Madras, Oregon

ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2017

This page intentionally left blank

CITY OF MADRAS

OFFICERS AND MEMBERS OF THE GOVERNING BODY
For the Year Ended June 30, 2017

MAYOR

Royce Embanks

CITY COUNCIL

Bartt Brick

Richard Ladeby

William Montgomery
(Retired April, 2017)

Denise Piza

Gary Walker

All council members receive mail at the address listed below

CITY ADMINISTRATOR

Gus Burril

FINANCE DIRECTOR

Kristal Hughes

CITY ADDRESS

125 SW E Street
Madras, OR 97741

This page intentionally left blank

CITY OF MADRAS

TABLE OF CONTENTS
For the Year Ended June 30, 2017

TABLE OF CONTENTS (Continued)

Boldt Carlisle + Smith
CERTIFIED PUBLIC ACCOUNTANTS
The right people. The right answers.

1255 Lee Street SE Suite 210 Salem Oregon 97302 | P 503.585.7751 | F 503.370.3781
408 N Third Avenue Stayton Oregon 97383 | P 503.769.2186 | F 503.769.4312
200 Calapooia Street SW Albany Oregon 97321 | P 541.928.3354 | F 541.967.7668

www.bcsllc.com

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of CITY OF MADRAS, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT (Continued)

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 and each major fund of the City of Madras, as June 30, 2017, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Special Revenue, Madras Redevelopment Commission and Madras Redevelopment Commission Reinvestment Funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages a through i, Schedule of the Proportionate Share of the Net Pension Liability on page 53 and the Schedule of Contributions on page 54 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The individual fund schedules and other information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Other Reporting Required by Oregon State Regulations

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated February 28, 2018, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
February 28, 2018
By:

Bradley G. Bingenheimer, Member

This page intentionally left blank

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page intentionally left blank

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, 2017. The report has been prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by the Government Accounting Standard Board (GASB). This report should be read in conjunction with the basic financial statements and notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net position increased over the course of the fiscal year by $2,065,023 for total net position of $48.1 million. This is the net result of a $811,638 (4.94%) increase in the governmental net position and $1,253,385 (4.23%) increase in the business-type net position.

- Net capital assets for business-type activities increased $608,868 (1.56%). Increases are primarily due to increased funding for construction on various projects, including the reconstruction of the airport runway and the building of a road on airport property for a new business development. Governmental-type activities net capital assets increased $201,516 (0.87%). Increases are the result of construction projects including grant-funded streets, sidewalks and trails.

- Property tax revenue increased compared to prior year. Property tax revenues primarily consist of $1.25 million in the General Fund and $0.36 million related to the Madras Redevelopment Commission (the Urban Renewal District to the City of Madras) for overall property tax revenues of $1.6 million.

- As of the end of the fiscal year, total governmental funds had an ending fund balance of $3.5 million, an increase over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's financial statements are comprised of: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances and are made up of the following two statements: the s*tatement of net position* and the *statement of activities*. Both of these statements are prepared using accounting methods similar to those used by private-sector businesses, which use the economic resources measurement focus and the accrual basis of accounting.

- The s*tatement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

- The s*tatement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused compensated absences).

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

Measurement focus and basis of accounting

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

Accrual accounting measures the effects of transactions, events, and inter-fund activities when they occur, regardless of the timing of the related cash flows. The measurement focus for governmental funds however, is to view changes in current financial resources. The objective is to answer the question, *"What are the transactions or events of the current period that have increased or decreased the resources available for spending in the near future?"*
Governmental funds use modified accrual accounting in which revenues are not recognized until they are measurable and available, and expenditures are recognized in the period in which governments in general normally liquidate the related liability rather than when the liability is first incurred.

Fund Financial Statements

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

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

  The City maintains thirteen individual governmental funds. Of these individual funds, the City considers six funds to be *major governmental funds*. These six major governmental funds - represented individually in the balance sheet and the statement of revenues expenditures, and change in fund balances - include the General, Special Revenue, Madras Redevelopment Commission, Madras Redevelopment Commission Reinvestment, Debt Service and Capital Projects Funds.

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

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

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

The financial statements also include notes that provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.
In addition to the basic financial statements and the accompanying notes, additional pertinent information for the reader, referred to as *Required Supplementary Information* (RSI). The RSI can be found in this report following the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position: Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) for the City's governmental and business-type activities. The City's net position is made up of three components: invested in capital assets, restricted net position, and unrestricted net position. Restricted net position is subject to constraints that are either externally imposed by outside agencies, for example banks or grant agencies, or imposed by law through constitutional provisions or enabling legislation. The capital assets reflected within Table 1 are stated net of accumulated depreciation. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Madras, combined net position for fiscal year ended June 30, 2017 totaled $48.1 million, an increase of $2 million from June 30, 2016.

Table 1
STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	$ 3,526,241	$ 4,424,072	$ 3,853,215	$ 3,449,831	$ 7,379,456	$ 7,873,903
Capital assets	23,491,592	23,325,010	39,548,371	38,860,568	63,039,963	62,185,578
Total Assets	27,017,833	27,749,082	43,401,586	42,310,399	70,419,419	70,059,481
Deferred Outflows	1,410,829	298,671	217,164	31,412	1,627,993	330,083
Liabilities:						
Current liabilities	1,300,005	1,764,147	712,134	463,070	2,012,139	2,227,217
Non-current liabilities	9,412,333	9,127,798	11,956,380	12,052,076	21,368,713	21,179,874
Total Liabilities	10,712,338	10,891,945	12,668,514	12,515,146	23,380,852	23,407,091
Deferred Inflows	469,040	720,159	56,172	185,985	525,212	906,144
Net Position:						
Invested in capital assets, net of related debt	16,883,352	16,149,918	27,412,329	26,976,582	44,295,681	43,126,500
Restricted	3,583,753	3,300,764	583,761	330,978	4,167,514	3,631,742
Unrestricted	(3,219,821)	(3,015,033)	2,897,974	2,333,120	(321,847)	(681,913)
Total Net Position	$ 17,247,284	$ 16,435,649	$ 30,894,064	$ 29,640,680	$ 48,141,348	$ 46,076,329

The largest component of the City's $48.1 million net position is net investments in capital assets *(e.g., land, buildings, improvements, equipment, infrastructure and construction in progress)*. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position is calculated by reducing the carrying value of restricted assets by amounts repayable from those assets, excluding capital–related debt. The restricted net position represent resources subject to restrictions imposed either by external creditors or imposed by law through constitutional provisions or enabling legislation.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Change in Net Position

Table 2
CHANGE IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for services	$ 245,028	$ 327,218	$ 4,627,209	$ 4,138,473	$ 4,872,237	$ 4,465,691
Operating grants and contributions	887,728	801,841		-	887,728	801,841
Capital grants and contributions	1,227,172	420,678	1,498,809	746,355	2,725,981	1,167,033
General Revenues:					-	-
Property taxes	1,600,503	1,550,542	-	-	1,600,503	1,550,542
Franchise and public services tax	1,344,626	1,216,134	-	-	1,344,626	1,216,134
Investment earnings and other	71,527	88,222	57,963	365,665	129,490	453,887
Transfers	107,009	(74,654)	(107,009)	18,585	-	(56,069)
Total Revenues	5,483,593	4,329,981	6,076,972	5,269,078	11,560,565	9,599,059
Expenses:						
General government	224,702	359,787	-	-	224,702	359,787
Public safety	2,082,283	2,621,157	-	-	2,082,283	2,621,157
Highway and streets	1,260,088	1,268,394	-	-	1,260,088	1,268,394
Community development	679,360	931,084	-	-	679,360	931,084
Culture and recreation	332,535	318,926	-	-	332,535	318,926
Interest	324,769	272,461	-	-	324,769	272,461
Enterprise operations	-	-	4,902,522	4,697,902	4,902,522	4,697,902
Total Expenses	4,903,737	5,771,809	4,902,522	4,697,902	9,806,259	10,469,711
Change in Net Position	579,856	(1,441,828)	1,174,450	571,176	1,754,306	(870,652)
Net position - beginning of year	16,435,646	17,877,477	29,640,679	29,069,503	46,076,325	46,946,980
Prior period adjustment	231,782	-	78,935	-	310,717	-
Net position - end of year	$ 17,247,284	$ 16,435,649	$ 30,894,064	$ 29,640,679	$ 48,141,348	$ 46,076,328

<u>*Governmental Activities*</u>:
Governmental activities represent 35.8% of the City's total net position. The governmental activities net position increased by $811,638.Total revenues from governmental activities for fiscal year 2017 were $1.15 million more than prior year.

<u>*Business-Type Activities*</u>:
Business-type activities represent 64.2% of the City's total net position. These business–type activities consist of the Water, Wastewater and Airport operations and capital projects. In fiscal year end 2017, net position increased by $1.25 million.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

During the year ended June 30, 2017, all six City funds were classified as major governmental funds. As of June 30, 2017, the City's governmental funds reported a combined ending fund balance of $3.5 million. This is an increase of $585,636 from current year activity and $127,878 from prior period adjustments.

GENERAL FUND BUDGET HIGHLIGHTS

The City adopted the operating budget for the fiscal year 2016-17 budget on June 14, 2016 in the amount of $15,711,941, excluding reserve and unappropriated ending fund balance. The General Fund budgetary comparison can be found on page 9. Other major governmental funds budgetary comparisons can be found on pages 10 through 12.

CAPITAL ASSETS

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

Governmental activities capital assets increased $201,516 (0.87%). Business-type activities capital assets increased by $608,868 (1.56%).

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Table 4
CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Non-depreciable assets:						
Land	$ 3,038,867	$ 3,038,867	$ 1,727,177	$ 1,727,177	$ 4,766,044	$ 4,766,044
Construction in progress	436,759	48,802	1,723,622	549,325	2,160,381	598,127
Total non-depreciable assets	3,475,626	3,087,669	3,450,799	2,276,502	6,926,425	5,364,171
Capital assets being depreciated:						
Land improvements	2,321,630	2,483,679	120,872	127,064	2,442,502	2,610,743
Building and improvements	6,672,138	6,864,084	4,315,068	4,382,764	10,987,206	11,246,848
Equipment	533,358	509,732	347,909	359,884	881,267	869,616
Infrastructure	10,488,840	10,344,912	31,313,723	31,793,289	41,802,563	42,138,201
Total depreciable assets, net	20,015,966	20,202,407	36,097,572	36,663,001	56,113,538	56,865,408
Total capital assets	$ 23,491,592	$ 23,290,076	$ 39,548,371	$ 38,939,503	$ 63,039,963	$ 62,229,579

DEBT ADMINISTRATION

For more information regarding the City's outstanding debt please refer to the Note 8 to the basic financial statements located on pages 30 through 34 of this report.

The City drew an additional $55,000 on the existing line of credit for the Madras Redevelopment Commission during the fiscal year to fund façade improvement projects. Total outstanding debt for business-type activities decreased approximately $144,000 from the prior year. Total outstanding debt for governmental activities decreased $321,247. For more information on the explanation and calculation of the other post-employment benefits (OPEB) liability please see pages 46 through 48 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic factors considered for the next fiscal year (2017-18) include:

- Using guidance from the assessor's office, property taxes are forecasted to increase approximately 5.7% in property taxes from the prior tax year.
- It is anticipated that Warm Springs's Travel Plaza, Keith Manufacturing's new office building, two Bright Wood Corporation buildings, and a commercial vehicle wash facility will be constructed during the fiscal year.
- City staff is observing continued increase in residential permit activity from prior years (estimating 20 new residential building permits for 2017 vs. 2 in 2014, 4 in 2015, and 9 in 2016).

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- The solar eclipse is a major lifetime event for the City of Madras that occurred in August 2017. Approximately 100,000 visitors came to the community for the eclipse. The City set aside funds to provide increased public safety services, parks and open space facilities (i.e. porta-potties), traffic control (emergency by-pass and transit route), planning consultant assistance, air control services, and event parking at the airport. The City was able to recover a large portion (~96.4%) of its costs for the event that occurred over three fiscal years.

- The City implemented a 9.0% increase in water user rates and a 3.5% increase in sewer user rates effective July 1, 2018. These increases are consistent with the strategic plan and with financial reports completed to meet the debt obligations and to make steps towards capital improvements so as to provide sustainable water and wastewater systems.

- On October 19, 2017 the 2017 Bond Refinancing of the 2011B Series and 2012B Series bonds was completed. A total of $3,145,000 was refinanced resulting in $252,698.03 in net present value savings.

- Personnel costs include a 1.8% cost of living adjustment. PERS liability and rate increases are a continuing concern going forward as rates increase. The City continues to set aside a pension liability reserve that is 20% of the annual personnel cost for PERS.

REQUEST FOR INFORMATION

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

This page intentionally left blank

BASIC FINANCIAL STATEMENTS

CITY OF MADRAS

STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Current assets			
Cash and cash equivalents	$ 3,150,922	$ 2,457,298	$ 5,608,220
Receivables			
Property taxes	80,082	-	80,082
Accounts, net	456,699	714,123	1,170,822
Notes receivable	68,625	-	68,625
Internal balances	(630,454)	630,454	-
Inventory	172,796	49,740	222,536
Prepaid expenses	19,571	1,600	21,171
Total current assets	3,318,241	3,853,215	7,171,456
Noncurrent assets			
Investment in land held for sale	208,000	-	208,000
Nondepreciable assets	3,475,626	3,450,799	6,926,425
Depreciable assets, net	20,015,966	36,097,572	56,113,538
Total noncurrent assets	23,699,592	39,548,371	63,247,963
TOTAL ASSETS	27,017,833	43,401,586	70,419,419
DEFERRED OUTFLOWS OF RESOURCES			
Pension related items	1,410,829	217,164	1,627,993
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,410,829	217,164	1,627,993
LIABILITIES			
Accounts payable and accrued liabilities	515,942	250,587	766,529
Payroll liabilities	10,281	-	10,281
Accrued interest payable	32,825	127,413	160,238
Customer deposits payable	21,600	29,782	51,382
Short-term debt obligations	304,892	-	304,892
Bond premium	43,282	124,690	167,972
Long-term liabilities:			
Due within one year	371,183	179,662	550,845
Due in more than one year	9,412,333	11,956,380	21,368,713
TOTAL LIABILITIES	10,712,338	12,668,514	23,380,852
DEFERRED INFLOWS OF RESOURCES			
Pension related items	405,678	56,172	461,850
Unearned revenue	63,362	-	63,362
TOTAL DEFERRED INFLOWS OF RESOURCES	469,040	56,172	525,212
NET POSITION			
Net investment in capital assets	16,883,352	27,412,329	44,295,681
Restricted for:			
Highways and streets	785,978	-	785,978
Capital projects	383,955	583,761	967,716
Debt service	2,413,820	-	2,413,820
Unrestricted	(3,219,821)	2,897,974	(321,847)
TOTAL NET POSITION	$ 17,247,284	$ 30,894,064	$ 48,141,348

See accompanying notes

CITY OF MADRAS

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

		Program revenues			Net (Expenses) revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contibutions	Capital Grants and Contibutions	Governmental Activities	Business-type Activities	Totals
Functions/Programs							
Governmental activities:							
General government	$ 224,702	$ 54,725	$ 110,967	$ -	$ (59,010)		$ (59,010)
Public safety	2,082,283	-	209,753	-	(1,872,530)		(1,872,530)
Highways and streets	1,260,088	37,479	482,008	1,185,650	445,049		445,049
Community development	679,360	118,141	-	-	(561,219)		(561,219)
Culture and recreation	332,535	34,683	85,000	41,522	(171,330)		(171,330)
Interest	324,769	-	-	-	(324,769)		(324,769)
TOTAL GOVERNMENTAL ACTIVITIES	4,903,737	245,028	887,728	1,227,172	(2,543,809)		(2,543,809)
Business-type activities:							
Water	535,221	593,995	-	-		$ 58,774	58,774
Wastewater	3,359,371	3,267,756	-	133,696		42,081	42,081
Airport	1,007,930	765,458	-	1,365,113		1,122,641	1,122,641
TOTAL BUSINESS-TYPE ACTIVITIES	4,902,522	4,627,209	-	1,498,809		1,223,496	1,223,496
Totals	$ 9,806,259	$ 4,872,237	$ 887,728	$ 2,725,981	(2,543,809)	1,223,496	(1,320,313)
General revenues							
Taxes, levied for							
General purposes					1,245,971	-	1,245,971
Madras Redevelopment Commission					354,532	-	354,532
Miscellaneous taxes					1,344,626	-	1,344,626
Licenses, permits and fees					47,339	-	47,339
Investment income (loss)					(16,163)	21,922	5,759
Miscellaneous					40,351	36,041	76,392
Transfers					107,009	(107,009)	-
TOTAL GENERAL REVENUES AND TRANSFERS					3,123,665	(49,046)	3,074,619
CHANGE IN NET POSITION					579,856	1,174,450	1,754,306
NET POSITION - BEGINNING					16,435,646	29,640,679	46,076,325
PRIOR PERIOD ADJUSTMENT					231,782	78,935	310,717
NET POSITION - ENDING					$ 17,247,284	$ 30,894,064	$ 48,141,348

See accompanying notes

CITY OF MADRAS

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General	Special Revenue	Madras Redevelopment Commission	Madras Redevelopment Commission Reinvestment
ASSETS				
Cash and cash equivalents	$ 1,064,182	$ 979,293	$ 148,945	$ 247,005
Receivables				
Property taxes	62,151	-	17,931	-
Accounts, net	216,044	226,325	-	-
Notes	-	-	-	68,625
Due from other funds	32,831	-	-	-
Inventory	4,707	147,715	-	-
Prepaid items	19,125	-	-	-
Investment in land held for sale	-	-	208,000	-
TOTAL ASSETS	$ 1,399,040	$ 1,353,333	$ 374,876	$ 315,630
LIABILITIES				
Accounts payable	$ 67,169	$ 302,753	$ 18,513	$ 27,893
Payroll liabilities	10,281	-	-	-
Deposits	-	21,000	-	-
Due to other funds	-	-	2,080,000	-
TOTAL LIABILITIES	77,450	323,753	2,098,513	27,893
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	55,315	38,311	16,452	68,625
TOTAL DEFERRED INFLOWS OF RESOURCES	55,315	38,311	16,452	68,625
FUND BALANCE				
Nonspendable	23,832	147,715	-	-
Restricted for:				
Capital projects	-	-	-	-
Debt service	-	-	-	-
Highways and streets	-	638,263	-	-
Economic development	-	-	-	219,112
Committed for tourism	118,413	-	-	-
Assigned:				
Parks	159,833	-	-	-
Community development	64,740	94,013	-	-
Unassigned	899,457	111,278	(1,740,089)	-
TOTAL FUND BALANCES	1,266,275	991,269	(1,740,089)	219,112
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,399,040	$ 1,353,333	$ 374,876	$ 315,630

Debt Service	Capital Projects	Total Governmental Funds
$ 333,820	$ 377,677	$ 3,150,922
-	-	80,082
-	6,278	448,647
-	-	68,625
2,080,000	-	2,112,831
-	-	152,422
-	-	19,125
-	-	208,000
$ 2,413,820	$ 383,955	$ 6,240,654
$ -	$ -	$ 416,328
-	-	10,281
-	-	21,000
-	-	2,080,000
-	-	2,527,609
-	6,238	184,941
-	6,238	184,941
-	-	171,547
-	377,717	377,717
2,413,820	-	2,413,820
-	-	638,263
-	-	219,112
-	-	118,413
-	-	159,833
-	-	158,753
-	-	(729,354)
2,413,820	377,717	3,528,104
$ 2,413,820	$ 383,955	$ 6,240,654

This page intentionally left blank

CITY OF MADRAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

For the Year Ended June 30, 2017

TOTAL GOVERNMENTAL FUND BALANCES		$ 3,528,104
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		23,491,592
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds		121,579
The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net position	$ 1,934,604	
Less: capital assets included above	(7,505,876)	
Plus: unearned revenue included above	25,051	
Plus: accrued interest included below	23,590	
Plus: pension related liabilities, deferred outflows and deferred inflows	944,741	
Plus: post-employment benefits obligation included below	230,838	
Plus: other liabilities not due and payable in the current period included below	3,612,425	(734,627)
Deferred outflows related to the pension plan are not current financial resources and therefore are not reported in the funds		1,410,829
The bond premium is reported in the statement of net position but is not reported in the funds		(43,282)
The accrued interest is reported in the statement of net position but is not reported in the funds		(32,825)
The net post-employment benefits obligation is reported in the statement of net position but is not reported in the funds		(441,688)
The net pension liability is reported in the statement of net position but is not reported in the funds		(2,698,405)
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(6,948,315)
Deferred inflows related to the pension plan are reported in the statement of net position but are not reported in the funds		(405,678)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 17,247,284

See accompanying notes

CITY OF MADRAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General	Special Revenue	Madras Redevelopment Commission	Madras Redevelopment Commission Reinvestment
REVENUES				
Property taxes	$ 1,254,158	$ -	$ 357,236	$ -
Franchise fees	449,562	449,522		
Miscellaneous taxes	445,542	-	-	-
Fines and forfeitures	47,880	-	-	-
Licenses, permits and fees	6,968	75,675	-	-
Charges for services	35,003	72,808	-	-
Intergovernmental	420,031	876,811	-	-
Assessments	-	-	-	13,362
System development charges	-	-	-	-
Investment income (loss)	10,452	8,222	(121,660)	2,005
Miscellaneous	7,317	24	-	-
TOTAL REVENUES	2,676,913	1,483,062	235,576	15,367
EXPENDITURES				
Current				
General governement	109,624	-	-	-
Public safety	1,970,779	-	-	-
Highways and streets	25,289	900,776	-	-
Community development	154,836	360,328	105,384	49,513
Culture and recreation	238,921	-	-	-
Capital outlay	28,281	429,351	-	-
Debt service	-	-	80,805	-
TOTAL EXPENDITURES	2,527,730	1,690,455	186,189	49,513
Excess (deficiency) of revenues over expenditures	149,183	(207,393)	49,387	(34,146)
OTHER FINANCING SOURCES (USES)				
Debt issuance	-	-	55,000	-
Transfers in	4,665	440,134	-	-
Transfers out	-	-	(75,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	4,665	440,134	(20,000)	-
Net change in fund balance	153,848	232,741	29,387	(34,146)
Fund balance at beginning of year	1,095,827	647,250	(1,874,476)	253,258
Prior period adjustment	16,600	111,278	105,000	-
Fund balance at end of year	$ 1,266,275	$ 991,269	$ (1,740,089)	$ 219,112

Debt Service	Capital Projects	Total Governmental Funds
$ -	$ -	$ 1,611,394
		899,084
-	-	445,542
-	-	47,880
-	-	82,643
-	-	107,811
-	12,690	1,309,532
-	-	13,362
-	498,962	498,962
74,950	335	(25,696)
-	-	7,341
74,950	511,987	4,997,855
-	-	109,624
-	-	1,970,779
-	-	926,065
-	-	670,061
-	-	238,921
-	1,550	459,182
179,250	170,388	430,443
179,250	171,938	4,805,075
(104,300)	340,049	192,780
-	-	55,000
30,731	-	475,530
(12,674)	(50,000)	(137,674)
18,057	(50,000)	392,856
(86,243)	290,049	585,636
2,605,063	87,668	2,814,590
(105,000)	-	127,878
$ 2,413,820	$ 377,717	$ 3,528,104

CITY OF MADRAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 585,636
Amounts reported for governmental activities in the statement of activities are different because of the following:		
Governmental funds report capital outlays as expenditures. However, governmental activities report depreciation expense to allocate those expenditures over the life of the assets. The difference between these two amounts is:		
Capitalized expenditures	$ 491,162	
Depreciation	(720,288)	(229,126)
The net effect of transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position		300,168
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds as follows:		
Property taxes		(10,891)
Other		(7,124)
In the statement of activities, the changes in net pension liability, deferred inflows of resources and deferred outflows of resources related to the entity's defined benefit retirement plan and PERS are reported as additional expenses for increases and a reduction of expenses for decreases		(100,730)
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position,		
Accrued interest	(2,103)	
Proceeds from long-term debt	(55,000)	
Principal payments	240,230	183,127
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(7,232)
Other post employment benefits		(59,684)
Bond premium		4,060
Additional transfer from business-type activities for capital assets purchased by the proprietary funds for the governmental activities		55,012
Net income of internal service fund allocated to governmental activities	(308,399)	
Plus: internal service fund depreciation included above	175,039	
		(133,360)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 579,856

See accompanying notes

CITY OF MADRAS

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2017

	Budget			
	Original	Final	Actual	Variance
REVENUES				
Property taxes	$ 1,203,422	$ 1,203,422	$ 1,254,158	$ 50,736
Franchise fees	390,225	390,225	449,562	59,337
Miscellaneous taxes	644,595	355,926	445,542	89,616
Fines and forfeitures	45,000	45,000	47,757	2,757
Licenses, permits and fees	2,800	2,800	6,968	4,168
Charges for services	29,500	29,000	34,683	5,683
Intergovernmental	-	453,805	420,031	(33,774)
Rental income	7,816	7,816	7,137	(679)
Interest	3,350	3,350	10,452	7,102
Miscellaneous	11,500	12,000	623	(11,377)
TOTAL REVENUES	2,338,208	2,503,344	2,676,913	173,569
EXPENDITURES				
Police Administration	2,089,306	2,089,306	1,970,779	118,527
Administration	85,010	111,146	109,624	1,522
Parks and recreation	275,691	403,191	267,202	135,989
Tourism/economic development	169,400	189,775	154,836	34,939
Industrial	22,510	41,510	25,289	16,221
Contingency	152,000	135,325	-	135,325
TOTAL EXPENDITURES	2,793,917	2,970,253	2,527,730	442,523
Excess (deficiency) of revenues over expenditures	(455,709)	(466,909)	149,183	616,092
OTHER FINANCING SOURCES (USES)				
Transfers in	277,945	282,120	352,803	70,683
Transfers out	(273,280)	(277,455)	(348,138)	(70,683)
TOTAL OTHER FINANCING SOURCES (USES)	4,665	4,665	4,665	-
Net change in fund balance	(451,044)	(462,244)	153,848	616,092
Fund balance at beginning of year	990,143	1,001,343	1,095,827	94,484
Prior period adjustment	-	-	16,600	16,600
Fund balance at end of year	$ 539,099	$ 539,099	$ 1,266,275	$ 727,176

See accompanying notes

CITY OF MADRAS

SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2017

	Budget			
	Original	Final	Actual	Variance
REVENUES				
Franchise fees	$ 390,225	$ 390,225	$ 449,522	$ 59,297
Licenses, permits and fees	29,256	29,256	75,675	46,419
Charges for services	45,000	45,000	45,000	-
Intergovernmental	486,959	1,372,497	876,811	(495,686)
System development charges	250	250	-	(250)
Interest	700	700	8,222	7,522
Miscellaneous	100	31,100	27,832	(3,268)
TOTAL REVENUES	952,490	1,869,028	1,483,062	(385,966)
EXPENDITURES				
Community development	336,399	401,206	360,328	40,878
Transportation operations	1,173,595	2,428,823	1,330,127	1,098,696
Contingency	362,633	269,143	-	269,143
TOTAL EXPENDITURES	1,872,627	3,099,172	1,690,455	1,408,717
Excess (deficiency) of revenues over expenditures	(920,137)	(1,230,144)	(207,393)	1,022,751
OTHER FINANCING SOURCES (USES)				
Transfers in	270,010	507,634	507,634	-
Transfers out	(107,210)	(67,500)	(67,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	162,800	440,134	440,134	-
Net change in fund balance	(757,337)	(790,010)	232,741	1,022,751
Fund balance at beginning of year	797,948	830,621	647,250	(183,371)
Prior period adjustment	-	-	111,278	111,278
Fund balance at end of year	$ 40,611	$ 40,611	$ 991,269	$ 950,658

See accompanying notes

CITY OF MADRAS

MADRAS REDEVELOPMENT COMMISSION FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2017

	Budget			
	Original	Final	Actual	Variance
REVENUES				
Property taxes	$ 355,735	$ 355,735	$ 357,236	$ 1,501
Investment income (loss)	500	500	(121,660)	(122,160)
TOTAL REVENUES	356,235	356,235	235,576	(120,659)
EXPENDITURES				
Materials and services	85,700	88,200	85,535	2,665
Grants	200,000	130,000	19,849	110,151
Capital outlay	10	-	-	-
Debt service	191,200	191,200	185,805	5,395
Contingency	10,000	2,500	-	2,500
TOTAL EXPENDITURES	486,910	411,900	291,189	120,711
Excess (deficiency) of revenues over expenditures	(130,675)	(55,665)	(55,613)	52
OTHER FINANCING SOURCES (USES)				
Debt issuance	125,010	125,000	55,000	(70,000)
Transfers out	-	(75,000)	(75,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	125,010	50,000	(20,000)	(70,000)
Net change in fund balance	(5,665)	(5,665)	(75,613)	(69,948)
Fund balance at beginning of year	393,154	393,154	415,524	22,370
Fund balance at end of year	$ 387,489	$ 387,489	339,911	$ (47,578)
Reconciliation to generally accepted accounting principles and governmental fund balance				
Interfund loan			(2,080,000)	
Fund balance at end of year			$ (1,740,089)	

See accompanying notes

CITY OF MADRAS

MADRAS REDEVELOPMENT COMMISSION REINVESTMENT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2017

	Budget			
	Original	Final	Actual	Variance
REVENUES				
Assessments	$ 13,899	$ 13,899	$ 13,362	$ (537)
Interest	2,096	2,096	2,005	(91)
TOTAL REVENUES	15,995	15,995	15,367	(628)
EXPENDITURES				
Materials and services	11,000	23,000	22,662	338
Special payments-loan	25,000	40,000	26,851	13,149
Contingency	70,000	43,000	-	43,000
TOTAL EXPENDITURES	106,000	106,000	49,513	56,487
Excess (deficiency) of revenues over expenditures	(90,005)	(90,005)	(34,146)	55,859
OTHER FINANCING SOURCES (USES)				
Transfers out	(10)	(10)	-	10
TOTAL OTHER FINANCING SOURCES (USES)	(10)	(10)	-	10
Net change in fund balance	(90,015)	(90,015)	(34,146)	55,869
Fund balance at beginning of year	235,984	235,984	253,258	17,274
Fund balance at end of year	$ 145,969	$ 145,969	$ 219,112	$ 73,143

See accompanying notes

CITY OF MADRAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Airport	Total	Internal Service Fund
ASSETS					
Current assets					
Cash and cash equivalents	$ 213,592	$ 1,156,103	$ -	$ 1,369,695	$ 1,087,603
Accounts receivable, net	54,907	286,942	372,274	714,123	8,052
Inventory	21,899	27,841	-	49,740	20,374
Prepaid items	-	-	1,600	1,600	446
Total current assets	290,398	1,470,886	373,874	2,135,158	1,116,475
Capital assets					
Nondepreciable assets	6,048	1,614,992	1,829,759	3,450,799	2,270,000
Depreciable assets, net	697,679	24,311,591	11,088,302	36,097,572	5,235,876
Total capital assets	703,727	25,926,583	12,918,061	39,548,371	7,505,876
TOTAL ASSETS	994,125	27,397,469	13,291,935	41,683,529	8,622,351
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	43,570	173,594	-	217,164	627,503
TOTAL DEFERRED OUTFLOWS OF RESOURCES	43,570	173,594	-	217,164	627,503
LIABILITIES					
Accounts payable	-	69,084	147,547	216,631	92,868
Payroll liabilities	-	-	-	-	6,746
Accrued interest payable	594	123,744	3,075	127,413	23,590
Customer deposits payable	33,956	29,782	-	63,738	600
Due to other funds	-	-	32,831	32,831	-
Bond premium	5,627	69,831	49,232	124,690	-
Long-term liabilities:					
Due within one year	5,700	120,239	53,723	179,662	108,476
Due in more than one year	225,094	10,745,874	985,412	11,956,380	5,101,147
TOTAL LIABILITIES	270,971	11,158,554	1,271,820	12,701,345	5,333,427
DEFERRED INFLOWS OF RESOURCES					
Pension related items	27,024	29,148	-	56,172	205,884
Unearned revenue	-	-	-	-	25,051
TOTAL DEFERRED INFLOWS OF RESOURCES	27,024	29,148	-	56,172	230,935
NET POSITION					
Net investment in capital assets	472,933	15,060,470	11,878,926	27,412,329	2,296,253
Restricted for:					
Capital projects	57,828	525,933	-	583,761	-
Unrestricted	208,939	796,958	141,189	1,147,086	1,389,239
TOTAL NET POSITION	$ 739,700	$ 16,383,361	$ 12,020,115	29,143,176	$ 3,685,492
Adjustment to reflect the combination of internal service fund activities related to enterprise funds				1,750,888	
Net position of business-type activities				$ 30,894,064	

See accompanying notes

CITY OF MADRAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Sewer	Airport	Total	Internal Service Fund
OPERATING REVENUES					
Licenses, permits and fees	$ -	$ -	$ -	$ -	$ 47,339
Charges for services	554,053	3,140,967	373,878	4,068,898	3,069,680
Rental income	-	2,411	377,775	380,186	-
Miscellaneous	-	47,287	9,546	56,833	39,704
TOTAL OPERATING REVENUES	554,053	3,190,665	761,199	4,505,917	3,156,723
OPERATING EXPENSES					
Personnel services	75,507	427,865	-	503,372	1,318,142
Materials and services	434,781	1,971,068	630,818	3,036,667	1,261,649
Depreciation	20,685	451,880	340,134	812,699	175,039
TOTAL OPERATING EXPENSES	530,973	2,850,813	970,952	4,352,738	2,754,830
OPERATING INCOME (LOSS)	23,080	339,852	(209,753)	153,179	401,893
NONOPERATING REVENUES (EXPENSES)					
Interest earned on investments	3,204	16,559	2,159	21,922	9,533
Interest expense	(4,248)	(508,558)	(36,978)	(549,784)	(144,052)
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,044)	(491,999)	(34,819)	(527,862)	(134,519)
Income (loss) before capital contributions and transfers	22,036	(152,147)	(244,572)	(374,683)	267,374
Capital contributions	-	1,115	1,365,113	1,366,228	-
Transfers in	-	2,588	30,086	32,674	75,000
Transfers out	(94,000)	(21,018)	(4,665)	(119,683)	(380,859)
Change in net position	(71,964)	(169,462)	1,145,962	904,536	(38,485)
Net position at beginning of year	771,233	16,514,918	10,873,554	28,159,705	3,824,147
Prior period adjustment	40,431	37,905	599	78,935	(100,170)
Net position at end of year	$ 739,700	$ 16,383,361	$ 12,020,115	29,143,176	$ 3,685,492
Adjustment to reflect the combination of internal service fund activities related to enterprise funds				1,750,888	
Net position of business-type activities				$ 30,894,064	

See accompanying notes

CITY OF MADRAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Airport	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ 552,634	$ 3,145,894	$ 275,358	$ 3,973,886	$ 3,075,282
Payments to suppliers	(453,108)	(1,853,704)	(744,592)	(3,051,404)	(1,219,674)
Payments to employees	(68,667)	(389,111)	-	(457,778)	(1,227,353)
Other receipts	-	49,698	387,321	437,019	87,043
Net cash provided by (used in) operating activities	30,859	952,777	(81,913)	901,723	715,298
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	-	2,588	30,086	32,674	75,000
Transfers out	(94,000)	(21,018)	(4,665)	(119,683)	(325,847)
Net cash provided by (used in) noncapital financing activitie	(94,000)	(18,430)	25,421	(87,009)	(250,847)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions	-	1,115	1,365,113	1,366,228	-
Due to other funds	-	-	32,831	32,831	-
Purchases of capital assets	-	(160,970)	(1,260,597)	(1,421,567)	(130,480)
Principal paid on debt	(5,700)	(85,033)	(53,611)	(144,344)	(81,125)
Interest paid on debt	(4,250)	(508,560)	(36,978)	(549,788)	(144,050)
Amortization of bond premium	31	(8,363)	2,188	(6,144)	-
Net cash provided by (used in) capital and related financing activities	(9,919)	(761,811)	48,946	(722,784)	(355,655)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest earned on investments	3,204	16,559	2,159	21,922	9,533
Net cash provided by investing activities	3,204	16,559	2,159	21,922	9,533
Net increase (decrease) in cash and cash equivalents	(69,856)	189,095	(5,387)	113,852	118,329
Cash and cash equivalents at beginning of year	283,448	967,008	5,387	1,255,843	969,274
Cash and cash equivalents at the end of year	$ 213,592	$ 1,156,103	$ -	$ 1,369,695	$ 1,087,603

Continued on next page

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Airport	Total	Internal Service Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	$ 23,080	$ 339,852	$ (209,753)	$ 153,179	$ 401,893
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activiites					
Depreciation	20,685	451,880	340,134	812,699	175,039
Decrease (increase) in assets and deferred outflows					
Accounts receivable	(1,419)	4,927	(98,520)	(95,012)	5,602
Inventory	4,167	(3,541)	43,424	44,050	14,575
Prepaid items	115	-	(1,600)	(1,485)	2,046
Pension related deferred ouflows of resources	(27,864)	(157,888)	-	(185,752)	(458,603)
Increase (decrease) in liabilities and deferred inflows					
Accounts payable	(22,206)	33,304	(156,036)	(144,938)	8,485
Payroll liabilities	-	-	-	-	(21,068)
Accrued interest payable	594	87,382	1,338	89,314	7,089
Customer deposits payable	(997)	1,334	-	337	400
Compensated absences	-	-	-	-	(704)
Other post employment benefits	2,545	14,421	-	16,966	41,880
Net pension liability	31,704	179,642	-	211,346	521,790
Unearned revenue	-	(1,115)	(900)	(2,015)	9,380
Pension related deferred inflows of resources	455	2,579	-	3,034	7,494
Net cash provided by (used in) operating activities	$ 30,859	$ 952,777	$ (81,913)	$ 901,723	$ 715,298

SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS

Transfers out					$ (55,012)

See accompanying notes

1. Summary of significant accounting policies

A. Organization (reporting entity)

The City was incorporated in 1911. The City provides basic services to the citizens within the city limits.

The city council, comprised of the mayor and six council members, forms the legislative branch of the government. Individual departments are under the direction and authority of the city administrator, who is appointed by the city council.

The accompanying financial statements present all activities 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.

The city council appoints the governing body of the Madras Redevelopment Commission (MRC). Therefore, the accounts of the MRC are included in the financial statements of the City.

Complete financial statements for the MRC may be obtained from the City's finance department.

B. Government-wide financial statements and financial statement presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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 governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

1. Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting and financial statement presentation

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

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 include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 60 days of the end of the current fiscal period. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Other revenue items are considered to be measurable and available when received 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 City reports the following major governmental funds:

General - 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, and state shared revenues. Expenditures are primarily for public safety, parks and the industrial site.

Special Revenue - accounts for the improvements to street and utility systems and certain community development activities. The principal revenue source is state gasoline taxes apportioned by the State of Oregon, franchise fees and community development fees.

Madras Redevelopment Commission – accounts for projects identified in the City's urban renewal plan. The principal revenue source is property taxes.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

Madras Redevelopment Commission Reinvestment – accounts for the receipts from the repayment of redevelopment loans and resources available for future projects.

Debt Service – accounts for the payment of principal and interest on long-term obligations. The principal revenue source is property taxes.

Capital Projects – accounts for major construction projects or equipment acquisition. The principal revenue resource are system development charges and proceeds from long-term obligations.

The City reports the following major proprietary funds:

Water - accounts for the operations of the City's water distribution system which is financed primarily through fees.

Wastewater - accounts for the operations of the City's wastewater collection and treatment system which is financed primarily through user charges to the general public.

Airport - accounts for the operations and capital improvements of the City's municipal airport.

The City also includes the following fund types as nonmajor proprietary funds:

Internal Service – accounts for the cost of providing services to other funds of the County which are charged a fee on a cost reimbursement basis for those services.

1. Summary of significant accounting policies (continued)

D. Budget policies and budgetary control

Generally, Oregon Local Budget Law requires annual budgets be adopted for all funds except agency funds. The modified accrual basis of accounting is used for all budgets. All annual appropriations lapse at fiscal year-end.

The City begins its budgeting process by appointing budget committee members in January or February 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 adopts the budget, makes appropriations, and declares the tax levy no later than June 30. Disbursement 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 at which disbursements cannot legally exceed appropriations. The City established the levels of budgetary control at the department level along with debt service, transfers and contingencies.

Budget amounts shown in the financial statements have been revised since the original budget amounts were adopted. The city council must authorize all appropriation transfers and supplementary budgetary appropriations.

E. Cash and cash equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, checking, savings and money market accounts and any highly-liquid debt instruments purchased with a maturity of three months or less.

F. Property taxes

Under state law, county governments are responsible for extending authorized property tax levies, computing tax rates, billing and collecting all property taxes, and making periodic remittances of collections to entities levying taxes. Real and personal property taxes are levied upon all taxable property and become a lien against the property as of July 1 of each year. Property taxes are payable in three installments following the lien date on November 15, February 15 and May 15 each year.

Uncollected property taxes are reported in the governmental funds balance sheet as receivables; the portion which is available to finance expenditures of the current period is recorded as revenue and the remaining balance is recorded as deferred inflows of resources. Property taxes which are collected within 60 days of the end of the current period are considered available and recognized as revenue.

1. Summary of significant accounting policies (continued)

G. User charges and fines

User charges are reported at the amount management expects to collect on balances outstanding at year end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that are not expected to be collected.

The City has uncollected municipal court fines and fees, however due to the uncertainty of collection these amounts are not reported in the financial statements. The City maintains a listing of receivables they believe are collectible as of June 30, 2017.

H. Inventory

Inventory is valued at the lower of cost (first-in, first-out method) or market. Inventory consists of expendable supplies held for consumption.

I. Capital assets

Fund financial statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay disbursements of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

Government-wide statements

Capital assets are recorded at amounts estimated by the City and adjusted by estimated amounts for accumulated depreciation in the statement of net position and depreciation expense in the statement of activities.

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed capital assets are recorded at estimated fair market value at the time received. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year.

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Assets	Years
Land improvements	20 – 50
Buildings and improvements	25 – 75
Equipment	5 – 15
Infrastructure	30 – 50

1. Summary of significant accounting policies (continued)

J. Long-term obligations

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

K. Compensated absences

Vacation leave

The City has a policy which permits employees to earn vacation leave. Any leave not used or forfeited will be paid upon the employee’s termination of employment.

Sick leave

The City has a policy which permits employees to earn sick leave. The City does not compensate the employees for unused sick leave upon termination of employment.

L. Deferred outflows / inflows of resources

In addition to assets, the statements of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. These include refunded debt charges and pension related items.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents amount that apply to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. Pension related items which are amortized over specified periods are reported as deferred inflows of resources.

The balance sheet of governmental funds will report as deferred inflows unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

1. Summary of significant accounting policies (continued)

M. Retirement plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employee Retirement System (OPERS) and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Equity classification

Government-wide and proprietary fund financial statements

Equity is classified as net position and displayed in three components:

Net investment in capital as**sets** – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

In the government-wide and proprietary fund financial statements 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.

1. Summary of significant accounting policies (continued)

Governmental fund type fund balance reporting

Governmental type fund balance amounts are to be reported within one of the fund balance categories list below:

Non-spendable — Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — Amounts that can be used only for specific purposes determined by a formal action of the city council. The city council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the city council.

Assigned — Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The City Administrator has authority to assign fund balance amounts.

Unassigned — The residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. Additionally, other funds may report negative unassigned fund balance in certain circumstances.

In the governmental fund financial statements when an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless provided otherwise in commitment or assignment actions.

O. Fair value measurements

The City categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Cash and cash equivalents

The City's cash and cash equivalents at June 30, 2017 are as follow:

State of Oregon Local Government Investment Pool	$ 4,916,560
Deposits with financial institutions	588,780
Cash with fiscal agent	101,480
Cash on hand	1,400
Total cash and investments	$ 5,608,220

The City maintains a pool of cash and cash equivalents that are available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as cash and investments. Interest earned on pooled cash and investments is allocated to participating funds based upon their combined cash and cash equivalents balances.

A. Deposits with financial institutions

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the City's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to $250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2017, $344,354 of the City's bank balances were exposed to custodial credit risk.

B. State of Oregon Local Government Investment Pool

Balances in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. The Oregon State Treasury administers the LGIP. The LGIP is an unrated, open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the state who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the City's position in the LGIP is the same as the value of the pool shares.

2. Cash and cash equivalents (continued)

C. Investments

Credit Risk. Oregon statutes authorize the City to invest in obligations of the U. S. Treasury and U. S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

Concentration of Credit Risk: The City does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the City's investments are in the State of Oregon State and Local Investment Pool.

Interest Rate Risk: The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increases in interest rates.

Portfolio Credit Rating: The City does not have a formal policy that establishes a minimum average credit rating for its investment portfolio.

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a policy which limits the amount of investments that can be held by counterparties.

3. Investment in land held for sale

The MRC holds land for sale which is reported at it estimated fair value measured using level 3 inputs.

4. Notes receivable

The MRC has made grants and loans to improve and refurbish buildings for the benefit of businesses in the City. Notes receivable have been recorded to reflect the amount the property owners will repay under the program. Loans are repayable over a maximum of 120 months. The loans are secured by the improved property and are considered fully collectible.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5. Capital assets

A. Activity for governmental activities for the year ended June 30, 2017 was as follows:

	Balances July 1, 2016	Additions	Deletions	Balances June 30, 2017
Capital assets not being depreciated				
Land	$ 3,038,867	$ -	$ -	$ 3,038,867
Construction in progress	48,802	387,957	-	436,759
Total capital assets not being depreciated	3,087,669	387,957	-	3,475,626
Capital assets being depreciated				
Land improvements	3,363,513	-	-	3,363,513
Buildings and improvements	8,094,700	5,885	-	8,100,585
Equipment	2,287,730	134,750	115,579	2,306,901
Infrastructure	12,275,478	393,212	-	12,668,690
Total capital assets being depreciated	26,021,421	533,847	115,579	26,439,689
Less accumulated depreciation for:				
Land improvements	879,834	162,049	-	1,041,883
Buildings and improvements	1,230,616	197,831	-	1,428,447
Equipment	1,777,998	111,124	115,579	1,773,543
Infrastructure	1,930,566	249,284	-	2,179,850
Total accumulated depreciation	5,819,014	720,288	115,579	6,423,723
Total capital assets being depreciated	20,202,407	(186,441)	-	20,015,966
Capital assets, net	$ 23,290,076	$ 201,516	$ -	$ 23,491,592

B. Depreciation was charged to expense for the year ended June 30, 2017 as follows:

General government	$ 114,628
Public safety	48,992
Highways and streets	438,434
Culture and recreation	118,234
	$ 720,288

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5. Capital assets (continued)

C. Activity for business-type activities for the year ended June 30, 2017 was as follows:

	Balances July 1, 2016	Additions	Deletions	Reclass	Balances June 30, 2017
Capital assets not being depreciated					
Land	$ 1,727,177	$ -	$ -	$ -	$ 1,727,177
Construction in progress	549,325	1,224,965	-	(50,668)	1,723,622
Total capital assets not being depreciated	2,276,502	1,224,965	-	(50,668)	3,450,799
Capital assets being depreciated					
Land improvements	156,790	-	-	-	156,790
Buildings and improvements	5,293,056	32,294	-	-	5,325,350
Equipment	1,534,670	151	175,589	9,914	1,369,146
Infrastructure	40,843,983	164,157	8,440	40,754	41,040,454
Total capital assets being depreciated	47,828,499	196,602	184,029	50,668	47,891,740
Less accumulated depreciation for:					
Land improvements	29,726	6,192	-	-	35,918
Buildings and improvements	910,292	99,990	-	-	1,010,282
Equipment	1,174,786	22,040	175,589	-	1,021,237
Infrastructure	9,050,694	684,477	8,440	-	9,726,731
Total accumulated depreciation	11,165,498	812,699	184,029	-	11,794,168
Total capital assets being depreciated	36,663,001	(616,097)	-	50,668	36,097,572
Capital assets, net	$ 38,939,503	$ 608,868	$ -	$ -	$ 39,548,371

D. Depreciation was charged to expense for the year ended June 30, 2017 as follows:

Water	$ 20,685
Sewer	451,880
Airport	340,134
	$ 812,699

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

6. Unavailable revenue

Resources in the governmental funds, which are measurable but unavailable, consist of the following:

	Governmental Funds					
	General	Special Revenue	MRC General	MRC Reinvestment	Capital Project	Total
Property taxes	$ 55,315	$ -	$ 16,452	$ -	$ -	$ 71,767
Notes	-	-	-	68,625	-	68,625
Other	-	38,311	-	-	6,238	44,549
	$ 55,315	$ 38,311	$ 16,452	$ 68,625	$ 6,238	$ 184,941

7. Short-term debt obligations

A. Transactions for the governmental activities for the year ended June 30, 2017 were as follows:

	2016	Additions	Reductions	2017
Line of credit, First Interstate Bank	$ 250,000	$ 55,000	$ 108	$ 304,892

B. Governmental activities short-term debt obligations

Line of credit, First Interstate Bank – The maximum principal available is $500,000, with 2.5 percent interest only payments due quarterly. The City drew down an additional $55,000 on the line of credit during the year for a total balance of $304,892.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Long-term obligations

A. Changes in governmental activities long-term obligations for the year ended June 30, 2017 were as follows:

	Outstanding July 1, 2016	Additions	Reductions	Outstanding June 30, 2017	Balances Due Within One Year
Long-term debt					
Bonded debt					
Series 2004	$ 305,985	$ -	$ 98,167	$ 207,818	$ 101,947
Series 2011B	1,560,000	-	50,000	1,510,000	55,000
Series 2012B	2,185,000	-	105,000	2,080,000	110,000
Series 2015	766,330	-	36,955	729,375	36,955
Loans					
USDA Rural Development	2,112,172	-	31,125	2,081,047	32,098
Total long-term debt obligations	6,929,487	-	321,247	6,608,240	336,000
Other long-term obligations					
Compensated absences	28,655	6,528	-	35,183	35,183
Net pension liability	1,433,012	1,265,393	-	2,698,405	-
Net other post-employement benefits	340,124	101,564	-	441,688	-
Total long-term obligations	$ 8,731,278	$ 1,373,485	$ 321,247	$ 9,783,516	$ 371,183

8. Long-term obligations (continued)

B. Changes in business-type activities long-term obligations for the year ended June 30, 2017 were as follows:

	Outstanding July 1, 2016	Additions	Reductions	Outstanding June 30, 2017	Balances Due Within One Year
Long-term debt					
Bonded debt					
Series 2013	$ 10,455,000	$ -	$ 75,000	$ 10,380,000	$ 110,000
Series 2015	1,203,670	-	58,045	1,145,625	58,045
Loans					
DEQ's Clean Water	167,412	-	7,591	159,821	7,798
Jefferson County	57,905	-	3,708	54,197	3,819
Total long-term debt obligations	11,883,987	-	144,344	11,739,643	179,662
Other long-term obligations					
Net pension liability	130,297	211,347	-	341,644	-
Net other post-employment benefits	37,792	16,963	-	54,755	-
Total long-term obligations	$ 12,052,076	$ 228,310	$ 144,344	$ 12,136,042	$ 179,662

C. Governmental activities long-term debt

Series 2004, Full Faith and Credit Obligation – The City entered into an agreement with Jefferson County to finance the costs of the J Street improvements. Jefferson County issued a full faith and credit bond in the amount of $2,265,000 and the City is responsible for 54.92 percent of the bond. Annual principal and interest payments to Jefferson County are due in May each year in the amount of $109,947. Interest is at 3.85 percent.

Series 2011B, Local Oregon Capital Asset Program – The City borrowed $2,585,000 to refinance Madras Redevelopment Commission line of credit. Annual principal and interest payments are due in December. The payments range from $215,000 to $535,000 and include interest at rates of 3 to 5.2 percent. Annual interest only payments are due June and range from $1,560 to $36,292.

Series 2012B, Local Oregon Capital Asset Program – The City borrowed $1,775,000 to finance the design and construction of a new City Hall and Police Station. Annual principal and interest payments are due in December. The payments range from $180,900 to $183,500 and include interest at rates of 1.1 to 3.5 percent. Annual interest only payments are in June and range from $3,063 to $37,950.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Long-term obligations (continued)

Series 2015, Full Faith and Credit Obligation – The City borrowed $805,230 to refund previously issued long-term debt obligations. Annual principal and interest payments are due in December. The payments range from $22,757 to $61,890 and include interest at rates of 1 to 4 percent. Annual interest only payments are due in June and range from $467 to $21,823.

USDA Rural Development Revenue Installment – The City borrowed $2,200,000 to finance the construction of the police station. Annual principal and interest payments are due in December. The payments range from $95,534 to $179,130 and include interest at 3.125 percent.

D. Business-type activities long-term debt

Series 2013, Full Faith and Credit Obligation – The City borrowed $10,495,000 to refund previously issued long-term debt obligations. Annual principal and interest payments are due in February. The payments range from $464,944 to $908,538 and include interest at rates of 2 to 4.125 percent. Annual interest only payments are due in August and range from $35,236 to $424,944.

Series 2015, Full Faith and Credit Obligation – The City borrowed $1,264,770 to refund previously issued long-term debt obligations. Annual principal and interest payments are due in December. The payments range from $35,743 to $97,210 and include interest at rates of 1 to 4 percent. Annual interest only payments are due in June and range from $733 to $36,889.

DEQ's Clean Water Revolving Fund Loan Program – The City borrowed $174,778 though DEQ's clean water revolving fund loan program. Annual principal and interest payments are due in December in the amount of $12,076 and include interest at 2.71 percent. Annual interest only payments are due in June and range from $60 to $4,687.

Jefferson County – The City received a loan from Jefferson County to fund the Berg Drive Extension to Cherry Lane. Annual principal and interest payments are due in February in the amount of $5,445 and include interest at 3 percent. Annual interest only payments are due in August and range from $159 to $1,845.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Long-term obligations (continued)

E. The future maturities for governmental activities long-term debt obligations as of June 30, 2017 are as follows:

Fiscal	Series 2004		Series 2011B		Series 2012B		Series 2015	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 101,947	$ 8,001	$ 55,000	$ 69,120	$ 110,000	$ 71,700	$ 36,955	$ 23,116
2019	105,871	4,076	55,000	67,195	110,000	68,950	36,955	22,562
2020	-	-	55,000	65,270	115,000	65,100	36,955	21,823
2021	-	-	60,000	63,258	120,000	61,075	40,845	21,045
2022	-	-	60,000	60,895	125,000	56,875	40,845	20,228
2023-27	-	-	345,000	261,131	690,000	215,775	215,895	84,306
2028-32	-	-	440,000	170,236	810,000	87,850	233,400	41,157
2033-37	-	-	440,000	47,580	-	-	87,525	7,119
2038-42	-	-	-	-	-	-	-	-
2039-47	-	-	-	-	-	-	-	-
2048-52	-	-	-	-	-	-	-	-
2053	-	-	-	-	-	-	-	-
	$ 207,818	$ 12,077	$ 1,510,000	$ 804,686	$ 2,080,000	$ 627,325	$ 729,375	$ 241,356

Fiscal	USDA Rural Development		Line of Credit	Totals	
Year	Principal	Interest	Principal	Principal	Interest
2018	$ 32,098	$ 65,033	$ 304,892	$ 640,892	$ 236,970
2019	33,101	64,030	-	340,927	226,813
2020	34,135	62,995	-	241,090	215,188
2021	35,202	61,928	-	256,047	207,306
2022	36,302	60,828	-	262,147	198,826
2023-27	199,253	286,399	-	1,450,148	847,611
2028-32	232,394	253,259	-	1,715,794	552,502
2033-37	271,046	214,606	-	798,571	269,305
2038-42	316,129	169,525	-	316,129	169,525
2039-47	368,709	116,943	-	368,709	116,943
2048-52	430,036	55,619	-	430,036	55,619
2053	92,642	2,892	-	92,642	2,892
	$ 2,081,047	$ 1,414,057	$ 304,892	$ 6,913,132	$ 3,099,501

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Long-term obligations (continued)

F. The future maturities for business-type activities long-term debt obligations as of June 30, 2017 are as follows:

Fiscal	Series 2013		Series 2015		DEQ's Clean Water	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 110,000	$ 422,606	$ 58,045	$ 36,309	$ 7,798	$ 4,278
2019	165,000	420,131	58,045	35,438	8,010	4,066
2020	195,000	413,531	58,045	34,277	8,229	3,847
2021	235,000	405,731	64,155	33,055	8,453	3,623
2022	265,000	396,331	64,155	31,772	8,684	3,392
2023-27	1,865,000	1,788,106	339,105	132,419	47,108	13,272
2028-32	2,830,000	1,322,707	366,600	64,643	53,895	6,485
2033-37	3,845,000	668,619	137,475	11,181	17,644	459
2038	870,000	35,236	-	-	-	-
	$ 10,380,000	$ 5,872,998	$ 1,145,625	$ 379,094	$ 159,821	$ 39,422

Fiscal	Jefferson County		Totals	
Year	Principal	Interest	Principal	Interest
2018	$ 3,819	$ 1,626	$ 179,662	$ 464,819
2019	3,933	1,512	234,988	461,147
2020	4,051	1,394	265,325	453,049
2021	4,173	1,272	311,781	443,681
2022	4,298	1,147	342,137	432,642
2023-27	23,505	3,720	2,274,718	1,937,517
2028-32	10,418	472	3,260,913	1,394,307
2033-37	-	-	4,000,119	680,259
2038	-	-	870,000	35,236
	$ 54,197	$ 11,143	$ 11,739,643	$ 6,302,657

9. Defined benefit pension plan

A. Plan description

Employees of the District are provided with pensions through the Oregon Public Employee Retirement Systems (OPERS).

The OPERS consists of a single cost-sharing multiple employer defined benefit pension plan. OPERS produces an independently audited comprehensive annual financial report which includes detailed information about the pension plan's fiduciary net position. The report can be found at:
www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx

B. Description of benefit terms

All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A.

Tier One/Tier Two retirement benefit (Chapter 238)

Tier One/Tier Two Retirement Benefit plan is closed to new members hired on or after August 29, 2003.

Pension benefits

The OPERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60.

Death benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:
- the member was employed by a OPERS employer at the time of death,
- the member died within 120 days after termination of OPERS-covered employment,
- the member died as a result of injury sustained while employed in a OPERS-covered job, or
- the member was on an official leave of absence from an OPERS-covered job at the time of death.

9. Defined benefit pension plan (continued)

Disability benefits

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including OPERS judge members) for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 when determining the monthly benefit.

Benefit changes after retirement

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes.

<u>Oregon Public Service Retirement Plan (Chapter 238A) (OPSRP)</u>

Pension benefits

The OPSRP pension program provides benefits to members hired on or after August 29, 2003.

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

A member of the OPSRP pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death benefits

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability benefits

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member’s salary determined as of the last full month of employment before the disability occurred.

9. Defined benefit pension plan (continued)

Benefit changes after retirement

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes.

C. Contributions

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due.

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation.

Tier 1/tier 2 employer contribution rates are 17.66 percent and the OPSRP employer contribution rates are 9.91 percent for general service employees and 14.02 percent for police and fire employees. Employer contributions for the year ended June 30, 2017 were $244,594.

D. Actuarial valuations – Tier One/Tier Two

The December 31, 2013 actuarial valuation used the following actuarial methods and valuation procedures in determining the Tier One/Tier Two contribution rates.

Actuarial cost method

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the entry age normal actuarial cost method. Under this actuarial cost method, each active member's entry age present value of projected benefits is allocated over the member's service from the member's date of entry until their assumed date of exit, taking into consideration expected future compensation increases.

Unfunded actuarial accrued liability amortization

The Tier 1/Tier 2 UAL amortization period is reset to 20 years as of December 31, 2013. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll (Tier 1/ Tier 2 plus OPSRP payroll) over a closed 20 year period from the valuation in which they are first recognized.

Retiree healthcare unfunded actuarial accrued liability amortization

The UAL for Retiree Health Care as of December 31, 2007 is amortized as a level percentage of combined valuation payroll (Tier 1/ Tier 2 plus OPSRP payroll) over a closed 10 year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over a closed 10 year period from the valuation in which they are first recognized.

9. Defined benefit pension plan (continued)

Asset valuation method

The actuarial value of assets equals the market value of assets, excluding the Contingency and Capital Preservation Reserves, and the Rate Guarantee Reserve when it is in positive surplus status. Market values are reported to the actuary by PERS. Real estate and private equity investments are reported on a three-month lag basis.

Contribution rate stabilization method

Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) are confined to a collared range based on the prior contribution rate (prior to application of side accounts, pre-SLGRP liabilities, and 6 percent Independent Employer minimum). The new contribution rate will generally not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the prior contribution rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funded percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.

Allocation of liability for service segments

For active Tier 1/Tier 2 members who have worked for multiple PERS employers over their career, the calculated actuarial accrued liability is allocated among the employers based on a weighted average of the Money Match methodology, which uses account balance, and the Full Formula methodology, which uses service. The allocation is 30% based on account balance with each employer and 70% based on service with each employer. The entire normal cost is allocated to the current employer.

Allocation of benefits-in-force reserve

The reserve is allocated to each rate pool in proportion to the retiree liability attributable to the rate pool.

Economic assumptions

Investment return	7.75% compounded annually
Pre-2014 interest crediting	8.00% compounded annually on regular account balances 8.25% compounded annually on variable account balances
Post 2013 interest crediting	7.75% compounded annually
Inflation	2.75% compounded annually
Payroll growth	3.75% compounded annually
Healthcare cost trends	Ranges from 6.1% in 2014 to 4.7% in 2083

9. Defined benefit pension plan (continued)

Demographic assumptions

Mortality tables	
Healthy retirees	RP 2000, Generational (Scale AA) Combined Active/HealthyAnnuitant, Sex Distinct
Disabled retirees	RP 2000, Static, Combined Disabled, No Collar, Sex Distinct Male 65% and Female 90% of disabled table
Non-annuitants	Ranges from 55% to 70% of healthy retired mortality tables depending upon sex and employment type

Retirement assumptions

Probability tables based on age of member, years of service and employment type with all police and fire retired by age 65 and all others retired by age 70, election to receive a lump sum option at retirement, disability assumptions, termination assumptions and Oregon post-retirement residency assumptions.

Salary increase assumptions

Salary increase assumptions, in addition to general payroll growth, include merit increase, unused sick leave and vacation pay adjustments.

E. Actuarial valuations – OPSRP

The December 31, 2013 actuarial valuation for OPSRP generally used the same actuarial methods and valuation procedures as Tier One/Tier Two contribution rates except as follows:

OPSRP unfunded actuarial accrued liability amortization

The UAL as of December 31, 2007 is amortized as a level percentage of combined valuation payroll (Tier 1/ Tier 2 plus OPSRP payroll) over a closed period 16 year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over 16 years from the valuation in which they are first recognized.

Economic assumptions

An additional amount for administrative expenses is added to the normal cost.

Retirement assumptions

Probability tables are different but still based on age of member, years of service and employment type with all police and fire retired by age 65 and all others retired by age 70, election to receive a lump sum option at retirement, disability assumptions, termination assumptions and Oregon post-retirement residency assumptions.

9. Defined benefit pension plan (continued)

F. Net pension liability, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

Net pension liability

At June 30, 2017, the City reported a liability of $3,040,049 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

Employers' long-term contribution efforts are based on projected rates that have two major components:
<u>Normal Cost Rate</u>: The economic value, stated as a percent of payroll, for the portion of each active member's total projected retirement benefit that is allocated to the upcoming year of service. The rate is in effect for as long as each member continues in OPERS-covered employment. The current value of all projected future Normal Cost Rate contributions is the Present Value of Future Normal Costs (PVFNC). The PVFNC represents the portion of the projected long-term contribution effort related to future service.

An employer's PVFNC depends on both the normal cost rates charged on the employer's payrolls, and on the underlying demographics of the respective payrolls. For OPERS funding, employers have up to three different payrolls, each with a different normal cost rate: (1) Tier One/Tier Two payroll, (2) OPSRP general service payroll, and (3) OPSRP police and fire payroll.

The employer's Normal Cost Rates for each payroll are combined with system-wide present value factors for each payroll to develop an estimated PVFNC. The present value factors are actuarially determined at a system level for simplicity and to allow for the PVFNC calculations to be audited in a timely, cost-effective manner.

<u>UAL Rate</u>: If system assets are less than the actuarial liability, an Unfunded Actuarial Liability (UAL) exists. UAL can arise when an event such as experience differing from the assumptions used in the actuarial valuation occurs. An amortization schedule is established to eliminate the UAL that arises over a fixed period of time if future experience follows assumption. The UAL Rate is the upcoming year's component of the cumulative amortization schedules, stated as a percent of payroll. The present value of all projected UAL Rate contributions is equal to the Unfunded Actuarial Liability (UAL). The UAL represents the portion of the projected long-term contribution effort related to past service.

9. Defined benefit pension plan (continued)

The UAL has Tier One/Tier Two and OPSRP pieces. The Tier One/Tier Two piece is based on the employer's Tier One/Tier Two pooling arrangement. If an employer participates in one of the two large Tier One/Tier Two rate pools [State & Local Government Rate Pool (SLGRP) or School Districts Rate Pool], then the employer's Tier One/Tier Two UAL is their pro-rata share of their pool's UAL. The pro-rata calculation is based on the employer's payroll in proportion to the pool's total payroll. The OPSRP piece of the UAL follows a parallel pro-rata approach, as OPSRP experience is mandatorily pooled at a state-wide level. Employers that do not participate in a Tier One/Tier Two pooling arrangement, who are referred to as "Independent Employers", have their Tier One/Tier Two UAL tracked separately in the actuarial valuation.

The projected long-term contribution effort is the sum of the PVFNC and the UAL. The PVFNC part of the contribution effort pays for the value of future service while the UAL part of the contribution effort pays for the value of past service not already funded by accumulated contributions and investment earnings. Each of the two contribution effort components are calculated at the employer-specific level. The sum of these components across all employers is the total projected long-term contribution effort.

At June 30, 2016, the City's proportion was .02025036 percent, which was a decrease of .00697807 percent from its proportion measured as of June 30, 2015.

Pension expense

For the year ended June 30, 2017, the City recognized pension expense of $438,903.

Deferred inflows of resources and deferred outflows of resources

Deferred inflows of resources and deferred outflows of resources are calculated at the plan level and are allocated to employers based on their proportionate share. For the measurement period ended June 30, 2016, employers will report the following deferred inflows or resources and/or deferred outflows of resources:

Difference between expected and actual experience
Changes in assumptions
Changes in employer proportion since the prior measurement date
Differences between projected and actual earnings

Differences between expected and actual experience, changes in assumptions and changes in employer proportionate are amortized over the average remaining service lives of all plan participants, including retirees, determined at the beginning of the respective measurement period.

9. Defined benefit pension plan (continued)

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 100,578	$
Changes of assumptions	648,369	
Net difference between projected and actual earnings on pension plan investments	600,586	
Changes in proportionate share	6,468	375,659
Difference between contributions and proportionate share of system contributions	27,397	86,191
Contributions subsequent to the measurement date	244,594	
Total	$ 1,627,992	$ 461,850

The City's contributions subsequent to the measurement date in the amount of $244,594 are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ends June 30,	
2018	$ 137,038
2019	137,038
2020	360,842
2021	262,056
2022	24,574
Total	$ 921,548

9. Defined benefit pension plan (continued)

Actuarial methods and assumptions used in developing total pension liability

The total pension liability measured as of June 30, 2016 was based on an actuarial valuation as of December 31, 2014 using the following methods and assumptions:

Experience study report	2014, published September 2015
Inflation rate	2.5 percent
Long-term expected rate of return	7.5 percent
Discount rate	7.5 percent
Projected salary increases	3.5 percent
	Cost of living adjustments (COLA) blend of 2.00 percent COLA and graded COLA (1.25 percent/.015) in accordance with *Moro* decision; blend based on service
Mortality	***Healthy retirees and beneficiaries:*** RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as described in the valuation. ***Active members:*** Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. ***Disabled retirees:*** Mortality rates are a percentage (70 percent for males, 95 percent for females) of the RP-2000 Sex-distinct generational per Scale BB, disabled mortality table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

9. Defined benefit pension plan (continued)

Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both the actuaries capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS audited financial statements.

Depletion date projection

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's fiduciary net position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the fiduciary net position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for OPERS:

- OPERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100 percent funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is OPERS independent actuary's opinion that the detailed depletion date projections outlined in GASB 67 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses.

9. Defined benefit pension plan (continued)

G. Sensitivity of the proportionate share of the net pension liability to changes in the discount rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1 Percentage Point Lower	Current Discount Rate	1 Percentage Point Higher
Proportionate share of net pension liability	$ 4,908,666	$ 3,040,049	$ 1,478,213

10. Defined contribution plan

A. Plan description

Individual account program (IAP) - Participants in OPERS defined benefit pension plan also participate in the defined contribution plan.

B. Pension benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a $200 minimum distribution limit.

C. Death benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

D. Contributions

The City makes the employee contributions of 6 percent of covered payroll to the plan. Contributions for the year ended June 30, 2017 were $107,043.

10. Defined contribution plan – PERS (contribution)

E. Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

11. Other post-employment benefits

A. Plan description and benefits provided

The City provides *other post-employment benefits* (OPEB) for employees, retirees, spouses and dependents through a single employer defined benefit plan in the form of group health insurance benefits. As required by ORS 243.303(2), retirees are allowed to continue, at the retirees' expense, coverage under the group health insurance plan until age 65. The difference between the premium actually paid by retirees under the group insurance plan and the premium that they would pay if they were not included in the plan is considered to be an implicit subsidy under the provisions of GASB 45. The plan does not issue a separate stand-alone financial report.

B. Membership

The City's membership in the plan at July 1, 2016 (the date of the latest actuarial valuation) consisted of the following:

Active employees	30
Retirees, spouses or dependents	2
Total	32

C. Funding policy and contributions

The City funds the plan only to the extent of current year insurance premium requirements on a pay-as-you-go basis. The average monthly premium requirements for the City are as follows:

For retirees	$ 544
For spouses of retirees	589

The City has not established an irrevocable trust to accumulate assets to fund the cost of the net OPEB obligation that arises from the implicit subsidy.

11. Other post-employment benefits (continued)

D. Annual OPEB cost and net OPEB Obligation

The actuarial valuation performed as of July 1, 2016 to determine the *unfunded accrued actuarial liability* (UAAL), *annual required contribution* (ARC) and NOPEBO as of that date. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The annual OPEB cost is equal to the ARC as follows:

Normal cost	$ 54,814
Amortization of UAAL	118,928
Annual required contribution	$ 173,742

The net OPEB obligation as of June 30, 2017 was calculated as follows:

Annual required contribution	$ 173,742
Interest on prior year Net OPEB	13,228
Adjustment to ARC	(45,441)
Explicit benefit payments	(14,526)
Implicit benefit payments	(8,476)
Increase in net OPEB obligation	118,526
Net OPEB obligation at beginning of year	377,916
Net OPEB obligation at end of year	$ 496,443

E. Three-year trend information

The County's annual OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2017, 2016 and 2015 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	$ 141,528	16%	$ 496,442
June 30, 2016	54,164	12%	377,916
June 30, 2015	79,415	9%	330,171

11. Other post-employment benefits (continued)

F. Actuarial methods and assumptions

Actuarial valuations will be performed every two years for the City's other post-employment benefit plan. Projections of benefits for financial reporting purposes are based on the plan as understood by the City and plan members, and include the types of benefits provided at the time of the valuation and historical patterns of sharing of benefit costs between the City and the 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.

In the July 1, 2016 actuarial valuation, the entry age normal cost method was used to determine contributions levels comprised of normal cost and amortization payments. The actuarial assumptions included a 3.5 percent rate for discounting future liabilities, a payroll growth of 3.5 percent per year, annual premium rate increases from 5 percent to 7.5 percent, and participation rate of 55 percent of future retirees electing coverage under the plan. The unfunded actuarial liability is being amortized over a level dollar amount over an open period of 10 years.

G. Funded status and funding progress

The schedule of funding progress presents information about the actuarial value of plan assets and the unfunded actuarial liability.

Actuarial Valuation as of	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Actuarial Accrued Liability as a Percent of Covered Payroll
July 1, 2016	$ --	$ 989,077	$ 989,077	0%	$ 1,758,503	56%
August 1, 2014	--	413,866	413,866	0%	1,533,879	27%
August 1, 2012	--	442,955	442,955	0%	1,434,482	31%

12. Contingency - sick leave

Portions of amounts accumulated at any point in time can be expected to be redeemed before termination of employment; however, such redemptions cannot be reasonably estimated. As of June 30, 2017, employees of the City had accumulated 975 days of sick leave.

13. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for such risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

14. Interfund transfers and advances

Fund	Transfers In	Transfers Out
General	$ 4,665	$ -
Special Revenue	440,134	-
MRC	-	75,000
Debt Service	30,731	12,674
Capital Projects	-	50,000
Water	-	94,000
Sewer	2,588	21,018
Airport	30,086	4,665
Internal Service	75,000	325,847
Internal Service - non-cash	-	55,012
Governmental activities - non-cash	55,012	-
	$ 638,216	$ 638,216

As part of the budget process, the City plans to make interfund transfers to move resources between funds to provide resources for specific expenditures that are not supported by other revenues.

Non-cash transfers occur when a fund 1) acquires capital assets which will be used in the operation of a different fund's activities, 2) issues long-term obligations which will be repaid out of a different fund's resources or 3) pays principal on long-term obligations reported in a different fund.

An advance (loan) from the Debt Service Fund to the MRC Fund is being repaid in annual installments, including interest of 1.1 to 3.5 percent through June 2032. At June 30, 2017, the balance is $2,080,000.

The City also budgets transfers between departments within the General and Special Revenue Funds. For the year ended June 30, 2017 transfers between departments were $ 348,138 and 67,500 in the General and Special Revenue Funds, respectively.

15. Net position restricted through enabling legislation

Capital Projects – Ordinances imposing System Development Charges (SDC) restrict the use of those funds to capital improvements which expand the capacity of the system for which the charges were made. Net position related to SDC's as of June 30, 2017 was $383,955.

16. Deficit fund balance

As of June 30, 2017 a deficit fund balance existed in the MRC Fund in the amount of $1,740,089. Management has a plan in place to correct the deficit fund balance with prudent fiscal management to ensure revenues exceed expenditures in the coming years.

17. Tax abatement

Jefferson County has established an Enterprise Zone under ORS 285C.050-250 that abates property taxes on new business development within the zone. As a result, the property taxes that the City received for the year ended June 30, 2017 have been reduced by $38,840.

18. Subsequent events

The City borrowed $3,145,000 (Series 2017, Full Faith and Credit Obligation) to refund previously issued long-term debt obligations. Series 2011B and 2012B, Local Oregon Capital Asset Program were refunded (defeased) through this new debt.

19. Commitments

A. Operating leases

Total lease payments for the fiscal year ended June 30, 2017 were $22,390. Future minimum lease payments are scheduled as follows:

Fiscal Year	
2017-18	$ 14,156
2018-19	14,156
2019-20	14,156
2020-21	14,156
2021-22	9,437
	$ 66,061

B. Option agreement

The City entered into an option agreement with a local land developer for the sale of 67 acres with the City limits and 542 acres outside the City limits. $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. The price for each phase shall be at fair market value, but in no event will the purchase price be less than $9,000 per acre.

C. Bean Foundation

The City is committed to providing the Bean Foundation either 120 acres of land or cash in the value of 120 acres. The City holds the option to either deed assets (land) or to pay cash. The option choices are dependent upon land development sales in the Yarrow development.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

20. Prior period adjustment

The beginning fund balances of governmental funds and governmental activities have been adjusted to correct for errors as follows:

	General	Special Revenue	MRC	Debt Service	Total
Change to fund balance					
Amounts included in the prior year deferred revenue should have been included in revenue	$ 16,600	$ -	$ -	$ -	$ 16,600
The value of the prior year's inventory was understated for items donated to the City	-	111,278	-	-	111,278
Payments on interfund loans were recorded as expenditures and not applied to the loan balance	-	-	(105,000)	105,000	-
	$ 16,600	$ 111,278	$(105,000)	$ 105,000	
Change to net position					
Capital assets records contained errors for asset allocations between governmental and business-type activities and capital assets that were disposed of					147,781
The prior year compensated absences accrued amounts not available to the employee until July 1, 2016					56,293
Changes associated with Internal Service Fund - see below					(100,170)
					$ 231,782

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

20. Prior period adjustment (continued)

The beginning net position of proprietary funds and business-type activities have been adjusted to correct for errors as follows:

	Water	Sewer	Airport	Total	Internal Service Fund
Change to fund balance					
Amounts recognized as revenue in the prior year should have been deferred	$ -	$ -	$ -	$ -	$ (7,679)
Change to net position					
Capital assets records contained errors for asset allocations between governmental and business-type activities and capital assets that were disposed of	40,431	37,905	599	78,935	(182,717)
The prior year compensated absences accrued amounts not available to the employee until July 1, 2016	-	-	-	-	90,226
	$ 40,431	$ 37,905	$ 599	$ 78,935	$ (100,170)

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank

CITY OF MADRAS

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last 10 Years Ended June 30, *

	2017	2016	2015	2014
Proporation of the collective net pension liability (asset)	0.20250360%	0.27228430%	0.26740910%	0.27000000%
Proporationate share of the collective net pension liability (asset)	$ 3,040,049	$ 1,563,310	$ (606,140)	$ 1,364,628
Covered payroll	$ 1,872,016	$ 1,758,503	$ 1,571,466	$ 1,533,879
Proporationate share of the collective net pension liability (asset) as a percentage of the covered payroll	162.394%	88.90%	-38.57%	88.97%
Pension plan's fiduciary net position as a percentage of the total pension liability	80.53%	91.88%	103.59%	92.00%

* Information will be accumulated annually until 10 years is presented

CITY OF MADRAS

SCHEDULE OF CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last 10 Years Ended June 30, *

	2017	2016	2015	2014
Contractually required contributions	$ 244,594	$ 237,410	$ 197,022	$ 203,857
Contractually required contributions recognized by the pension plan	244,594	237,410	197,022	203,857
Difference	-	-	-	-
Covered payroll	1,872,016	1,758,503	1,571,466	1,533,879
Contractually required contributions as a percentage of covered payroll	13.06581%	13.50069%	12.53747%	13.29029%

* Information will be accumlated until 10 years are presented.

INDIVIDUAL FUND SCHEDULES

This page intentionally left blank

CITY OF MADRAS

DEBT SERVICE FUND (MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2017

	Budget	Actual	Variance
REVENUES			
Intergovernmental	$ 179,950	$ 179,950	$ -
TOTAL REVENUES	179,950	179,950	-
EXPENDITURES			
Materials and services	450	450	-
Debt service	179,500	178,800	700
TOTAL EXPENDITURES	179,950	179,250	700
Excess (deficiency) of revenues over expenditures	-	700	700
OTHER FINANCING SOURCES (USES)			
Transfers in	30,731	30,731	-
Transfers out	(12,757)	(12,674)	83
TOTAL OTHER FINANCING SOURCES (USES)	17,974	18,057	83
Net change in fund balance	17,974	18,757	783
Fund balance at beginning of year	315,145	2,605,063	2,289,918
Prior period adjustment	-	(2,290,000)	(2,290,000)
Fund balance at end of year	$ 333,119	333,820	$ 701
Reconciliation to generally accepted accounting principles and governmental fund balance			
Interfund loan		2,080,000	
Fund balance at end of year		$ 2,413,820	

Beginning fund balance included an amount for the interfund loan. On the budgetary basis the amount of interfund loan should not be included. Rather, the current year repayment is included in the net change in fund balance. A prior period adjustment has been made to correct beginning fund balance

CITY OF MADRAS

CAPITAL PROJECTS FUND (MAJOR FUND)
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2017

	Budget	Actual	Variance
REVENUES			
Intergovernmental	$ -	$ 12,690	$ 12,690
System development charges	179,850	498,962	319,112
Interest	220	335	115
TOTAL REVENUES	180,070	511,987	331,917
EXPENDITURES			
SDC park improvement	1,610	1,550	60
SDC storm water improvement	10	-	10
SDC street reimbursement	10	-	10
Debt service	173,000	170,388	2,612
Contingency	37,934	-	37,934
TOTAL EXPENDITURES	212,564	171,938	40,626
Excess (deficiency) of revenues over expenditures	(32,494)	340,049	372,543
OTHER FINANCING SOURCES (USES)			
Transfers in	15,000	-	(15,000)
Transfers out	(65,010)	(50,000)	15,010
TOTAL OTHER FINANCING SOURCES (USES)	(50,010)	(50,000)	10
Net change in fund balance	(82,504)	290,049	372,553
Fund balance at beginning of year	92,746	87,668	(5,078)
Fund balance at end of year	$ 10,242	$ 377,717	$ 367,475

CITY OF MADRAS

WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2017

	Budget	Actual	Variance
REVENUES			
Charges for services	$ 522,571	$ 554,053	$ 31,482
System development charges	25,000	-	(25,000)
Interest	150	3,204	3,054
TOTAL REVENUES	547,721	557,257	9,536
EXPENDITURES			
Water operations	535,003	503,448	31,555
SDC water improvement	25,000	-	25,000
Debt service	10,000	9,323	677
Contingency	46,805	-	46,805
TOTAL EXPENDITURES	616,808	512,771	104,037
Excess (deficiency) of revenues over expenditures	(69,087)	44,486	113,573
OTHER FINANCING SOURCES (USES)			
Transfers out	(94,000)	(94,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(94,000)	(94,000)	-
Net change in fund balance	(163,087)	(49,514)	113,573
Fund balance at beginning of year	305,335	305,956	621
Fund balance at end of year	$ 142,248	256,442	$ 114,194
Reconciliation to generally accepted accounting principles			
Capital assets, net		703,727	
Deferred outflows of resources		43,570	
Accrued interest payable		(594)	
Bond premium		(5,627)	
Net other post-employment benefits		(21,441)	
Net pension liability		(96,853)	
Long-term obligations		(112,500)	
Deferred inflows of resources		(27,024)	
Net position - ending		$ 739,700	

CITY OF MADRAS

WASTEWATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2017

	Budget	Actual	Variance
REVENUES			
Charges for services	$ 3,009,753	$ 3,031,589	$ 21,836
System development charges	20,006	132,581	112,575
Assessments	1,100	717	(383)
Interest	1,500	16,393	14,893
Miscellaneous	23,357	26,495	3,138
TOTAL REVENUES	3,055,716	3,207,775	152,059
EXPENDITURES			
Wastewater operations	2,591,320	2,520,314	71,006
SDC improvement	5,860	836	5,024
SDC reimbursement	10	-	10
Debt service	518,200	514,572	3,628
Contingency	23,601	-	23,601
TOTAL EXPENDITURES	3,138,991	3,035,722	103,269
Excess (deficiency) of revenues over expenditures	(83,275)	172,053	255,328
OTHER FINANCING SOURCES (USES)			
Transfers in	147,671	147,588	(83)
Transfers out	(166,018)	(166,018)	-
TOTAL OTHER FINANCING SOURCES (USES)	(18,347)	(18,430)	(83)
Net change in fund balance	(101,622)	153,623	255,245
Fund balance at beginning of year	1,195,167	1,217,833	22,666
Fund balance at end of year	$ 1,093,545	1,371,456	$ 277,911
Reconciliation to generally accepted accounting principles			
Capital assets, net		25,926,583	
Deferred outflows of resources		173,594	
Deferred revenue		564	
Accrued interest payable		(123,744)	
Bond premium		(69,831)	
Net other post-employment benefits		(33,314)	
Net pension liability		(244,791)	
Long-term obligations		(10,588,008)	
Deferred inflows of resources		(29,148)	
Net position - ending		$ 16,383,361	

CITY OF MADRAS

AIRPORT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2017

	Budget	Actual	Variance
REVENUES			
Charges for services	$ 504,034	$ 355,317	$ (148,717)
Intergovernmental	1,546,442	1,365,113	(181,329)
Rental income	304,378	376,827	72,449
Interest	250	2,159	1,909
Miscellaneous	1,500	29,055	27,555
TOTAL REVENUES	2,356,604	2,128,471	(228,133)
EXPENDITURES			
Airport operations	2,160,451	1,878,369	282,082
Airport construction	30,000	13,046	16,954
Debt service	88,750	87,063	1,687
Contingency	70,000	-	70,000
TOTAL EXPENDITURES	2,349,201	1,978,478	370,723
Excess (deficiency) of revenues over expenditures	7,403	149,993	142,590
OTHER FINANCING SOURCES (USES)			
Transfers in	30,086	30,086	-
Transfers out	(4,665)	(4,665)	-
TOTAL OTHER FINANCING SOURCES (USES)	25,421	25,421	-
Net change in fund balance	32,824	175,414	142,590
Fund balance at beginning of year	110,703	18,082	(92,621)
Fund balance at end of year	$ 143,527	193,496	$ 49,969
Reconciliation to generally accepted accounting principles			
Capital assets, net		12,918,061	
Accrued interest payable		(3,075)	
Bond premium		(49,232)	
Long-term obligations		(1,039,135)	
Net position - ending		$ 12,020,115	

CITY OF MADRAS

INTERNAL SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2017

	Budget	Actual	Variance
REVENUES			
Licenses, permits and fees	$ 42,000	$ 40,616	$ (1,384)
Charges for services	3,529,051	3,527,459	(1,592)
Rental income	-	100	100
Interest	1,200	9,533	8,333
Miscellaneous	3,000	39,704	36,704
TOTAL REVENUES	3,575,251	3,617,412	42,161
EXPENDITURES			
Central services	1,076,657	937,412	139,245
Public works	1,606,158	1,474,139	132,019
Building	212,489	190,820	21,669
Fleet	466,110	453,822	12,288
Debt service	222,000	218,088	3,912
Contingency	136,500	-	136,500
TOTAL EXPENDITURES	3,719,914	3,274,281	445,633
Excess (deficiency) of revenues over expenditures	(144,663)	343,131	487,794
OTHER FINANCING SOURCES (USES)			
Transfers in	105,000	105,000	-
Transfers out	(355,847)	(355,847)	-
TOTAL OTHER FINANCING SOURCES (USES)	(250,847)	(250,847)	-
Net change in fund balance	(395,510)	92,284	487,794
Fund balance at beginning of year	759,845	899,982	140,137
Prior period adjustment	-	(7,679)	(7,679)
Fund balance at end of year	$ 364,335	984,587	$ 620,252
Reconciliation to generally accepted accounting principles			
Capital assets, net		7,505,876	
Deferred outflows of resources		627,503	
Unavailable revenue		6,623	
Accrued interest payable		(23,590)	
Compensated absences		(21,378)	
Net other post-employment benefits		(230,838)	
Net pension liability		(1,366,360)	
Long-term obligations		(3,591,047)	
Deferred inflows of resources - pension related items		(205,884)	
Net position - ending		$ 3,685,492	

OTHER INFORMATION

Post Compliance Reporting
Fiscal Year Ending June 30, 2017

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

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

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

Property Values – City of Madras
Taxable Property Values

The City of Madras					
	Permanent Levy and Bond Levy				
Fiscal Year	Measure 5 Real Market Value	Total Taxable Assessed Value	Urban Renewal Excess Value	Assessed Value to compute the Taxes	Taxes to Be Received General Fund
2017	$405,891,536	$344,015,154	$24,278,096	$309,737,058	$1,277,954
2016	369,700,511	318,255,793	23,978,363	294,277,430	1,214,558
2015	375,072,095	305,835,643	22,317,792	283,517,851	1,177,669
2014	362,214,121	283,117,698	21,112,484	262,005,214	1,150,281
2013	358,443,373	274,904,016	20,541,405	254,362,611	1,114,497
2012	369,575,050	279,339,617	21,942,895	257,396,722	1,130,073

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

Tax Rate History and Percent Collected

Tax Collection Record[1]

Fiscal Year	Permanent Tax Rate	Bond Tax Rate	Local Option Rate	Percent collected as of Levy Year[2]	Percent collected as of 6/30/2017[3]
2017	$4.1262	0.0000	0.00	97.5%	97.5%
2016	4.1262	0.0000	0.00	97.4	98.7
2015	4.1262	0.0000	0.00	96.7	98.3
2014	4.1262	0.2996	0.00	96.4	99.1
2013	4.1262	0.3602	0.00	95.7	99.6
2012	4.1262	0.3728	0.00	95.3	99.9

[1] Percentage of total tax levy collection in the County. Pre-payment discounts are considered to be collected when outstanding taxes are calculated. The tax rates are before offsets.
[2] The percentage of taxes collected in the "year of the levy" represents taxes collected in a single levy year, beginning July 1 and ending June 30.
[3] The percentage of taxes collected represents taxes collected for that levy year through June 30, 2017.

Source: Jefferson County Department of Assessment and Taxation.

Major Taxpayers – City of Madras

(Fiscal Year 2016-2017)

The following table shows the top taxpayers in the City.

Taxpayer	Business/Service	Tax[1]	Assessed Value[2]	Percent of Value
Bright Wood Corporation	Manufacturer (Wood Components)	$293,283.13	$16,056,810	4.67%
Keith Manufacturing	Manufacturer (Material Handling Systems)	158,287.63	8,645,540	2.51
PacifiCorp	Power Utility	152,586.40	8,356,000	2.43
Safeway, Inc.	Grocer	116,459.75	5,849,310	1.70
East Cascade Retirement	Retirement Community	84,600.37	4,607,320	1.34
Brightwood Corporation	Manufacturer	75,804.91	4,151,260	1.21
Aero Air, LLC DBA Erikson Aero	Aeronautics	61,531.25	3,369,600	0.98
Cross Keys LLC	Lodging	47,958.80	2,408,780	0.70
RGV Palisades LLC	Commercial Property	46,311.35	2,406,280	0.70
Albina Fuel Co. Inc.	Petroleum Products	47,017.52	2,296,660	0.67
Subtotal - Ten largest		$1,083,841.11	58,147,560	16.90%
All other City taxpayers			285,867,594	83.10
Total City			$344,015,154	100.0%

[1] Tax amount is the total tax paid by the taxpayer. This amount is distributed to individual local governments by the County. A breakdown of amounts paid to each individual local government is not available.
[2] Assessed value does not exclude offsets such as urban renewal and farm tax credits.

Source: Jefferson County Department of Assessment and Taxation.

Major Taxpayers – Jefferson County
(Fiscal Year 2016-2017)
The following table shows the top taxpayers in the County.

Taxpayer	Business/Service	Tax[1]	Assessed Value[2]	Percent of Value
Portland General Electric	Electric Utility	$3,477,941.96	$248,032,200	15.15%
Northwest Corp. Gas Trans.	Gas Utility	588,199.62	43,478,360	3.51%
PacifiCorp	Power Utility	502,438.90	32,859,000	2.66%
Bright Wood Corporation	Manufacturer (Wood Components)	360,211.36	19,898,530	1.61%
Warm Springs Power Enterprises	Hydroelectric Utilities	227,808.56	16,250,000	1.31%
Keith Manufacturing Inc./Keith investments	Manufacturer (Material Handling Systems)	189,891.74	10,431,370	0.84%
Burlington Northern Sante Fe	Railroad	133,501.99	8,638,240	0.70%
Safeway, Inc.	Grocer	130,579.55	6,669,230	0.54%
Union Pacific Railroad	Railroad	113,341.84	7,251,000	0.59%
Centurylink	Telecommunications	97,004.22	5,955,700	0.48%
Subtotal - Ten largest taxpayers		$5,820,919.74	$399,463,630	24.40%
All other County taxpayers			1,237,587,453	75.60%
Total County			$1,637,051,083	100.00%

[1] Tax amount is the total tax paid by the taxpayer within the boundaries of the County. This amount is distributed to individual local governments by the County. A breakdown of amounts paid to each individual local government is not available.
[2] Assessed value does not exclude offsets such as urban renewal and farm tax credits.
[3] Portland General Electric ("PGE") operates the Pelton Round Butte hydroelectric project. It is the only project in the U.S. jointly owned by a Native American tribe and a utility. Currently, the project is two-thirds owned by PGE, and one-third owned by the Confederated Tribes of the Warm Springs Reservation of Oregon, through its Warm Springs Power Enterprises. The project is located on the Deschutes River in Jefferson County approximately six miles west of Madras, and approximately 90 miles southeast of downtown Portland. About one third of the central hydro project (dams, reservoirs and shore land) is located on the Warm Springs Reservation. Source: portlandgeneral.com.
Source: Jefferson County Department of Assessment and Taxation

Summary of Overlapping Debt

Fiscal Year 2016/17				
			Overlapping Debt	
Overlapping Issuer Name	Overlapping Real Market Valuation	Percent Overlapping	Gross Property Tax-Backed Debt[1]	Net Property Tax-Backed Debt[2]
Central Oregon Community College	$38,365,211,555	1.22%	$771,489	$670,265
Jefferson County	2,624,008,633	17.78	1,387,510	1,387,510
Jefferson County RFPD 1 (Madras)	1,182,958,357	39.43	70,979	70,979
Jefferson Co./Madras School District No. 509J	1,550,104,870	30.09	12,477,572	12,477,572
Madras Aquatic Center	1,515,865,391	30.77	1,597,114	1,597,114
North Unit Irrigation District	60,074,901	100.00	204,093	0
			$16,508,757	$16,203,440

[1] Gross Property Tax-Backed Debt includes all limited and unlimited tax supported debt.
[2] Net Property Tax-backed Debt is Gross Property Tax-Backed debt less self-supporting unlimited tax general obligation debt and less self-supporting full faith and credit debt.

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

Debt Ratios

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

Debt Ratios		
Real Market Value	$466,475,097	
Estimated Population	6,275	
Per Capita Real Market Value	$74,339	
Debt Information	Gross Property Tax-Backed Debt[1, 2]	Net Property Tax-Backed Debt[1, 3]
Direct Debt	$13,970,000	$3,590,000
Overlapping Direct Debt	16,508,757	16,203,440
Total Direct Debt	$30,478,757	$19,793,440
Bonded Debt Ratios[1]		
Direct Debt to Real Market Value	2.99%	0.77%
Total Direct Debt to Real Market Value	6.53%	4.24%
Per Capita Direct Debt	$2,226	$572
Per Capita Total Direct Debt	$4,857	$3,154

[1] Preliminary; subject to change.
[2] Gross Property Tax-Backed Debt includes all limited and unlimited tax supported debt, including the Obligations.
[3] Net Property Tax-backed Debt is Gross Property Tax-Backed debt less self-supporting unlimited tax general obligation debt and less self-supporting full faith and credit debt. The Obligations are *NOT* classified as self-supporting for the purposes of this table.
Source: Jefferson County, Oregon State Treasury, City's Audited Financial Statements and the Obligations

City Pension Plan Actuarial Valuations

	Actuarial Valuation as of			
	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Allocated Pooled SLGRP T1/T2 UAL	$1,411,873	$2,587,569	$3,397,232	$3,804,334
Allocated Pre SLGRP pooled liability/(surplus)	$0	$0	$0	$0
Transition liability/(surplus)	$(594,832)	$(586,450)	$(575,750)	$(562,238)
Allocated pooled OPSRP UAL	$131,663	$183,201	$252,176	$303,804
Side Account	$0	$0	$0	$0
Net unfunded pension actuarial accrued liability	$948,704	$2,184,320	$3,073,658	$3,545,900
Combined Valuation Payroll	$1,862,119	$1,602,507	$1,773,836	$1,764,637
Net Pension UAL as a % of Payroll	51%	136%	173%	201%
Pre-SLGRP Pooled Rate	0.00%	0.00%	0.00%	0.00%
Transition Rate	(2.98)%	(3.62)%	(3.42)%	(3.54)%
Side Account Rate Relief	0.00%	0.00%	0.00%	0.00%
Allocated Pooled RHIA UAL	$25,774	$12,738	$8,613	($240)
Allocated Pooled RHIPA UAL	$0	$0	$0	$0

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

Possible Contribution Rate Collar
12/31/2016 Valuation:
The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2019, which will depend on the funded status as of December 31, 2017. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

Funded Status as of December 31, 2017	70% to 130%	Under 60% or Over 1140%
2017-2019 Normal Cost & Tier 1/Tier 2 UAL Rate	21.88%	21.88%
Minimum July 1, 2019 Rate	17.50%	13.12%
Maximum July 1, 2019 Rate	26.26%	30.64%

This page intentionally left blank

COMPLIANCE SECTION

This page intentionally left blank

Boldt Carlisle + Smith
CERTIFIED PUBLIC ACCOUNTANTS
The right people. The right answers.

1255 Lee Street SE Suite 210 Salem Oregon 97302 | P 503.585.7751 | F 503.370.3781
408 N Third Avenue Stayton Oregon 97383 | P 503.769.2186 | F 503.769.4312
200 Calapooia Street SW Albany Oregon 97321 | P 541.928.3354 | F 541.967.7668

www.bcsllc.com

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Honorable Mayor and Members
of the City Council
CITY OF MADRAS
Madras, Oregon

We have audited in accordance with auditing standards generally accepted in the United States of America the basic financial statements of the CITY OF MADRAS as of and for the year ended June 30, 2017, and have issued our report thereon dated February 28, 2018.

Compliance and Other Matters

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

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

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

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS (Continued)

Compliance and Other Matters (continued)

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

Ensuing year's budget

1. In the detail budget document historical information the excess of actual revenues over actual expenditures for the second preceding year did not equal the beginning fund balance for the first preceding year.

2. The District did not reasonably estimate the July 1, 2017 beginning fund balance as defined by the ORS 294.361(1) as shown below:

Fund	Appropriation	Actual	Variance
Special Revenue	495,562	991,269	(495,707)

OAR 162-10-0230 Internal Control

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control. Deficiencies in internal control have been communicated separately.

Restriction of Use

This report is intended solely for the information and use of the council members and management of CITY OF MADRAS and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
February 28, 2018

By:

Bradley G. Bingenheimer, Member

1255 Lee Street SE Suite 210 Salem Oregon 97302 | P 503.585.7751 | F 503.370.3781
408 N Third Avenue Stayton Oregon 97383 | P 503.769.2186 | F 503.769.4312
200 Calapooia Street SW Albany Oregon 97321 | P 541.928.3354 | F 541.967.7668

www.bcsllc.com

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the City as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 28, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2017-001 through 2017-004 that we consider to be a significant deficiency.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

District's Response to Findings

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

Purpose of this Report

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

Boldt Carlisle & Smith

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
February 28, 2018

CITY OF MADRAS
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2017

2017-001

Criteria: Internal controls over financial reporting should include both supervisory review and approval of journal entries prior to the entry being posted as well as supervisory review that only approved entries were posted.

Condition: As part of the monthly closing process, journal entries are prepared and posted to the general ledger without supervisory review or approval.

Cause: Due to time constraints, the review and approval of routine monthly journal entries has not been performed consistently and review of approved journal entries against posted journal entries has not been performed.

Effect: Journal entries could be posted without approval, which could result in a misstatement that is not detected and corrected in a timely manner.

Response: The City agrees with this finding. The Finance Team has been in transition for the past year with the new Finance Director hired June 1, 2016. The Finance Director and Accounting Analyst work together to ensure that all Journal Entries are reviewed and approved when posted. However, the Accounting Analyst position was vacant for approximately three months during the 2016-2017 Fiscal Year. Since the position was filled, Internal Controls have been implemented to ensure supervisory review that only approved journal entries are posted.

2017-002

Criteria: Internal controls over the utility billing cycle should include segregation of duties between the cash collection charges and utility bill adjustments (write-offs and discounts).

Condition: Employees that are collecting and receipting water and wastewater charges are adjusting customer bills through write-offs and discounts. The City has recognized this lack of segregation of duties and incorporated a compensating control. The compensating control is the review and approval of a utility billing adjustment report. However, during a portion of the year the compensating control was not being performed.

Cause: The lack of segregation of duties and the nonperformance of the compensating control was due to staffing limitations.

Effect: Misappropriation of cash that been collected could go undetected though the use of utility adjustments.

Response: The City agrees with this finding. The City recognized a lack of segregation of duties during a period of high turn-over and increased business activities. The City incorporated a compensating control for supervisory review and approval of a utility billing adjustment report. This is now part of the month-end close process.

SCHEDULE OF FINDINGS (continued)

2017-003

Criteria: Internal controls over the payroll cycle should include segregation of duties.

Condition: As part of the City's control structure, it has limited access to the software program through user rights. During the year, an employee associated with the payroll cycle had user rights to all areas within the payroll cycle. The employee could initiate, approve and execute a payroll without review and approval.

Cause: During a period of employee turnover, a new employee was given rights that allowed the access to the whole payroll cycle.

Effect: Fraud or errors associated with payroll and associated costs could result in a misstatement that is not detected and corrected in a timely manner.

Response: The City agrees with this finding. The Finance Director and Accounting Analyst work together to ensure the payroll cycle includes segregation of duties. However, the Accounting Analyst position was vacant for approximately three months during the 2016-2017 Fiscal Year, with the new Accounting Analyst hired December 2016. Internal Controls have been implemented to limit user rights that will not allow access to the entire payroll cycle.

2017-004

Criteria: Internal controls over inventory should include procedures to ensure that year-end counts and adjustments are accurate.

Condition: The prior year inventory did not place a value on donated street lights. The current year inventory contained an error in the count. The errors resulted in a current year adjustment. This adjustment was made through a journal entry (see finding 2017-001).

Cause: The value of the donated street lights was accounted for appropriately in the prior period. The error in current inventory resulted in a keystroke error placing an item counted at 3,000 on the list at 300. These errors were not detected and corrected in a timely manner as a result of finding 2017-001.

Effect: Inventory values on the City's books were not correct. This also effects the associate expense account the City used to in its journal entry to adjust the value.

Response: The City agrees with this finding. Year-End Inventory Control is a new process for City employees. The turnover in the Public Works Department and Finance Department has identified some areas were we need a greater degree of analysis and understanding. Finance Employees and Public Works Employees are working together to create year-end processes that will ensure year-end counts and adjustment are accurate.