

**MADRAS REDEVELOPMENT COMMISSION  
(Jefferson County, Oregon)**

**(The Urban Renewal Agency of the City of Madras)  
(A Component Unit of the City of Madras, Oregon)**

**FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2016**

**MADRAS REDEVELOPMENT COMMISSION  
(Jefferson County, Oregon)**

**(The Urban Renewal Agency of the City of Madras)  
(A Component Unit of the City of Madras)**

AGENCY COMMISSIONERS AS OF JUNE 30, 2016

<u>Name</u>	<u>Term Expires</u>
Doug Lofting, Chair	February 1, 2017
Tom Brown, Vice Chair	February 1, 2019
Doeshia Jacobs	February 1, 2017
Royce Embanks, Jr.	February 1, 2017
Blanca Reynoso	February 1, 2019
Chuck Schmidt	February 1, 2017

Commissioners receive mail at the address listed below.

**FINANCE DIRECTOR**  
Kristal Hughes

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

**MADRAS REDEVELOPMENT COMMISSION  
(Jefferson County, Oregon)**

**(The Urban Renewal Agency of the City of Madras)  
(A Component Unit of the City of Madras)**

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Agency Commissioners  
Madras Redevelopment Commission  
Madras, Oregon

## **INDEPENDENT AUDITORS' REPORT**

### **Report on the Financial Statements**

We have audited the financial statements of the governmental activities and each major fund of the Madras Redevelopment Commission (a component unit of the City of Madras), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents. The prior year comparative information has been derived from Madras Redevelopment Commission's financial statements and, in our report dated October 17, 2015, we expressed opinions on the respective financial statements of the governmental activities and major funds.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards required 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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major funds of Madras Redevelopment Commission as of June 30, 2016, and the respective changes in financial position 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 and budgetary comparison information for the general fund and the reinvestment fund 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 Management's Discussion and Analysis 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.

The Budgetary Comparison Schedules for the general fund and reinvestment fund 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 budgetary comparison schedules for the general fund and reinvestment fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Report on Other Legal and Regulatory Requirements**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 3, 2016 on our considerations of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of this report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Brenda Bartlett, CPA  
SGA CPAs & Consultants, LLP

December 3, 2016

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



## **Madras Redevelopment Commission**

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

### **Management's Discussion and Analysis**

This is management's discussion and analysis (MD&A) of the financial performance of the Madras Redevelopment Commission (MRC), the urban renewal Agency of the City of Madras (City), for the fiscal year ending June 30, 2016. The report has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as promulgated by the Government Accounting Standard Board (GASB). The MD&A should be read in conjunction with the basic financial statements and notes to the financial statements.

### **History**

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

### **Financial Highlights**

- The MRC provided \$100,000 to Madras Cinema, the fifth annual distribution of five annual payments that were agreed upon within an MOU developed during 2009-2010. The Madras Cinema has proven to be a successful addition to Jefferson Square development within the Urban Renewal Agency.
- The MRC continued the downtown flower program and paint program throughout 2015-2016.
- The MRC met the debt obligation payment of \$180,900, including principal and interest, per the intergovernmental agreement with City of Madras for the \$2.5 million long term obligation issued in 2011-2012.
- The MRC made a \$75,000 payment to the City of Madras to assist with the debt obligations for the City Hall/Police Station which serves as a central civic facility in accordance with the Madras Urban Renewal Plan.
- The MRC drew down on the Line of Credit in the amount of \$150,000.



## Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the MRC's basic financial statements. The financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report contains required supplementary information and other supplementary information in addition to the basic financial statements themselves beginning on page 26 of this report.

The Government-Wide Financial Statements are designed to provide the reader with a broad overview of the MRC'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 were prepared using accounting methods similar to those used by private-sector businesses, which use the economic resources measurement focus, and the accrual basis of accounting.

- The *Statement of Net Position* presents information on all of the MRC'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 asset of the MRC is improving or deteriorating.
- The *Statement of Activities* presents information showing how the MRC'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 changes occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected property tax, which is earned but not physically collected by the MRC in this fiscal year).

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

## Fund Financial Statements

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

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

The MRC maintains two individual governmental funds, the *General Fund* and the *Reinvestment Fund*. The two funds are presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balance, beginning on page 11.

The MRC adopts an annual appropriated budget for all governmental funds. A budgetary comparison has been provided for each fund to demonstrate compliance with the adopted budget. These budgetary comparison statements can be found starting on page 27 of this report.

The financial statements also include notes that provide additional information that is essential to the full understanding of the data provided in the government-wide and funds financial statements. The notes to the basic financial statements can be found beginning on page 15 of this report.

### Financial Analysis of the Government-Wide Statements

#### *Net Position*

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

As noted earlier, net position may serve over time as a useful indicator of the MRC's financial asset. Total negative net position on June 30, 2016 was \$1.67 million versus \$1.55 million on June 30, 2015. Typically, the MRC operates at a deficit net position (i.e., debt) balance, which is consistent with Oregon constitutional requirements for an Urban Renewal Agency. This debt is then repaid over time via the MRC's property tax income.

**Table 1**  
**MADRAS REDEVELOPMENT COMMISSION**  
**CHANGE IN NET POSITION**

	Governmental Activities		Net Change	
			Increase/Decrease	
	2016	2015	Amount	Percentage
<b>Assets:</b>				
Cash and cash equivalents	\$ 360,405	\$ 349,138	\$ 11,267	3.2%
Receivables	105,241	157,669	(52,428)	-33.3%
Redevelopment properties	329,698	329,698	-	0.0%
<b>Total Assets</b>	<b>795,344</b>	<b>836,505</b>	<b>(41,161)</b>	<b>-4.9%</b>
<b>Liabilities:</b>				
Current liabilities	275,419	1,926	273,493	14200.1%
Non-current liabilities	2,185,000	2,390,000	(205,000)	-8.6%
<b>Total Liabilities</b>	<b>2,460,419</b>	<b>2,391,926</b>	<b>68,493</b>	<b>2.9%</b>
<b>Net Position:</b>				
Unrestricted (deficit)	(1,665,075)	(1,555,421)	(109,654)	7.0%
<b>Total Net Position</b>	<b>\$ (1,665,075)</b>	<b>\$ (1,555,421)</b>	<b>\$ (109,654)</b>	<b>7.0%</b>

As of the end of the fiscal year 2015-16, total receivables decreased \$52,428 from the prior year, primarily as a result of payments on facade improvement loans. The MRC facade improvement loan program is now complete. This program offered qualifying merchants the opportunity to obtain a combination of a grant and a low-interest loan to revitalize their storefronts and give the downtown businesses a fresh curb side appeal (i.e. remove blight).

*Change in Net Position*

Below, Table 2 reflects the change in net position for fiscal year 2014-15 to fiscal year 2015-16.

**Table 2**  
**MADRAS REDEVELOPMENT COMMISSION**  
**CHANGE IN NET POSITION**

	Governmental Activities		Net Change	
	2016	2015	Increase/Decrease Amount	Percentage
<b>Revenue:</b>				
Property taxes	\$ 354,388	\$ 328,368	\$ 26,020	7.9%
Interest on investments	4,011	8,345	(4,334)	-51.9%
Miscellaneous	254	671	(417)	100.0%
<b>Total Revenues</b>	<u>358,653</u>	<u>337,384</u>	<u>21,269</u>	<u>6.3%</u>
<b>Expenses:</b>				
Community development	468,307	323,770	144,537	44.6%
<b>Total Expenses</b>	<u>468,307</u>	<u>323,770</u>	<u>144,537</u>	<u>44.6%</u>
<b>Change in Net Position</b>	(109,654)	13,614	(123,268)	-905.5%
<b>Prior Period Adjustment</b>	-	-	-	-
<b>Net Position - beginning of year</b>	<u>(1,555,421)</u>	<u>(1,569,035)</u>	13,614	-0.9%
<b>Net position - end of year</b>	<u>\$ (1,665,075)</u>	<u>\$ (1,555,421)</u>	<u>\$ (109,654)</u>	<u>7.0%</u>

During the fiscal year 2015-16, total property tax revenue increased \$26,020, which is consistent with the related taxable assessed value of properties located within the Urban Renewal District.

**Fund Financial Analysis**

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

At the conclusion of fiscal year 2015-16, the MRC's combined governmental funds reported an ending fund balance of \$668,783, down from the prior year fund balance of \$679,244. The combination of grants and loans, debt service, and administrative expenses exceeded property tax, assessments, and other revenues. Assessments refer to payments from borrowers for their loans from the MRC associated with the facade improvement program.

## **Debt Administration**

At the end of the fiscal year 2015-16, the MRC's total outstanding debt consists of a \$2,435,000. This includes a \$2,185,000 balance advanced from the City of Madras, reported as Due to Other Governmental Agencies on the Statement of Net Position. The terms of the advance match the City's related bond issuance of which the original amount of the advance was \$2,585,000 with a 20-year term, issue date of 5/15/2012 and maturing in 6/1/2032.

The remaining \$250,000, reported as a Note Payable on the Statement of Net Position, is a draw from a line of credit. The term of the line of credit is up to \$500,000, issue date of 5/15/2015 and maturing on 3/31/2017.

## **Economic Factors and Next Year's Budget**

Major factors anticipated in the 2016-17 budget include the following:

- The downturn in the national, state, and regional economies is continuing to affect the local economy, whereby declining property values within the urban renewal Agency in 2008-2014 have reduced the amount of property tax collected by the MRC. The collection ("mill") rate decreased for the MRC between 2008 and 2014. Measure 5 also had a compression effect on property tax revenues. While property values have stabilized, there is a lagging effect of the 2008-2014 property declines that will likely impact property tax revenues for the next couple years.
- During fiscal year 2016-17, the MRC will contribute additional amounts toward completion of the new Police Station/City Hall for the City of Madras located in the urban renewal Agency.
- A line of credit was finalized June 30, 2015 and the funds were used to fund the final payment to Madras Cinema, contract costs for updating the Urban Renewal Plan, and allow contingency for other Agency improvements. The line of credit expires March 2017.

## **Request for Information**

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

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

## **BASIC FINANCIAL STATEMENTS**

**MADRAS REDEVELOPMENT COMMISSION**  
**(Jefferson County, Oregon)**

**(The Urban Renewal District of the City of Madras, Oregon)**  
**(A Component Unit of the City of Madras, Oregon)**

**STATEMENT OF NET POSITION**

**JUNE 30, 2016 AND SUMMARIZED INFORMATION FOR JUNE 30, 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 360,405	\$ 349,138
Receivables:		
Property taxes	22,536	23,470
Notes	82,705	134,193
Other	-	6
Redevelopment properties	<u>329,698</u>	<u>329,698</u>
Total Assets	<u>795,344</u>	<u>836,505</u>
<b>LIABILITIES:</b>		
Accounts payable	25,419	1,926
Long-term obligations:		
Note payable	250,000	100,000
Due to other governmental agencies	<u>2,185,000</u>	<u>2,290,000</u>
Total Liabilities	<u>2,460,419</u>	<u>2,391,926</u>
<b>NET POSITION:</b>		
Unrestricted	<u>(1,665,075)</u>	<u>(1,555,421)</u>
Total Net Position	<u><u>\$ (1,665,075)</u></u>	<u><u>\$ (1,555,421)</u></u>

See accompanying notes to the basic financial statements.

**MADRAS REDEVELOPMENT COMMISSION**  
**(Jefferson County, Oregon)**

**(The Urban Renewal District of the City of Madras, Oregon)**  
**(A Component Unit of the City of Madras, Oregon)**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2016 AND SUMMARIZED INFORMATION FOR JUNE 30, 2015**

Functions	Expenses	Program Revenues		Total	
		Charges for Services	Operating Grants and Contributions	2016	2015
Governmental Activities					
Community Development	\$ 468,307	\$ -	\$ -	\$ (468,307)	\$ (323,770)
<b>Total Governmental Activities</b>	<b>\$ 468,307</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(468,307)</b>	<b>(323,770)</b>
General Revenues:					
Property taxes levied for general service				354,388	328,368
Miscellaneous revenue				254	671
Interest and investment earnings				4,011	8,345
<b>Total General Revenues</b>				<b>358,653</b>	<b>337,384</b>
Change in Net Position				(109,654)	13,614
Prior Period Adjustment				-	-
Net Position - Beginning				(1,555,421)	(1,569,035)
Net Position - Ending				<b>\$ (1,665,075)</b>	<b>\$ (1,555,421)</b>

See accompanying notes to the basic financial statements.

**MADRAS REDEVELOPMENT COMMISSION**  
**(Jefferson County, Oregon)**

**(The Urban Renewal District of the City of Madras, Oregon)**  
**(A Component Unit of the City of Madras, Oregon)**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2016 AND SUMMARIZED INFORMATION FOR JUNE 30, 2015**

	Governmental Fund Types		Total	
	General Fund	Reinvestment Fund	2016	2015
<b>ASSETS:</b>				
Current assets				
Cash and investments	\$ 91,497	\$ 268,908	\$ 360,405	\$ 349,138
Receivables:				
Property taxes	22,536	-	22,536	23,470
Notes	8,929	73,776	82,705	134,193
Other	-	-	-	6
Total Current Assets	122,962	342,684	465,646	506,807
Non-current assets				
Redevelopment properties	329,698	-	329,698	329,698
Total Assets	\$ 452,660	\$ 342,684	\$ 795,344	\$ 836,505
<b>LIABILITIES, DEFERRED INFLOWS AND FUND EQUITY:</b>				
Current liabilities				
Accounts payable	\$ 9,050	\$ 16,369	\$ 25,419	\$ 1,924
Deferred inflows				
Unavailable property taxes	19,156	-	19,156	21,845
Unearned project fees	8,929	73,057	81,986	133,492
Total Deferred Inflows	28,085	73,057	101,142	155,337
Fund equity				
Restricted	415,525	253,258	668,783	679,244
Total Liabilities, Deferred Inflows and Fund Equity	\$ 452,660	\$ 342,684	\$ 795,344	\$ 836,505

See accompanying notes to the basic financial statements.



**MADRAS REDEVELOPMENT COMMISSION**  
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**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO STATEMENT OF NET POSITION**

**JUNE 30, 2016**

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

Fund Balances	\$ 668,783
Long-term liabilities applicable to the Agency's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.	
Long-term note payable	(250,000)
Due to other governmental agencies	(2,185,000)
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Unearned revenue	<u>101,142</u>
Net Position	<u><u>\$ (1,665,075)</u></u>

See accompanying notes to the basic financial statements.

**MADRAS REDEVELOPMENT COMMISSION**  
**(Jefferson County, Oregon)**

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**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**

**YEAR ENDED JUNE 30, 2016 AND SUMMARIZED INFORMATION FOR JUNE 30, 2015**

	General Fund	Reinvestment Fund	Total	
			2016	2015
<b>REVENUES:</b>				
Property taxes	\$ 357,076	\$ -	\$ 357,076	\$ 328,967
Assessments	-	89,365	89,365	65,582
Miscellaneous revenue	226	28	254	671
Interest on investments	40	3,971	4,011	8,344
	<u>357,342</u>	<u>93,364</u>	<u>450,706</u>	<u>403,564</u>
<b>EXPENDITURES:</b>				
Current:				
Community development	151,918	15,167	167,085	64,270
Debt service	183,367	-	183,367	177,000
	<u>335,285</u>	<u>15,167</u>	<u>350,452</u>	<u>241,270</u>
Excess of Revenues Over Expenditures	<u>22,057</u>	<u>78,197</u>	<u>100,254</u>	<u>162,294</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from note payable	150,000	-	150,000	100,000
Special payments - grants and loans	(231,786)	(28,929)	(260,715)	(182,500)
	<u>(81,786)</u>	<u>(28,929)</u>	<u>(110,715)</u>	<u>(82,500)</u>
Net Change in Fund Balance	(59,729)	49,268	(10,461)	79,794
Beginning Fund Balance	<u>475,254</u>	<u>203,990</u>	<u>679,244</u>	<u>599,450</u>
Ending Fund Balance	<u>\$ 415,525</u>	<u>\$ 253,258</u>	<u>\$ 668,783</u>	<u>\$ 679,244</u>

See accompanying notes to the basic financial statements.

**MADRAS REDEVELOPMENT COMMISSION**  
**(Jefferson County, Oregon)**

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**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2016**

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

Net Change in Fund Balance	\$ (10,461)
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes in liability balances between years.

Proceeds from long-term note payable	(150,000)
Long-term debt principal payments	105,000

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

Property taxes	(2,689)
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Under the modified accrual basis of accounting, loans made to community members are recognized as expenditures when the loan is made and revenue as the loans are repaid. This adjustment recognizes the loans made to community members.

Loans made to community members	37,859
Payment on loans	<u>(89,363)</u>

Change in Net Position	<u>\$ (109,654)</u>
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See accompanying notes to the basic financial statements.

**MADRAS REDEVELOPMENT COMMISSION  
(Jefferson County, Oregon)**

**(The Urban Renewal District of the City of Madras)  
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**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

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

**Inclusion of the Agency in Madras, Oregon, Annual Financial Report**

All significant activities and organizations for which the City exercises oversight responsibility have been included in the City's combined financial statements.

City management has determined the Agency meets the criteria set forth under generally accepted accounting principles requiring reporting as a component unit of the City of Madras. This report is issued solely to meet a State of Oregon, Department of Revenue interpretation of Oregon Revised Statutes that requires a separate audit report.

**Agency-wide and Fund Financial Statements**

The agency-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the Agency. Governmental activities are supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

**MADRAS REDEVELOPMENT COMMISSION**  
**(Jefferson County, Oregon)**

**(The Urban Renewal District of the City of Madras)**  
**(A Component Unit of the City of Madras)**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Measurement Focus, Basis of Accounting and Basis of Presentation**

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

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

When both restricted and unrestricted resources are available for use, it is the policy to use restricted resources first, then unrestricted resources as they are needed.

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

The following major governmental funds are reported:

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

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

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

**Property Taxes and Property Taxes Receivable**

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

The State of Oregon imposes a constitutional limit on property taxes for schools and non-school government operations. The limitation provides that property taxes for non-school operations are limited to \$10 for each \$1,000 of property market value. The State further reduced property taxes using a rate and value limit in 1997, and limiting future tax value growth of each property to no more than 3% year, subject to certain exceptions.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Receivables and Payables**

Receivables including property taxes, accounts, entitlements, and shared revenues are reported in accordance with the measurement focus previously disclosed.

Activities between funds that are representative of lending and borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to or due from other funds". As of June 30, 2016, there were no activities between funds. Receivables for federal and state grants, and state, county and local shared revenue are recorded as revenue in all funds as earned. The receivables for state, county and local shared revenue are recorded in accounts receivable.

Assessments are recognized as receivables at the time property owners are assessed on property improvements. These assessments are liens on the affected properties. These receivables are offset by deferred revenue in the governmental funds, as assessment revenue is recognized upon collection.

Management has determined that no provision for uncollectible assessments is considered necessary. In the agency-wide financial statements, assessment receivables are recognized as revenue when earned.

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

**Long-Term Obligations**

In the agency-wide financial statements, long-term debt obligations are reported as liabilities in the Statement of Net Position.

In the fund financial statements, governmental fund types, the face amount of debt issued is reported as other financing sources.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Fund Equity**

The Agency reports fund balance using fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds, using the following classifications:

- Nonspendable fund balance represents amounts that are not in a spendable form.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. By resolution, the decision-making for assigning amounts are delegated to the Urban Renewal Administrator and the Finance Director.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.
- There are no nonspendable, committed, unassigned or assigned fund balances.

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

**Net Position**

Net position comprises the various net earnings from operations, non-operating revenues, expenses and contributions of capital. Net position is classified in the following three categories:

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



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**YEAR ENDED JUNE 30, 2016**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

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

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

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

A budget is prepared for each governmental fund type in accordance with the legal requirements set forth in the Oregon Local Budget Law. The budget process begins early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are generally published in early spring with a public hearing being held approximately three weeks later. The budget may be amended prior to adoption. However, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is then adopted, appropriations are made and the tax levy declared no later than June 30.

The expenditure budgets are appropriated at the following levels:

<u>Level of Control</u>	
Materials and Services	Operating Contingency
Capital Outlay	Special Payments
Debt Service	

Expenditures cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. Appropriations lapse at the fiscal year end. Management may amend line items in the budget without board approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the board approves them due to a need which exists which was not determined at the time the budget was adopted.

Budget amounts shown in the financial statements reflect the original and final budget amounts. Expenditures in all funds were within authorized appropriations.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**NOTE 3 - CASH AND INVESTMENTS**

State statutes govern the cash management policies. Statutes authorize investing in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool. The Agency's cash is pooled with the City of Madras. Accordingly, figures disclosed below refer to the Agency's proportionate share of pooled cash and investments.

**Deposits and Investments**

The cash and cash equivalents at June 30, 2016 are shown below:

Carrying amount of deposits	\$ 312,896
Investment in LGIP	<u>151,028</u>
Total cash and cash equivalents	<u><u>\$ 463,924</u></u>

Cash and cash equivalents by fund are as follows:

Governmental activities:	
General	\$ 91,497
Reinvestment	<u>268,908</u>
Total cash and cash equivalents	<u><u>\$ 360,405</u></u>

**Deposits**

Deposits consist of bank demand deposits. The total bank balance per the bank statements for the Agency's share of pooled cash was \$312,896. Of this balance, \$200,620 was covered by Federal Depository Insurance. Oregon Revised Statute Chapter 295 requires that bank depositories pledge collateral against any public fund deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank loss. The Office of the State Treasurer maintains a list of financial institutions in which deposits in excess of deposit insurance limits can be held.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**NOTE 3 - CASH AND INVESTMENTS - continued**

Securities pledged by individual institutions may range from 10% to 110% of public fund deposits depending on the financial institution’s level of capitalization as determined by its federal regulatory authority. The aggregate Oregon public fund collateral pledged at June 30, 2016, was \$1,425,656,743 for reported uninsured public funds of \$2,060,399,665. The custodian, Federal Home Loan Bank of Seattle, is the agent for the depository bank. The securities pledged are designated as subject to the Pledge Agreement between the depository bank, custodian bank and Office of the State Treasurer (OST) and are held for the benefit of OST on behalf of the public depositors. As of June 30, 2016, the Agency’s funds were held by financial institutions that participated in the State Treasurer’s program and were in compliance with statutory requirements.

**Investments**

The investment balances at year end were as follows:

	<u>Fair Value</u>	<u>Percent of Investment Portfolio</u>	<u>Rating</u>
Investment type:			
Local Government			
Investment Pool	\$ 151,028	100%	Not Rated

**Credit Risk**

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

**Concentration of Credit Risk**

At June 30, 2016, 100% of total investments were in the Local Government Investment Pool. State statutes do not limit the percentage of investments in this instrument.

**Investments – External Investment Pools**

State of Oregon statutes restrict the types of investments in which the Agency may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers’ acceptances, time certificates of deposit, certain commercial paper, and the LGIP.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**NOTE 3 - CASH AND INVESTMENTS- continued**

The LGIP is one of five asset classes approved for the investment of State of Oregon (State) funds. A number of local governments in Oregon as well as all State agencies participate in the LGIP, thus it is an external investment pool as defined in Statement No. 31 of the Government Accounting Standards Board, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

The LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The State's investment policies are governed by the Oregon Revised Statutes and the Oregon Investment Council (Council). The State Treasurer is the investment officer for the Council and is responsible for all funds in the State Treasury. These funds must be invested, and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution.

Investments in the LGIP are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board, which establish diversification percentages and specify the types and maturities of investments. The portfolio guidelines permit securities lending transactions as well as investments in repurchase agreements and reverse repurchase agreements. The LGIP was in compliance with all portfolio guidelines at June 30, 2016. The reported value of the LGIP approximates the fair value of the LGIP shares and is calculated on a daily basis.

**Fair Value Measurements**

The Agency categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. The Agency has no investments that are measured using Level 1 or Level 3 inputs.

Fair value measurements of the Agency's investments as of June 30, 2016 were held in the LGIP, the allocated value was \$151,028. The LGIP states in their footnotes that their investments are measured based on the latest bid prices or evaluated quotes from independent pricing vendors (Level 2 inputs).

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**NOTE 4 - NOTES RECEIVABLE AND UNEARNED INCOME**

Funds are expended to improve and refurbish buildings for the benefit of businesses in the local area through a combination grant and loan program, and notes receivable have been recorded to reflect the amount the property owners will repay under the program. The loan portion of the assistance is payable over a maximum of 120 months. The loans are secured by the improved property and are considered fully collectible.

Governmental funds report deferred inflows representing unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. The agency-wide financial statements report deferred inflows only for amounts that have been received, but not earned. At the end of the current fiscal year, the various components of deferred inflows reported in the governmental funds included \$19,156 in unavailable property taxes and \$81,986 of unearned revenue from notes receivable.

**NOTE 5 - REDEVELOPMENT PROPERTIES**

Assets are constructed and refurbished for the benefit of the City and businesses in the local area, and any assets constructed or improved are generally property of the benefiting entity. In addition, the Agency purchases property to be refurbished and sold. At June 30, 2016, the redevelopment properties consist of a non-depreciable property purchased to refurbish and sell, in the amount of \$329,698.

Because these properties are considered to be investments, they are reported at fair value in the Statement of Net Position; increases and decreases in the property's estimated value are reported as unrealized gain or loss on investments.

**NOTE 6 - LONG TERM DEBT**

During fiscal year 2011-12, a \$2,500,000 bond anticipation line of credit was paid off using proceeds from an advance from the City of Madras. The advance was the direct result of a new bond issuance by the City specifically meant to refinance the Agency's bond anticipation line of credit. The terms of the advance from the City of Madras match the related bond issuance, with interest at 63.5% of the BBA Libor Daily floating Rate plus 2.6% with a 3.076% floor.

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**NOTE 6 - LONG TERM DEBT – continued**

During fiscal year 2015-16, the Madras Redevelopment Commission entered into a loan agreement with the City of Madras. The agreement was specifically meant to finance the final payment to the Madras Cinema (Note 9). The City obtained a line of credit to fund the payment. The terms of the loan agreement with the City match the terms of line of credit the City obtained. The maximum principal available is \$500,000, with 2.5% interest only payments due quarterly. Principal and interest are due when the line of credit matures on March 31, 2017.

Changes in long-term obligations for the fiscal year ended June 30, 2016, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Due to other governmental agencies - bond issue	\$ 2,290,000	\$ -	\$ (105,000)	\$ 2,185,000	\$ 105,000
Due to other governmental agencies -line of credit	<u>100,000</u>	<u>150,000</u>	<u>-</u>	<u>250,000</u>	<u>250,000</u>
	<u>\$ 2,390,000</u>	<u>\$ 150,000</u>	<u>\$ (105,000)</u>	<u>\$ 2,435,000</u>	<u>\$ 355,000</u>

Future payments are as follows:

<u>Due in</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 355,000	\$ 80,050	\$ 435,050
2018	110,000	71,700	181,700
2019	110,000	68,950	178,950
2020	115,000	65,100	180,100
2021	120,000	61,075	181,075
2022-2026	665,000	239,050	904,050
2027-2031	785,000	115,325	900,325
2032-2034	<u>175,000</u>	<u>6,125</u>	<u>181,125</u>
Total	<u>\$ 2,435,000</u>	<u>\$ 707,375</u>	<u>\$ 3,142,375</u>

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**NOTES TO BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**NOTE 7 - RISK MANAGEMENT**

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

**NOTE 8 - RELATED PARTY ACTIVITY**

The Agency provides funds to local businesses to improve and refurbish properties in the Urban Renewal Agency through a combination of grants and loans. During fiscal year 2009-10, one of the Agency's Commissioners was awarded \$57,425, which consisted of a 50% grant and 50% loan payable to the Agency. The outstanding loan balance was \$4,370 at June 30, 2016 is payable in monthly installments through January 2020. This award was consistent with the Agency's policy and was discussed and approved during a monthly public meeting of the Urban Renewal Agency. The commissioner did not participate in the deliberation or vote.

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

The Agency entered into an agreement with the developer of Madras Cinema to pay a sum not to exceed \$500,000 to assist with development costs. The agreement provides that the cinema must be operated a minimum of four days per week, year round. The Agency made the final payment during this fiscal year.

**NOTE 10 – SUBSEQUENT EVENTS**

After the close of the fiscal year, management obtained a broker's opinion on value of the two lots currently reported as investment property. The estimation was not an appraisal, but an opinion of value of the lots in the current market. The revised estimate of value ranged from \$162,000 - \$208,000, a significant reduction from the value reported at June 30, 2016.

**REQUIRED SUPPLEMENTARY INFORMATION**



**MADRAS REDEVELOPMENT COMMISSION**  
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**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ACTUAL AND BUDGET**  
**GENERAL FUND**

**YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES:</b>				
Property taxes	\$ 339,700	\$ 339,700	\$ 357,076	\$ 17,376
Miscellaneous revenue	-	-	226	226
Interest on investments	500	500	40	(460)
	<u>340,200</u>	<u>340,200</u>	<u>357,342</u>	<u>17,142</u>
<b>EXPENDITURES:</b>				
Current:				
Materials and services	147,200	157,200	151,918	(5,282)
Debt service	187,500	187,500	183,367	(4,133)
Contingency	10,000	-	-	-
	<u>344,700</u>	<u>344,700</u>	<u>335,285</u>	<u>(9,415)</u>
Excess of Revenues Over Expenditures	<u>(4,500)</u>	<u>(4,500)</u>	<u>22,057</u>	<u>26,557</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from note payable	240,000	240,000	150,000	(90,000)
Special payments - grants and loans	(210,000)	(236,500)	(231,786)	4,714
	<u>30,000</u>	<u>3,500</u>	<u>(81,786)</u>	<u>(85,286)</u>
Net Change in Fund Balance	25,500	(1,000)	(59,729)	(58,729)
Beginning Fund Balance	<u>359,976</u>	<u>359,976</u>	<u>475,254</u>	<u>115,278</u>
Ending Fund Balance	<u>\$ 385,476</u>	<u>\$ 358,976</u>	<u>\$ 415,525</u>	<u>\$ 56,549</u>

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**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ACTUAL AND BUDGET**  
**REINVESTMENT FUND**

**YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES:</b>				
Assessments	\$ 31,000	\$ 41,000	\$ 89,365	\$ 48,365
Interest on investments	4,000	4,000	3,971	(29)
Miscellaneous	-	-	28	28
Total Revenues	35,000	45,000	93,364	48,364
<b>EXPENDITURES:</b>				
Current:				
Materials and services	8,000	24,000	15,167	(8,833)
Contingency	25,000	9,000	-	(9,000)
Total Expenditures	33,000	33,000	15,167	(17,833)
Excess of Revenues Over Expenditures	2,000	12,000	78,197	66,197
<b>OTHER FINANCING SOURCES (USES)</b>				
Special payments - grants and loans	(25,000)	(35,000)	(28,929)	6,071
Total Other Financing Sources (Uses)	(25,000)	(35,000)	(28,929)	6,071
Net Change in Fund Balance	(23,000)	(23,000)	49,268	72,268
Beginning Fund Balance	195,631	195,631	203,990	8,359
Ending Fund Balance	\$ 172,631	\$ 172,631	\$ 253,258	\$ 158,966

**INDEPENDENT AUDITORS' REPORT REQUIRED  
BY OREGON STATE REGULATIONS**



**INDEPENDENT AUDITORS' REPORT REQUIRED**  
**BY OREGON STATE REGULATIONS**

We have audited the restated basic financial statements of the Madras Redevelopment Commission as of and for the year ended June 30, 2016 and have issued our report thereon dated December 3, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

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

1. *Oregon Local Budget Law requires a second publishing of the budget committee meeting unless the meeting is published on its website. The Agency published the meeting notice on its website, but failed to include the website in the first meeting notice as required.*
2. *During the year, the Agency held a supplemental budget hearing, but the publication for the hearing did not include the summary of proposed changes and time of public comment as required.*

### **OAR 162-10-0230 Internal Control**

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

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



Brenda Bartlett, CPA  
SGA CPAs & Consultants, LLP

December 3, 2016