THE CITY OF MADRAS

EST. 1910

Madras, Oregon

ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2018

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CITY OF MADRAS

OFFICERS AND MEMBERS OF THE GOVERNING BODY
For the Year Ended June 30, 2018

MAYOR

Royce Embanks

CITY COUNCIL

Bartt Brick

Richard Ladeby

Denise Piza

Gary Walker

Rose Canga

Jennifer Holcomb

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

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CITY OF MADRAS

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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, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 1R to the financial statements, the City implemented GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

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 61 and the Schedule of Contributions on page 62 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

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.

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, 2019, 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, 2019, 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, 2019

By:

Bradley G. Bingenheimer, Member

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2018. 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 $1,086,142 for total net position of $49.2 million. This is the net result of a $480,235 (2.78%) decrease in the governmental net position, of which $383,462 was a prior period adjustment and $1,566,377 (5.1%) increase in the business-type net position.

- Net capital assets for. business-type activities increased $801,488 (3.4%). 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 $352,339 (0.9%). 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 $1.32 million in the General Fund and $0.39 million related to the Madras Redevelopment Commission (the Urban Renewal District to the City of Madras) for overall property tax revenues of $1.7 million.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances and are made up of the following two statements: the 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, 2018 totaled $49.2 million, an increase of $1.1 million from June 30, 2017.

Table 1
STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	$ 1,986,241	$ 3,526,241	$ 5,208,822	$ 3,853,215	$ 7,195,063	$ 7,379,456
Capital assets	24,507,250	23,491,592	39,901,983	39,548,371	64,409,233	63,039,963
Total Assets	26,493,491	27,017,833	45,110,805	43,401,586	71,604,296	70,419,419
Deferred Outflows	1,252,161	1,410,829	135,856	217,164	1,388,017	1,627,993
Liabilities:						
Current liabilities	1,072,270	1,300,005	817,806	712,134	1,890,076	2,012,139
Non-current liabilities	9,541,107	9,412,333	11,920,582	11,956,380	21,461,689	21,368,713
Total Liabilities	10,613,377	10,712,338	12,738,388	12,668,514	23,351,765	23,380,852
Deferred Inflows	365,226	469,040	47,832	56,172	413,058	525,212
Net Position:						
Invested in capital assets, net of related debt	17,723,418	16,883,352	28,223,723	27,412,329	45,947,141	44,295,681
Restricted	3,518,130	3,583,753	402,362	583,761	3,920,492	4,167,514
Unrestricted	(4,474,499)	(3,219,821)	3,834,356	2,897,974	(640,143)	(321,847)
Total Net Position	$ 16,767,049	$ 17,247,284	$ 32,460,441	$ 30,894,064	$ 49,227,490	$ 48,141,348

The largest component of the City's $49.2 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	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for services	$ 276,138	$ 245,028	$ 5,283,720	$ 4,627,209	$ 5,559,858	$ 4,872,237
Operating grants and contributions	892,362	887,728			892,362	887,728
Capital grants and contributions	1,282,568	1,227,172	412,011	1,498,809	1,694,579	2,725,981
General Revenues:					-	-
Property taxes	1,710,292	1,600,503	-	-	1,710,292	1,600,503
Franchise and public services tax	1,453,643	1,344,626	-	-	1,453,643	1,344,626
Investment earnings and other	197,579	71,527	36,549	57,963	234,128	129,490
Transfers	155,119	107,009	(155,119)	(107,009)	-	-
Total Revenues	5,967,701	5,483,593	5,577,161	6,076,972	11,544,862	11,560,565
Expenses:						
General government	751,265	224,702	-	-	751,265	224,702
Public safety	1,826,046	2,082,283	-	-	1,826,046	2,082,283
Highway and streets	2,053,486	1,260,088	-	-	2,053,486	1,260,088
Community development	931,347	679,360	-	-	931,347	679,360
Culture and recreation	308,153	332,535	-	-	308,153	332,535
Interest	207,824	324,769	-	-	207,824	324,769
Enterprise operations	-	-	3,997,137	4,902,522	3,997,137	4,902,522
Total Expenses	6,078,121	4,903,737	3,997,137	4,902,522	10,075,258	9,806,259
Change in Net Position	(110,420)	579,856	1,580,024	1,174,450	1,469,604	1,754,306
Net position - beginning of year	17,247,284	16,435,646	30,894,064	29,640,679	48,141,348	46,076,325
Prior period adjustment	(369,815)	231,782	(13,647)	78,935	(383,462)	310,717
Net position - end of year	$16,767,049	$17,247,284	$32,460,441	$30,894,064	$49,227,490	$48,141,348

Governmental Activities:
Governmental activities represent 34.1% of the City's total net position. The governmental activities net position decreased by $480,235.Total revenues from governmental activities for fiscal year 2018 were $484,108 more than prior year.

Business-Type Activities:
Business-type activities represent 65.9% 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 2018, net position increased by $1.56 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, 2018, all six City governmental funds were classified as major governmental funds. As of June 30, 2018, the City's governmental funds reported a combined ending fund balance of $3,527 million. This is a decrease of $(31,787) from current year activity and $30,607 from prior period adjustments.

GENERAL FUND BUDGET HIGHLIGHTS

The City adopted the operating budget for the fiscal year 2017-18 budget on June 13, 2017 in the amount of $16,054,503, 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 $801,488 (3%). Business-type activities capital assets increased by $352,339 (1%).

Table 4
CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
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	5,399	436,759	794,798	1,723,622	800,197	2,160,381
Total non-depreciable assets	3,044,266	3,475,626	2,521,975	3,450,799	5,566,241	6,926,425
Capital assets being depreciated:						
Land improvements	2,171,232	2,321,630	124,682	120,872	2,295,914	2,442,502
Building and improvements	6,472,662	6,672,138	4,353,127	4,315,068	10,825,789	10,987,206
Equipment	522,243	533,358	413,811	347,909	936,054	881,267
Infrastructure	12,082,677	10,488,840	32,487,115	31,313,723	44,569,792	41,802,563
Total depreciable assets, net	21,248,814	20,015,966	37,378,735	36,097,572	58,627,549	56,113,538
Total capital assets	$24,293,080	$23,491,592	$39,900,710	$39,548,371	$64,193,790	$63,039,963

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 35 of this report.

The City drew an additional $30,000 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 $187,346 from the prior year. Total outstanding debt for governmental activities decreased $133,489. For more information on the explanation and calculation of the other post-employment benefits (OPEB) liability please see pages 48 through 56 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic factors considered for the next fiscal year (2018-19) include:

- Using guidance from the assessor's office, property taxes are forecasted to increase approximately 1.5% in property taxes from the prior tax year.
- City staff is observing continued increase in residential permit activity from prior years (estimating 20 new residential building permits for 2018 vs. 2 in 2014, 4 in 2015, 9 in 2016, and 22 in 2017).

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- The City implemented an 11.0% 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 1.9% 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' 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.W. "E" Street, Madras, Oregon 97741, (541) 475-2344, or visit the City's website at www.ci.madras.or.us.

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BASIC FINANCIAL STATEMENTS

CITY OF MADRAS

STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Current assets			
Cash and cash equivalents	$ 4,075,185	$ 1,741,233	$ 5,816,418
Receivables			
Property taxes	81,348	-	81,348
Accounts, net	368,461	520,941	889,402
Notes receivable	116,295	-	116,295
Internal balances	(2,832,203)	2,832,203	-
Inventory	176,995	114,445	291,440
Prepaid expenses	160	-	160
Total current assets	1,986,241	5,208,822	7,195,063
Noncurrent assets			
Net other postemployment benefit asset	6,170	1,273	7,443
Investment in land held for sale	208,000	-	208,000
Nondepreciable assets	3,044,266	2,521,975	5,566,241
Depreciable assets, net	21,248,814	37,378,735	58,627,549
Total noncurrent assets	24,507,250	39,901,983	64,409,233
TOTAL ASSETS	26,493,491	45,110,805	71,604,296
DEFERRED OUTFLOWS OF RESOURCES			
Refunded debt charges	235,636	-	235,636
Other postemployment benefit related items	32,048	6,609	38,657
Pension related items	984,477	129,247	1,113,724
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,252,161	135,856	1,388,017
LIABILITIES			
Accounts payable and accrued liabilities	188,494	320,474	508,968
Payroll liabilities	57,734	-	57,734
Accrued interest payable	29,803	197,121	226,924
Customer deposits payable	29,200	57,539	86,739
Short-term debt obligations	334,892	-	334,892
Unearned revenue	25,609	-	25,609
Long-term liabilities:			
Due within one year	406,538	242,672	649,210
Due in more than one year	9,541,107	11,920,582	21,461,689
TOTAL LIABILITIES	10,613,377	12,738,388	23,351,765
DEFERRED INFLOWS OF RESOURCES			
Other postemployment benefit related items	54,150	11,167	65,317
Pension related items	311,076	36,665	347,741
TOTAL DEFERRED INFLOWS OF RESOURCES	365,226	47,832	413,058
NET POSITION			
Net investment in capital assets	17,723,418	28,223,723	45,947,141
Restricted for:			
Highways and streets	596,120	-	596,120
Capital projects	559,989	402,362	962,351
Debt service	2,362,021	-	2,362,021
Unrestricted	(4,474,499)	3,834,356	(640,143)
TOTAL NET POSITION	$ 16,767,049	$ 32,460,441	$ 49,227,490

See accompanying notes

CITY OF MADRAS

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

		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	$ 751,265	$ 95,330	$ 81,612	$ -	$ (574,323)		$ (574,323)
Public safety	1,826,046	-	180,108	-	(1,645,938)		(1,645,938)
Highways and streets	2,053,486	13,181	614,909	1,179,836	(245,560)		(245,560)
Community development	931,347	128,527	-	57,679	(745,141)		(745,141)
Culture and recreation	308,153	39,100	15,733	45,053	(208,267)		(208,267)
Interest	207,824	-	-	-	(207,824)		(207,824)
TOTAL GOVERNMENTAL ACTIVITIES	6,078,121	276,138	892,362	1,282,568	(3,627,053)		(3,627,053)
Business-type activities:							
Water	569,799	641,126	-	2,818		$ 74,145	74,145
Wastewater	2,242,517	3,319,417	-	97,380		1,174,280	1,174,280
Airport	1,184,821	1,323,177	-	311,813		450,169	450,169
TOTAL BUSINESS-TYPE ACTIVITIES	3,997,137	5,283,720	-	412,011		1,698,594	1,698,594
Totals	$ 10,075,258	$ 5,559,858	$ 892,362	$ 1,694,579	(3,627,053)	1,698,594	(1,928,459)
General revenues							
Taxes, levied for							
General purposes					1,317,754	-	1,317,754
Madras Redevelopment Commission					392,538	-	392,538
Miscellaneous taxes					1,453,643	-	1,453,643
Investment income					107,868	31,535	139,403
Miscellaneous					89,711	5,014	94,725
Transfers					155,119	(155,119)	-
TOTAL GENERAL REVENUES AND TRANSFERS					3,516,633	(118,570)	3,398,063
CHANGE IN NET POSITION					(110,420)	1,580,024	1,469,604
NET POSITION - BEGINNING					17,247,284	30,894,064	48,141,348
PRIOR PERIOD ADJUSTMENT					(369,815)	(13,647)	(383,462)
NET POSITION - ENDING					$ 16,767,049	$ 32,460,441	$ 49,227,490

See accompanying notes

CITY OF MADRAS

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General	Special Revenue	Madras Redevelopment Commission	Madras Redevelopment Commission Reinvestment
ASSETS				
Cash and cash equivalents	$ 1,237,441	$ 458,787	$ 162,894	$ 197,875
Receivables				
Property taxes	62,891	-	18,457	-
Accounts, net	196,421	145,813	-	-
Notes	-	-	-	116,295
Due from other funds	-	-	-	-
Inventory	10,629	147,042	-	-
Investment in land held for sale	-	-	208,000	-
TOTAL ASSETS	$ 1,507,382	$ 751,642	$ 389,351	$ 314,170
LIABILITIES				
Accounts payable	$ 33,552	$ 15,906	$ 5,599	$ 1,989
Payroll liabilities	53,147	4,587	-	-
Deposits	-	29,000	-	-
Due to other funds	-	-	1,995,000	-
TOTAL LIABILITIES	86,699	49,493	2,000,599	1,989
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	67,251	5,500	16,914	114,611
TOTAL DEFERRED INFLOWS OF RESOURCES	67,251	5,500	16,914	114,611
FUND BALANCE				
Nonspendable	10,629	147,042	-	-
Restricted for:				
Capital projects	-	-	-	-
Debt service	-	-	-	-
Highways and streets	-	443,578	-	-
Economic development	-	-	-	197,570
Committed for tourism	153,563	-	-	-
Assigned:				
Parks	216,481	-	-	-
Community development	80,902	106,029	-	-
Unassigned	891,857	-	(1,628,162)	-
TOTAL FUND BALANCES	1,353,432	696,649	(1,628,162)	197,570
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,507,382	$ 751,642	$ 389,351	$ 314,170

See accompanying notes

Debt Service	Capital Projects	Total Governmental Funds
$ 367,021	$ 548,467	$ 2,972,485
-	-	81,348
-	16,465	358,699
-	-	116,295
1,995,000	-	1,995,000
-	-	157,671
-	-	208,000
$ 2,362,021	$ 564,932	$ 5,889,498
$ -	$ 11,181	$ 68,227
-	-	57,734
-	-	29,000
-	-	1,995,000
-	11,181	2,149,961
-	8,337	212,613
-	8,337	212,613
-	-	157,671
-	545,414	545,414
2,362,021	-	2,362,021
-	-	443,578
-	-	197,570
-	-	153,563
-	-	216,481
-	-	186,931
-	-	(736,305)
2,362,021	545,414	3,526,924
$ 2,362,021	$ 564,932	$ 5,889,498

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CITY OF MADRAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
For the Year Ended June 30, 2018

TOTAL GOVERNMENTAL FUND BALANCES		$ 3,526,924
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		24,293,080
The net other postemployment benefit asset is reported in the statement of net position but is not reported in the funds		6,170
Refunded debt charges are reported in the statement of net position but are not reported in the funds		235,636
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds		187,004
The internal service fund is used by management to charge costs to individual funds. A portion of the assets and laibilities of the internal service funds is included in the governmental activities in the statement of net position		(1,820,724)
Deferred outflows related to the pension plan and other postemployment benefit plans are not current financial resources and therefore are not reported in the funds		1,016,525
Long-term liabilities, including bonds payable, bond premiums, accrued interest, compensated absences, net pension liability, and other postemployment benefit liability are not due and payable in the current period and, therefore, are not reported in the funds:		
Short-term debt obligations	(334,892)	
Accrued interest	(29,803)	
Long-term debt obligations	(6,272,240)	
Bond premium	(245,793)	
Compensated absences	(29,880)	
Net pension liability	(2,531,105)	
Other postemployment benefit liability	(868,627)	(10,312,340)
Deferred inflows related to the pension plan and other postemployment benefit plans are reported in the statement of net position but are not reported in the funds		(365,226)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 16,767,049

See accompanying notes

CITY OF MADRAS

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General	Special Revenue	Madras Redevelopment Commission	Madras Redevelopment Commission Reinvestment
REVENUES				
Property taxes	$ 1,315,459	$ -	$ 392,076	$ -
Franchise fees	451,526	451,526	-	-
Miscellaneous taxes	540,950	-	-	-
Fines and forfeitures	53,937	-	-	-
Licenses, permits and fees	6,446	89,357	-	-
Charges for services	44,367	45,000	-	-
Intergovernmental	277,453	1,403,822	-	-
Assessments	-	-	-	11,689
System development charges	-	-	-	-
Investment income (loss)	24,900	11,364	6,615	7,152
Miscellaneous	8,843	243	-	-
TOTAL REVENUES	2,723,881	2,001,312	398,691	18,841
EXPENDITURES				
Current				
General governement	81,612	-	-	-
Public safety	2,133,694	-	-	-
Highways and streets	14,266	886,292	-	-
Community development	270,507	418,464	182,642	40,383
Culture and recreation	229,591	-	-	-
Capital outlay	-	1,423,803	-	-
Debt service	-	-	59,122	-
TOTAL EXPENDITURES	2,729,670	2,728,559	241,764	40,383
Excess (deficiency) of revenues over expenditures	(5,789)	(727,247)	156,927	(21,542)
OTHER FINANCING SOURCES (USES)				
Proceeds from line of credit	-	-	30,000	-
Premium on refunding bonds	-	-	-	-
Issuance of long-term obligations	-	-	-	-
Payment to bond refunding agent	-	-	-	-
Transfers in	92,946	402,020	-	-
Transfers out	-	-	(75,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	92,946	402,020	(45,000)	-
Net change in fund balance	87,157	(325,227)	111,927	(21,542)
Fund balance at beginning of year	1,266,275	991,269	(1,740,089)	219,112
Prior period adjustment	-	30,607	-	-
Fund balance at end of year	$ 1,353,432	$ 696,649	$ (1,628,162)	$ 197,570

See accompanying notes

Debt Service	Capital Projects	Total Governmental Funds
$ -	$ -	$ 1,707,535
-	-	903,052
-	-	540,950
-	-	53,937
-	-	95,803
-	-	89,367
-	8,130	1,689,405
-	-	11,689
-	425,747	425,747
47,810	10,027	107,868
-	1,871	10,957
47,810	445,775	5,636,310
-	-	81,612
-	-	2,133,694
-	-	900,558
37,616	-	949,612
-	-	229,591
-	53,549	1,477,352
157,810	170,019	386,951
195,426	223,568	6,159,370
(147,616)	222,207	(523,060)
-	-	30,000
122,765	-	122,765
1,770,000	-	1,770,000
(1,850,824)	-	(1,850,824)
53,876	-	548,842
-	(54,510)	(129,510)
95,817	(54,510)	491,273
(51,799)	167,697	(31,787)
2,413,820	377,717	3,528,104
-	-	30,607
$ 2,362,021	$ 545,414	$ 3,526,924

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, 2018

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ (31,787)
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	$ 1,493,712	
Depreciation	(753,421)	740,291
The net effect of transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position		(49,378)
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		2,757
Loans		45,990
Other		17,240
In the statement of activities, the changes in net pension liability, deferred inflows of resources and deferred outflows of resources related to the City's participation in PERS are reported as additional expenses for increases and a reduction of expenses for decreases		(96,958)
In the statement of activities, the changes in net other postemployment benefit asset, other postemployment benefit liability, and deferred inflows and deferred outflows of resources related to the entity's participation in PERS and its own City plan are reported as additional expenses for increases and a reduction of expenses for decreases		(25,027)
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 the governmental funds		
Compensated absences		(1,516)
The issuance of long-term debt provides current financial resources, while the repayment of the principal of long-term obligations consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position		
Issuance of long-term debt	(1,800,000)	
Principal payments	2,099,726	
Premium on refunding bond	(122,765)	
Amortization of bond premium and refunded debt charges	9,335	
Accrued interest	964	187,260
Net income of internal service fund allocated to governmental activities	(1,081,441)	
Plus: internal service fund depreciation included above	182,149	(899,292)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (110,420)

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, 2018

	Budget			
	Original	Final	Actual	Variance
REVENUES				
Property taxes	$ 1,263,000	$ 1,264,772	$ 1,315,459	$ 50,687
Franchise fees	407,340	407,340	451,526	44,186
Miscellaneous taxes	385,905	419,820	540,950	121,130
Fines and forfeitures	40,000	40,000	53,937	13,937
Licenses, permits and fees	3,225	3,225	6,446	3,221
Charges for services	54,440	54,440	44,367	(10,073)
Intergovernmental	389,457	389,457	277,453	(112,004)
Rental income	7,137	7,137	7,351	214
Interest	3,300	3,300	24,900	21,600
Miscellaneous	7,000	7,000	1,492	(5,508)
TOTAL REVENUES	2,560,804	2,596,491	2,723,881	127,390
EXPENDITURES				
Police Administration	2,195,188	2,195,188	2,133,694	61,494
Administration	85,010	85,010	81,612	3,398
Parks and recreation	391,024	399,024	229,591	169,433
Tourism/economic development	226,420	285,520	270,507	15,013
Industrial	20,139	20,139	14,266	5,873
Contingency	120,000	109,000	-	109,000
TOTAL EXPENDITURES	3,037,781	3,093,881	2,729,670	364,211
Excess (deficiency) of revenues over expenditures	(476,977)	(497,390)	(5,789)	491,601
OTHER FINANCING SOURCES (USES)				
Transfers in	337,690	429,477	426,370	(3,107)
Transfers out	(299,900)	(335,587)	(333,424)	2,163
TOTAL OTHER FINANCING SOURCES (USES)	37,790	93,890	92,946	(944)
Net change in fund balance	(439,187)	(403,500)	87,157	490,657
Fund balance at beginning of year	968,381	1,035,375	1,266,275	230,900
Fund balance at end of year	$ 529,194	$ 631,875	$ 1,353,432	$ 721,557

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, 2018

	Budget			
	Original	Final	Actual	Variance
REVENUES				
Franchise fees	$ 406,540	$ 406,540	$ 451,526	$ 44,986
Licenses, permits and fees	37,375	37,375	89,357	51,982
Charges for services	45,000	45,000	45,000	-
Intergovernmental	605,450	1,391,060	1,403,822	12,762
System development charges	250	250	-	(250)
Interest	1,600	1,600	11,364	9,764
Miscellaneous	100	15,100	243	(14,857)
TOTAL REVENUES	1,096,315	1,896,925	2,001,312	104,387
EXPENDITURES				
Community development	370,601	460,601	418,464	42,137
Transportation operations	1,133,185	2,482,189	2,310,095	172,094
Contingency	328,480	278,480	-	278,480
TOTAL EXPENDITURES	1,832,266	3,221,270	2,728,559	492,711
Excess (deficiency) of revenues over expenditures	(735,951)	(1,324,345)	(727,247)	597,098
OTHER FINANCING SOURCES (USES)				
Transfers in	300,030	402,030	402,020	(10)
Transfers out	(20)	(20)	-	20
TOTAL OTHER FINANCING SOURCES (USES)	300,010	402,010	402,020	10
Net change in fund balance	(435,941)	(922,335)	(325,227)	597,108
Fund balance at beginning of year	495,562	981,956	991,269	9,313
Prior period adjustment	-	-	30,607	30,607
Fund balance at end of year	$ 59,621	$ 59,621	$ 696,649	$ 637,028

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, 2018

	Budget			
	Original	Final	Actual	Variance
REVENUES				
Property taxes	$ 361,000	$ 361,000	$ 392,076	$ 31,076
Investment income (loss)	10	10	6,615	6,605
TOTAL REVENUES	361,010	361,010	398,691	37,681
EXPENDITURES				
Materials and services	86,950	112,950	135,698	(22,748)
Capital outlay	10	10	-	10
Debt service	197,450	197,450	169,122	28,328
Special payments - grants	200,000	200,000	121,944	78,056
Contingency	12,500	5,000	-	5,000
TOTAL EXPENDITURES	496,910	515,410	426,764	88,646
Excess (deficiency) of revenues over expenditures	(135,900)	(154,400)	(28,073)	126,327
OTHER FINANCING SOURCES (USES)				
Proceeds from interfund loan	-	-	25,000	25,000
Proceeds from line of credit	140,000	155,000	30,000	(125,000)
Transfers in	10	10	-	(10)
TOTAL OTHER FINANCING SOURCES (USES)	140,010	155,010	55,000	(100,010)
Net change in fund balance	4,110	610	26,927	26,317
Fund balance at beginning of year	417,882	421,382	339,911	(81,471)
Fund balance at end of year	$ 421,992	$ 421,992	366,838	$ (55,154)
Reconciliation to generally accepted accounting principles and governmental fund balance				
Interfund loan			(1,995,000)	
Fund balance at end of year			$ (1,628,162)	

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, 2018

	Budget			
	Original	Final	Actual	Variance
REVENUES				
Assessments	$ 10,500	$ 10,500	$ 11,689	$ 1,189
Interest	2,000	2,000	7,152	5,152
TOTAL REVENUES	12,500	12,500	18,841	6,341
EXPENDITURES				
Materials and services	12,300	15,540	17,245	(1,705)
Special payments-loan	45,010	86,010	23,138	62,872
Contingency	50,000	30,760	-	30,760
TOTAL EXPENDITURES	107,310	132,310	40,383	91,927
Excess (deficiency) of revenues over expenditures	(94,810)	(119,810)	(21,542)	98,268
OTHER FINANCING SOURCES (USES)				
Transfers out	(10)	(10)	-	10
TOTAL OTHER FINANCING SOURCES (USES)	(10)	(10)	-	10
Net change in fund balance	(94,820)	(119,820)	(21,542)	98,278
Fund balance at beginning of year	193,220	218,220	219,112	892
Fund balance at end of year	$ 98,400	$ 98,400	$ 197,570	$ 99,170

See accompanying notes

CITY OF MADRAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Airport	Total	Internal Service Fund
ASSETS					
Current assets					
Cash and cash equivalents	$ 218,744	$ 1,231,413	$ 291,076	$ 1,741,233	$ 1,102,700
Accounts receivable, net	62,653	321,677	136,611	520,941	9,762
Inventory	24,608	40,999	48,838	114,445	19,324
Prepaid items	-	-	-	-	160
Total current assets	306,005	1,594,089	476,525	2,376,619	1,131,946
Net other postemployment benefit asset	235	1,038	-	1,273	2,532
Capital assets					
Nondepreciable assets	6,048	2,111,179	404,748	2,521,975	2,270,000
Depreciable assets, net	676,178	24,204,419	12,498,138	37,378,735	5,164,298
Total capital assets	682,226	26,315,598	12,902,886	39,900,710	7,434,298
TOTAL ASSETS	988,466	27,910,725	13,379,411	42,278,602	8,568,776
DEFERRED OUTFLOWS OF RESOURCES					
Refunded debt charges	-	-	-	-	133,119
Pension related items	27,348	101,899	-	129,247	452,525
Other postemployment benefit related items	1,220	5,389	-	6,609	13,154
TOTAL DEFERRED OUTFLOWS OF RESOURCES	28,568	107,288	-	135,856	598,798
LIABILITIES					
Accounts payable	984	268,602	50,888	320,474	82,533
Payroll liabilities	-	-	-	-	37,734
Accrued interest payable	295	193,364	3,462	197,121	21,532
Customer deposits payable	25,588	31,951	-	57,539	200
Unearned revenue	-	-	-	-	25,609
Long-term liabilities:					
Due within one year	6,023	179,990	56,659	242,672	108,621
Due in more than one year	229,621	10,715,798	975,163	11,920,582	5,131,464
TOTAL LIABILITIES	262,511	11,389,705	1,086,172	12,738,388	5,407,693
DEFERRED INFLOWS OF RESOURCES					
Pension related items	23,425	13,240	-	36,665	167,059
Other postemployment benefit related items	2,061	9,106	-	11,167	22,225
TOTAL DEFERRED INFLOWS OF RESOURCES	25,486	22,346	-	47,832	189,284
NET POSITION					
Net investment in capital assets	570,122	15,782,537	11,871,064	28,223,723	3,862,961
Restricted for:					
Capital projects	61,721	340,641	-	402,362	-
Unrestricted	97,194	482,784	422,175	1,002,153	(292,364)
TOTAL NET POSITION	$ 729,037	$ 16,605,962	$ 12,293,239	29,628,238	$ 3,570,597
Adjustment to reflect the combination of internal service fund activities related to enterprise funds				2,832,203	
Net position of business-type activities				$ 32,460,441	

See accompanying notes

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CITY OF MADRAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Sewer	Airport	Total	Internal Service Fund
OPERATING REVENUES					
Licenses, permits and fees	$ -	$ -	$ -	$ -	$ 43,969
Charges for services	643,944	3,358,870	855,149	4,857,963	2,951,167
Rental income	-	1,724	468,028	469,752	1,005
Miscellaneous	547	52,671	2,542	55,760	54,334
TOTAL OPERATING REVENUES	644,491	3,413,265	1,325,719	5,383,475	3,050,475
OPERATING EXPENSES					
Personnel services	116,857	516,434	-	633,291	1,293,601
Materials and services	453,276	1,832,980	902,850	3,189,106	1,215,525
Depreciation	21,501	451,230	356,916	829,647	182,149
TOTAL OPERATING EXPENSES	591,634	2,800,644	1,259,766	4,652,044	2,691,275
OPERATING INCOME (LOSS)	52,857	612,621	65,953	731,431	359,200
NONOPERATING REVENUES (EXPENSES)					
Interest earned on investments	5,036	19,788	6,711	31,535	-
Grants	-	175	311,813	311,988	-
Bond issuance costs	-	-	-	-	(22,205)
Interest expense	(2,944)	(423,057)	(30,407)	(456,408)	(42,908)
TOTAL NONOPERATING REVENUES (EXPENSES)	2,092	(403,094)	288,117	(112,885)	(65,113)
Income (loss) before capital contributions and transfers	54,949	209,527	354,070	618,546	294,087
Capital contributions	-	5,282	-	5,282	-
Transfers in	-	30,000	-	30,000	75,000
Transfers out	(55,010)	(19,163)	(80,946)	(155,119)	(369,213)
Change in net position	(61)	225,646	273,124	498,709	(126)
Net position at beginning of year	739,700	16,383,361	12,020,115	29,143,176	3,685,492
Prior period adjustment	(10,602)	(3,045)	-	(13,647)	(114,769)
Net position at end of year	$ 729,037	$ 16,605,962	$ 12,293,239	$ 29,628,238	$ 3,570,597

Change in net position	$ 498,709
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds	1,081,315
Change in net position of the business-type activities	$ 1,580,024

See accompanying notes

CITY OF MADRAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Airport	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ 627,830	$ 3,326,304	$ 1,090,812	$ 5,044,946	$ 2,949,615
Payments to suppliers	(455,001)	(1,646,620)	(1,046,747)	(3,148,368)	(1,224,524)
Payments to employees	(108,984)	(481,642)	-	(590,626)	(1,184,518)
Other receipts	547	54,395	470,570	525,512	99,308
Net cash provided by (used in) operating activities	64,392	1,252,437	514,635	1,831,464	639,881
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Payment on advances from other funds	-	-	(32,831)	(32,831)	-
Transfers in	-	30,000	-	30,000	75,000
Transfers out	(55,010)	(19,163)	(80,946)	(155,119)	(369,213)
Net cash provided by (used in) noncapital financing activitie	(55,010)	10,837	(113,777)	(157,950)	(294,213)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions	-	5,282	-	5,282	-
Grants	-	175	311,813	311,988	-
Purchases of capital assets	-	(840,245)	(341,741)	(1,181,986)	(110,571)
Principal paid on debt	(5,700)	(120,239)	(53,723)	(179,662)	(1,572,000)
Interest paid on debt	(3,566)	(428,411)	(32,842)	(464,819)	(96,163)
Issuance of long-term obligations	-	-	-	-	1,375,000
Bond issuance costs	-	-	-	-	(22,205)
Premium on bond refunding	-	-	-	-	95,368
Net cash provided by (used in) capital and related financing activities	(9,266)	(1,383,438)	(116,493)	(1,509,197)	(330,571)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest earned on investments	5,036	19,788	6,711	31,535	-
Net cash provided by investing activities	5,036	19,788	6,711	31,535	-
Net increase (decrease) in cash and cash equivalents	5,152	(100,376)	291,076	195,852	15,097
Cash and cash equivalents at beginning of year	213,592	1,331,789	-	1,545,381	1,087,603
Cash and cash equivalents at the end of year	$ 218,744	$ 1,231,413	$ 291,076	$ 1,741,233	$ 1,102,700

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)	$ 52,857	$ 612,621	$ 65,953	$ 731,431	$ 359,200
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activiites					
Depreciation	21,501	451,230	356,916	829,647	182,149
Decrease (increase) in assets and deferred outflows					
Accounts receivable	(7,746)	(34,735)	235,663	193,182	(1,710)
Inventory	(2,709)	(13,158)	(48,838)	(64,705)	1,050
Prepaid items	-	-	1,600	1,600	286
Net other postemployment benefit asset	(235)	(1,038)	-	(1,273)	(2,532)
Pension related items	16,222	71,695	-	87,917	174,978
Other postemployment benefit related items	(29)	(127)	-	(156)	(309)
Increase (decrease) in liabilities and deferred inflows					
Accounts payable	984	199,518	(96,659)	103,843	(10,335)
Payroll liabilities	-	-	-	-	30,988
Customer deposits payable	(8,368)	2,169	-	(6,199)	(400)
Compensated absences	-	-	-	-	(6,819)
Other postemployment benefit liability	(181)	(803)	-	(984)	(1,962)
Net pension liability	(6,366)	(28,133)	-	(34,499)	(68,661)
Unearned revenue	-	-	-	-	558
Pension related deferred inflows of resources	(3,599)	(15,908)	-	(19,507)	(38,825)
Other postemployment benefit related items	2,061	9,106	-	11,167	22,225
Net cash provided by (used in) operating activities	$ 64,392	$ 1,252,437	$ 514,635	$ 1,831,464	$ 639,881

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 resources 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 as a proprietary fund:

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

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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

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.

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, 2018.

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

<u>Fund financial statements</u>

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.

1. Summary of significant accounting policies (continued)

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

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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

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.

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)

1. Summary of significant accounting policies (continued)

P. New accounting standards implemented

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* as amended and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures. This statement also identifies the actuarial methods and assumptions that are required to be used and enhances note disclosures and required supplementary information. The specific accounts impacting the City are detailed below.

Total OPEB liability – Previous standards defined OPEB liabilities in terms of the Annually Required Contribution. Statement No. 75 defines the Total OPEB liability as the portion of projected benefit payments that is attributed to past periods of employee service provided through a defined benefit OPEB plan that is not administered through a trust.

Deferred inflows of resources and deferred outflows of resources – Statement No. 75 includes recognition of deferred inflows and outflows of resources associated with changes of assumptions. This difference is to be recognized in OPEB expense using a closed period equal to the average expected remaining service lives of all covered active and inactive participants.

Statement No. 75 is effective for financial statement periods beginning after June 15, 2017 with the effects of the accounting change to be applied retroactively by restating the financial statements. The City adopted this new pronouncement in the current year and, accordingly, has restated amounts of effected balances within the financial statements as of June 30, 2017. See note 19 for additional information.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Cash and cash equivalents

The City's cash and cash equivalents at June 30, 2018 are as follows:

State of Oregon Local Government Investment Pool	$ 5,090,920
Deposits with financial institutions	388,119
Cash with fiscal agent	324,643
Cash with county treasurer	11,336
Cash on hand	1,400
Total cash and cash equivalents	$ 5,816,418

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 cash equivalents. Interest earned on pooled cash and cash equivalents 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, 2018, $293,143 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)

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, 2018 was as follows:

	Balances July 1, 2017	Additions	Deletions	Balances June 30, 2018
Capital assets not being depreciated				
Land	$ 3,038,867	$ -	$ -	$ 3,038,867
Construction in progress	436,759	1,442,636	1,873,996	5,399
Total capital assets not being depreciated	3,475,626	1,442,636	1,873,996	3,044,266
Capital assets being depreciated				
Land improvements	3,363,513	-	-	3,363,513
Buildings and improvements	8,100,585	45,390	47,091	8,098,884
Equipment	2,306,901	114,153	72,820	2,348,234
Infrastructure	12,668,690	1,876,104	2,287	14,542,507
Total capital assets being depreciated	26,439,689	2,035,647	122,198	28,353,138
Less accumulated depreciation for:				
Land improvements	1,041,883	150,398	-	1,192,281
Buildings and improvements	1,428,447	197,775	-	1,626,222
Equipment	1,773,543	125,268	72,820	1,825,991
Infrastructure	2,179,850	279,980	-	2,459,830
Total accumulated depreciation	6,423,723	753,421	72,820	7,104,324
Total capital assets being depreciated	20,015,966	1,282,226	49,378	21,248,814
Capital assets, net	$ 23,491,592	$ 2,724,862	$ 1,923,374	$ 24,293,080

B. Depreciation was charged to expense for the year ended June 30, 2018 as follows:

General government	$ 102,849
Public safety	58,297
Highways and streets	478,796
Culture and recreation	113,479
	$ 753,421

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5. Capital assets (continued)

C. Activity for business-type activities for the year ended June 30, 2018 was as follows:

	Balances July 1, 2017	Additions	Deletions	Balances June 30, 2018
Capital assets not being depreciated				
Land	$ 1,727,177	$ -	$ -	$ 1,727,177
Construction in progress	1,723,622	796,137	1,724,961	794,798
Total capital assets not being depreciated	3,450,799	796,137	1,724,961	2,521,975
Capital assets being depreciated				
Land improvements	156,790	10,003	-	166,793
Buildings and improvements	5,325,350	138,871	-	5,464,221
Equipment	1,369,146	83,598	-	1,452,744
Infrastructure	41,040,454	1,878,338	-	42,918,792
Total capital assets being depreciated	47,891,740	2,110,810	-	50,002,550
Less accumulated depreciation for:				
Land improvements	35,918	6,193	-	42,111
Buildings and improvements	1,010,282	100,812	-	1,111,094
Equipment	1,021,237	17,696	-	1,038,933
Infrastructure	9,726,731	704,946	-	10,431,677
Total accumulated depreciation	11,794,168	829,647	-	12,623,815
Total capital assets being depreciated	36,097,572	1,281,163	-	37,378,735
Capital assets, net	$ 39,548,371	$ 2,077,300	$ 1,724,961	$ 39,900,710

D. Depreciation was charged to expense for the year ended June 30, 2018 as follows:

Water	$ 21,501
Sewer	451,230
Airport	356,916
	$ 829,647

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	$ 57,610	$ -	$ 16,914	$ -	$ -	$ 74,524
Notes	-	-	-	114,611	-	114,611
Other	9,641	5,500	-	-	8,337	23,478
	$ 67,251	$ 5,500	$ 16,914	$ 114,611	$ 8,337	$ 212,613

7. Short-term debt obligations

A. Transactions for the governmental activities for the year ended June 30, 2018were as follows:

	Outstanding July 1, 2017	Additions	Reductions	Outstanding June 30, 2018
Line of credit, First Interstate Bank	$ 304,892	$ 30,000	$ -	$ 334,892

B. Governmental activities short-term debt obligations

Line of credit, First Interstate Bank – The maximum principal available is $1,000,000, with 2.74 percent interest only payments due monthly. The City drew down an additional $30,000 on the line of credit during the year for a total balance of $334,892.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

8. Long-term obligations

A. Changes in governmental activities long-term obligations for the year ended June 30, 2018 were as follows:

	Outstanding July 1, 2017	Additions	Reductions	Outstanding June 30, 2018	Balances Due Within One Year
Long-term debt					
Bonded debt					
Series 2004	$ 207,818	$ -	$ 101,947	$ 105,871	$ 105,871
Series 2011B	1,510,000	-	1,455,000	55,000	55,000
Series 2012B	2,080,000	-	1,855,000	225,000	110,000
Series 2015	729,375	-	36,955	692,420	36,955
Series 2017	-	3,145,000	-	3,145,000	20,000
Bond premium	43,282	218,133	15,622	245,793	15,731
Loans					
USDA Rural Development	2,081,047	-	32,098	2,048,949	33,101
Total long-term debt obligations	6,651,522	3,363,133	3,496,622	6,518,033	376,658
Other long-term obligations					
Compensated absences	35,183	29,880	35,183	29,880	29,880
Net pension liability	2,698,405	-	167,300	2,531,105	-
Other postemployment benefit liability	873,405	-	4,778	868,627	-
Total long-term obligations	$ 10,258,515	$ 3,393,013	$ 3,703,883	$ 9,947,645	$ 406,538

8. Long-term obligations (continued)

B. Changes in business-type activities long-term obligations for the year ended June 30, 2018 were as follows:

	Outstanding July 1, 2017	Additions	Reductions	Outstanding June 30, 2018	Balances Due Within One Year
Long-term debt					
Bonded debt					
Series 2013	$ 10,380,000	$ -	$ 110,000	$ 10,270,000	$ 165,000
Series 2015	1,145,625	-	58,045	1,087,580	58,045
Bond premium	124,690	-	7,684	117,006	7,684
Loans					
DEQ's Clean Water	159,821	-	7,798	152,023	8,010
Jefferson County	54,197	-	3,819	50,378	3,933
Total long-term debt obligations	11,864,333	-	187,346	11,676,987	242,672
Other long-term obligations					
Net pension liability	341,644	-	34,499	307,145	-
Other postemployment benefit liability	180,106	-	984	179,122	-
Total long-term obligations	$ 12,386,083	$ -	$ 222,829	$ 12,163,254	$ 242,672

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.

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.

Series 2017, Full Faith and Credit Obligation – the City borrowed $3,145,000 to refund previously issued long-term debt obligations. Annual principal and interest payments are due in December. The payments range from $73,050 to $296,300 and include interest at rates of 3 to 4 percent. Annual interest only payments are due in June and range from $225 to $53,050.

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, 2018 are as follows:

Fiscal Year	Full Faith and Credit Obligations, Series 2004 Principal	Interest	Local Oregon Capital Asset Program, Series 2011B Principal	Interest	Local Oregon Capital Asset Program, Series 2012B Principal	Interest	Full Faith and Credit Oligations Series 2015 Principal	Interest
2019	$ 105,871	$ 4,076	$ 55,000	$ 67,195	$ 110,000	$ 68,950	$ 36,955	$ 22,562
2020	-	-	-	-	115,000	65,100	36,955	21,823
2021	-	-	-	-	-	-	40,845	21,045
2022	-	-	-	-	-	-	40,845	20,228
2023	-	-	-	-	-	-	40,845	19,411
2024-28	-	-	-	-	-	-	219,785	76,837
2029-33	-	-	-	-	-	-	210,060	32,288
2034-38	-	-	-	-	-	-	66,130	4,046
2039-43	-	-	-	-	-	-	-	-
2044-48	-	-	-	-	-	-	-	-
2049-53	-	-	-	-	-	-	-	-
	$ 105,871	$ 4,076	$ 55,000	$ 67,195	$ 225,000	$ 134,050	$ 692,420	$ 218,240

Fiscal Year	Full Faith and Credit Oligations Series 2017 Principal	Interest	USDA Rural Development Revenue Installment Principal	Interest	Totals Principal	Interest
2019	$ 20,000	$ 105,800	$ 33,101	$ 64,030	$ 360,927	$ 226,813
2020	75,000	104,375	34,135	62,995	261,090	149,918
2021	200,000	100,250	35,202	61,928	276,047	82,973
2022	205,000	94,175	36,302	60,828	282,147	81,056
2023	215,000	86,800	37,437	59,694	293,282	79,105
2023-27	1,180,000	308,000	205,479	280,172	1,605,264	357,009
2028-32	1,235,000	86,175	239,656	245,997	1,684,716	278,285
2033-37	15,000	225	279,517	206,136	360,647	210,182
2038-42	-	-	326,008	159,646	326,008	159,646
2039-47	-	-	380,231	105,421	380,231	105,421
2048-52	-	-	441,881	42,177	441,881	42,177
	$ 3,145,000	$ 885,800	$ 2,048,949	$ 1,349,024	$ 6,272,240	$ 1,772,585

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, 2018 are as follows:

	Full Faith and Credit Obligations, Series 2013		Full Faith and Credit Obligations Series 2015		DEQ's Clean Water Revolving Fund Loan Program	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest
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	300,000	385,731	64,155	30,489	8,922	3,154
2024-28	2,050,000	1,707,382	345,215	120,688	48,393	11,987
2029-33	3,040,000	1,211,325	329,940	50,712	55,365	5,015
2034-38	4,020,000	510,230	103,870	6,354	5,967	60
	$ 10,270,000	$ 5,450,392	$ 1,087,580	$ 342,785	$ 152,023	$ 35,144

	Jefferson County Berg Drive		Totals	
Fiscal Year	Principal	Interest	Principal	Interest
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	4,427	1,018	377,504	420,392
2024-28	24,210	3,015	2,467,818	1,843,072
2029-33	5,286	159	3,430,591	1,267,211
2034-38	-	-	4,129,837	516,644
	$ 50,378	$ 9,517	$ 11,559,981	$ 5,837,838

8. Long-term obligations (continued)

G. Advance refunding

On September 22, 2017, the City issued $3,145,000 of full faith and credit bonds to advance refund $1,745,000 of the Local Oregon Asset Program Certificates of Participation, Series 2011B and $1,400,000 of the Local Oregon Asset Program Certificates of Participation, Series 2012B. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $218,133. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations through the year 2032 using the straight-line method. The government completed the advance refunding to reduce its total debt service payments over the next 15 years by $398,005 and to obtain an economic gain of $252,698.

9. Defined benefit pension plan

A. Plan description

Employees of the City 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. The Oregon Legislature has delegated the authority to the Public Employees Retirement Board to administer and manage the system.

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/Documents/Financials/CAFR/2017-CAFR.pdf

B. Description of benefit terms

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

<u>Tier One/Tier Two retirement benefit (Chapter 238)</u>

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

9. Defined benefit pension plan (continued)

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 a OPERS-covered job at the time of death.

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.

9. Defined benefit pension plan (continued)

Oregon Public Service Retirement Plan (Chapter 238A) (OPSRP)

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.

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, 2015 actuarial valuation.

Tier 1/tier 2 employer contribution rates are 22.29 percent and the OPSRP employer contribution rates are 12.33 percent for general service employees and 17.10 percent for police and fire employees. Employer contributions for the year ended June 30, 2018 were $331,183.

9. Defined benefit pension plan (continued)

D. Actuarial valuations – Tier One/Tier Two

The December 31, 2015 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, 2017, through June 30, 2019, 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.

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.

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.

9. Defined benefit pension plan (continued)

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.

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 are confined to a collar based on the prior contribution rates. The new contribution rates 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 25% based on account balance with each employer and 75% based on service with each employer. The entire normal cost is allocated to the current employer.

9. Defined benefit pension plan (continued)

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	7.50% compounded annually
Interest crediting	7.50% compounded annually on regular and variable account balances
Inflation	2.50% compounded annually
Payroll growth	3.50% compounded annually
Healthcare cost trends	Ranges from 6.3% in 2016 to 4.4% in 2094

Demographic assumptions

<u>Mortality tables</u>	
Healthy retirees	RP 2000, Generational (Scale BB) Combined Active/Healthy Annuitant, Sex Distinct
Disabled retirees	RP 2000, Generational (Scale BB), Combined Disabled, No Collar, Sex Distinct. Male 70% and Female 95% of disabled table
Non-annuitants	Ranges from 55% to 75% 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. Dormant members are assumed to retire at Normal Retirement Age or at the first unreduced retirement age. Members retiring may elect to receive a full or partial lump sum at retirement with a partial lump sum estimated to be elected 4.5% of the time and a total lump sum elected 3% for 2015 and declining by 0.5% per year until reaching zero.

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, 2015 actuarial valuation for OPSRP generally used the same actuarial methods and valuation procedures as Tier One/Tier Two contribution rates except as follows:

9. Defined benefit pension plan (continued)

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. Dormant members are assumed to retire at Normal Retirement Age or at the first unreduced retirement age. Members retiring may elect to receive a full or partial lump sum at retirement with a partial lump sum estimated to be elected 4.5% of the time and a total lump sum elected 3% for 2015 and declining by 0.5% per year until reaching zero.

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, 2018, the City reported a liability of $2,838,250 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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.

9. Defined benefit pension plan (continued)

An employer's PVFNC depends on both the normal cost rates charged on the employer's payrolls, and on the underlying demographics of the respective payrolls. For 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.

UAL Rate: 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.

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, 2017, the City's proportion was 0.02105521 percent, which was an increase of 0.00080485 percent from its proportion measured as of June 30, 2016.

Pension expense

For the year ended June 30, 2018, the City recognized pension expense of $529,544.

9. Defined benefit pension plan (continued)

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, 2017, employers will report the following deferred inflows of 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.

At June 30, 2018, 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	$ 137,259	$ --
Changes of assumptions	517,362	--
Net difference between projected and actual earnings on pension plan investments	29,241	--
Changes in proportionate share	59,079	288,296
Difference between contributions and proportionate share of system contributions	39,600	59,445
Contributions subsequent to the measurement date	331,183	--
Total	$ 1,113,724	$ 347,741

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Defined benefit pension plan (continued)

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement in the amount of $331,183 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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,	
2019	$ 45,945
2020	278,549
2021	175,244
2022	(74,230)
2023	9,293
Total	$ 434,800

G. Actuarial methods and assumptions used in developing total pension liability

The total pension liability measured as of June 30, 2017 was based on an actuarial valuation as of December 31, 2015 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.

9. Defined benefit pension plan (continued)

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. On July 28, 2017, the PERS Board adopted a discount rate of 7.2 percent. The new rate will be effective January 1, 2018.

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.

9. Defined benefit pension plan (continued)

Asset Class	Target Allocation	Compound Annual Return (Geometric)
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Market Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equity	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - diversified	2.50%	4.64%
Hedge Fund - Event-driven	0.63%	6.72%
Commodities/Other	9.37%	7.01%
Assumed Inflation - Mean		2.50%

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.

9. Defined benefit pension plan (continued)

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 68 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses.

H. 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	$ 4,836,897	$ 2,838,250	$ 1,167,012

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.

10. Defined contribution plan – PERS (contribution)

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, 2018 were $122,627.

E. Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

11. Other postemployment benefit plans

City of Madras Other Postemployment Benefit Plan

A. Plan description and benefits provided

The City provides other postemployment 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 who were hired after July 1, 2003 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 the 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 75. The plan does not issue a separate stand-alone financial report.

The City also provides explicit healthcare benefits to certain retirees meeting eligibility requirements of the plan. This includes retirees hired prior to March 11, 2014 who retire from active service with at least 20 years, and who are eligible to receive a pension from Oregon PERS. These retirees may continue coverage through the City's benefit plan through age 65, with the City paying the employee only premium at the same rate as active employees. The City also makes contributions to retirees' Health Savings Accounts in the same amount as those made for active employees.

11. Other postemployment benefit plans (continued)

B. Plan membership

As of the July 1, 2016 valuation, there were 30 active employees, 2 eligible retirees, and no spouses of eligible retirees for a total of 32 plan members.

C. 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	$	562
For spouses of retirees		--

D. Total OPEB liability, changes in total OPEB liability, OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB

At June 30, 2018, the City reported a total OPEB liability of $1,047,748. The total OPEB liability was measured as of June 30, 2017 and determined by an actuarial valuation as of that date.

Changes in the total OPEB liability is as follows:

	Total OPEB Liability
Balances at June 30, 2017	$ 1,048,677
Changes for the year:	
Service cost	59,790
Interest	31,266
Changes in assumptions or other inputs	(68,982)
Benefit payments	(23,002)
Balances at June 30, 2018	$ 1,047,749

For the year ended June 30, 2018, the City recognized OPEB expense of $90,124. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ --	$ 61,870
City's contributions subsequent to the measurement date	29,183	--
	$ 29,183	$ 61,870

11. Other postemployment benefit plans (continued)

Deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date in the amount of $29,183 will be recognized as an adjustment to the Total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ends June 30,	
2019	$ (7,112)
2020	(7,112)
2021	(7,112)
2022	(7,112)
2023	(7,112)
Thereafter	(26,310)
	$ (61,870)

E. Actuarial valuation

The City's contributions are based on the accruing benefit costs measured using the individual entry age normal actuarial cost method. The present value of benefits is allocated over the service for each active employee from their date of hire to their expected retirement age, as a level percent of the employee’s pay. This level percent times pay is referred to as the service cost and is that portion of the present value of benefits attributable to an employee’s service in a current year. The service cost equals $0 for retired members. The total OPEB liability is the present value of benefits less the actuarial present value of future normal costs and represents the liabilities allocated to service up to the valuation date. For retirees, the total OPEB liability is equal to the present value of benefits.

F. Actuarial methods and assumptions used in developing total OPEB liability

Valuation Date	July 1, 2016
Actuarial Cost Method	Entry Age Normal, Level Percent of Pay
Actuarial Assumptions:	
Inflation Rate	2.5 percent
Projected Salary Increases	3.5 percent
Mortality	Healthy retirees and beneficiaries: RP-2000 white collar male and female set back one year for male, generational per Scale BB for males and females

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.

11. Other postemployment benefit plans (continued)

Discount rate

The discount rate used to measure the total OPEB liability was 3.58 percent. The discount rate is based on the Bond Buyer 20-year General Obligation Bond Index. The discount rate at the prior measurement date was 2.85 percent.

Healthcare cost trend rate

The assumed healthcare cost trend for medical and vision costs is as follows:

Year	Pre-65 Trend
2016	7.00%
2017	7.50%
2018	6.00%
2019	5.50%
2020-2025	5.25%
2026	5.00%
2027-2029	5.25%
2030	5.75%
2031-2035	6.25%
2036-2040	6.00%
2041-2043	5.75%
2044-2052	5.50%
2053-2063	5.25%
2064+	5.00%

Dental costs are assumed to increase 4.5 percent in all future years.

Sensitivity of the City's total OPEB liability to changes in the discount and healthcare cost trend rates

The following presents the City's total OPEB liability calculated using the discount rate of 3.58 percent, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current rate A similar sensitivity analysis is then presented for changes in the healthcare cost trend assumption.

	1 Percentage Point Lower	Current Discount Rate	1 Percentage Point Higher
City's total OPEB liability	$ 1,146,359	$ 1,047,748	$ 957,262

11. Other postemployment benefit plans (continued)

		1 Percentage Point Lower		Current Trend Rate		1 Percentage Point Higher
City's total OPEB liability	$	921,702	$	1,047,748	$	1,198,094

Oregon Public Employees Retirement System Retirement Health Insurance Account

A. Plan description

The City contributes to the Oregon PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. The RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. Contributions are mandatory for each employer that is a member of PERS.

The Oregon Legislature has delegated the authority to the Public Employees Retirement Board to administer and manage the system.

OPERS produces an independently audited Comprehensive Annual Financial Report which includes detailed information about the plan's fiduciary net position. The report can be found at:
www.oregon.gov/pers/Documents/Financials/CAFR/2017-CAFR.pdf

B. Description of benefit terms

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

The RHIA is closed to new members hired on or after August 29, 2003.

Other Postemployment Healthcare benefits

Eligible retired members receive a monthly healthcare benefit for life up to $60 toward the monthly cost health insurance.

To be eligible, the member must:

1) Have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS
2) Receive both Medicare Parts A and B coverage
3) Enroll in a PERS-sponsored health plan

11. Other postemployment benefit plans (continued)

Surviving spouse or dependent benefits

A surviving spouse or dependent of a deceased retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she is receiving a retirement benefit or allowance from PERS or was insured at the time the member died and the member retired before May 1, 1991.

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, 2015 actuarial valuation. The City contributed 0.07 percent of PERS-covered salaries for Tier One and Tier Two members to fund the normal cost portion of RHIA benefits and 0.43 percent of all PERS-covered salaries to amortize the unfunded actuarial accrued liability. For the year ended June 30, 2018, the City made contributions in the amount of $9,467 to the RHIA.

D. Actuarial valuations

Except as outlined below, the December 31, 2015 actuarial valuation used the same actuarial methods and valuation procedures to determine contribution rates as the PERS Tier One and Tier Two defined benefit pension plan as discussed in note 9.

Economic assumptions

A healthcare cost trend rate is not utilized in the actuarial valuation as statue stipulates a $60 monthly payment for health insurance.

Retiree healthcare participation assumptions

Eligible retiring members are assumed to elect RHIA coverage 38% of the time for health retirees and 20% of the time for disabled retirees.

11. Other postemployment benefit plans (continued)

E. Net OPEB liability/(asset), pension expense and deferred outflows of resources and deferred inflows of resources related to other postemployment benefits

Net OPEB liability (asset)

At June 30, 2018, the City reported an (asset) of $(7,443) for its proportionate share of the net OPEB liability/(asset). The net OPEB liability/(asset) was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability/(asset) was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability/(asset) was based on its actual, legally required contributions made during the fiscal year with the total actual contributions of all employers during the fiscal year

At June 30, 2017, the City's proportion was 0.01783509 percent, which was an increase of 0.00003585 percent from its proportion measured as of June 30, 2016.

OPEB expense

For the year ended June 30, 2018, the City recognized OPEB expense (revenue) of $(263).

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, 2017, 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.

At June 30, 2018, 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
Net difference between projected and actual earnings on pension plan investments	$ --	$ 3,447
Changes in proportionate share	7	
Contributions subsequent to the measurement date	9,467	--

Total	$ 9,474	$ 3,447

11. Other postemployment benefit plans (continued)

Deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date in the amount of $9,467 will be recognized as an adjust to the net OPEB (asset) / liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ends June 30,	
2019	$ (859)
2020	(859)
2021	(861)
2022	(861)
2023	--
Total	$ (3,440)

F. Actuarial methods and assumptions used in developing total OPEB liability

Except as identified below, actuarial methods and assumptions used in developing the total OPEB liability are the same as those used to develop the total PERS pension liability as discussed in note 8 .

Healthcare cost trend rate

A healthcare cost trend rate is not utilized in the actuarial valuation as statue stipulates a $60 monthly payment to retirees for health insurance.

Depletion date projection

GASB 75 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 75 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 75 (paragraph 82) 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.

11. Other postemployment benefit plans (continued)

The following circumstances justify an alternative evaluation of sufficiency for Oregon PERS (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 75 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 75 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses.

H. Sensitivity of the proportionate share of the net OPEB liability/(asset) to changes in the discount rate

The following presents the proportionate share of the net OPEB liability/(asset) calculated using the discount rate of 7.5 percent, as well as what the proportionate share of the net OPEB liability/(asset) 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 OPEB liability/(asset)	$ 1,038	$ (7,443)	$ (14,657)

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, 2018, employees of the City had accumulated 1,025 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	$ 92,946	$ -
Special Revenue	402,020	-
MRC	-	75,000
Debt Service	53,876	-
Capital Projects	-	54,510
Water	-	55,010
Sewer	30,000	19,163
Airport	-	80,946
Internal Service	75,000	369,213
	$ 653,842	$ 653,842

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 2.5 to 4 percent through June 2032. At June 30, 2018, the balance is $1,995,000.

The City also budgets transfers between departments within the General Fund. For the year ended June 30, 2018 transfers between departments were $333,424 in the General Fund.

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, 2018 was $962,351.

16. Deficit fund balance

As of June 30, 2018 a deficit fund balance existed in the MRC Fund in the amount of $1,628,162. 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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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, 2018 have been reduced by $24,635.

18. Commitments

A. Operating leases

Total lease payments for the fiscal year ended June 30, 2018 were $14,156. Future minimum lease payments are scheduled as follows:

Fiscal Year	
2018-19	14,156
2019-20	14,156
2020-21	14,156
2021-22	9,437
2022-23	-
	$ 51,905

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)

18. Commitments (continued)

D. Construction commitments

The City has active construction projects as of June 30, 2018 as follows:

Capital Project	Spent to Date	Remaining Commitment
Splash Park at Sahalee Park	$ -	$ 12,116
Bel Air Sewer	635,780	925,589
Taxiway Improvement Project	416,997	3,027,999
	$ 1,052,777	$ 3,965,704

19. Prior period adjustment

The beginning fund balances of the governmental activities and business-type activiteshave been adjusted to correct for errors as follows:

	As Originally Reported	As Restated	Effect of Change
Statement of Net Position			
Governmental activities			
Accounts receivable	$ 459,669	$ 490,276	$ 30,607
Deferred outflows of resources	-	31,296	31,296
Net other postemployment benefit obligation	441,687	-	441,687
Net other postemployment benefit liability	-	4,008	(4,008)
Other postemployment benefit liability	-	869,397	(869,397)
Net position	17,247,284	16,877,469	369,815
Business-type activities			
Cash and cash equivalents	$ 5,608,220	$ 5,783,906	$ 175,686
Deferred outflows of resources	-	6,453	6,453
Accrued interest payable	127,413	197,848	(70,435)
Net other postemployment benefit obligation	54,755	-	54,755
Net other postemployment benefit liability	-	826	(826)
Other postemployment benefit liability	-	179,280	(179,280)
Net position	30,894,064	30,880,417	13,647

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

19. Prior period adjustment (continued)

As discussed in note 1, the City implemented GASB 75 for fiscal year June 30, 2018 causing a restatement of June 30, 2017 balances for deferred outflows of resources, net other postemployment benefit obligation, net other postemployment benefit liability and other postemployment benefit liability as shown above.

The Special Revenue Fund beginning fund balance was restated $30,607 due to additional accounts receivable the City erroneously did not record at June 30, 2017.

The Sewer Fund beginning fund balance was restated $175,686 due to cash with fiscal agent funds previously not recorded. Additionally, the sewer fund beginning fund balance was restated $(70,435) due to a miscalculation in accrued interest payable at June 30, 2017.

20. Subsequent events

On April 11, 2017, the City of Madras obtained a $1,115,000 Clean Water State Revolving Fund Loan from the State of Oregon Department of Environmental Quality (DEQ) to fund upgrades to the Herzberg Heights and Bel Air Estates Waste Water Systems. The loan terms are interest at 1.41% per annum, with payments for thirty years following completion of the project. They City drew its first disbursement from the loan in September 2018. On December 5, 2018, upon completion of the project, the DEQ forgave $500,000 of the loan, amending the agreement for the loan to reflect a balance due of $615,000. The City will begin repayment in April, 2019 and continue thorugh. October, 2048.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF MADRAS

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

	2018	2017	2016	2015	2014
Proporation of the collective net pension liability (asset)	0.02105521%	0.20250360%	0.27228430%	0.26740910%	0.27000000%
Proporationate share of the collective net pension liability (asset)	$ 2,838,250	$ 3,040,049	$ 1,563,310	$ (606,140)	$ 1,364,628
Covered payroll	$ 2,043,787	$ 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	138.872%	162.394%	88.90%	-38.57%	88.97%
Pension plan's fiduciary net position as a percentage of the total pension liability	83.12%	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, *

	2018	2017	2016	2015	2014
Contractually required contributions	$ 331,183	$ 244,594	$ 237,410	$ 197,022	$ 203,857
Contractually required contributions recognized by the pension plan	331,183	244,594	237,410	197,022	203,857
Difference	-	-	-	-	-
Covered payroll	2,043,787	1,872,016	1,758,503	1,571,466	1,533,879
Contractually required contributions as a percentage of covered payroll	16.20438%	13.06581%	13.50069%	12.53747%	13.29029%

* Information will be accumlated until 10 years are presented.

CITY OF MADRAS

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

	2018	2017
Proportion of the collective net OPEB liability (asset)	0.01783509%	0.01779924%
Proportionate share of the collective net OPEB liability (asset)	$ (7,433)	$ 4,834
Covered payroll	$ 2,043,787	$ 1,872,016
Proportionate share of the collective net OPEB liability (asset) as a percentage of the covered payroll	-0.364%	0.258%
OPEB plan's fiduciary net position as a percentage of the total OPEB liability (asset)	108.879%	94.148%

* 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, *

	2018	2017
Contractually required contributions	$ 9,467	$ 8,567
Contractually required contributions recognized by the OPEB plan	9,467	8,567
Difference	-	-
Covered payroll	2,043,787	1,872,016
Contractually required contributions as a percentage of covered payroll	0.46321%	0.45763%

* Information will be accumulated until 10 years are presented.

CITY OF MADRAS
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
Last 10 Plan Fiscal Years

	June 30, 2018
Service cost	$ 59,790
Interest on total OPEB liability	31,266
Effect of assumptions changes or inputs	(68,982)
Benefit payments	(23,002)
Net change in total OPEB liability	(928)
Total OPEB liability - beginning of year	1,048,677
Total OPEB liability - end of year	$ 1,047,749
Covered payroll	$ 2,043,787
Total OPEB liability as a percentage of covered payroll	51.3%

Notes to schedule

Information will be accumulated until 10 years are presented.

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INDIVIDUAL FUND SCHEDULES

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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, 2018

	Budget	Actual	Variance
REVENUES			
Intergovernmental	$ 182,450	$ 157,810	$ (24,640)
TOTAL REVENUES	182,450	157,810	(24,640)
EXPENDITURES			
Materials and services	450	37,616	(37,166)
Debt service	182,000	157,810	24,190
TOTAL EXPENDITURES	182,450	195,426	(12,976)
Excess (deficiency) of revenues over expenditures	-	(37,616)	(37,616)
OTHER FINANCING SOURCES (USES)			
Interfund loan	-	(25,000)	(25,000)
Premium on refunding bonds	-	122,765	122,765
Issuance of long-term obligations	-	1,770,000	1,770,000
Payment to bond refunding agent	-	(1,850,824)	(1,850,824)
Transfers in	28,876	53,876	25,000
TOTAL OTHER FINANCING SOURCES (USES)	28,876	70,817	41,941
Net change in fund balance	28,876	33,201	4,325
Fund balance at beginning of year	(22,790)	333,820	356,610
Fund balance at end of year	$ 6,086	367,021	$ 360,935
Reconciliation to generally accepted accounting principles and governmental fund balance			
Interfund loan		1,995,000	
Fund balance at end of year		$ 2,362,021	

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, 2018

	Budget	Actual	Variance
REVENUES			
Intergovernmental	$ -	$ 8,130	$ 8,130
System development charges	319,243	425,747	106,504
Interest	500	10,027	9,527
Miscellaneous	-	1,871	1,871
TOTAL REVENUES	319,743	445,775	126,032
EXPENDITURES			
SDC park improvement	28,000	13,550	14,450
SDC street improvement	40,010	39,999	11
SDC storm water improvement	10	-	10
SDC street reimbursement	10	-	10
Debt service	172,500	170,019	2,481
Contingency	70,500	-	70,500
TOTAL EXPENDITURES	311,030	223,568	87,462
Excess (deficiency) of revenues over expenditures	8,713	222,207	213,494
OTHER FINANCING SOURCES (USES)			
Transfers in	20	-	(20)
Transfers out	(54,520)	(54,510)	10
TOTAL OTHER FINANCING SOURCES (USES)	(54,500)	(54,510)	(10)
Net change in fund balance	(45,787)	167,697	213,484
Fund balance at beginning of year	280,392	377,717	97,325
Fund balance at end of year	$ 234,605	$ 545,414	$ 310,809

CITY OF MADRAS

WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2018

	Budget	Actual	Variance
REVENUES			
Charges for services	$ 575,071	$ 641,126	$ 66,055
System development charges	10	2,818	2,808
Interest	250	5,036	4,786
Miscellaneous	-	547	547
TOTAL REVENUES	575,331	649,527	74,196
EXPENDITURES			
Water operations	631,988	562,260	69,728
SDC water improvement	20	-	20
Debt service	10,000	9,266	734
Contingency	78,232	-	78,232
TOTAL EXPENDITURES	720,240	571,526	148,714
Excess (deficiency) of revenues over expenditures	(144,909)	78,001	222,910
OTHER FINANCING SOURCES (USES)			
Transfers out	(55,010)	(55,010)	-
TOTAL OTHER FINANCING SOURCES (USES)	(55,010)	(55,010)	-
Net change in fund balance	(199,919)	22,991	222,910
Fund balance at beginning of year	241,558	256,442	14,884
Fund balance at end of year	$ 41,639	279,433	$ 237,794
Reconciliation to generally accepted accounting principles			
Net other postemployment benefit asset		235	
Capital assets, net		682,226	
Deferred outflows of resources		28,568	
Accrued interest payable		(295)	
Bond premium		(5,304)	
Other postemployment benefit liability		(33,053)	
Net pension liability		(90,487)	
Long-term obligations		(106,800)	
Deferred inflows of resources		(25,486)	
Net position - ending		$ 729,037	

CITY OF MADRAS

WASTEWATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2018

	Budget	Actual	Variance
REVENUES			
Charges for services	$ 3,125,219	$ 3,317,827	$ 192,608
Intergovernmental	1,000,000	175	(999,825)
System development charges	41,095	91,923	50,828
Assessments	1,100	(347)	(1,447)
Interest	1,932	20,383	18,451
Miscellaneous	2,370	1,925	(445)
TOTAL REVENUES	4,171,716	3,431,886	(739,830)
EXPENDITURES			
Wastewater operations	2,744,788	2,661,864	82,924
SDC improvement	1,005,860	493,003	512,857
SDC reimbursement	10	-	10
Debt service	551,150	548,650	2,500
Contingency	28,469	-	28,469
TOTAL EXPENDITURES	4,330,277	3,703,517	626,760
Excess (deficiency) of revenues over expenditures	(158,561)	(271,631)	(113,070)
OTHER FINANCING SOURCES (USES)			
Transfers in	50,000	50,000	-
Transfers out	(39,163)	(39,163)	-
TOTAL OTHER FINANCING SOURCES (USES)	10,837	10,837	-
Net change in fund balance	(147,724)	(260,794)	(113,070)
Fund balance at beginning of year	1,323,294	1,371,456	48,162
Prior period adjustment	-	175,686	175,686
Fund balance at end of year	$ 1,175,570	1,286,348	$ 110,778
Reconciliation to generally accepted accounting principles			
Net other postemployment benefit asset		1,038	
Capital assets, net		26,315,598	
Deferred outflows of resources		107,288	
Unavailable revenue		7,188	
Accrued interest payable		(193,364)	
Bond premium		(65,292)	
Other postemployment benefit liability		(146,069)	
Net pension liability		(216,658)	
Long-term obligations		(10,467,769)	
Deferred inflows of resources		(22,346)	
Net position - ending		$ 16,605,962	

CITY OF MADRAS

AIRPORT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2018

	Budget	Actual	Variance
REVENUES			
Charges for services	$ 625,500	$ 799,389	$ 173,889
Intergovernmental	240,500	311,813	71,313
Rental income	424,577	463,858	39,281
Interest	-	6,711	6,711
Miscellaneous	100	59,825	59,725
TOTAL REVENUES	1,290,677	1,641,596	350,919
EXPENDITURES			
Airport operations	1,346,556	1,244,591	101,965
Airport construction	10	-	10
Debt service	88,250	86,565	1,685
Contingency	65,400	-	65,400
TOTAL EXPENDITURES	1,500,216	1,331,156	169,060
Excess (deficiency) of revenues over expenditures	(209,539)	310,440	519,979
OTHER FINANCING SOURCES (USES)			
Transfers in	113,500	3,500	(110,000)
Transfers out	(195,390)	(84,446)	110,944
TOTAL OTHER FINANCING SOURCES (USES)	(81,890)	(80,946)	944
Net change in fund balance	(291,429)	229,494	520,923
Fund balance at beginning of year	333,174	193,496	(139,678)
Fund balance at end of year	$ 41,745	422,990	$ 381,245
Reconciliation to generally accepted accounting principles			
Capital assets, net		12,902,886	
Unavailable revenue		2,647	
Accrued interest payable		(3,462)	
Bond premium		(46,410)	
Long-term obligations		(985,412)	
Net position - ending		$ 12,293,239	

CITY OF MADRAS

INTERNAL SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2018

	Budget	Actual	Variance
REVENUES			
Licenses, permits and fees	$ 39,600	$ 46,871	$ 7,271
Charges for services	3,585,694	3,541,793	(43,901)
Rental income	-	1,230	1,230
Interest	18,250	-	(18,250)
Miscellaneous	17,250	54,334	37,084
TOTAL REVENUES	3,660,794	3,644,228	(16,566)
EXPENDITURES			
Central services	1,148,429	1,099,574	48,855
Public works	1,596,778	1,461,492	135,286
Building	205,523	193,907	11,616
Fleet	423,630	399,460	24,170
Debt service	225,000	183,261	41,739
Contingency	116,900	-	116,900
TOTAL EXPENDITURES	3,716,260	3,337,694	378,566
Excess (deficiency) of revenues over expenditures	(55,466)	306,534	362,000
OTHER FINANCING SOURCES (USES)			
Premium on refunding bonds	-	95,368	95,368
Issuance of long-term obligations	-	1,375,000	1,375,000
Payment to bond refunding agent	-	(1,484,902)	(1,484,902)
Transfers in	105,000	105,000	-
Transfers out	(374,213)	(399,213)	(25,000)
TOTAL OTHER FINANCING SOURCES (USES)	(269,213)	(308,747)	(39,534)
Net change in fund balance	(324,679)	(2,213)	322,466
Fund balance at beginning of year	908,507	984,587	76,080
Fund balance at end of year	$ 583,828	982,374	$ 398,546
Reconciliation to generally accepted accounting principles			
Net other postemployment benefit asset		2,532	
Capital assets, net		7,434,298	
Deferred outflows of resources		465,679	
Refunded debt charges		133,119	
Unavailable revenue		3,496	
Accrued interest payable		(21,532)	
Compensated absences		(14,559)	
Other postemployment benefit liability		(356,490)	
Net pension liability		(1,297,699)	
Long-term obligations		(3,571,337)	
Deferred inflows of resources		(189,284)	
Net position - ending		$ 3,570,597	

OTHER INFORMATION

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Post Compliance Reporting
Fiscal Year Ending June 30, 2018

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")
City of Madras, Full Faith and Credit Refunding Obligations, Series 2017 ("2017 Obligations")

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

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

Property Values – City of Madras
Taxable Property Values

The City					
	Permanent Levy and Bond Levy				
Fiscal Year	Measure 5 Real Market Value	Total Taxable Assessed Value	Urban Renewal Excess Value	Assessed Value to compute the Taxes	Taxes to Be Received General Fund
2018	$455,110,414	$352,041,191	$26,675,246	$325,365,945	$1,342,544
2017	407,686,611	344,015,154	24,278,096	309,737,058	1,279,434
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
2011[3]	407,423,469	296,192,033	20,677,896	275,141,137	1,207,632

[1] Value represents the Real Market Value of taxable properties, including the reduction in Real Market Value of specially assessed properties such as farm and forestland. This value is also commonly referred to as the Measure 5 Real Market Value by county assessors.
[2] Assessed value of property in the City on which the permanent rate is applied to derive *ad valorem* property taxes, excluding any other offsets.
[3] In Fiscal Year 2011 the values for the permanent levy and the bond levy differed as the valuations for City's permanent levy was subject a "Phase-in Levy" for industrial property annexed by the City. The Phase-in Levy was in place for seven years and sunset in Fiscal Year 2010/11. For Fiscal Year 2010/11 the City's Measure 5 Real Market Value, Total Taxable Assessed Value, and Assessed Value to Compute the Taxes were equal to $346,839,908, $243,447,167 and $222,769,271, respectively. The differences between the valuations shown in the table above represent the Phase-In Levy Valuations.

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

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 6/30/2018[3]
2018	$4.1262	0.000	0.00	95.6%	98.0%
2017	4.1262	0.000	0.00	95.2	98.0
2016	4.1262	0.000	0.00	97.4	97.4
2015	4.1262	0.000	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, 2018.
Source: Jefferson County Department of Assessment and Taxation.

Major Taxpayers – City of Madras

(Fiscal Year 2017-2018)

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	27.61%
Keith Investments, LLC	Manufacturer (Material Handling Systems)	158,287.63	8,645,540	14.87
PacifiCorp	Power Utility	152,586.40	8,356,000	14.37
Safeway, Inc.	Grocer	116,459.75	5,849,310	10.06
East Cascade Retirement	Retirement Community	84,600.37	4,607,320	7.92
Bright Wood Corporation	Manufacturer (Wood Components)	75,804.91	4,151,260	7.14
Aero Air. LLC DBA Erickson Aero Tankers	Aeronautics	61,531.25	3,369,600	5.79
Cross Keys LLC	Lodging	47,958.80	2,408,780	4.14
Albina Fuel Co. Inc.	Petroleum Products	47,017.52	2,296,660	3.95
RGV Palisades LLC	Commercial Property	46,311.35	2,406,280	4.14
Subtotal - Ten largest		$1,083,841.11	58,147,560	17.87%
All other City taxpayers			267,218,385	82.13
Total City			$325,365,945	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 2017-2018)
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	3,423,743.65	243,160,200	61.21%
Gas Transmission Northwest Corporation	Gas Utility	554,194.65	41,555,600	10.46
PacifiCorp	Power Utility	514,097.29	32,936,000	8.29
Bright Wood Corporation	Manufacturer (Wood Components)	379,043.20	20,838,790	5.25
Warm Springs Power Enterprises	Hydroelectric Utilities	225,293.92	16,000,000	4.03
BNSF Railway Company	Railroad	182,735.88	9,992,080	2.52
Keith Manufacturing Inc./Keith Investments	Manufacturer (Material Handling Systems)	184,629.51	12,042,800	3.03
Safeway, Inc.	Grocer	113,930.86	6,806,070	1.71
Union Pacific Railroad	Railroad	128,072.01	8,110,000	2.04
Century Link	Telecommunications	95,098.94	5,848,000	1.47
Subtotal - Ten largest taxpayers		$5,820,839.91	397,286,540	23.49%
All other City taxpayers			1,293,906,079	74.74
Total City			$1,691,192,619	100.0%

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

Summary of Overlapping Debt

Fiscal Year 2017/18				
			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	$43,284,349,901	1.19%	$729,602	$634,182
Jefferson County	2,864,991,925	18.00	1,375,185	1,375,185
Jefferson Cnty RFPD 1 (Madras)	1,318,925,729	39.10	62,559	62,559
Jefferson Co./Madras School District No. 509J	1,673,949,658	30.81	12,287,030	12,287,030
Madras Aquatic Center	1,638,714,206	31.47	1,469,385	1,469,385
			$15,923,761	$15,828,341

[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	$515,693,975	
Estimated Population	6,300	
Per Capita Real Market Value	$81,856	
Debt Information	Gross Property Tax-Backed Debt[1, 2]	Net Property Tax-Backed Debt[1, 3]
Direct Debt	$17,545,000	$7,275,000
Overlapping Direct Debt	113,592,220	15,828,341
Total Direct Debt	$131,137,220	$23,103,341
Bonded Debt Ratios[1]		
Direct Debt to Real Market Value	3.40%	1.41%
Total Direct Debt to Real Market Value	25.43%	4.48%
Per Capita Direct Debt	$2,785	$1,155
Per Capita Total Direct Debt	$20,815	$3,667

[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			
	12/31/2014	12/31/2015	12/31/2016	12/31/2017
Allocated Pooled SLGRP T1/T2 UAL	$2,587,569	$3,397,232	$3,804,334	$3,732,485
Allocated Pre SLGRP pooled liability/(surplus)	$0	$0	0	0
Transition liability/(surplus)	$(586,450)	$(575,750)	$(562,238)	$(533,329)
Allocated pooled OPSRP UAL	$183,201	$252,176	$303,804	$294,837
Side Account	$0	$0	$0	$0
Net unfunded pension actuarial accrued liability	$2,184,320	$3,073,658	$3,545,900	$3,493,993
Combined Valuation Payroll	$1,602,507	$1,773,836	$1,764,637	$1,956,566
Net Pension UAL as a % of Payroll	136%	173%	201%	179%
Pre-SLGRP Pooled Rate	0.00%	0.00%	0.00%	0.00%
Transition Rate	(3.62)%	(3.42)%	(3.54)%	(3.28)%
Side Account Rate Relief	0.00%	0.00%	0.00%	0.00%
Allocated Pooled RHIA UAL	$12,738	$8,613	$(240)	$(22,419)
Allocated Pooled RHIPA UAL	$0	$0	$0	$0

Source: Oregon Public Employees Retirement System (OPERS) website, 2019 Actuarial Valuations

Possible Contribution Rate Collar

12/31/2017 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, 2019	70% to 130%	Under 60% or Over 140%
2019-2021 Normal Cost & Tier 1/Tier 2 UAL Rate	26.26%	26.26%
Minimum 2021-203 Rate	21.01%	15.76%
Maximum 2021-2023 Rate	31.51%	36.76%

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COMPLIANCE SECTION

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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, 2018, and have issued our report thereon dated February 28, 2019.

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.

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.

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, 2019

By:

Bradley G. Bingenheimer, Member

Boldt Carlisle + Smith
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon February 28, 2019.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings as items 2018-001 through 2018-003, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as item 2018-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as items 2018-002 and 2018-003 to be significant deficiencies.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards,* and which are described in the accompanying schedule of findings as items 2018-001 through 2018-003.

City's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and 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, 2019

CITY OF MADRAS
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2018

2018-001

Criteria: Internal controls include a component for information and communication. Information from systems should be reliable for use in reporting revenues from utility billings.

Condition: The City's utility billing system does not produce reliable information and as a result City personnel must manipulate the data using excel. This process can result in material errors that could be undetected.

Cause: The meter reading system is not reliable.

Effect: Material errors could result from manipulation of the data.

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.

2018-002

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 review that only approved entries were posted. Once posted to the system, journal entries should not be changed.

Condition: As part of the monthly closing process, journal entries are prepared and posted to the general ledger, entries that are presented for approval are approved. However, there is no review of a posted journal entry report to ensure only approved entries have been made. Additionally, approved journal entries can be changed once posted.

Cause: The review of approved journal entries against posted journal entries has not been performed. One employee has rights to post journal entries and can also change an entry once it has been approved and posted.

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

Response: The City agrees with this finding. Internal Controls were implemented during the year to include supervisory review and only approved journal entries are posted. Only one person has user rights to post journal entries and can also change an entry once it has been approved and posted. The Accounting Software, Caselle, is expected to make some user rights permission adjustments to allow for separate user modifications and segregation of duties. Once that is released, staff will make adjustments to the Journal Entry process to include additional approval.

2018-003

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

Condition: As part of the City's control structure, it has limited access to the software program through user rights. An employee has user rights to all areas within the payroll and disbursement cycles and performs the bank reconciliation. The employee could initiate, approve and execute a payroll without review and approval. The employee could also initiate and execute a disbursement with no involvement other than the signing of the check.

Cause: The City's software program and user rights allow full access for one employee to perform all functions if given rights, and there is no approval process required within the software program to prevent one individual from performing all functions.

Effect: Fraud or errors associated with payroll and associated costs, and other disbursements 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. Internal Controls have been implemented to limit user rights that will not allow access to the entire payroll cycle.