927
1,987	2,389	95,942	-	-	100,318
-	-	-	-	-	227,291
<u>\$ 1,987</u>	<u>\$ 2,389</u>	<u>\$ 100,757</u>	<u>\$ 7,162</u>	<u>\$ 441,209</u>	<u>\$ 1,060,272</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,625
-	-	-	-	-	29,000
1,987	2,389	95,942	-	-	345,927
71,986	98,239	-	-	-	170,225
<u>73,973</u>	<u>100,628</u>	<u>95,942</u>	<u>-</u>	<u>-</u>	<u>559,777</u>
-	-	-	7,162	441,209	448,371
<u>(71,986)</u>	<u>(98,239)</u>	<u>4,815</u>	<u>-</u>	<u>-</u>	<u>52,124</u>
<u>(71,986)</u>	<u>(98,239)</u>	<u>4,815</u>	<u>7,162</u>	<u>441,209</u>	<u>500,495</u>
<u>\$ 1,987</u>	<u>\$ 2,389</u>	<u>\$ 100,757</u>	<u>\$ 7,162</u>	<u>\$ 441,209</u>	<u>\$ 1,060,272</u>

**CITY OF MADRAS, OREGON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2010**

	Special Revenue Funds				
	Parks	Tourism/ Economic Development	Industrial Site	Community Development	MRC Reinvestment
<b>REVENUES</b>					
Other taxes	\$ -	\$ 61,093	\$ -	\$ -	\$ -
Assessments	-	-	-	-	15,711
Licenses and fees	1,575	-	-	24,846	-
Charges for services	30,075	-	-	-	-
Intergovernmental	-	-	-	-	-
System development charges	-	-	-	-	-
Rental income	-	-	21,850	-	-
Interest on investments	107	254	547	546	5,464
Miscellaneous	50,657	1,500	-	42,820	-
<b>TOTAL REVENUES</b>	<b>82,414</b>	<b>62,847</b>	<b>22,397</b>	<b>68,212</b>	<b>21,175</b>
<b>EXPENDITURES</b>					
Current:					
General services	-	-	27,367	-	-
Parks	189,059	-	-	-	-
Community development	-	174,753	-	205,557	-
Highways and streets	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>189,059</b>	<b>174,753</b>	<b>27,367</b>	<b>205,557</b>	<b>-</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(106,645)</b>	<b>(111,906)</b>	<b>(4,970)</b>	<b>(137,345)</b>	<b>21,175</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	112,528	61,093	-	85,912	-
Transfers out	-	-	(60,000)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>112,528</b>	<b>61,093</b>	<b>(60,000)</b>	<b>85,912</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>5,883</b>	<b>(50,813)</b>	<b>(64,970)</b>	<b>(51,433)</b>	<b>21,175</b>
<b>FUND BALANCE (DEFICIT), Beginning</b>	<b>20,694</b>	<b>94,523</b>	<b>105,975</b>	<b>128,413</b>	<b>8,087</b>
<b>FUND BALANCE (DEFICIT), Ending</b>	<b>\$ 26,577</b>	<b>\$ 43,710</b>	<b>\$ 41,005</b>	<b>\$ 76,980</b>	<b>\$ 29,262</b>

See auditor's report.

**Capital Projects Funds**

<b>Parks SDC</b>	<b>Storm Water SDC</b>	<b>Street Construction</b>	<b>Street Reimbursement SDC</b>	<b>Improvement Fee</b>	<b>Totals</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,093
-	-	-	-	-	15,711
-	-	-	-	50,000	76,421
-	-	-	-	-	30,075
12,833	-	-	-	-	12,833
3,965	4,483	89,267	12,487	-	110,202
-	-	-	-	-	21,850
-	-	16	8	2,062	9,004
-	-	-	-	-	94,977
<u>16,798</u>	<u>4,483</u>	<u>89,283</u>	<u>12,495</u>	<u>52,062</u>	<u>432,166</u>
-	-	-	-	-	27,367
-	-	-	-	-	189,059
-	-	-	-	-	380,310
-	-	6,692	-	22,603	29,295
14,732	-	40,238	-	-	54,970
-	-	175,388	-	-	175,388
<u>14,732</u>	<u>-</u>	<u>222,318</u>	<u>-</u>	<u>22,603</u>	<u>856,389</u>
<u>2,066</u>	<u>4,483</u>	<u>(133,035)</u>	<u>12,495</u>	<u>29,459</u>	<u>(424,223)</u>
-	-	138,000	-	-	397,533
-	-	-	-	-	(60,000)
-	-	138,000	-	-	337,533
2,066	4,483	4,965	12,495	29,459	(86,690)
(74,052)	(102,722)	(150)	(5,333)	411,750	587,185
<u>\$ (71,986)</u>	<u>\$ (98,239)</u>	<u>\$ 4,815</u>	<u>\$ 7,162</u>	<u>\$ 441,209</u>	<u>\$ 500,495</u>



City of Madras

## COMBINING STATEMENTS

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### Internal Service Funds

Internal Service funds account for the financing of goods and services provided by one department or agency to other departments or agencies of the City and to other government units on a cost reimbursement basis. The Internal Service funds of the City are:

**CENTRAL SERVICES FUND** – This fund provides the accounting of all internal operations and services provided for the benefit of other City departments.

**PUBLIC WORKS FUND** – This fund accounts for the activity associated with the public works administration and support services including clerical support.

**BUILDINGS FUND** – This fund accounts for the repairs and operation of city hall, police station, public works building and the garage.

**FLEET FUND** – This fund accounts for the purchase and maintenance of capital equipment that is used by multiple divisions of public works and the police department.

**CITY OF MADRAS, OREGON  
COMBINING BALANCE SHEET  
INTERNAL SERVICE FUNDS  
June 30, 2010**

<b>ASSETS</b>	<u>Central Services</u>	<u>Public Works</u>	<u>Buildings</u>	<u>Fleet</u>	<u>Total</u>
<b>Current assets:</b>					
Cash and cash equivalents	\$ 309,696	\$ 478,384	\$ 667,042	\$ 104,766	\$ 1,559,888
Receivables:					
Accounts	-	14,284	-	-	14,284
Assessments	-	3,422	-	-	3,422
Total current assets	<u>309,696</u>	<u>496,090</u>	<u>667,042</u>	<u>104,766</u>	<u>1,577,594</u>
<b>Noncurrent assets:</b>					
Capital assets:					
Construction in progress	-	-	61,536	-	61,536
Depreciable assets, net of depreciation	<u>5,146</u>	<u>-</u>	<u>119,057</u>	<u>708,063</u>	<u>832,266</u>
Total noncurrent assets	<u>5,146</u>	<u>-</u>	<u>180,593</u>	<u>708,063</u>	<u>893,802</u>
<b>Total assets</b>	<u>\$ 314,842</u>	<u>\$ 496,090</u>	<u>\$ 847,635</u>	<u>\$ 812,829</u>	<u>\$ 2,471,396</u>
 <b>LIABILITIES AND NET ASSETS</b>					
<b>Current liabilities:</b>					
Accounts payable and accrued liabilities	\$ 21,134	\$ 38,941	\$ 3,165	\$ 20,528	\$ 83,768
Unearned revenue	91	47,812	-	-	47,903
Compensated absences payable	15,435	21,882	-	-	37,317
Interfund payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,175</u>	<u>60,175</u>
Total current liabilities	<u>36,660</u>	<u>108,635</u>	<u>3,165</u>	<u>80,703</u>	<u>229,163</u>
<b>Long-term debt, net of current portion</b>					
Advances from other funds	-	-	-	224,583	224,583
Other post employment benefits liability	<u>11,839</u>	<u>34,028</u>	<u>-</u>	<u>-</u>	<u>45,867</u>
Total long-term debt, net of current portion	<u>11,839</u>	<u>34,028</u>	<u>-</u>	<u>224,583</u>	<u>270,450</u>
<b>Total liabilities</b>	<u>48,499</u>	<u>142,663</u>	<u>3,165</u>	<u>305,286</u>	<u>499,613</u>
<b>Net assets:</b>					
Invested in capital assets, net of related debt	5,146	-	180,593	708,063	893,802
Unrestricted	<u>261,197</u>	<u>353,427</u>	<u>663,877</u>	<u>(200,520)</u>	<u>1,077,981</u>
Total net assets	<u>266,343</u>	<u>353,427</u>	<u>844,470</u>	<u>507,543</u>	<u>1,971,783</u>
<b>Total liabilities and net assets</b>	<u>\$ 314,842</u>	<u>\$ 496,090</u>	<u>\$ 847,635</u>	<u>\$ 812,829</u>	<u>\$ 2,471,396</u>

See auditor's report.

**CITY OF MADRAS, OREGON**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended June 30, 2010**

	Central Services	Public Works	Buildings	Fleet	Totals
<b>OPERATING REVENUES</b>					
Charges for services	\$ 700,766	\$ 1,437,049	\$ 334,130	\$ 338,763	\$ 2,810,708
Licenses and fees	29,577	33,642	-	-	63,219
Miscellaneous	1,608	11,467	-	-	13,075
<b>TOTAL OPERATING REVENUES</b>	<u>731,951</u>	<u>1,482,158</u>	<u>334,130</u>	<u>338,763</u>	<u>2,887,002</u>
<b>OPERATING EXPENSES</b>					
Personal services	483,339	1,063,680	-	-	1,547,019
Materials and services	172,650	186,904	106,010	178,675	644,239
Depreciation	572	1,187	2,583	83,144	87,486
<b>TOTAL OPERATING EXPENSES</b>	<u>656,561</u>	<u>1,251,771</u>	<u>108,593</u>	<u>261,819</u>	<u>2,278,744</u>
<b>OPERATING INCOME (LOSS)</b>	<u>75,390</u>	<u>230,387</u>	<u>225,537</u>	<u>76,944</u>	<u>608,258</u>
<b>NON-OPERATING INCOME (EXPENSES)</b>					
Intergovernmental	-	185	-	-	185
Interest on investments	1,315	1,597	2,405	190	5,507
Interest expense	-	-	-	(3,545)	(3,545)
<b>TOTAL NON-OPERATING INCOME (EXPENSES)</b>	<u>1,315</u>	<u>1,782</u>	<u>2,405</u>	<u>(3,355)</u>	<u>2,147</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS</b>	<u>76,705</u>	<u>232,169</u>	<u>227,942</u>	<u>73,589</u>	<u>610,405</u>
<b>TRANSFERS</b>					
Transfers out	(85,912)	-	-	-	(85,912)
<b>TOTAL TRANSFERS</b>	<u>(85,912)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(85,912)</u>
<b>CHANGE IN NET ASSETS</b>	(9,207)	232,169	227,942	73,589	524,493
<b>NET ASSETS, Beginning</b>	<u>275,550</u>	<u>121,258</u>	<u>616,528</u>	<u>433,954</u>	<u>1,447,290</u>
<b>NET ASSETS, Ending</b>	<u>\$ 266,343</u>	<u>\$ 353,427</u>	<u>\$ 844,470</u>	<u>\$ 507,543</u>	<u>\$ 1,971,783</u>

**CITY OF MADRAS, OREGON**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended June 30, 2010**

	Central Services	Public Works	Buildings	Fleet	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 31,185	\$ -	\$ -	\$ -	\$ 31,185
Receipts from interfund services provided	700,766	1,403,136	334,130	338,763	2,776,795
Payments to suppliers	(297,349)	(512,614)	(108,785)	(162,833)	(1,081,581)
Payments to employees	(342,669)	(709,170)	-	-	(1,051,839)
Net cash provided from (used by) operating activities	<u>91,933</u>	<u>181,352</u>	<u>225,345</u>	<u>175,930</u>	<u>674,560</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers out	(85,912)	-	-	-	(85,912)
Net cash provided from (used by) non-capital financing activities	<u>(85,912)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(85,912)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Proceeds from intergovernmental revenue	-	185	-	-	185
Interfund loan proceeds	-	-	-	185,590	185,590
Acquisition of capital assets	(5,719)	-	(56,886)	(251,292)	(313,897)
Principal paid on Interfund loan	-	-	-	(23,070)	(23,070)
Interest paid on Interfund loan	-	-	-	(3,545)	(3,545)
Net cash provided from (used by) capital and related financing activities	<u>(5,719)</u>	<u>185</u>	<u>(56,886)</u>	<u>(92,317)</u>	<u>(154,737)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest on investments	1,315	1,597	2,405	190	5,507
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
	1,617	183,134	170,864	83,803	439,418
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<u>308,079</u>	<u>295,250</u>	<u>496,178</u>	<u>20,963</u>	<u>1,120,470</u>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<u>\$ 309,696</u>	<u>\$ 478,384</u>	<u>\$ 667,042</u>	<u>\$ 104,766</u>	<u>\$ 1,559,888</u>
<b>Reconciliation of operating income (loss) to net cash provided from (used by) operating activities</b>					
Operating income (loss)	\$ 75,390	\$ 230,387	\$ 225,537	\$ 76,944	\$ 608,258
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	572	1,187	2,583	83,144	87,486
(Increase) decrease in assets:					
Receivables	-	2,775	-	-	2,775
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	7,347	13,442	(2,775)	15,842	33,856
Unearned revenues	-	(81,797)	-	-	(81,797)
Compensated absences payable	3,168	23	-	-	3,191
Other postemployment benefits	5,456	15,335	-	-	20,791
Net cash provided from (used by) operating activities	<u>\$ 91,933</u>	<u>\$ 181,352</u>	<u>\$ 225,345</u>	<u>\$ 175,930</u>	<u>\$ 674,560</u>

See auditor's report.

## **BUDGETARY COMPARISON SCHEDULES**

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Pursuant to the provisions of Oregon Revised Statute 297.465, Oregon Administrative Rule #162-010-0130, *Minimum Standards for Audits of Oregon Municipal Corporations*, requires an individual schedule of revenues, expenditures/expenses, and changes in fund balances/net assets, budget and actual be displayed for each fund where legally adopted budgets are required.

In accordance with GASB Statement No. 34, the City's General Fund and any major special revenue fund (currently only the Transportation Operations Fund and the Redevelopment Commission Fund) are presented as the third of the basic governmental fund financial statements. All other budgetary comparisons are displayed in the following pages as supplemental information.

**CITY OF MADRAS, OREGON**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL, BY DEPARTMENT**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Public safety:				
Police:				
Personal services	\$ 1,196,207	\$ 1,196,207	\$ 1,099,355	\$ 96,852
Materials and services	<u>569,678</u>	<u>569,678</u>	<u>567,394</u>	<u>2,284</u>
Total public safety	<u>1,765,885</u>	<u>1,765,885</u>	<u>1,666,749</u>	<u>99,136</u>
Nondepartmental:				
Materials and services	-	23,242	23,242	-
Capital outlay	350,000	350,000	91,288	258,712
Transfers out	<u>170,028</u>	<u>170,028</u>	<u>173,621</u>	<u>(3,593)</u>
Total nondepartmental	<u>520,028</u>	<u>543,270</u>	<u>288,151</u>	<u>255,119</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ 2,285,913</u>	<u>\$ 2,309,155</u>	<u>\$ 1,954,900</u>	<u>\$ 354,255</u>

# **SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

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## **Governmental Funds**

### **Special Revenue Funds**

- Parks
- Tourism/Economic Development
- Industrial Site
- Community Development
- MRC Reinvestment

### **Capital Projects Fund**

- Parks SDC
- Storm Water SDC
- Street Construction
- Street Reimbursement SDC
- Improvement Fee

