

MADRAS REDEVELOPMENT COMMISSION
Madras, Oregon

ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2018

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MADRAS REDEVELOPMENT COMMISSION

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

BOARD OF COMMISSIONERS

Tom Brown

Bartt Brick

Royce Embanks, Jr.

Blanca Reynoso

Chuck Schmidt

Don Reeder

Denise Piza

Donald Reeder

Angela Rhodes

Commissioners receive mail at the address:

Administrative Offices
125 SW E Street
Madras, OR 97741

FINANCE DIRECTOR

Kristal Hughes

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MADRAS REDEVELOPMENT COMMISSION

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
MADRAS REDEVELOPMENT COMMISSION
Madras, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the MADRAS REDEVELOPMENT COMMISSION, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 and each major fund of the MADRAS REDEVELOPMENT COMMISSION, as of June 30, 2018, the respective changes in financial position and the budgetary comparisons for the General and Reinvestment Funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 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 Reporting Required by Oregon State Regulations

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated February 28, 2019, on our consideration of the Commission's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
February 28, 2019

By:



Bradley G. Bingenheimer, Member

MANAGEMENT'S DISCUSSION AND ANALYSIS

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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 district of the City of Madras (City), for the fiscal year ending June 30, 2018. The report has been prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by the Government Accounting Standard Board (GASB). 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 District lies primarily in the downtown corridor and extends to Lee Street to the north and Hall Street to the south. The Commission is managed by a governing board of nine members. The primary objectives of the Urban Renewal District 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 continued the downtown flower program, façade grant/loan program and paint program throughout 2017-2018.
- The MRC met the debt obligation payment of \$125,615 per the intergovernmental agreement with City of Madras for the \$2.5 million long-term obligation issued in 2011-2012. Those same bonds were refinanced in 2017 with interest payments of \$37,185.
- 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. Additionally, the MRC and City of Madras confirmed the commitment for the MRC to continue this partnership in the amount of \$65,500 for the next ten years beginning FY 2018-19.
- The MRC drew down on the line of credit in the amount of \$30,000 in anticipation of one façade loan.

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 1 of this report.

The government-wide financial statements are designed to provide the reader with a broad overview of the Commission'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 Commission'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 Commission is improving or deteriorating.
- The *statement of activities* presents information showing how the Commission'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 Commission in this fiscal year).

Both of these government-wide financial statements distinguish functions of the Commission that are principally supported by taxes and assessments. The Commission 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 demonstrate compliance with finance-related legal requirements. All of the funds of the Commission 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–

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 14 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 16 of this report. In addition to the basic financial statements and the accompanying notes lies additional pertinent information for the reader referred to as *Auditor's Comments and Reports*. This information can be found in this report following the notes to the basic financial statements.

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 Commission's government-wide financial statements.

Table 1
MADRAS REDEVELOPMENT COMMISSION
STATEMENT OF NET POSITION

| | <u>Governmental Activities</u> | | <u>Net Change</u> <u>Increase/(Decrease)</u> | |
|---------------------------|--------------------------------|--------------------|---|----------------|
| | <u>2018</u> | <u>2017</u> | <u>Amount</u> | <u>Percent</u> |
| Assets: | | | | |
| Cash and cash equivalents | \$ 360,769 | \$ 395,950 | \$ (35,181) | -8.9% |
| Receivables | \$ 134,752 | 86,556 | 48,196 | 55.7% |
| Reinvestment Properties | 208,000 | 208,000 | - | 0.0% |
| Total Assets | <u>703,521</u> | <u>690,506</u> | <u>13,015</u> | <u>1.9%</u> |
| Liabilities: | | | | |
| Current liabilities | 452,480 | 461,298 | (8,818) | -1.9% |
| Non-current liabilities | 1,885,000 | 1,970,000 | (85,000) | -4.5% |
| Total Liabilities | <u>2,337,480</u> | <u>2,431,298</u> | <u>(93,818)</u> | <u>-3.9%</u> |
| Net Position: | | | | |
| Unrestricted (deficit) | <u>(1,633,959)</u> | <u>(1,740,792)</u> | <u>106,833</u> | <u>6.1%</u> |
| Total Net Position | <u>(1,633,959)</u> | <u>(1,740,792)</u> | <u>106,833</u> | <u>6.1%</u> |

At the conclusion of fiscal year 2017-18, the MRC’s combined governmental funds reported an ending fund balance of \$564,408, a slight increase from the prior year fund balance of \$559,023.

As of the end of the fiscal year 2017-18, total receivables increased \$48.2 thousand from the prior year, primarily as a result of new façade loans. The MRC facade improvement loan program is an ongoing project as identified in the action plan. This program offers 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 2016-17 to fiscal year 2017-18.

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

| | Governmental Activities | | Net Change Increase/(Decrease) | |
|---|-------------------------|--------------------|-----------------------------------|---------------|
| | 2018 | 2017 | Amount | Percent |
| Revenue: | | | | |
| Property taxes | \$ 392,538 | \$ 354,532 | \$ 38,006 | 10.7% |
| Interest on investments | 13,767 | (119,655) | 133,422 | -111.5% |
| Capital grants and contributions | 57,675 | - | 57,675 | 0.0% |
| Total Revenues | 463,980 | 234,877 | 229,103 | 97.5% |
| Expenses: | | | | |
| Community development | 357,147 | 310,594 | 46,553 | 15.0% |
| Total Expenses | 357,147 | 310,594 | 46,553 | 15.0% |
| Change in Net Position | 106,833 | (75,717) | 182,550 | 241.1% |
| Net Position - beginning of year | (1,740,792) | (1,665,075) | (75,717) | -4.5% |
| Net Position - end of year | (1,633,959) | (1,740,792) | 106,833 | 6.1% |

During the fiscal year 2017-18, total property tax revenue received was 8.6% greater than budget. That trajectory bodes well for the overall objectives of the 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 2017-18, the MRC’s combined governmental funds reported an ending fund balance of \$564,408, a slight increase from the prior year fund balance of \$559,023. The increase in fund balance is primarily driven by facade loans being paid back in full. 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 2017-18, the MRC's total outstanding debt was \$2,329,892. This includes a \$1,995,000 balance advanced from the City of Madras. On October 19, 2017 the 2017 Bond Refinancing of the 2011B Series and 2012B Series bonds was completed. A total of \$3,145,000 was refinanced resulting in \$252,698.03 in net present value savings. The Madras Redevelopment Commission portion of that savings is \$21,954.84. The partnership between the City of Madras and the Madras Redevelopment Commission made the original financing possible and continued to be strengthened through the completion of this savings opportunity.

The remaining debt of \$334,892 represents draws from a line of credit. The line of credit has an available limit of \$1,000,000, issue date of 5/15/2015 and maturing on 3/31/2018; this is an annual renewal and review by the lending institution, currently First Interstate Bank. This is part of the current strategic plan in which the MRC will use the line of credit to fund projects until the balance necessitates a larger bond issuance.

Economic Factors and Next Year's Budget

Major factors anticipated in the 2018-19 budget include the following:

The Finance Department completed an in-depth forensic analysis for all MRC related expenditures and revenues from 2003 to present. The Finance Team worked with bond counsel, consultants in Urban Renewal Districts and Urban Renewal Finance to confirm calculations and verify the technical nature of the review. The intent was to verify the Maximum Indebtedness including the methodology related to the Urban Renewal District for two primary reasons. The first was to understand the rules related to Urban Renewal Finance and secondly, to explore opportunities to maximize the impact of the Tax Increment Revenues to more completely revitalize our community.

The findings from that analysis modified the approach the MRC has used for budgeting. The General Fund and Reinvestment Fund have been replaced with three new funds: MRC TIF Fund, MRC Project Fund, and MRC Program Income. The new fund structure is effective July 1, 2018. A summary of the funds and how they relate to the prior fund structure is identified below.

- MRC TIF Fund (formerly General Fund): Tracks all property tax revenues and debt service payments. This includes the line of credit, du jour borrowing and formal issuances such as bonds. Du Jour borrowing is a mechanism in which the City provides a one-day loan. Property tax receipts are then used to repay that one-day loan to the City. This allows property tax revenues to be used towards debt rather than for direct purchases, consistent with Urban Renewal best practices.
 - The City of Madras has arranged for a line of credit up to \$1,000,000 with First Interstate Bank (formerly Bank of the Cascades). This line of credit is anticipated to be sufficient for supporting the District's plans for the next 12 to 24 months. The line of credit will ultimately be paid off with long term bond financing consistent with the District's round-one funding approach as anticipated by the Urban Renewal Plan. The line of credit is reviewed and adjusted annually.

- MRC Project Fund (formerly General Fund): Continues to operate as the General Fund of the District. This fund’s main purpose is to identify all expenditures that affect the District’s Maximum Indebtedness. This is accomplished through appropriating expenditures based upon the categories identified in the 2003 and confirmed in the 2016 Urban Renewal Plan(s). These Special Payments include projects like:
 - New development or redevelopment within the District including facade and building renovation
 - Sidewalk Grant Repair Program
 - Continued project financial support of the new Police Station/City Hall/Civic Plaza Project
 - Hiring experts for architecture and consulting including special efforts in Downtown Revitalization consistent with the 2016 Urban Renewal Revitalization Action Plan

- MRC Project Fund (formerly Reinvestment Fund): The Project Fund is directly related to the loans for facades and building renovations within the General Fund, and is added to the special payments category. This fund also continues to support the downtown flowers program. The District anticipates multiple façade and building renovation loans within the district this year.

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

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MADRAS REDEVELOPMENT COMMISSION

STATEMENT OF NET POSITION

June 30, 2018

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 360,769 |
| Investment in properties | 208,000 |
| Receivables, net | |
| Property taxes | 18,457 |
| Notes | <u>116,295</u> |
| | |
| TOTAL ASSETS | <u>703,521</u> |
| | |
| LIABILITIES | |
| Accounts payable and accrued liabilities | 7,588 |
| Short-term debt obligations | 334,892 |
| Long-term liabilities: | |
| Due within one year | 110,000 |
| Due in more than one year | <u>1,885,000</u> |
| | |
| TOTAL LIABILITIES | <u>2,337,480</u> |
| | |
| NET POSITION | |
| Unrestricted | <u><u>\$ (1,633,959)</u></u> |

See accompanying notes

MADRAS REDEVELOPMENT COMMISSION

**STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018**

| | Governmental Activities |
|-----------------------------------|------------------------------|
| PROGRAM EXPENSES | |
| Economic development | \$ 298,025 |
| Interest on long-term obligations | <u>59,122</u> |
| Total program expenses | <u>357,147</u> |
| PROGRAM REVENUES | |
| Capital grants and contributions | <u>57,675</u> |
| Total program revenues | <u>57,675</u> |
| Net program revenues (expenses) | <u>(299,472)</u> |
| GENERAL REVENUES | |
| Property taxes | 392,538 |
| Investment income (loss) | <u>13,767</u> |
| TOTAL GENERAL REVENUES | <u>406,305</u> |
| CHANGE IN NET POSITION | 106,833 |
| NET POSITION - BEGINNING | <u>(1,740,792)</u> |
| NET POSITION - ENDING | <u><u>\$ (1,633,959)</u></u> |

See accompanying notes

MADRAS REDEVELOPMENT COMMISSION

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2018

| | General | Reinvestment | Total |
|---|-------------------|-------------------|-------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 162,894 | \$ 197,875 | \$ 360,769 |
| Investment in properties | 208,000 | - | 208,000 |
| Receivables, net | | | |
| Property taxes | 18,457 | - | 18,457 |
| Notes | - | 116,295 | 116,295 |
| | | | |
| TOTAL ASSETS | \$ 389,351 | \$ 314,170 | \$ 703,521 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | \$ 5,599 | \$ 1,989 | \$ 7,588 |
| TOTAL LIABILITIES | 5,599 | 1,989 | 7,588 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable revenue | 16,914 | 114,611 | 131,525 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 16,914 | 114,611 | 131,525 |
| FUND BALANCE | | | |
| Restricted for economic development | 366,838 | 197,570 | 564,408 |
| TOTAL FUND BALANCE | 366,838 | 197,570 | 564,408 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 389,351 | \$ 314,170 | \$ 703,521 |

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

| | |
|--|-----------------------|
| Fund balance restricted for economic development | \$ 564,408 |
| <i>Amounts reported for governmental activities in the statement of net position are different because:</i> | |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds | 131,525 |
| Short-term debt obligations are subject to annual renewal and, therefore, are not reported in the funds | (334,892) |
| Long-term obligations, and accrued interest thereon, are not due and payable in the current period and, therefore, are not reported in the funds | (1,995,000) |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ (1,633,959) |

See accompanying notes

MADRAS REDEVELOPMENT COMMISSION

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

| | General | Reinvestment | Total |
|---|-------------------|-------------------|-------------------|
| REVENUES | | | |
| Property taxes | \$ 392,076 | \$ - | \$ 392,076 |
| Assessments | - | 11,689 | 11,689 |
| Investment income (loss) | 6,615 | 7,152 | 13,767 |
| TOTAL REVENUES | 398,691 | 18,841 | 417,532 |
| EXPENDITURES | | | |
| Current | | | |
| Economic development | 257,642 | 40,383 | 298,025 |
| Debt service | 169,122 | - | 169,122 |
| TOTAL EXPENDITURES | 426,764 | 40,383 | 467,147 |
| Excess (deficiency) of revenues over expenditures | (28,073) | (21,542) | (49,615) |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from short-term debt issuance | 30,000 | - | 30,000 |
| Proceeds from long-term debt obligations | 25,000 | - | 25,000 |
| TOTAL OTHER FINANCING SOURCES (USES) | 55,000 | - | 55,000 |
| Net change in fund balance | 26,927 | (21,542) | 5,385 |
| Fund balance at beginning of year | 339,911 | 219,112 | 559,023 |
| Fund balance at end of year | \$ 366,838 | \$ 197,570 | \$ 564,408 |

See accompanying notes

MADRAS REDEVELOPMENT COMMISSION

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018**

*Amounts reported for governmental activities in the statement of activities
are different because:*

| | | |
|--|----|-----------------------|
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | \$ | 5,385 |
| The repayment of the principal of debt consumes the current financial resources of governmental funds. This transaction has no effect on net position. This amount is the difference in the treatment of debt. | | 110,000 |
| The proceeds from debt provides current financial resources of governmental funds. This transaction has no effect on net position. This amount is the difference in the treatment of debt. | | (55,000) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds as follows: | | |
| Change in deferred revenue | | <u>46,448</u> |
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ | <u><u>106,833</u></u> |

See accompanying notes

MADRAS REDEVELOPMENT COMMISSION

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

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

See accompanying notes

MADRAS REDEVELOPMENT COMMISSION

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

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

See accompanying notes

MADRAS REDEVELOPMENT COMMISSION

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

1. Summary of significant accounting policies

A. Organization

The Commission, a component unit of the City of Madras, was organized in June 2003 under ORS 457 and is a municipal corporation created by the City of Madras to facilitate urban renewal within the boundaries of the City. The city council appoints the governing body and is accountable for the fiscal matters of the Commission.

B. Urban renewal areas

Tax allocation bonds for urban renewal plan areas are authorized by state law to 1) "...eliminate and prevent the development or spread of urban blight and deterioration; and 2) encourage needed urban conservation and rehabilitation and provide for redevelopment of blighted or deteriorated areas."

Projects are financed in urban renewal plan areas as follows:

- The Commission selects an urban renewal plan area and defines its boundaries.
- The county assessor "freezes" the assessed value of property within the urban renewal area. This is referred to as the "frozen" value.
- Any increase in assessed value above the frozen value is called the "incremental value." The tax revenue generated by the tax rate times the incremental value is provided for use in paying the principal and interest on any indebtedness incurred to finance urban renewal projects.
- Urban renewal tax increment revenues are used to repay the indebtedness of the Commission. The proceeds of the indebtedness finance the Commission's activities.

As required by ORS 457.190(3)(a), the Commission has included in its current plan the maximum amount of indebtedness that may be issued or incurred under the plan in the amount of \$14,000,000.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

C. Basis of presentation, measurement focus, and basis of accounting

Government-wide financial statements

The statement of net position and the statement of activities display information about the Commission, including all of its financial activities. Governmental activities are financed primarily through property taxes and proceeds from borrowings.

The statement of activities presents a comparison between direct expenses and program revenues for the Commission's program. The Commission does not allocate indirect expenses. Program revenues include grants and contributions that are restricted to meeting operational requirements. Revenues that are not classified as program revenues, including property taxes, earnings on investments and the gain on sale of property, are presented as general revenues.

Fund financial statements

The fund financial statements provide information about the Commission's fund. The emphasis of fund financial statements is on major funds, each displayed in a separate column.

The Commission reports the following major funds:

General – accounts for general administration of the Commission's urban renewal areas, for acquisition and rehabilitation of blighted and deteriorated areas within the designated urban renewal areas.

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

D. Measurement focus and basis of accounting

Government-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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Commission receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Commission considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, which are recognized as expenditures to the extent they have been incurred. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt are reported as other financing sources.

E. Budget policies and budgetary control

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

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

The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. The governing body established the levels of budgetary control at the personal services, materials and services, capital outlay, operating contingencies, debt service, and all other requirement levels for all funds.

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

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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

G. Long-term obligations

In the government-wide financial statements' long-term obligations are reported as liabilities in the governmental activities' statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are deferred and amortized over the life of the bond.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

H. Equity classification

Government-wide 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 net position – 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 net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

In the government-wide financial statements when both restricted and unrestricted net position are available, unrestricted resources are used only after the restricted resources are depleted.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

1. Summary of significant accounting policies (continued)

Governmental fund type fund balance reporting

Governmental type fund balances are to be reported within the fund balance categories listed 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 council. The council is the highest level of decision making authority for the Commission. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the 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 council has granted authority to the Community Development Director 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 purposes for which both restricted and unrestricted fund balance is available, the Commission considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Commission considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the council has provided otherwise in its commitment or assignment actions.

I. Fair value measurements

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

| | |
|--|-------------------|
| State of Oregon Local Government Investment Pool | \$ 309,604 |
| Deposits with financial institutions | <u>23,604</u> |
| Total cash and investments | <u>\$ 333,208</u> |

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

A. Deposits with financial institutions

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the Commission's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the District's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2018, \$293,143 of the City's bank balances were exposed to custodial credit risk.

B. State of Oregon Local Government Investment Pool

Balances in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. The Oregon State Treasury administers the LGIP. The LGIP is an unrated, open-ended, no-load, diversified portfolio offered to any Commission, 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 Commission's position in the LGIP is the same as the value of the pool shares.

C. Investments

Credit Risk. Oregon statutes authorize the Commission 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.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

2. Cash and cash equivalents (continued)

Concentration of Credit Risk: The Commission does not have a formal policy that places a limit on the amount that may be invested in any one insurer.

Interest Rate Risk: The Commission 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 Commission 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 Commission will not be able to recover the value of its investments that are in the possession of an outside party. The Commission does not have a policy which limits the amount of investments that can be held by counterparties.

3. Investment in properties

The Commission's holds land for sale which is reported at estimated fair value measured using level 3 inputs.

4. Notes receivable

Funds are expended to improve and refurbish buildings for the benefit of business in the local area through a combination grant and loan program. 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.

5. Short-term debt obligations

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

| | Outstanding July 1, 2017 | Additions | Reductions | Outstanding June 30, 2018 |
|--------------------------------|--------------------------------|------------------|-------------|---------------------------------|
| City of Madras, line of credit | <u>\$ 304,892</u> | <u>\$ 30,000</u> | <u>\$ -</u> | <u>\$ 334,892</u> |

B. Governmental activities short-term debt obligations

City of Madras, line of credit – The Commission entered into a loan agreement with the City. The agreement was specifically meant to finance an economic development activity. The maximum principal available is \$1,000,000, with 2.74 percent interest only payments due monthly.

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

6. Long-term obligations

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

| | Outstanding July 1, 2017 | Additions | Reductions | Outstanding June 30, 2018 | Balances Due Within One Year |
|----------------------|--------------------------------|-------------------|-------------------|---------------------------------|------------------------------------|
| | <u>2017</u> | <u> </u> | <u> </u> | <u>2018</u> | <u> </u> |
| City of Madras, note | <u>\$ 2,080,000</u> | <u>\$ 25,000</u> | <u>\$ 110,000</u> | <u>\$ 1,995,000</u> | <u>\$ 110,000</u> |

B. Governmental activities long-term debt obligations

City of Madras, bond – The City issued a bond specifically meant to refinance the Commission’s bond anticipation line of credit. The terms of the advance match the related bond issuance with interest at 63.5 percent of the BBA Libor Daily floating rate plus 2.6 percent with a 3.076 percent floor.

C. Future maturities are as follows:

| Fiscal Year | City of Madras Note | |
|----------------|------------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2019 | \$ 110,000 | \$ 68,175 |
| 2020 | 115,000 | 64,325 |
| 2021 | 120,000 | 58,500 |
| 2022 | 125,000 | 54,825 |
| 2023 | 130,000 | 50,350 |
| 2024-28 | 725,000 | 174,325 |
| 2029-32 | <u>670,000</u> | <u>40,950</u> |
| | <u>\$ 1,995,000</u> | <u>\$ 511,450</u> |

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

7. Unavailable revenue

Resources which are measurable but unavailable consist of the following:

| | <u>Madras Redevelopment Commission</u> | | |
|----------------|--|---------------------|-------------------|
| | <u>General</u> | <u>Reinvestment</u> | <u>Total</u> |
| Property taxes | \$ 16,914 | \$ - | \$ 16,914 |
| Notes | <u>-</u> | <u>114,611</u> | <u>114,611</u> |
| | <u>\$ 16,914</u> | <u>\$ 114,611</u> | <u>\$ 131,525</u> |

8. Tax abatements

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 Commission received for the year ended June 30, 2018 have been reduced by \$8,877.

COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Commissioners
MADRAS REDEVELOPMENT COMMISSION
Madras, Oregon

We have audited in accordance with auditing standards generally accepted in the United States of America the basic financial statements of the MADRAS REDEVELOPMENT COMMISSION as of and for the year ended June 30, 2018, and have issued our report thereon dated February 28, 2019.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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.
- 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 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.

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

OAR 162-10-0230 Internal Control

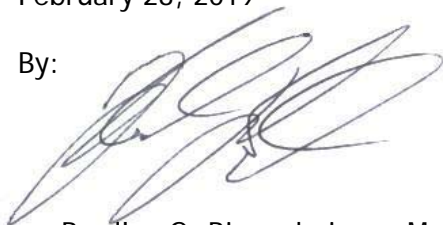
In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the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

Restriction of Use

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

Boldt Carlisle + Smith
Certified Public Accountants
Salem, Oregon
February 28, 2019

By:



Bradley G. Bingenheimer, Member