



Madras, Oregon

**ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2019**

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CITY OF MADRAS

**OFFICERS AND MEMBERS OF THE GOVERNING BODY
For the Year Ended June 30, 2019**

MAYOR

Richard Ladeby
(Council Member until December 31, 2018)

CITY COUNCIL

Bartt Brick

Royce Embanks
(Mayor until December 31, 2018)

Gary Walker

Rose Canga

Jennifer Holcomb

All council members receive mail at the address listed below

CITY ADMINISTRATOR

Gus Burrell

FINANCE DIRECTOR

Kristal Hughes

CITY ADDRESS

125 SW E Street
Madras, OR 97741

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and 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, each major fund, and the aggregate remaining fund information of CITY OF MADRAS, as of and for the year ended June 30, 2019, 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

The City's 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, each major fund, and the aggregate remaining fund information of CITY OF MADRAS, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages *a - i* and the Schedules of Proportionate Share of the Net Pension Liability, Pension Contributions, Proportionate Share of the Net Other Postemployment Benefit Liability, Other Postemployment Benefit Contributions, and Changes in the City's Total Other Postemployment Benefit Liability and Related Ratios on pages 55 - 59 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 combining statements, individual fund schedules, other information and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements, individual fund schedules and schedule of expenditures of federal awards 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 combining statements and individual fund schedules and schedule of expenditures of federal awards 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

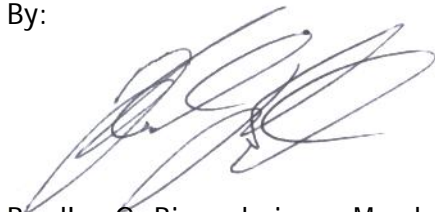
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2020 on our consideration of CITY OF MADRAS' 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Requirement by Oregon State Regulations

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated February 28, 2020 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 do not provide an opinion on compliance.

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
February 28, 2020
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, 2019. 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 \$4,421,001 for total net position of \$53.6 million. This is the net result of a \$379,495 (2.2%) increase in the governmental net position, and \$4,041,506 (12.5%) increase in the business-type net position.
- Total assets for business-type activities increased \$5,250,899 (11.6%). 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 total assets increased \$191,215 (0.7%). 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 \$1.41 million in the General Fund and \$0.44 million related to the Madras Redevelopment Commission (the Urban Renewal District to the City of Madras) for overall property tax revenues of \$1.85 million.
- As of the end of the fiscal year, total net position of governmental activities had an ending balance of \$17.1 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-Wide Financial Statements

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

- The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused compensated absences).

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

Measurement focus and basis of accounting

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

- **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, 2019 totaled \$53.6 million, an increase of \$4.4 million from June 30, 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Table 1
STATEMENT OF NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets	\$ 2,139,182	\$ 2,200,411	\$ 7,466,924	\$ 5,210,095	\$ 9,606,106	\$ 7,410,506
Capital assets	24,545,524	24,293,080	42,894,780	39,900,710	67,674,630	64,193,790
Total Assets	26,684,706	26,493,491	50,361,704	45,110,805	77,280,736	71,604,296
Deferred Outflows	1,254,721	1,252,161	263,765	135,856	1,518,486	1,388,017
Liabilities:						
Current liabilities	947,838	1,072,270	1,088,171	817,806	2,036,009	1,890,076
Non-current liabilities	9,334,828	9,541,107	12,905,236	11,920,582	22,240,064	21,461,689
Total Liabilities	10,282,666	10,613,377	13,993,407	12,738,388	24,276,073	23,351,765
Deferred Inflows	510,217	365,226	130,115	47,832	640,332	413,058
Net Position:						
Invested in capital assets, net of related debt	18,404,148	17,723,418	30,795,748	28,223,723	49,199,896	45,947,141
Restricted	4,374,794	3,518,130	292,883	402,362	4,667,677	3,920,492
Unrestricted	(5,632,398)	(4,474,499)	5,413,316	3,834,356	(219,082)	(640,143)
Total Net Position	\$ 17,146,544	\$ 16,767,049	\$ 36,501,947	\$ 32,460,441	\$ 53,648,491	\$ 49,227,490

The largest component of the City's \$53.6 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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2,019</u>	<u>2018</u>	<u>2,019</u>	<u>2018</u>	<u>2,019</u>	<u>2018</u>
Revenues:						
Program Revenues:						
Charges for services	\$ 445,240	\$ 276,138	\$ 5,173,721	\$ 5,283,720	\$ 5,618,961	\$ 5,559,858
Operating grants and contributions	955,291	892,362	-	-	955,291	892,362
Capital grants and contributions	1,277,020	1,282,568	2,920,969	412,011	4,197,989	1,694,579
General Revenues:						
Property taxes	1,852,053	1,710,292	-	-	1,852,053	1,710,292
Franchise and public services tax	1,507,965	1,453,643	-	-	1,507,965	1,453,643
Investment earnings and other	139,906	197,579	117,127	36,549	257,033	234,128
Transfers	30,869	155,119	(30,869)	(155,119)	-	-
Total Revenues	6,208,344	5,967,701	8,180,948	5,577,161	14,389,292	11,544,862
Expenses:						
General government	683,461	751,265	-	-	683,461	751,265
Public safety	1,917,745	1,826,046	-	-	1,917,745	1,826,046
Highway and streets	1,772,529	2,053,486	-	-	1,772,529	2,053,486
Community development	886,891	931,347	-	-	886,891	931,347
Culture and recreation	284,939	308,153	-	-	284,939	308,153
Interest	283,284	207,824	-	-	283,284	207,824
Enterprise operations	-	-	4,139,442	3,997,137	4,139,442	3,997,137
Total Expenses	5,828,849	6,078,121	4,139,442	3,997,137	9,968,291	10,075,258
Change in Net Position	379,495	(110,420)	4,041,506	1,580,024	4,421,001	1,469,604
Net position - beginning of year	16,767,049	17,247,284	32,460,441	30,894,064	49,227,490	48,141,348
Prior period adjustment	-	(369,815)	-	(13,647)	-	(383,462)
Net position - end of year	\$ 17,146,544	\$ 16,767,049	\$ 36,501,947	\$ 32,460,441	\$ 53,648,491	\$ 49,227,490

Governmental Activities:

Governmental activities represent 32% of the City's total net position. The governmental activities net position increased by \$379,495. Total revenues from governmental activities for fiscal year 2019 were \$240,643 more than prior year.

Business-Type Activities:

Business-type activities represent 68% 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 2019, net position increased by \$4.04 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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, 2019, three of the six City governmental funds were classified as major governmental funds. As of June 30, 2019, the City's governmental funds reported a combined ending fund balance of \$4.04 million. This is an increase of \$508,846 from current year activity.

GENERAL FUND BUDGET HIGHLIGHTS

The City adopted the operating budget for the fiscal year 2018-19 budget on June 26, 2018 in the amount of \$21,292,606, excluding reserve and unappropriated ending fund balance. The General Fund budgetary comparison can be found on page 7. Other major governmental funds budgetary comparisons can be found on pages 8 and 64 through 69.

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 \$252,444 (1%). Business-type activities capital assets increased by \$2,994,070 (7.5%). Additional information on the City's capital assets can be found in Note 5.

Table 4
CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
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	533,308	5,399	4,272,188	794,798	4,805,496	800,197
Total non-depreciable assets	<u>3,572,175</u>	<u>3,044,266</u>	<u>5,999,365</u>	<u>2,521,975</u>	<u>9,571,540</u>	<u>5,566,241</u>
Capital assets being depreciated:						
Land improvements	2,020,834	2,171,232	131,934	124,682	2,152,768	2,295,914
Building and improvements	6,338,528	6,472,662	4,411,395	4,353,127	10,749,923	10,825,789
Equipment	443,569	522,243	481,523	413,811	925,092	936,054
Infrastructure	12,170,418	12,082,677	31,870,563	32,487,115	44,040,981	44,569,792
Total depreciable assets, net	<u>20,973,349</u>	<u>21,248,814</u>	<u>36,895,415</u>	<u>37,378,735</u>	<u>57,868,764</u>	<u>58,627,549</u>
Total capital assets	<u>\$ 24,545,524</u>	<u>\$ 24,293,080</u>	<u>\$ 42,894,780</u>	<u>\$ 39,900,710</u>	<u>\$ 67,440,304</u>	<u>\$ 64,193,790</u>

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

DEBT ADMINISTRATION

For more information regarding the City’s outstanding debt please refer to the Note 9 to the basic financial statements located on pages 25 through 29 of this report.

The City drew an additional \$90,000 on the existing line of credit for the Madras Urban Renewal District during the fiscal year to fund façade improvement projects. Total outstanding debt for business-type activities increased \$442,045 from the prior year. Total outstanding debt for governmental activities decreased \$376,657. For more information on the explanation and calculation of the other post-employment benefits (OPEB) liability please see pages 42 through 51 of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

Economic factors considered for the next fiscal year (2019-20) include:

- Property taxes are forecasted to grow by 7.5%.
- Residential permit activity continues to increase with 32 new single family dwelling permits and 23 low income multi-family units in 2019 (in 2018 there were a total of 20 new residential building permits). In 2020 there is additional housing activity forecasted with three new development agreements being process with the Housing Urban Renewal District.
- The City implemented an 11.0% increase in water user rates and a 3.0% increase in sewer user rates effective July 1, 2019. 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.
- Airport Operations: Amendment No. 2 land lease with Daimler Corporation is anticipated to be executed by March 2020. This will equate to an additional 130.07 acres at an annual lease rate of \$233,174.
- Personnel costs include a 2.9% cost of living adjustment. PERS liability and rate increases are a continuing concern going forward as rates increase. The City applied to be on a waiting list for eligibility for a 25% grant match by the State of Oregon. The City is in a position to deposit \$150,000 by June 30, 2020 and will occur when match funding is ready by the State of Oregon.

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.

BASIC FINANCIAL STATEMENTS

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CITY OF MADRAS
STATEMENT OF NET POSITION
June 30, 2019

	Governmental Activities	Business-type Activities	Totals
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	\$ 3,457,356	\$ 2,117,534	\$ 5,574,890
Receivables			
Property taxes	99,243	-	99,243
Accounts, net	711,757	2,533,142	3,244,899
Notes receivable	177,743	-	177,743
Internal balances	(2,702,634)	2,702,634	-
Inventory	154,890	99,470	254,360
Prepaid expenses	10,936	9,709	20,645
Total current assets	<u>1,909,291</u>	<u>7,462,489</u>	<u>9,371,780</u>
Noncurrent assets			
Net other postemployment benefit asset	17,391	4,435	21,826
Investment in land held for sale	212,500	-	212,500
Nondepreciable assets	3,572,175	5,999,365	9,571,540
Depreciable assets, net	20,973,349	36,895,415	57,868,764
Total noncurrent assets	<u>24,775,415</u>	<u>42,899,215</u>	<u>67,674,630</u>
TOTAL ASSETS	<u>26,684,706</u>	<u>50,361,704</u>	<u>77,046,410</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Refunded debt charges	220,434	-	220,434
Other postemployment benefit related items	44,165	11,263	55,428
Pension related items	990,122	252,502	1,242,624
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,254,721</u>	<u>263,765</u>	<u>1,518,486</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	365,286	870,630	1,235,916
Payroll liabilities	102,850	-	102,850
Accrued interest payable	28,123	161,271	189,394
Customer deposits payable	32,300	56,270	88,570
Short-term debt obligations	394,892	-	394,892
Unearned revenue	24,390	-	24,390
Long-term liabilities:			
Due within one year	308,953	305,741	614,694
Due in more than one year	9,025,872	12,599,495	21,625,367
TOTAL LIABILITIES	<u>10,282,666</u>	<u>13,993,407</u>	<u>24,276,073</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Other postemployment benefit related items	114,581	29,220	143,801
Pension related items	395,636	100,895	496,531
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>510,217</u>	<u>130,115</u>	<u>640,332</u>
<u>NET POSITION</u>			
Net investment in capital assets	18,404,148	30,795,748	49,199,896
Restricted for:			
Economic Development	622,731	-	622,731
Highways and streets	703,363	-	703,363
Capital projects	762,986	292,883	1,055,869
Debt service	2,285,714	-	2,285,714
Unrestricted	(5,632,398)	5,413,316	(219,082)
TOTAL NET POSITION	<u>\$ 17,146,544</u>	<u>\$ 36,501,947</u>	<u>\$ 53,648,491</u>

See accompanying notes

CITY OF MADRAS

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019**

Functions/Programs	Program revenues				Net (Expenses) revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:							
General government	\$ 683,461	\$ 81,894	\$ 81,611	\$ -	\$ (519,956)		\$ (519,956)
Public safety	1,917,745	-	183,001	-	(1,734,744)		(1,734,744)
Highways and streets	1,772,529	131,443	617,179	828,712	(195,195)		(195,195)
Community development	886,891	183,144	-	164,125	(539,622)		(539,622)
Culture and recreation	284,939	48,759	73,500	284,183	121,503		121,503
Interest	283,284	-	-	-	(283,284)		(283,284)
TOTAL GOVERNMENTAL ACTIVITIES	<u>5,828,849</u>	<u>445,240</u>	<u>955,291</u>	<u>1,277,020</u>	<u>(3,151,298)</u>		<u>(3,151,298)</u>
Business-type activities:							
Water	574,227	724,899	-	10,559		\$ 161,231	161,231
Wastewater	2,648,527	3,516,268	-	740,351		1,608,092	1,608,092
Airport	916,688	932,554	-	2,170,059		2,185,925	2,185,925
TOTAL BUSINESS-TYPE ACTIVITIES	<u>4,139,442</u>	<u>5,173,721</u>	<u>-</u>	<u>2,920,969</u>		<u>3,955,248</u>	<u>3,955,248</u>
Totals	<u>\$ 9,968,291</u>	<u>\$ 5,618,961</u>	<u>\$ 955,291</u>	<u>\$ 4,197,989</u>	<u>(3,151,298)</u>	<u>3,955,248</u>	<u>803,950</u>
General revenues							
Taxes, levied for							
General purposes					1,406,374	-	1,406,374
Madras Redevelopment Commission					445,679	-	445,679
Miscellaneous taxes					1,507,965	-	1,507,965
Investment income					82,459	65,738	148,197
Miscellaneous					57,447	51,389	108,836
Transfers					<u>30,869</u>	<u>(30,869)</u>	<u>-</u>
TOTAL GENERAL REVENUES AND TRANSFERS					<u>3,530,793</u>	<u>86,258</u>	<u>3,617,051</u>
CHANGE IN NET POSITION					<u>379,495</u>	<u>4,041,506</u>	<u>4,421,001</u>
NET POSITION - BEGINNING					<u>16,767,049</u>	<u>32,460,441</u>	<u>49,227,490</u>
NET POSITION - ENDING					<u>\$ 17,146,544</u>	<u>\$ 36,501,947</u>	<u>\$ 53,648,491</u>

See accompanying notes

CITY OF MADRAS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

			Madras		
	General	Special Revenue	Redevelopment Commission TIF	Nonmajor Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and cash equivalents	\$ 415,709	\$ 606,446	\$ 165,496	\$ 1,268,567	\$ 2,456,218
Receivables					
Property taxes	75,971	-	23,272	-	99,243
Accounts, net	287,343	242,985	-	175,060	705,388
Notes	-	-	-	177,743	177,743
Due from other funds	1,066,423	-	-	1,885,000	2,951,423
Inventory	8,170	126,881	-	-	135,051
Prepaid items	10,684	-	-	-	10,684
Investment in land held for sale	-	25,000	-	187,500	212,500
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	\$ 1,864,300	\$ 1,001,312	\$ 188,768	\$ 3,693,870	\$ 6,748,250
<u>LIABILITIES</u>					
Accounts payable	\$ 150,107	\$ 82,483	\$ 2,980	\$ 22,439	\$ 258,009
Payroll liabilities	57,556	4,526	-	-	62,082
Deposits	-	32,000	-	-	32,000
Due to other funds	-	-	1,885,000	-	1,885,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	207,663	119,009	1,887,980	22,439	2,237,091
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue	69,837	12,165	21,350	372,037	475,389
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL DEFERRED INFLOWS OF RESOURCES	69,837	12,165	21,350	372,037	475,389
<u>FUND BALANCE</u>					
Nonspendable	18,854	151,881	-	187,500	358,235
Restricted for:					
Capital projects	-	-	-	689,642	689,642
Debt service	-	-	-	2,285,714	2,285,714
Highways and streets	-	552,152	-	-	552,152
Economic development	-	-	-	136,538	136,538
Committed for tourism	206,394	-	-	-	206,394
Assigned:					
Parks	189,745	-	-	-	189,745
Community development	95,562	166,105	-	-	261,667
Unassigned	1,076,245	-	(1,720,562)	-	(644,317)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	1,586,800	870,138	(1,720,562)	3,299,394	4,035,770
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,864,300	\$ 1,001,312	\$ 188,768	\$ 3,693,870	\$ 6,748,250

See accompanying notes

CITY OF MADRAS

**RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
For the Year Ended June 30, 2019**

TOTAL GOVERNMENTAL FUND BALANCES		\$ 4,035,770
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		24,545,524
The net other postemployment benefit asset is reported in the statement of net position but is not reported in the funds		17,391
Refunded debt charges are reported in the statement of net position but are not reported in the funds		220,434
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds		450,999
The internal service fund is used by management to charge costs to individual funds. A portion of the assets and liabilities of the internal service funds is included in the governmental activities in the statement of net position		
Net position of internal service fund	3,756,174	
Net position allocable to business-type activities	(7,769,057)	
Internal service fund amounts included in other reconciling items:		
Net other postemployment benefit asset	(6,973)	
Capital assets	(7,323,379)	
Deferred outflows of resources	(539,235)	
Accrued interest payable	20,944	
Unearned revenue	24,390	
Long-term liabilities	4,742,757	
Deferred inflows of resources	<u>204,575</u>	(2,889,804)
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		1,034,287
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	(394,892)	
Accrued interest	(28,123)	
Long-term debt obligations	(5,911,314)	
Bond premium	(230,062)	
Compensated absences	(32,132)	
Net pension liability	(2,348,656)	
Other postemployment benefit liability	<u>(812,661)</u>	(9,757,840)
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		<u>(510,217)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 17,146,544</u></u>

See accompanying notes

CITY OF MADRAS

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019**

	General	Special Revenue	Madras Redevelopment Commission TIF	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 1,394,264	\$ -	\$ 441,243	\$ -	\$ 1,835,507
Franchise fees	455,380	455,302	-	-	910,682
Miscellaneous taxes	597,283	-	-	-	597,283
Fines and forfeitures	45,010	-	-	-	45,010
Licenses, permits and fees	11,624	145,892	-	-	157,516
Charges for services	48,759	82,597	-	-	131,356
Intergovernmental	600,294	940,016	-	142,754	1,683,064
Assessments	-	-	-	18,200	18,200
System development charges	-	-	-	466,285	466,285
Investment income (loss)	32,617	45,054	7,277	(2,489)	82,459
Miscellaneous	9,175	6,469	-	-	15,644
TOTAL REVENUES	<u>3,194,406</u>	<u>1,675,330</u>	<u>448,520</u>	<u>624,750</u>	<u>5,943,006</u>
EXPENDITURES					
Current					
General government	81,611	-	-	-	81,611
Public safety	2,078,453	-	-	-	2,078,453
Highways and streets	-	847,963	-	51,999	899,962
Community development	149,311	458,982	-	336,014	944,307
Culture and recreation	743,163	-	-	-	743,163
Capital outlay	-	463,413	-	35,248	498,661
Debt service	-	75,000	333,612	347,639	756,251
TOTAL EXPENDITURES	<u>3,052,538</u>	<u>1,845,358</u>	<u>333,612</u>	<u>770,900</u>	<u>6,002,408</u>
Excess (deficiency) of revenues over expenditures	<u>141,868</u>	<u>(170,028)</u>	<u>114,908</u>	<u>(146,150)</u>	<u>(59,402)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from line of credit	-	-	-	90,000	90,000
Interfund loan proceeds	-	-	-	223,425	223,425
Issuance of long-term obligations	-	75,000	-	-	75,000
Transfers in	91,500	318,517	337,705	2,066,733	2,814,455
Transfers out	-	(50,000)	(2,173,175)	(411,457)	(2,634,632)
TOTAL OTHER FINANCING SOURCES (USES)	<u>91,500</u>	<u>343,517</u>	<u>(1,835,470)</u>	<u>1,968,701</u>	<u>568,248</u>
Net change in fund balance	233,368	173,489	(1,720,562)	1,822,551	508,846
Fund balance at beginning of year	<u>1,353,432</u>	<u>696,649</u>	<u>-</u>	<u>1,476,843</u>	<u>3,526,924</u>
Fund balance at end of year	<u>\$ 1,586,800</u>	<u>\$ 870,138</u>	<u>\$ (1,720,562)</u>	<u>\$ 3,299,394</u>	<u>\$ 4,035,770</u>

See accompanying notes

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, 2019

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 508,846

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	\$ 975,811	
Depreciation	<u>(779,534)</u>	196,277

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		16,546
Loans		184,082
Other		62,148

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 (205,353)

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 2,946

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		1,120
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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	(75,000)	
Issuance of short-term debt	(90,000)	
Principal payments	357,826	
Amortization of bond premium and refunded debt charges	3,156	
Accrued interest	<u>1,092</u>	197,074

Net income of internal service fund allocated to governmental activities	(751,277)	
Plus: internal service fund depreciation included above	<u>167,086</u>	<u>(584,191)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 379,495

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, 2019

	Budget			
	Original	Final	Actual	Variance
REVENUES				
Property taxes	\$ 1,345,372	\$ 1,345,372	\$ 1,394,264	\$ 48,892
Franchise fees	413,439	413,439	455,380	41,941
Miscellaneous taxes	437,548	437,548	597,283	159,735
Fines and forfeitures	40,000	40,000	45,010	5,010
Licenses, permits and fees	6,280	6,280	11,624	5,344
Charges for services	28,100	28,100	48,759	20,659
Intergovernmental	620,499	620,499	600,294	(20,205)
Rental income	7,572	7,572	7,572	-
Interest	5,590	5,590	32,617	27,027
Interfund loan repayment	223,425	223,425	223,425	-
Miscellaneous	1,000	1,000	8	(992)
TOTAL REVENUES	3,128,825	3,128,825	3,416,236	287,411
EXPENDITURES				
Police administration	2,301,913	2,321,413	2,078,453	242,960
Administration	308,435	308,435	81,611	226,824
Parks and recreation	784,965	834,965	743,163	91,802
Tourism/economic development	154,924	154,924	149,311	5,613
Industrial	19,862	19,862	-	19,862
Contingency	87,300	67,800	-	67,800
TOTAL EXPENDITURES	3,657,399	3,707,399	3,052,538	654,861
Excess (deficiency) of revenues over expenditures	(528,574)	(578,574)	363,698	942,272
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	1,595	1,595
Transfers in	347,409	397,409	445,628	48,219
Interfund loan	-	-	(223,425)	(223,425)
Transfers out	(305,909)	(305,909)	(354,128)	(48,219)
TOTAL OTHER FINANCING SOURCES (USES)	41,500	91,500	(130,330)	(221,830)
Net change in fund balance	(487,074)	(487,074)	233,368	720,442
Fund balance at beginning of year	1,104,811	1,104,811	1,353,432	248,621
Fund balance at end of year	\$ 617,737	\$ 617,737	\$ 1,586,800	\$ 969,063

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, 2019

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Franchise fees	\$ 412,639	\$ 412,639	\$ 455,302	\$ 42,663
Licenses, permits and fees	68,696	68,696	145,892	77,196
Charges for services	47,500	123,000	123,526	526
Intergovernmental	903,225	931,225	861,490	(69,735)
System development charges	250	250	36,847	36,597
Interest	4,212	4,212	45,054	40,842
Miscellaneous	7,600	7,600	7,219	(381)
TOTAL REVENUES	<u>1,444,122</u>	<u>1,547,622</u>	<u>1,675,330</u>	<u>127,708</u>
EXPENDITURES				
Community development	446,732	449,255	399,165	50,090
Transportation operations	1,294,333	1,421,833	1,386,376	35,457
Community cleanup	25,000	128,000	59,817	68,183
Contingency	333,320	288,297	-	288,297
TOTAL EXPENDITURES	<u>2,099,385</u>	<u>2,287,385</u>	<u>1,845,358</u>	<u>442,027</u>
Excess (deficiency) of revenues over expenditures	<u>(655,263)</u>	<u>(739,763)</u>	<u>(170,028)</u>	<u>569,735</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	-	75,000	75,000
Transfers in	284,084	311,584	318,517	6,933
Transfers out	(20)	(50,020)	(50,000)	20
TOTAL OTHER FINANCING SOURCES (USES)	<u>284,064</u>	<u>261,564</u>	<u>343,517</u>	<u>81,953</u>
Net change in fund balance	(371,199)	(478,199)	173,489	651,688
Fund balance at beginning of year	<u>443,698</u>	<u>667,078</u>	<u>696,649</u>	<u>29,571</u>
Fund balance at end of year	<u>\$ 72,499</u>	<u>\$ 188,879</u>	<u>\$ 870,138</u>	<u>\$ 681,259</u>

See accompanying notes

CITY OF MADRAS

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019**

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Airport	Total	Internal Service
					Fund
<u>ASSETS</u>					
Current assets					
Cash and cash equivalents	\$ 398,922	\$ 1,718,612	\$ -	\$ 2,117,534	\$ 1,001,138
Accounts receivable, net	91,777	366,021	2,075,344	2,533,142	6,369
Inventory	22,573	42,281	34,616	99,470	19,839
Prepaid items	-	5,050	4,659	9,709	252
Total current assets	<u>513,272</u>	<u>2,131,964</u>	<u>2,114,619</u>	<u>4,759,855</u>	<u>1,027,598</u>
Net other postemployment benefit asset	752	3,683	-	4,435	6,973
Capital assets					
Nondepreciable assets	6,048	3,282,028	2,711,289	5,999,365	2,270,000
Depreciable assets, net	654,677	23,910,222	12,330,516	36,895,415	5,053,379
Total capital assets	<u>660,725</u>	<u>27,192,250</u>	<u>15,041,805</u>	<u>42,894,780</u>	<u>7,323,379</u>
TOTAL ASSETS	<u>1,174,749</u>	<u>29,327,897</u>	<u>17,156,424</u>	<u>47,659,070</u>	<u>8,357,950</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Refunded debt charges	-	-	-	-	124,531
Pension related items	42,827	209,675	-	252,502	396,996
Other postemployment benefit related items	1,910	9,353	-	11,263	17,708
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>44,737</u>	<u>219,028</u>	<u>-</u>	<u>263,765</u>	<u>539,235</u>
<u>LIABILITIES</u>					
Accounts payable	29,238	119,259	722,133	870,630	107,277
Payroll liabilities	-	-	-	-	40,768
Due to other funds	-	-	1,066,423	1,066,423	-
Accrued interest payable	281	158,003	2,987	161,271	20,944
Customer deposits payable	19,704	36,566	-	56,270	300
Unearned revenue	-	-	-	-	24,390
Long-term liabilities:					
Due within one year	6,023	242,941	56,777	305,741	127,066
Due in more than one year	236,800	11,444,309	918,386	12,599,495	4,615,691
TOTAL LIABILITIES	<u>292,046</u>	<u>12,001,078</u>	<u>2,766,706</u>	<u>15,059,830</u>	<u>4,936,436</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Pension related items	17,113	83,782	-	100,895	158,633
Other postemployment benefit related items	4,956	24,264	-	29,220	45,942
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>22,069</u>	<u>108,046</u>	<u>-</u>	<u>130,115</u>	<u>204,575</u>
<u>NET POSITION</u>					
Net investment in capital assets	554,644	16,174,462	14,066,642	30,795,748	3,866,103
Restricted for:					
Capital projects	60,167	232,716	-	292,883	-
Unrestricted	290,560	1,030,623	323,076	1,644,259	(109,929)
TOTAL NET POSITION	<u>\$ 905,371</u>	<u>\$ 17,437,801</u>	<u>\$ 14,389,718</u>	<u>32,732,890</u>	<u>\$ 3,756,174</u>
Adjustment to reflect the combination of internal service fund activities related to enterprise funds				<u>3,769,057</u>	
Net position of business-type activities				<u>\$ 36,501,947</u>	

See accompanying notes

CITY OF MADRAS

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

For the Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	Airport	Total	Internal Service Fund
OPERATING REVENUES					
Licenses, permits and fees	\$ -	\$ -	\$ -	\$ -	\$ 46,079
Charges for services	724,899	3,471,849	444,918	4,641,666	2,576,204
Rental income	-	3,128	487,636	490,764	1,205
Miscellaneous	-	82,030	23,261	105,291	16,074
	<u>724,899</u>	<u>3,557,007</u>	<u>955,815</u>	<u>5,237,721</u>	<u>2,639,562</u>
TOTAL OPERATING REVENUES					
OPERATING EXPENSES					
Personnel services	107,928	840,233	-	948,161	912,385
Materials and services	437,470	1,787,121	634,386	2,858,977	1,107,977
Depreciation	21,501	475,247	376,391	873,139	167,086
	<u>566,899</u>	<u>3,102,601</u>	<u>1,010,777</u>	<u>4,680,277</u>	<u>2,187,448</u>
TOTAL OPERATING EXPENSES					
OPERATING INCOME (LOSS)	<u>158,000</u>	<u>454,406</u>	<u>(54,962)</u>	<u>557,444</u>	<u>452,114</u>
NONOPERATING REVENUES (EXPENSES)					
Interest earned on investments	10,919	47,389	7,430	65,738	5,326
Grants	-	-	2,170,059	2,170,059	-
Gain on sale of capital assets	-	-	-	-	15,475
Interest expense	(3,144)	(390,046)	(28,681)	(421,871)	(112,532)
	<u>7,775</u>	<u>(342,657)</u>	<u>2,148,808</u>	<u>1,813,926</u>	<u>(91,731)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)					
Income (loss) before capital contributions and transfers	165,775	111,749	2,093,846	2,371,370	360,383
Capital contributions	10,559	727,740	-	738,299	-
Transfers in	-	18,219	7,633	25,852	65,500
Transfers out	-	(25,869)	(5,000)	(30,869)	(240,306)
	<u>176,334</u>	<u>831,839</u>	<u>2,096,479</u>	<u>3,104,652</u>	<u>185,577</u>
Change in net position					
Net position at beginning of year	729,037	16,605,962	12,293,239	29,628,238	3,570,597
	<u>\$ 905,371</u>	<u>\$ 17,437,801</u>	<u>\$ 14,389,718</u>	<u>\$ 32,732,890</u>	<u>\$ 3,756,174</u>
Net position at end of year					
				Change in net position	\$ 3,104,652
				Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds	936,854
				Change in net position of the business-type activities	<u>\$ 4,041,506</u>

See accompanying notes

CITY OF MADRAS

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2019**

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Airport</u>	<u>Total</u>	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 689,891	\$ 3,432,120	\$ 507,061	\$ 4,629,072	\$ 2,578,478
Payments to suppliers	(407,181)	(1,942,796)	46,422	(2,303,555)	(1,083,840)
Payments to employees	(114,829)	(562,183)	-	(677,012)	(1,230,793)
Other receipts	-	85,158	510,897	596,055	63,358
Net cash provided by (used in) operating activities	<u>167,881</u>	<u>1,012,299</u>	<u>1,064,380</u>	<u>2,244,560</u>	<u>327,203</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Advances from other funds	-	-	1,066,423	1,066,423	-
Transfers out	-	-	(5,000)	(5,000)	(206,629)
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>-</u>	<u>1,061,423</u>	<u>1,061,423</u>	<u>(206,629)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions	10,559	227,740	-	238,299	-
Grants	-	-	169,183	169,183	-
Purchases of capital assets	-	(1,283,963)	(2,507,677)	(3,791,640)	(69,116)
Principal paid on debt	(5,700)	(175,451)	(53,837)	(234,988)	(126,319)
Interest paid on debt	(3,481)	(429,946)	(31,978)	(465,405)	(110,493)
Issuance of long-term obligations	-	1,115,000	-	1,115,000	-
Proceeds from sale of capital assets	-	-	-	-	20,791
Transfers in	-	-	-	-	65,500
Transfers out	-	(25,869)	-	(25,869)	(7,825)
Net cash provided by (used in) capital and related financing activities	<u>1,378</u>	<u>(572,489)</u>	<u>(2,424,309)</u>	<u>(2,995,420)</u>	<u>(227,462)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest earned on investments	<u>10,919</u>	<u>47,389</u>	<u>7,430</u>	<u>65,738</u>	<u>5,326</u>
Net cash provided by investing activities	<u>10,919</u>	<u>47,389</u>	<u>7,430</u>	<u>65,738</u>	<u>5,326</u>
Net increase (decrease) in cash and cash equivalents	180,178	487,199	(291,076)	376,301	(101,562)
Cash and cash equivalents at beginning of year	<u>218,744</u>	<u>1,231,413</u>	<u>291,076</u>	<u>1,741,233</u>	<u>1,102,700</u>
Cash and cash equivalents at the end of year	<u>\$ 398,922</u>	<u>\$ 1,718,612</u>	<u>\$ -</u>	<u>\$ 2,117,534</u>	<u>\$ 1,001,138</u>

Continued on next page

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Continued)

	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)	\$ 158,000	\$ 454,406	\$ (54,962)	\$ 557,444	\$ 452,114
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	21,501	475,247	376,391	873,139	167,086
Decrease (increase) in assets and deferred outflows					
Accounts receivable	(29,124)	(44,344)	62,143	(11,325)	3,393
Inventory	2,035	(1,282)	14,222	14,975	(515)
Prepaid items	-	(5,050)	(4,659)	(9,709)	(92)
Net other postemployment benefit asset	(517)	(2,645)	-	(3,162)	(4,441)
Pension related items	(15,479)	(107,776)	-	(123,255)	55,529
Other postemployment benefit related items	(690)	(3,964)	-	(4,654)	(4,554)
Increase (decrease) in liabilities and deferred inflows					
Accounts payable	28,254	(149,343)	671,245	550,156	24,744
Payroll liabilities	-	-	-	-	3,034
Customer deposits payable	(5,884)	4,615	-	(1,269)	100
Compensated absences	-	-	-	-	3,372
Other postemployment benefit liability	2,099	26,025	-	28,124	(30,649)
Net pension liability	11,103	280,710	-	291,813	(355,990)
Unearned revenue	-	-	-	-	(1,219)
Pension related items	(6,312)	70,542	-	64,230	(8,426)
Other postemployment benefit related items	2,895	15,158	-	18,053	23,717
Net cash provided by (used in) operating activities	<u>\$ 167,881</u>	<u>\$ 1,012,299</u>	<u>\$ 1,064,380</u>	<u>\$ 2,244,560</u>	<u>\$ 327,203</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS					
Transfers in	\$ -	\$ 18,219	\$ 7,633	\$ 25,852	\$ -
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,852</u>
Total noncash transactions	<u>\$ -</u>	<u>\$ 18,219</u>	<u>\$ 7,633</u>	<u>\$ 25,852</u>	<u>\$ 25,852</u>

See accompanying notes

CITY OF MADRAS

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2019

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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 TIF – accounts for payment of principal and interest on long-term obligations within the Madras Redevelopment Commission. The principal revenue source is property taxes.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

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.

Additionally, the City reports the following fund types:

Special Revenue – accounts for revenue derived from specific taxes or other revenue sources which are legally restricted to finance particular functions or activities.

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.

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, 2019.

H. Inventory

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

I. Capital assets

Fund financial statements

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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.

<u>Assets</u>	<u>Years</u>
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 assets – 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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

Governmental fund type fund balance reporting

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

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

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

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

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

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

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

O. Fair value measurements

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Cash and cash equivalents

The City's cash and cash equivalents at June 30, 2019 are as follows:

State of Oregon Local Government Investment Pool	\$ 4,327,073
Deposits with financial institutions	878,563
Cash with fiscal agent	356,518
Cash with county treasurer	11,336
Cash on hand	<u>1,400</u>
Total cash and cash equivalents	<u>\$ 5,574,890</u>

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, 2019, none 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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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 its 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, 2019 was as follows:

	Balances July 1, 2018	Additions	Deletions and Reclassifications	Balances June 30, 2019
Capital assets not being depreciated				
Land	\$ 3,038,867	\$ -	\$ -	\$ 3,038,867
Construction in progress	<u>5,399</u>	<u>531,924</u>	<u>(4,015)</u>	<u>533,308</u>
Total capital assets not being depreciated	<u>3,044,266</u>	<u>531,924</u>	<u>(4,015)</u>	<u>3,572,175</u>
Capital assets being depreciated				
Land improvements	3,363,513	-	-	3,363,513
Buildings and improvements	8,098,884	52,761	84,180	8,235,825
Equipment	2,348,234	51,602	(333,376)	2,066,460
Infrastructure	<u>14,542,507</u>	<u>412,655</u>	<u>165,032</u>	<u>15,120,194</u>
Total capital assets being depreciated	<u>28,353,138</u>	<u>517,018</u>	<u>(84,164)</u>	<u>28,785,992</u>
Less accumulated depreciation for:				
Land improvements	1,192,281	150,398	-	1,342,679
Buildings and improvements	1,626,222	200,369	70,706	1,897,297
Equipment	1,825,991	103,853	(306,953)	1,622,891
Infrastructure	<u>2,459,830</u>	<u>324,914</u>	<u>165,032</u>	<u>2,949,776</u>
Total accumulated depreciation	<u>7,104,324</u>	<u>779,534</u>	<u>(71,215)</u>	<u>7,812,643</u>
Total capital assets being depreciated	<u>21,248,814</u>	<u>(262,516)</u>	<u>(12,949)</u>	<u>20,973,349</u>
Capital assets, net	<u>\$ 24,293,080</u>	<u>\$ 269,408</u>	<u>\$ (16,964)</u>	<u>\$ 24,545,524</u>

B. Depreciation was charged to expense for the year ended June 30, 2019 as follows:

General government	\$ 99,961
Public safety	56,194
Highways and streets	515,480
Culture and recreation	<u>107,899</u>
	<u>\$ 779,534</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

5. Capital assets (continued)

C. Activity for business-type activities for the year ended June 30, 2019 was as follows:

	Balances July 1, 2018	Additions	Reclassifications and Deletions	Balances June 30, 2019
Capital assets not being depreciated				
Land	\$ 1,727,177	\$ -	\$ -	\$ 1,727,177
Construction in progress	<u>794,798</u>	<u>3,511,920</u>	<u>34,530</u>	<u>4,272,188</u>
Total capital assets not being depreciated	<u>2,521,975</u>	<u>3,511,920</u>	<u>34,530</u>	<u>5,999,365</u>
Capital assets being depreciated				
Land improvements	166,793	14,949	-	181,742
Buildings and improvements	5,464,221	161,740	-	5,625,961
Equipment	1,452,744	89,000	8,169	1,533,575
Infrastructure	<u>42,918,792</u>	<u>116,497</u>	<u>-</u>	<u>43,035,289</u>
Total capital assets being depreciated	<u>50,002,550</u>	<u>382,186</u>	<u>8,169</u>	<u>50,376,567</u>
Less accumulated depreciation for:				
Land improvements	42,111	7,697	-	49,808
Buildings and improvements	1,111,094	103,472	-	1,214,566
Equipment	1,038,933	28,921	15,802	1,052,052
Infrastructure	<u>10,431,677</u>	<u>733,049</u>	<u>-</u>	<u>11,164,726</u>
Total accumulated depreciation	<u>12,623,815</u>	<u>873,139</u>	<u>15,802</u>	<u>13,481,152</u>
Total capital assets being depreciated	<u>37,378,735</u>	<u>(490,953)</u>	<u>(7,633)</u>	<u>36,895,415</u>
Capital assets, net	<u>\$ 39,900,710</u>	<u>\$ 3,020,967</u>	<u>\$ 26,897</u>	<u>\$ 42,894,780</u>

D. Depreciation was charged to expense for the year ended June 30, 2019 as follows:

Water	\$ 21,501
Wastewater	475,247
Airport	<u>376,391</u>
	<u>\$ 873,139</u>

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	Madras			Total
		Special Revenue	Commission	Redevelopment TIF	
Property taxes	\$ 69,720	\$ -	\$ 21,350	\$ -	\$ 91,070
Notes	-	-	-	298,693	298,693
Other	117	12,165	-	73,344	85,626
	<u>\$ 69,837</u>	<u>\$ 12,165</u>	<u>\$ 21,350</u>	<u>\$ 372,037</u>	<u>\$ 475,389</u>

7. Short-term debt obligations

A. Transactions for the governmental activities for the year ended June 30, 2019 were as follows:

	Outstanding		Outstanding	
	July 1, 2018	Additions	Reductions	June 30, 2019
Line of credit, First Interstate Bank	<u>\$ 334,892</u>	<u>\$ 90,000</u>	<u>\$ 30,000</u>	<u>\$ 394,892</u>

B. Governmental activities short-term debt obligations

Line of credit, First Interstate Bank – The maximum principal available is \$1,500,000, with 4.24 percent interest only payments due monthly. The City drew down an additional \$90,000 on the line of credit during the year and repaid \$30,000 for a total balance at June 30, 2019 of \$394,892.

8. Capital lease

In August 2018, the City entered into a capital lease agreement for equipment. At June 30, 2019 the equipment had a gross value of \$67,936 and accumulated depreciation of \$6,700. The future minimum lease obligations and net present value of these minimum lease payments as of June 30, 2019 were as follows:

Year Ended	Principal	Interest	Total
2020	\$ 15,788	\$ 2,431	\$ 18,219
2021	16,560	1,659	18,219
2022	<u>17,369</u>	<u>849</u>	<u>18,218</u>
	<u>\$ 49,717</u>	<u>\$ 4,939</u>	<u>\$ 54,656</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Long-term obligations

A. Changes in governmental activities long-term obligations for the year ended June 30, 2019 were as follows:

	Outstanding July 1, 2018	Additions	Reductions	Outstanding June 30, 2019	Balances Due Within One Year
Long-term debt					
Bonded debt					
Series 2015	\$ 692,420	\$ -	\$ 36,955	\$ 655,465	\$ 36,955
Series 2017	3,145,000	-	20,000	3,125,000	75,000
Bond premium	245,793	-	15,731	230,062	15,731
Direct borrowings and placements					
Jefferson County Series 2004	105,871	-	105,871	-	-
LOCAP Series 2011B	55,000	-	55,000	-	-
LOCAP Series 2012B	225,000	-	110,000	115,000	115,000
USDA Rural Development	2,048,949	-	33,100	2,015,849	34,135
Jefferson County	-	75,000	75,000	-	-
Total long-term debt obligations	6,518,033	75,000	451,657	6,141,376	276,821
Other long-term obligations					
Compensated absences	29,880	32,132	29,880	32,132	32,132
Net pension liability	2,531,105	-	182,449	2,348,656	-
Other postemployment benefit liability	868,627	-	55,966	812,661	-
Total long-term obligations	<u>\$ 9,947,645</u>	<u>\$ 107,132</u>	<u>\$ 719,952</u>	<u>\$ 9,334,825</u>	<u>\$ 308,953</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Long-term obligations (continued)

B. Changes in business-type activities long-term obligations for the year ended June 30, 2019 were as follows:

	Outstanding July 1, 2018	Additions	Reductions	Outstanding June 30, 2019	Balances Due Within One Year
Long-term debt					
Bonded debt					
Series 2013	\$ 10,270,000	\$ -	\$ 165,000	\$ 10,105,000	\$ 195,000
Series 2015	1,087,580	-	58,045	1,029,535	58,045
Bond premium	117,006	-	7,684	109,322	7,684
Direct borrowings and placements					
DEQ's Clean Water	152,023	-	8,010	144,013	8,229
Oregon DEQ	-	1,115,000	500,000	615,000	16,944
Jefferson County	50,378	-	3,933	46,445	4,051
Capital lease	-	67,936	18,219	49,717	15,788
Total long-term debt obligations	11,676,987	1,182,936	760,891	12,099,032	305,741
Other long-term obligations					
Net pension liability	307,145	291,813	-	598,958	-
Other postemployment benefit liability	179,122	28,124	-	207,246	-
Total long-term obligations	<u>\$ 12,163,254</u>	<u>\$ 1,502,873</u>	<u>\$ 760,891</u>	<u>\$ 12,905,236</u>	<u>\$ 305,741</u>

C. Governmental activities long-term debt

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.

Jefferson County 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. The loan was paid off in fiscal year 2019.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Long-term obligations (continued)

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.

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.

Jefferson County – The City borrowed \$75,000 from the County for the design and construction of road improvements. Annual principal and interest payments of \$16,377 include interest at 3 percent. The City paid the balance in full in the 2019 fiscal year.

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 through 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.

Oregon DEQ – The City borrowed \$1,115,000 from DEQ's Clean Water State Revolving Fund. Upon completion of the project, DEQ forgave \$500,000 of the loan amount. Semiannual principal and interest payments range from \$12,778 to \$15,853 and include interest at 1.41 percent.

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)

9. Long-term obligations (continued)

E. The future maturities for governmental activities long-term debt obligations as of June 30, 2019 are as follows:

Fiscal Year	Full Faith and Credit Obligations Series 2015		Full Faith and Credit Obligations Series 2017		Local Oregon Capital Asset Program, Series 2012B	
	Principal	Interest	Principal	Interest	Principal	Interest
	2020	\$ 36,955	\$ 21,823	\$ 75,000	\$ 104,375	\$ 115,000
2021	40,845	21,045	200,000	100,250	-	-
2022	40,845	20,228	205,000	94,175	-	-
2023	40,845	19,411	215,000	86,800	-	-
2024	40,845	18,390	220,000	79,200	-	-
2024-28	223,675	68,600	1,225,000	262,325	-	-
2029-33	186,720	24,352	985,000	52,875	-	-
2034-38	44,735	1,829	-	-	-	-
2039-43	-	-	-	-	-	-
2044-48	-	-	-	-	-	-
2049-53	-	-	-	-	-	-
	<u>\$ 655,465</u>	<u>\$ 195,678</u>	<u>\$ 3,125,000</u>	<u>\$ 780,000</u>	<u>\$ 115,000</u>	<u>\$ 65,100</u>

Fiscal Year	USDA Rural Development			
	Revenue Installment		Totals	
	Principal	Interest	Principal	Interest
2020	\$ 34,135	\$ 62,995	\$ 261,090	\$ 149,918
2021	35,202	61,928	276,047	82,973
2022	36,302	60,828	282,147	81,056
2023	37,437	59,694	293,282	79,105
2024	38,606	58,524	299,451	76,914
2023-27	211,901	273,751	1,660,576	342,351
2028-32	247,145	238,508	1,418,865	262,860
2033-37	288,252	197,401	332,987	199,230
2038-42	336,196	149,458	336,196	149,458
2039-47	392,113	93,539	392,113	93,539
2048-52	358,560	28,368	358,560	28,368
	<u>\$ 2,015,849</u>	<u>\$ 1,284,994</u>	<u>\$ 5,911,314</u>	<u>\$ 1,545,772</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. Long-term obligations (continued)

F. The future maturities for business-type activities long-term debt obligations as of June 30, 2019 are as follows:

Fiscal Year	Full Faith and Credit Obligations, Series 2013		Full Faith and Credit Obligations Series 2015		DEQ's Clean Water Revolving Fund Loan Program	
	Principal	Interest	Principal	Interest	Principal	Interest
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	340,000	373,732	64,155	28,885	9,165	2,911
2024-28	2,230,000	1,621,075	351,325	107,750	49,713	10,667
2029-33	3,260,000	1,089,725	293,280	38,248	50,847	3,484
2034-38	3,280,000	344,405	70,265	2,871	-	-
2039-43	-	-	-	-	-	-
2044-48	-	-	-	-	-	-
	<u>\$ 10,105,000</u>	<u>\$ 5,030,261</u>	<u>\$ 1,029,535</u>	<u>\$ 307,347</u>	<u>\$ 144,013</u>	<u>\$ 31,078</u>

Fiscal Year	Jefferson County							
	Oregon DEQ		Berg Drive		Capital Lease		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 16,944	\$ 11,687	\$ 4,051	\$ 1,394	\$ 15,788	\$ 2,431	\$ 298,057	\$ 467,167
2021	17,184	11,362	4,173	1,272	16,560	1,659	345,525	456,702
2022	17,427	11,033	4,298	1,147	17,369	849	376,933	444,524
2023	17,674	10,699	4,427	1,018	-	-	395,178	431,091
2024	17,923	10,362	4,560	885	-	-	435,803	416,775
2024-28	93,496	46,558	24,936	2,289	-	-	2,749,470	1,788,339
2029-33	100,300	37,349	-	-	-	-	3,704,427	1,168,806
2034-38	107,598	27,473	-	-	-	-	3,457,863	374,749
2039-43	115,429	16,874	-	-	-	-	115,429	16,874
2044-48	111,025	5,504	-	-	-	-	111,025	5,504
	<u>\$ 615,000</u>	<u>\$ 188,901</u>	<u>\$ 46,445</u>	<u>\$ 8,005</u>	<u>\$ 49,717</u>	<u>\$ 4,939</u>	<u>\$ 11,989,710</u>	<u>\$ 5,570,531</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

9. 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. Accordingly, amounts refunded are not longer reported as long-term obligations of the City. Amounts outstanding on the refunded obligations as of June 30, 2019 was \$1,745,000 which will be redeemed on June 1, 2020.

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.

10. 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/2018-CAFR.pdf

B. Description of benefit terms

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

Tier One/Tier Two retirement benefit (Chapter 238)

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. 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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. 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, 2019 were \$343,167.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. 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 One/Tier Two 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 One/ Tier Two 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 One/ Tier Two 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 collared range 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 percent or increases above 140 percent the size of the collar doubles. If the funded percentage excluding side accounts is between 60 percent and 70 percent or between 130 percent and 140 percent, the size of the rate collar is increased on a graded scale.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Defined benefit pension plan (continued)

Allocation of liability for service segments

For active Tier One/Tier Two 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 percent based on account balance with each employer and 75 percent based on service with each employer. The entire normal cost is allocated to the current employer.

Allocation of benefits-in-force reserve

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

Economic assumptions

Investment return	7.50% 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

Mortality tables

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 but not less than the corresponding healthy annuity rates
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 percent of the time and a total lump sum elected 2.5 percent for 2016 and declining by 0.5 percent 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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Defined benefit pension plan (continued)

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:

OPSRP unfunded actuarial accrued liability amortization

The UAL as of December 31, 2007 is amortized as a level percentage of combined valuation payroll (Tier One/ Tier Two 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 percent of the time and a total lump sum elected 2.5 percent for 2016 and declining by 0.5 percent 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, 2019, the City reported a liability of \$2,947,614 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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:

Normal Cost Rate: 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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. 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, 2018, the City's proportion was 0.01945789 percent, which was a decrease of 0.00159732 percent from its proportion measured as of June 30, 2017.

Pension expense

For the year ended June 30, 2019, the City recognized pension expense of \$432,642.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. 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, 2018, 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, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 100,269	\$ --
Changes of assumptions	685,315	--
Net difference between projected and actual earnings on pension plan investments	--	130,891
Changes in proportionate share	44,500	332,941
Difference between contributions and proportionate share of system contributions	69,373	32,699
Contributions subsequent to the measurement date	<u>343,167</u>	<u>--</u>
Total	<u>\$ 1,242,624</u>	<u>\$ 496,531</u>

Deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement in the amount of \$343,167 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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,	
2020	\$ 261,548
2021	167,211
2022	(58,462)
2023	19,666
2024	<u>12,963</u>
Total	<u>\$ 402,926</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Defined benefit pension plan (continued)

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

The total pension liability measured as of June 30, 2018 was based on an actuarial valuation as of December 31, 2016 using the following methods and assumptions:

Experience study report	2016, published July 26, 2017
Inflation rate	2.5 percent
Long-term expected rate of return	7.2 percent
Discount rate	7.2 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 <i>Moro</i> decision; blend based on service
Mortality	<i>Healthy retirees and beneficiaries:</i> RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. <i>Active members:</i> RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation. <i>Disabled retirees:</i> RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

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 2016 Experience Study which reviewed experience for the four-year period ending on December 31, 2016.

Discount rate

The discount rate used to measure the total pension liability was 7.2 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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Defined benefit pension plan (continued)

Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both the actuaries capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on forward-looking capital market economic model.

<u>Long-Term Expected Rate of Return</u>	Annual	Compound Annual	Standard	
Asset Class	Target Allocation*	Arithmetic Return	(Geometric) Return	Deviation
Core Fixed Income	8.00 %	3.59 %	3.49 %	4.55 %
Short-Term Bonds	8.00	3.42	3.38	2.70
Bank/Leveraged Loans	3.00	5.34	5.09	7.50
High Yield Bonds	1.00	6.90	6.45	10.00
Large/Mid Cap US Equities	15.75	7.45	6.30	16.25
Small Cap US Equities	1.31	8.49	6.69	20.55
Micro Cap US Equities	1.31	9.01	6.80	22.90
Developed Foreign Equities	13.13	8.21	6.71	18.70
Emerging Market Equities	4.13	10.53	7.45	27.35
Non-US Small Cap Equities	1.88	8.67	7.01	19.75
Private Equity	17.50	11.45	7.82	30.00
Real Estate (Property)	10.00	6.15	5.51	12.00
Real Estate (REITS)	2.50	8.26	6.37	21.00
Hedge Fund of Funds - Diversified	2.50	4.36	4.09	7.80
Hedge Fund - Event-driven	0.63	6.21	5.86	8.90
Timber	1.88	6.37	5.62	13.00
Farmland	1.88	6.90	6.15	13.00
Infrastructure	3.75	7.54	6.60	14.65
Commodities	1.88	5.43	3.84	18.95
Assumed Inflation - Mean			2.50 %	1.85 %

* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of June 7, 2017.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

10. Defined benefit pension plan (continued)

Depletion date projection

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

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

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

Based on these circumstances, it is OPERS independent actuary's opinion that the detailed depletion date projections outlined in GASB 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 7.2 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 (6.2 percent) or 1-percentage-point higher (8.2 percent) than the current rate:

	1 Percentage Point Lower	Current Discount Rate	1 Percentage Point Higher
Proportionate share of net pension liability	\$ 4,926,020	\$ 2,947,614	\$ 1,314,602

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

11. Defined contribution plan

A. Plan description

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

B. Pension benefits

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

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

C. Death benefits

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

D. Contributions

The City makes the employee contributions of 6 percent of covered payroll to the plan. Contributions for the year ended June 30, 2019 were \$127,204.

E. Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

12. 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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

12. Other postemployment benefit plans (continued)

B. Plan membership

As of the July 1, 2018 valuation, there were 31 active employees, 3 eligible retirees, and no spouses of ineligible retirees for a total of 34 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 requirement for the City per individual is \$595.

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, 2019, the City reported a total OPEB liability of \$1,019,907. The total OPEB liability was measured as of June 30, 2018 and determined by an actuarial valuation as of that date.

Changes in the total OPEB liability is as follows:

	<u>Total OPEB Liability</u>
Balances at June 30, 2018	\$ 1,047,748
Changes for the year:	
Service cost	55,352
Interest	38,973
Effect of economic/demographic gains or losses	(16,384)
Changes in assumptions or other inputs	(76,599)
Benefit payments	<u>(29,183)</u>
Balances at June 30, 2019	<u>\$ 1,019,907</u>

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

12. Other postemployment benefit plans (continued)

For the year ended June 30, 2019, the City recognized OPEB expense of \$76,995. At June 30, 2019, 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
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ --	\$ 14,582
Changes of assumptions	--	122,940
City's contributions subsequent to the measurement date	<u>45,877</u>	<u>--</u>
	<u>\$ 45,877</u>	<u>\$ 137,522</u>

Deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date in the amount of \$45,877 will be recognized as an adjustment to the Total OPEB liability in the year ended June 30, 2020. 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,	
2020	\$ (17,329)
2021	(17,329)
2022	(17,329)
2023	(17,329)
2024	(17,329)
Thereafter	<u>(50,877)</u>
	<u>\$ (137,522)</u>

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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

12. Other postemployment benefit plans (continued)

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

Valuation Date	July 1, 2018
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-2014 Healthy Annuitant, sex distinct mortality tables blended 50/50 blue collar and white collar, set back one year for males. Mortality is projected on a generational basis using the Unisex Social Security Data Scale.

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.

Discount rate

The discount rate used to measure the total OPEB liability was 3.87 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 3.5 percent.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

12. Other postemployment benefit plans (continued)

Healthcare cost trend rate

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

<u>Year</u>	<u>Pre-65 Trend</u>
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 3.87 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 (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current rate. A similar sensitivity analysis is then presented for changes in the healthcare cost trend assumption.

	<u>1 Percentage Point Lower</u>	<u>Current Discount Rate</u>	<u>1 Percentage Point Higher</u>
City's total OPEB liability	\$ 1,107,696	\$ 1,019,907	\$ 939,171
	<u>1 Percentage Point Lower</u>	<u>Current Trend Rate</u>	<u>1 Percentage Point Higher</u>
City's total OPEB liability	\$ 1,140,268	\$ 1,019,907	\$ 1,357,124

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

12. Other postemployment benefit plans (continued)

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/2018-CAFR.pdf

B. Description of benefit terms

All benefits of the System are established by the legislature pursuant to Oregon Revised Statutes 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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

12. 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, 2019, the City made contributions in the amount of \$9,547 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 10.

Economic assumptions

A healthcare cost trend rate is not utilized in the actuarial valuation as statute 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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

12. 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, 2019, the City reported an (asset) of \$(21,826) for its proportionate share of the net OPEB liability/(asset). The net OPEB liability/(asset) was measured as of June 30, 2018, 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, 2018, the City's proportion was 0.01955149 percent, which was an increase of 0.0017164 percent from its proportion measured as of June 30, 2017.

OPEB expense

For the year ended June 30, 2019, the City recognized OPEB (revenue) of \$(2,083).

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, 2018, 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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

12. Other postemployment benefit plans (continued)

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ --	\$ 1,237
Changes of assumptions	--	69
Net difference between projected and actual earnings on pension plan investments	--	4,705
Changes in proportionate share	4	268
Contributions subsequent to the measurement date	<u>9,547</u>	<u>--</u>
Total	<u>\$ 9,551</u>	<u>\$ 6,279</u>

Deferred outflows of resources related to OPEB resulting from the City's contributions subsequent to the measurement date in the amount of \$9,547 will be recognized as an adjust to the net OPEB (asset) / liability in the year ended June 30, 2020. 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,	
2020	\$ (2,093)
2021	(2,095)
2022	(1,619)
2023	(468)
2024	<u>--</u>
Total	<u>\$ (6,275)</u>

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 10.

Healthcare cost trend rate

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

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

12. Other postemployment benefit plans (continued)

Depletion date projection

GASB 75 generally requires that a blended discount rate be used to measure the Total OPEB 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.

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.

G. 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 7.2 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 (6.2 percent) or 1-percentage-point higher (8.2 percent) than the current rate:

	<u>1 Percentage Point Lower</u>	<u>Current Discount Rate</u>	<u>1 Percentage Point Higher</u>
Proportionate share of net OPEB liability/(asset)	\$ (12,707)	\$ (21,826)	\$ (29,585)

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

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 balances

Fund	Transfers	
	In	Out
General	\$ 91,500	\$ -
Special Revenue	318,517	50,000
MRC	337,705	2,173,175
Nonmajor governmental	2,066,733	411,457
Sewer	-	25,869
Sewer - non-cash	18,219	-
Airport	-	5,000
Airport - non-cash	7,633	-
Internal Service	65,500	214,454
Internal Service - non-cash	-	25,852
	<u>\$ 2,905,807</u>	<u>\$ 2,905,807</u>

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, 2019, the balance is \$1,885,000.

The City also budgets transfers between departments within the General Fund. For the year ended June 30, 2019 transfers between departments were \$354,128 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, 2019 was \$1,055,869.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

16. Deficit fund balance

As of June 30, 2019 a deficit fund balance existed in the MRC Fund in the amount of \$(1,720,562). Management has a plan in place to correct the deficit fund balance with prudent fiscal management to ensure revenues exceed expenditures in the coming years.

17. Tax abatement

Jefferson County has established an Enterprise Zone under ORS 285C.050-250 that abates property taxes on new business development within the zone. As a result, the property taxes that the City received for the year ended June 30, 2019 have been reduced by \$94,361.

18. Commitments

A. Operating leases

Total lease payments for the fiscal year ended June 30, 2019 were \$14,156. Future minimum lease payments are scheduled as follows:

Fiscal Year Ended	
June 30,	Payments
2020	\$ 14,156
2021	14,156
2022	<u>9,437</u>
	<u>\$ 37,749</u>

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, 2019 as follows:

Capital Project	Spent to Date	Remaining Commitment
Splash Park at Sahalee Park	\$ 391,573	\$ 378,427
Safe Routes to School B Street	6,000	515,000
J Street Bridge	11,929	2,215,311
Taxiway Improvement Project	<u>2,231,110</u>	<u>950,000</u>
	<u>\$ 2,640,612</u>	<u>\$ 4,058,738</u>

E. Grant commitments

The City had the following new development assistance grant commitments as of June 30, 2019:

Grantee	Year Ended					Total
	2020	2021	2022	2023	2024	
Dollar General	\$ 40,000	\$ 40,000	\$ -	\$ -	\$ -	\$ 80,000
Love's	70,000	70,000	70,000	70,000	70,000	350,000
My Place	<u>93,000</u>	<u>93,000</u>	<u>93,000</u>	<u>93,000</u>	<u>93,000</u>	<u>465,000</u>
	<u>\$ 203,000</u>	<u>\$ 203,000</u>	<u>\$ 163,000</u>	<u>\$ 163,000</u>	<u>\$ 163,000</u>	<u>\$ 895,000</u>

19. Subsequent events

On September 5, 2019, the City of Madras obtained a \$2,233,420 loan from the Oregon Department of Transportation to expand the Willow Creek Bridge. The loan terms include interest at 1.99% per annum, with semi-annual principal and interest payments of \$70,060 beginning October 1, 2022. The loan matures October 1, 2041.

In November 2019, the City established the Housing Urban Renewal District to increase the supply of all housing types, to provide the necessary infrastructure improvements to support housing development and to provide public safety in the urban renewal area. The maximum indebtedness of the District is \$39,100,000. In January 2020, the City approved a line of credit from First Interstate Bank to finance costs associated with the District. Interest on the line of credit is set at prime plus 1.26 percent (currently 3.49 percent) with interest payments due monthly.

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 Plan Years Ended June 30, *

Year Ended June 30,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2018	0.01945789%	\$ 2,947,614	\$ 2,043,787	144.22%	82.07%
2017	0.02105521%	2,838,250	1,872,016	151.61%	83.12%
2016	0.02025036%	3,040,049	1,758,503	172.88%	80.53%
2015	0.02722843%	1,563,310	1,571,466	99.48%	91.88%
2014	0.02674091%	(606,140)	1,533,879	-39.52%	103.59%

* Information will be accumulated annually until 10 years is presented

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

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percent of covered payroll
2019	\$ 343,167	\$ 343,167	\$ -	\$ 2,147,013	15.98%
2018	331,183	331,183	-	2,043,787	16.20%
2017	244,594	244,594	-	1,872,016	13.07%
2016	237,410	237,410	-	1,758,503	13.50%
2015	197,022	197,022	-	1,571,466	12.54%
2014	203,857	203,857	-	1,533,879	13.29%

* Information will be accumulated 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 Plan Years Ended June 30, *

Year Ended June 30,	Proportion of the net OPEB liability (asset)	Proportionate share of the net OPEB liability (asset)	Covered payroll	Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2018	0.01955149%	\$ (21,826)	\$ 2,043,787	-1.07%	123.99%
2017	0.01783509%	(7,433)	1,872,016	-0.40%	108.88%
2016	0.01779924%	4,834	1,758,503	0.27%	94.15%

* Information will be accumulated annually until 10 years is presented

CITY OF MADRAS

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

<u>Year Ended June 30,</u>	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contributions as a percent of covered payroll</u>
2019	\$ 9,547	\$ 9,547	\$ -	\$ 2,147,013	0.44%
2018	9,467	9,467	-	2,043,787	0.46%
2017	8,567	8,567	-	1,872,016	0.46%

CITY OF MADRAS

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

	June 30, 2018	June 30, 2017
Service cost	\$ 55,352	\$ 59,790
Interest on total OPEB liability	38,973	31,266
Effect of economic/demographic gains or losses	(16,384)	-
Effect of assumptions changes or inputs	(76,599)	(68,982)
Benefit payments	(29,183)	(23,002)
Net change in total OPEB liability	(27,841)	(928)
Total OPEB liability - beginning of year	1,047,748	1,048,676
Total OPEB liability - end of year	\$ 1,019,907	\$ 1,047,748
Covered payroll	\$ 2,043,787	\$ 1,872,016
Total OPEB liability as a percentage of covered payroll	49.9%	56.0%

Notes to schedule

*Information will be accumulated until 10 years are presented.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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COMBINING STATEMENTS AND INDIVIDUAL FUND SCHEDULES

CITY OF MADRAS

**MADRAS REDEVELOPMENT COMMISSION TIF - DEBT SERVICE FUND (A MAJOR FUND)
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2019**

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Property taxes	\$ 391,400	\$ 391,400	\$ 441,243	\$ 49,843
Investment income (loss)	2,400	2,400	7,277	4,877
TOTAL REVENUES	393,800	393,800	448,520	54,720
EXPENDITURES				
Debt service	479,213	479,213	443,612	35,601
TOTAL EXPENDITURES	479,213	479,213	443,612	35,601
Excess (deficiency) of revenues over expenditures	(85,413)	(85,413)	4,908	90,321
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	159,530	159,530
TOTAL OTHER FINANCING SOURCES (USES)	-	-	159,530	159,530
Net change in fund balance	(85,413)	(85,413)	164,438	249,851
Fund balance at beginning of year	218,244	218,244	-	(218,244)
Fund balance at end of year	\$ 132,831	\$ 132,831	164,438	\$ 31,607
Reconciliation to generally accepted accounting principles and governmental fund balance				
Interfund loan			(1,885,000)	
Fund balance at end of year			\$ (1,720,562)	

CITY OF MADRAS
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	Special Revenue				Total Governmental Funds
	Madras Redevelopment Commission Project Income	Madras Redevelopment Commission Project	Debt Service	Capital Projects	
<u>ASSETS</u>					
Cash and cash equivalents	\$ 102,937	\$ 39,178	\$ 400,714	\$ 725,738	\$ 1,268,567
Receivables					
Accounts, net	124,732	-	-	50,328	175,060
Notes	177,743	-	-	-	177,743
Due from other funds	-	-	1,885,000	-	1,885,000
Investment in land held for sale	-	187,500	-	-	187,500
	\$ 405,412	\$ 226,678	\$ 2,285,714	\$ 776,066	\$ 3,693,870
TOTAL ASSETS					
<u>LIABILITIES</u>					
Accounts payable	\$ -	\$ 9,359	\$ -	\$ 13,080	\$ 22,439
	-	9,359	-	13,080	22,439
TOTAL LIABILITIES					
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue	298,693	-	-	73,344	372,037
	298,693	-	-	73,344	372,037
TOTAL DEFERRED INFLOWS OF RESOURCES					
<u>FUND BALANCE</u>					
Nonspendable	-	187,500	-	-	187,500
Restricted for:					
Capital projects	-	-	-	689,642	689,642
Debt service	-	-	2,285,714	-	2,285,714
Economic development	106,719	29,819	-	-	136,538
	106,719	217,319	2,285,714	689,642	3,299,394
TOTAL FUND BALANCES					
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 405,412	\$ 226,678	\$ 2,285,714	\$ 776,066	\$ 3,693,870

CITY OF MADRAS

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019**

	Special Revenue			
	Madras			
	Redevelopment Commission Program Income	Madras Redevelopment Commission Project	Madras Redevelopment Commission Urban Renewal	Madras Redevelopment Commission Reinvestment
REVENUES				
Intergovernmental	\$ -	\$ 5,684	\$ -	\$ -
Assessments	18,200	-	-	-
System development charges	-	-	-	-
Investment income (loss)	3,415	(20,500)	-	-
TOTAL REVENUES	21,615	(14,816)	-	-
EXPENDITURES				
Current				
Highways and streets	-	-	-	-
Community development	112,466	223,098	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
TOTAL EXPENDITURES	112,466	223,098	-	-
Excess (deficiency) of revenues over expenditures	(90,851)	(237,914)	-	-
OTHER FINANCING SOURCES (USES)				
Proceeds from line of credit	-	90,000	-	-
Interfund loan proceeds	-	223,425	-	-
Transfers in	197,570	207,308	1,628,162	-
Transfers out	-	(65,500)	-	(197,570)
TOTAL OTHER FINANCING SOURCES (USES)	197,570	455,233	1,628,162	(197,570)
Net change in fund balance	106,719	217,319	1,628,162	(197,570)
Fund balance at beginning of year	-	-	(1,628,162)	197,570
Fund balance at end of year	\$ 106,719	\$ 217,319	\$ -	\$ -

See accompanying notes

Debt Service	Capital Projects	Total Governmental Funds
\$ 68,625	\$ 68,445	\$ 142,754
-	-	18,200
-	466,285	466,285
-	14,596	(2,489)
68,625	549,326	624,750
-	51,999	51,999
450	-	336,014
-	35,248	35,248
178,175	169,464	347,639
178,625	256,711	770,900
(110,000)	292,615	(146,150)
-	-	90,000
-	-	223,425
33,693	-	2,066,733
-	(148,387)	(411,457)
33,693	(148,387)	1,968,701
(76,307)	144,228	1,822,551
2,362,021	545,414	1,476,843
\$ 2,285,714	\$ 689,642	\$ 3,299,394

CITY OF MADRAS

**MADRAS REDEVELOPMENT COMMISSION PROGRAM INCOME FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2019**

	Budget			
	Original	Final	Actual	Variance
REVENUES				
Assessments	\$ 39,543	\$ 39,543	\$ 18,200	\$ (21,343)
Interest	-	-	3,415	3,415
	39,543	39,543	21,615	(17,928)
TOTAL REVENUES				
EXPENDITURES				
Special payments-loan	95,000	191,000	112,466	78,534
Contingency	20,000	20,000	-	20,000
	115,000	211,000	112,466	98,534
TOTAL EXPENDITURES				
Excess (deficiency) of revenues over expenditures	(75,457)	(171,457)	(90,851)	80,606
OTHER FINANCING SOURCES (USES)				
Line of credit proceeds	10	10	-	(10)
Transfers in	-	-	197,570	197,570
	10	10	197,570	197,560
TOTAL OTHER FINANCING SOURCES (USES)				
Net change in fund balance	(75,447)	(171,447)	106,719	278,166
Fund balance at beginning of year	100,930	196,930	-	(196,930)
Fund balance at end of year	\$ 25,483	\$ 25,483	\$ 106,719	\$ 81,236

CITY OF MADRAS

**MADRAS REDEVELOPMENT COMMISSION PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2019**

	Budget		Actual	Variance
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 5,684	\$ 5,684
Interest	-	-	(20,500)	(20,500)
TOTAL REVENUES	-	-	(14,816)	(14,816)
EXPENDITURES				
Materials and services	623,425	638,425	288,598	349,827
Contingency	50,000	35,000	-	35,000
TOTAL EXPENDITURES	673,425	673,425	288,598	384,827
Excess (deficiency) of revenues over expenditures	(673,425)	(673,425)	(303,414)	370,011
OTHER FINANCING SOURCES (USES)				
Line of credit proceeds	450,000	450,000	90,000	(360,000)
Interfund loan proceeds	223,425	223,425	223,425	-
Transfers in	-	-	207,308	207,308
TOTAL OTHER FINANCING SOURCES (USES)	673,425	673,425	520,733	(152,692)
Net change in fund balance	-	-	217,319	217,319
Fund balance at beginning of year	207,309	207,309	-	(207,309)
Fund balance at end of year	\$ 207,309	\$ 207,309	\$ 217,319	\$ 10,010

CITY OF MADRAS

**MADRAS REDEVELOPMENT COMMISSION URBAN RENEWAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2019**

	Budget		Actual	Variance
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (366,838)	\$ (366,838)
 TOTAL OTHER FINANCING SOURCES (USES)	-	-	(366,838)	(366,838)
 Net change in fund balance	-	-	(366,838)	(366,838)
Fund balance at beginning of year	-	-	366,838	366,838
 Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

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, 2019**

	Budget		Actual	Variance
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (197,570)	\$ (197,570)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(197,570)	(197,570)
Net change in fund balance	-	-	(197,570)	(197,570)
Fund balance at beginning of year	-	-	197,570	197,570
 Fund balance at end of year	 \$ -	 \$ -	 \$ -	 \$ -

CITY OF MADRAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Interfund loan repayment	\$ 178,750	\$ 178,625	\$ (125)
TOTAL REVENUES	<u>178,750</u>	<u>178,625</u>	<u>(125)</u>
EXPENDITURES			
Materials and services	450	450	-
Debt service	<u>178,300</u>	<u>178,175</u>	<u>125</u>
TOTAL EXPENDITURES	<u>178,750</u>	<u>178,625</u>	<u>125</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>33,694</u>	<u>33,693</u>	<u>(1)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>33,694</u>	<u>33,693</u>	<u>(1)</u>
Net change in fund balance	33,694	33,693	(1)
Fund balance at beginning of year	<u>361,995</u>	<u>367,021</u>	<u>5,026</u>
Fund balance at end of year	<u>\$ 395,689</u>	400,714	<u>\$ 5,025</u>
Reconciliation to generally accepted accounting principles and governmental fund balance			
Interfund loan		<u>1,885,000</u>	
Fund balance at end of year		<u>\$ 2,285,714</u>	

CITY OF MADRAS
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Intergovernmental	\$ 135,500	\$ 68,445	\$ (67,055)
System development charges	106,822	466,285	359,463
Interest	<u>500</u>	<u>14,596</u>	<u>14,096</u>
TOTAL REVENUES	<u>242,822</u>	<u>549,326</u>	<u>306,504</u>
EXPENDITURES			
SDC park improvement	92,500	78,698	13,802
SDC street improvement	175,210	8,549	166,661
SDC storm water improvement	10	-	10
SDC street reimbursement	10	-	10
Debt service	170,600	169,464	1,136
Contingency	<u>27,950</u>	<u>-</u>	<u>27,950</u>
TOTAL EXPENDITURES	<u>466,280</u>	<u>256,711</u>	<u>209,569</u>
Excess (deficiency) of revenues over expenditures	<u>(223,458)</u>	<u>292,615</u>	<u>516,073</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	10	-	(10)
Transfers out	<u>(59,520)</u>	<u>(148,387)</u>	<u>(88,867)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(59,510)</u>	<u>(148,387)</u>	<u>(88,877)</u>
Net change in fund balance	(282,968)	144,228	427,196
Fund balance at beginning of year	<u>528,462</u>	<u>545,414</u>	<u>16,952</u>
Fund balance at end of year	<u>\$ 245,494</u>	<u>\$ 689,642</u>	<u>\$ 444,148</u>

CITY OF MADRAS
WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 622,882	\$ 726,932	\$ 104,050
System development charges	-	6,162	6,162
Interest	1,150	10,919	9,769
	<u>624,032</u>	<u>744,013</u>	<u>119,981</u>
TOTAL REVENUES			
	<u>624,032</u>	<u>744,013</u>	<u>119,981</u>
EXPENDITURES			
Water operations	628,867	552,299	76,568
Debt service	10,000	9,181	819
Contingency	70,926	-	70,926
	<u>709,793</u>	<u>561,480</u>	<u>148,313</u>
TOTAL EXPENDITURES			
	<u>709,793</u>	<u>561,480</u>	<u>148,313</u>
Excess (deficiency) of revenues over expenditures	<u>(85,761)</u>	<u>182,533</u>	<u>268,294</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	30	8,980	8,950
Transfers out	(30)	(8,980)	(8,950)
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)			
	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(85,761)	182,533	268,294
Fund balance at beginning of year	145,127	279,433	134,306
	<u>145,127</u>	<u>279,433</u>	<u>134,306</u>
Fund balance at end of year	<u>\$ 59,366</u>	461,966	<u>\$ 402,600</u>

Reconciliation to generally accepted accounting principles

Net other postemployment benefit asset	752
Capital assets, net	660,725
Deferred outflows of resources	44,737
Unavailable revenue	2,364
Accrued interest payable	(281)
Bond premium	(4,981)
Other postemployment benefit liability	(35,152)
Net pension liability	(101,590)
Long-term obligations	(101,100)
Deferred inflows of resources	<u>(22,069)</u>
Net position - ending	<u>\$ 905,371</u>

CITY OF MADRAS
WASTEWATER FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 3,391,900	\$ 3,516,268	\$ 124,368
System development charges	59,500	224,001	164,501
Assessments	1,100	363	(737)
Interest	12,800	47,306	34,506
Miscellaneous	<u>2,780</u>	<u>28,128</u>	<u>25,348</u>
TOTAL REVENUES	<u>3,468,080</u>	<u>3,816,066</u>	<u>347,986</u>
EXPENDITURES			
Wastewater operations	2,608,631	2,519,804	88,827
SDC improvement	1,248,850	1,181,399	67,451
SDC reimbursement	10	-	10
Debt service	1,096,300	605,397	490,903
Contingency	<u>162,364</u>	<u>-</u>	<u>162,364</u>
TOTAL EXPENDITURES	<u>5,116,155</u>	<u>4,306,600</u>	<u>809,555</u>
Excess (deficiency) of revenues over expenditures	<u>(1,648,075)</u>	<u>(490,534)</u>	<u>1,157,541</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from capital leases	-	67,936	67,936
Proceeds from long-term debt	1,115,000	1,115,000	-
Transfers in	50,000	89,416	39,416
Transfers out	<u>(75,869)</u>	<u>(115,285)</u>	<u>(39,416)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,089,131</u>	<u>1,157,067</u>	<u>67,936</u>
Net change in fund balance	(558,944)	666,533	1,225,477
Fund balance at beginning of year	<u>1,428,023</u>	<u>1,286,348</u>	<u>(141,675)</u>
Fund balance at end of year	<u>\$ 869,079</u>	1,952,881	<u>\$ 1,083,802</u>
<i>Reconciliation to generally accepted accounting principles</i>			
Net other postemployment benefit asset		3,683	
Capital assets, net		27,192,250	
Deferred outflows of resources		219,028	
Unavailable revenue		23,258	
Accrued interest payable		(158,003)	
Bond premium		(60,753)	
Other postemployment benefit liability		(172,094)	
Net pension liability		(497,368)	
Long-term obligations		(10,957,035)	
Deferred inflows of resources		<u>(108,046)</u>	
Net position - ending		<u>\$ 17,437,801</u>	

CITY OF MADRAS
AIRPORT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Charges for services	\$ 363,878	\$ 347,012	\$ (16,866)
Intergovernmental	3,891,673	2,145,057	(1,746,616)
Rental income	493,047	482,610	(10,437)
Interest	1,560	7,430	5,870
Miscellaneous	<u>29,100</u>	<u>126,193</u>	<u>97,093</u>
TOTAL REVENUES	<u>4,779,258</u>	<u>3,108,302</u>	<u>(1,670,956)</u>
EXPENDITURES			
Airport operations	4,935,532	3,142,063	1,793,469
Debt service	87,500	85,815	1,685
Contingency	<u>80,000</u>	<u>-</u>	<u>80,000</u>
TOTAL EXPENDITURES	<u>5,103,032</u>	<u>3,227,878</u>	<u>1,875,154</u>
Excess (deficiency) of revenues over expenditures	<u>(323,774)</u>	<u>(119,576)</u>	<u>204,198</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	110,000	-	(110,000)
Transfers out	<u>(115,000)</u>	<u>(5,000)</u>	<u>110,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Net change in fund balance	(328,774)	(124,576)	204,198
Fund balance at beginning of year	<u>422,937</u>	<u>422,990</u>	<u>53</u>
Fund balance at end of year	<u>\$ 94,163</u>	298,414	<u>\$ 204,251</u>
<i>Reconciliation to generally accepted accounting principles</i>			
Capital assets, net		15,041,805	
Unavailable revenue		27,649	
Accrued interest payable		(2,987)	
Bond premium		(43,588)	
Long-term obligations		<u>(931,575)</u>	
Net position - ending		<u>\$ 14,389,718</u>	

CITY OF MADRAS
INTERNAL SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Licenses, permits and fees	\$ 39,500	\$ 47,345	\$ 7,845
Charges for services	3,690,804	3,253,416	(437,388)
Rental income	-	1,255	1,255
Interest	7,232	133	(7,099)
Miscellaneous	<u>9,000</u>	<u>16,074</u>	<u>7,074</u>
TOTAL REVENUES	<u>3,746,536</u>	<u>3,318,223</u>	<u>(428,313)</u>
EXPENDITURES			
Central services	1,200,968	1,116,502	84,466
Public works	1,665,909	1,509,005	156,904
Building	266,705	204,943	61,762
Fleet	401,453	299,701	101,752
Debt service	281,000	218,593	62,407
Contingency	<u>65,000</u>	<u>-</u>	<u>65,000</u>
TOTAL EXPENDITURES	<u>3,881,035</u>	<u>3,348,744</u>	<u>532,291</u>
Excess (deficiency) of revenues over expenditures	<u>(134,499)</u>	<u>(30,521)</u>	<u>103,978</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	-	25,984	25,984
Transfers in	99,000	89,500	(9,500)
Transfers out	<u>(296,379)</u>	<u>(214,454)</u>	<u>81,925</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(197,379)</u>	<u>(98,970)</u>	<u>98,409</u>
Net change in fund balance	(331,878)	(129,491)	202,387
Fund balance at beginning of year	<u>1,000,602</u>	<u>982,374</u>	<u>(18,228)</u>
Fund balance at end of year	<u>\$ 668,724</u>	852,883	<u>\$ 184,159</u>
<i>Reconciliation to generally accepted accounting principles</i>			
Net other postemployment benefit asset		6,973	
Capital assets, net		7,323,379	
Deferred outflows of resources		414,704	
Refunded debt charges		124,531	
Unavailable revenue		1,980	
Accrued interest payable		(20,944)	
Compensated absences		(17,931)	
Other postemployment benefit liability		(325,841)	
Net pension liability		(941,709)	
Long-term obligations		(3,457,276)	
Deferred inflows of resources		<u>(204,575)</u>	
Net position - ending		<u>\$ 3,756,174</u>	

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OTHER INFORMATION

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**Post Compliance Reporting
Fiscal Year Ending June 30, 2019**

**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
2019	\$611,741,256	394,775,192	33,020,744	\$361,754,448	\$1,492,046
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

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.

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

Tax Rate History and Percent Collected

Tax Collection Record¹

Fiscal Year	Permanent Tax Rate	Bond Tax Rate	Local Option Rate	Percent collected as of	
				Levy Year ²	6/30/2019 ³
2019	\$4.1262	0.000	0.00	95.2%	98.0%
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

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, 2019.

Source: Jefferson County Department of Assessment and Taxation.

Major Taxpayers – City of Madras

(Fiscal Year 2018-2019)

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)	\$495,249.56	\$26,798,685	38.58%
Keith Investments, LLC	Manufacturer (Material Handling Systems)	210,281.57	11,433,910	16.46%
Safeway, Inc.	Grocer	124,860.01	6,205,520	8.93%
East Cascade Retirement	Retirement Community	92,976.41	4,620,910	6.65%
Pratum Co-op	Manufacturing	78,107.46	4,255,014	6.12%
Aero Air. LLC DBA Erickson Aero Tankers	Aeronautics	74,224.00	3,720,030	5.35%
PacifiCorp	Power Utility	71,751.91	3,918,000	5.64%
Albina Fuel Co. Inc.	Petroleum Products	57,046.56	3,110,010	4.48%
Daimler Trucks North	Manufacturer/Logistics	52,999.84	2,853,820	4.11%
Subtotal - Ten largest		<u>\$1,308,915.42</u>	69,471,369	17.60%
All other City taxpayers			<u>325,303,823</u>	82.4
Total City			\$394,775,192	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 2018-2019)

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	3,537,194.84	243,160,200	57.79%
Gas Transmission Northwest Corporation	Gas Utility	642,177.83	47,900,000	11.38
PacifiCorp	Power Utility	511,335.93	33,379,000	7.93
Bright Wood Corporation	Manufacturer (Wood Components)	505,951.21	27,467,765	6.53
Keith Manufacturing Co/Keith Investments	Manufacturer/Material Handling Systems	241,209.80	13,130,360	3.12
Warm Springs Power Enterprises	Hydroelectric Utilities	232,755.69	16,300,000	3.87
BNSF Railway Company	Railroad	201,239.67	13,072,000	3.11
Apple, Inc.	Data Center	184,531.73	13,190,000	3.13
Safeway, Inc.	Grocer	145,066.64	7,308,900	1.74
Century Link	Telecommunications	95,098.94	5,848,000	1.39
Subtotal - Ten largest taxpayers		\$6,296,562.28	420,756,225	23.76%
All other County taxpayers			1,350,283,413	76.24
Total County			\$1,771,039,638	100.00%

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

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

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

Source: Jefferson County Department of Assessment and Taxation

Summary of Overlapping Debt

Fiscal Year 2018-19				
Overlapping Issuer Name	Overlapping Real Market Valuation	Percent Overlapping	Overlapping Debt	
			Gross Property Tax-Backed Debt ¹	Net Property Tax-Backed Debt ²
Central Oregon Community College	\$48,545,466,848	1.26%	\$741,323	\$644,435
Jefferson County	3,203,045,216	19.09	1,426,806	1,426,806
Jefferson County RFPD 1 (Madras)	1,514,926,922	40.36	56,501	56,501
Jefferson Co./Madras School District No. 509J	1,839,013,645	33.25	12,696,023	12,696,023
Madras Aquatic Center	1,801,187,303	33.94	1,411,684	1,411,684
			\$16,332,337	\$16,235,449

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	\$611,388,830	
Estimated Population	6,345	
Per Capita Real Market Value	\$96,357	
Debt Information	Gross Property Tax-Backed Debt ^{1, 2}	Net Property Tax-Backed Debt ^{1, 3}
Direct Debt	\$17,100,000	\$6,995,000
Overlapping Direct Debt	108,825,788	16,235,449
Total Direct Debt	<u>\$125,925,788</u>	<u>\$23,230,449</u>
Bonded Debt Ratios ¹		
Direct Debt to Real Market Value	2.79%	1.14%
Total Direct Debt to Real Market Value	20.59%	3.80%
Per Capita Direct Debt	\$2,695	\$1,102
Per Capita Total Direct Debt	\$19,846	\$3,661

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			
	12/31/2015	12/31/2016	12/31/2017	12/31/2018
Allocated Pooled SLGRP T1/T2 UAL	\$3,397,232	\$3,804,334	\$3,732,485	\$4,446,562
Allocated Pre SLGRP pooled liability/(surplus)	\$0	0	0	0
Transition liability/(surplus)	(\$575,750)	(\$562,238)	(\$533,329)	(\$495,559)
Allocated pooled OPSRP UAL	\$252,176	\$303,804	\$294,837	\$370,141
Side Account	\$0	\$0	\$0	\$0
Net unfunded pension actuarial accrued liability	\$3,073,658	\$3,545,900	\$3,493,993	\$4,321,144
Combined Valuation Payroll	\$1,773,836	\$1,764,637	\$1,956,566	\$2,049,915
Net Pension UAL as a % of Payroll	173%	201%	179%	211%
Pre-SLGRP Pooled Rate	0.00%	0.00%	0.00%	0.00%
Transition Rate	-3.42%	-3.54%	-3.28%	-3.18%
Side Account Rate Relief	0.00%	0.00%	0.00%	0.00%
Allocated Pooled RHIA UAL	\$8,613	(\$240)	(\$22,419)	(\$30,047)
Allocated Pooled RHIPA UAL	\$0	\$0	\$0	\$0

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

Possible Contribution Rate Collar

12/31/2019 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, 2019. 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.

For Comparison the Pool's Funded Status as of December 31, 2018 is 68%.	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, 2019, and have issued our report thereon dated February 28, 2020.

Compliance and Other Matters

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

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

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

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

Compliance and Other Matters (continued)

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

- The amounts published in the City's financial summary, LB-1, should agree with the amounts in the detail budget sheets per ORS 294.438. Adopted 2018-19 and approved 2019-20 resources and requirements did not agree.

OAR 162-10-0230 Internal Control

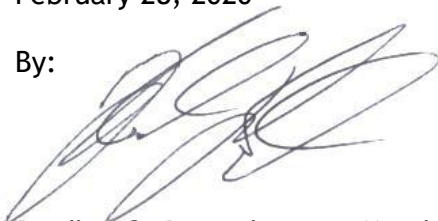
In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose 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, 2020

By:



Bradley G. Bingenheimer, Member



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 Mayor and City Council
CITY OF MADRAS
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, each major fund, and the aggregate remaining fund information of CITY OF MADRAS as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated February 28, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

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

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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, 2020



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Mayor and City Council
CITY OF MADRAS
Madras, Oregon

Report on Compliance for Each Major Federal Program

We have audited CITY OF MADRAS’ compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2019. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Each Major Federal Program

In our opinion, CITY OF MADRAS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE
UNIFORM GUIDANCE (Continued)**

Report on Internal Control over Compliance

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

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

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

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

Boldt Carlisle & Smith

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
February 28, 2020

CITY OF MADRAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019**

Section I Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	<i>Unmodified</i>
Internal controls over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal awards

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major federal programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as a low-risk auditee:	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II - Financial Statement Findings

2019-001

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 month-end utility billing adjustment report is part of the close process at the end of each month. Any adjustment over \$100, the Finance Director gives prior authorization. The revenue generated by the system is based on the known factors at the time. If or when staff learns new information regarding meters or system capabilities then we will adjust our methods accordingly to maintain an accurate set of accounts. Staff is currently looking into replacing the 50 year-old manual water meters with automated meters. We believe this will help ensure the accuracy of the water being used and have more real-time data available. Much of the manual calculations are expected to decrease as these meters are replaced. Timeline is 3-5 years.

Section III - Federal Award Findings and Questioned Costs

None reported

CITY OF MADRAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<i>Department of Interior</i>			
National Parks Service			
<i>Passed through Oregon Parks and Recreation Department</i>			
Outdoor Recreation Acquisition, Development and Planning	15.916	OP2548	<u>231,182</u>
<i>Department of Transportation</i>			
Federal Aviation Administration			
Airport Improvement Program	20.106	AIP-3-41-0035-010-02017	17,693
Airport Improvement Program	20.106	AIP-3-41-0035-011	<u>2,000,989</u>
Subtotal Airport Improvement Program			<u>2,018,682</u>
National Highway Traffic Safety Administration			
Highway Safety Cluster			
<i>Passed through Oregon Department of Transportation</i>			
State and Community Highway Safety	20.600	OP-19-45-03QQQ	1,601
State and Community Highway Safety	20.600	OP-18-45-03HHH	1,007
National Priority Safety Programs	20.616	M8*SE-19-35-14	439
National Priority Safety Programs	20.616	SC-18-35-14AAA	2,058
<i>Passed through Oregon Impact</i>			
National Priority Safety Programs	20.616	FHX-18-60-01	<u>1,438</u>
Subtotal Highway Safety Cluster			<u>6,543</u>
Transit Services Program Cluster			
<i>Passed through Oregon Department of Transportation</i>			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	32193	<u>81,611</u>
<i>Passed through Oregon Impact</i>			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	164AL-19-14-36	1,190
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	164AL-18-14-36	<u>2,014</u>
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>3,204</u>
Total Department of Transportation			<u>2,110,040</u>
<i>Environmental Protection Agency</i>			
<i>Passed through the Oregon Department of Environmental Quality</i>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	R62372	<u>67,193</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,408,415</u>

See accompanying notes

CITY OF MADRAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2019

1. Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Madras under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of City of Madras, it is not intended to and does not present the financial position, changes in net position, or cash flows of City of Madras.

2. Summary of significant accounting policies

- A. Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- B. City of Madras has not elected to use the 10 percent de minimus indirect cost rate as allowed

CITY OF MADRAS

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2019**

Finding 2018-001

Status: This finding is repeated in the current year as finding 2019-001

Finding 2018-002

Status: Finance staff implemented a review process that included individual journal entry review and a journal entry report at the end of the month to ensure additional entries were not made that had not been approved. This second step ensures that the GL is not being modified by another user.

Finding 2018-003

Status: User rights have been limited to no longer allow one individual to process payroll through the entire payroll cycle.