AUDIT REPORT

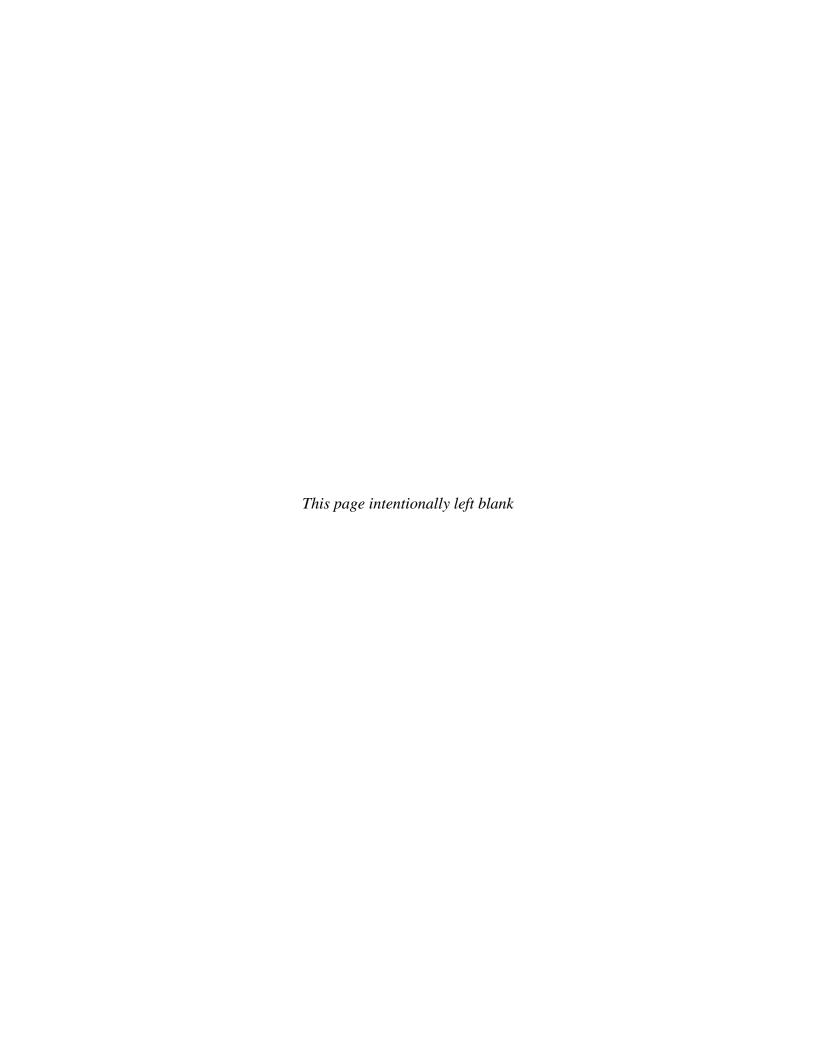
JUNE 30, 2013

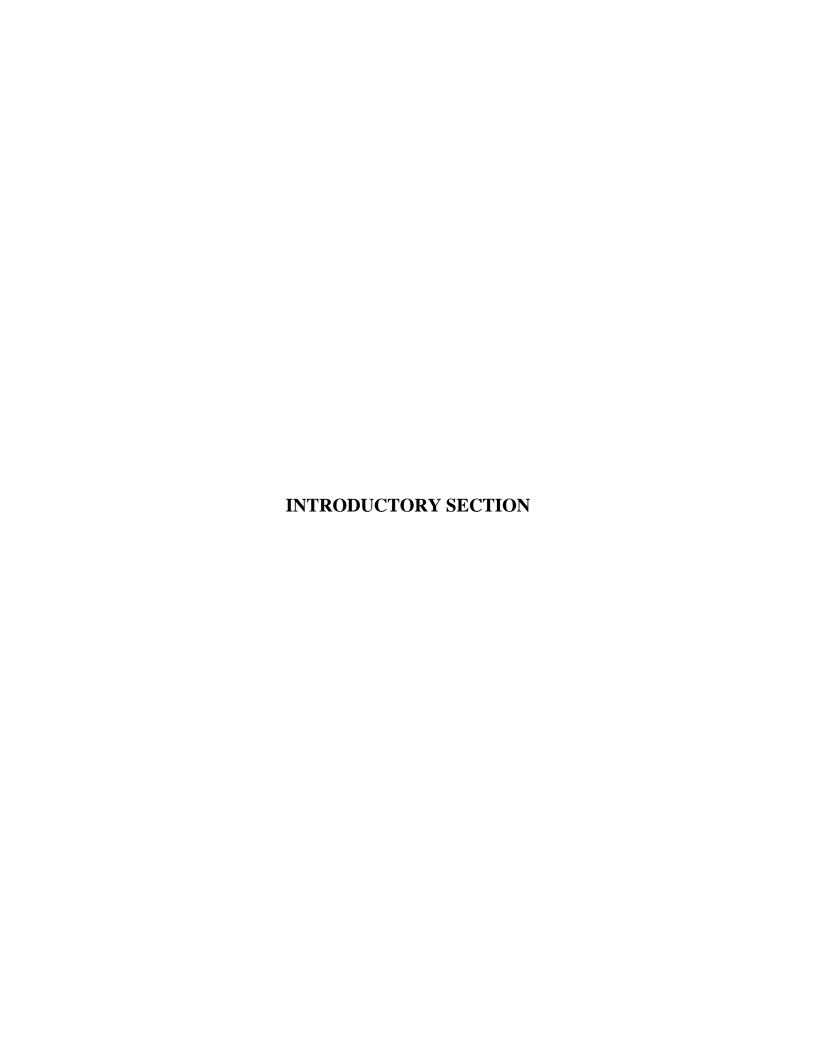
CITY OF IRRIGON, OREGON Table of Contents

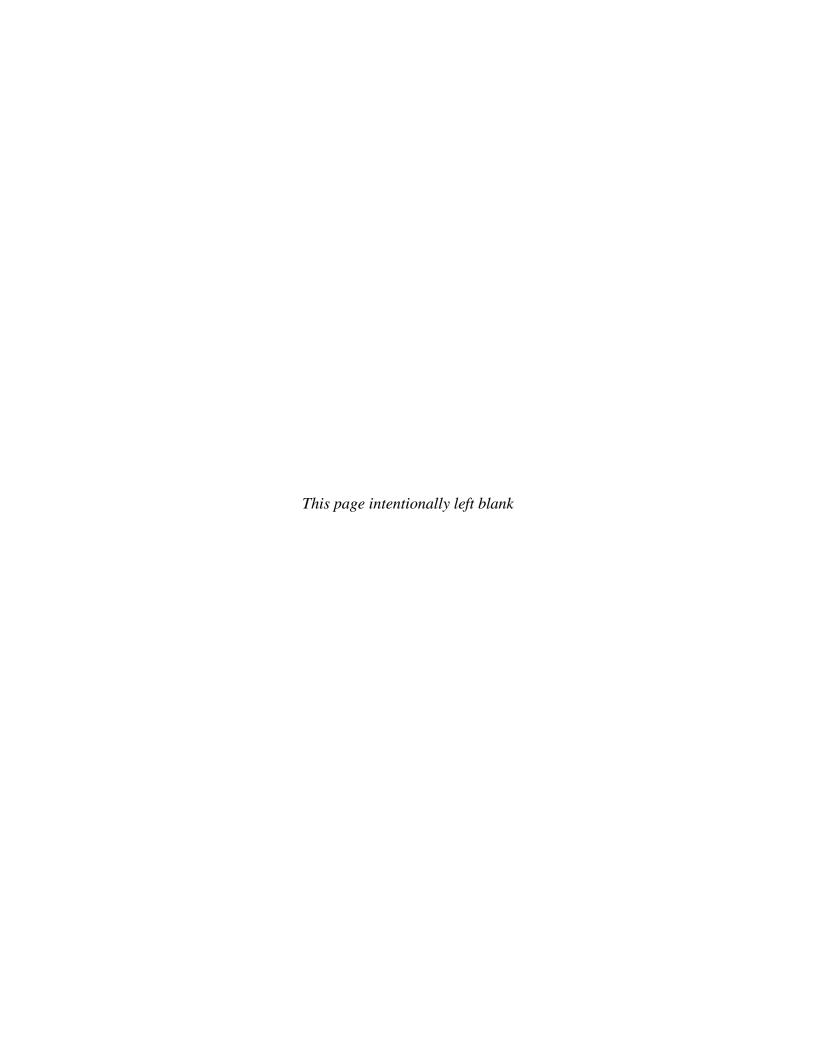
Introductory Section: List of City Officials	i
FINANCIAL SECTION:	
Independent Auditors' Report	1-3
Management's Discussion and Analysis	
•	
Basic Financial Statements:	
Government-Wide Financial Statements:	40
Statement of Net Position	
Statement of Activities	11
Fund Financial Statements: Governmental Funds Financial Statements	
Balance Sheet	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	
Statement of Revenues, Expenditures and Changes in Fund Balances	
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund	17
Balances of Governmental Funds to the Statement of Activities	15
Proprietary Fund Financial Statements	10
Statement of Net Position	16
Statement of Revenues, Expenses, and Changes in Fund Net Position	
Statement of Cash Flows	
Notes to Basic Financial Statements	
Required Supplementary Information:	
Budgetary Comparison Schedules:	0.4
General Fund	
State Tax Street Fund	
Notes to Required Supplemental Information	30
Supplementary Information:	
Major Governmental Funds:	
Combining Statement of Revenues, Expenditures and Changes in Fund Balances:	
General Funds	37
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
General Fund	
Vacation and Sick Leave Reserve Fund	
Building Maintenance Reserve Fund	
Street Equipment Reserve Fund	41
Nonmajor Governmental Funds:	
Combining Balance Sheet	
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	43
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	4.4
Bicycle and Foot Path Reserve Fund	
Parks System Improvement Fund	45
Major Proprietary Funds:	
Water Funds:	
Combining Statements - Water Funds: Statement of Net Position	46
Statement of Revenues, Expenses and Changes in Net Position	
Statement of Cash Flows	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	40
Water Operation and Development Fund	40
Water Operation and Development Fund	
Water Connection rees rund	
Water Reserve Fund	
Water Debt Service Fund	
= 44. 444 44	

CITY OF IRRIGON, OREGON Table of Contents

Water Deposit Common Trust Fund. 55 Sewer Funds: Combining Statements - Sewer Funds: Statement of Net Position. 56 Statement of Revenues, Expenses and Changes in Net Position. 57 Statement of Cash Flows. 58 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual: Sewer Operation and Development Fund. 59 Sewer Connection Fees Fund. 60 Sewer Reserve Fund. 61 Sewer Equipment Reserve Fund. 62 Sewer Debt Service Fund. 63 Sewer Debt Service Fund. 63 Sewer Debt Service for General Obligation Bonds Fund. 64 Comparative Statements: Statement of Net Position - Water & Sewer 5 Statement of Net Position - Water & Sewer 65 Statement of Property Tax Transactions 66 Other Financial Schedules: Statement of Property Tax Transactions 67 INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS 68-69 AUDIT DELIVERABLES REQUIRED BY THE SINGLE AUDIT ACT OF 1996: Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards 70-71 Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance as Required by OMB Circular A-133 72-73 Schedule of Expenditures of Federal Awards 74 Notes to Schedule of Expenditures of Federal Awards 75 Schedule of Findings and Questioned Costs 76-77 Summary Schedule of Prior Audit Findings 78	Water Debt Service for General Obligation Bonds Fund	
Combining Statements - Sewer Funds: Statement of Net Position	Water Deposit Common Trust Fund	55
Statement of Net Position		
Statement of Revenues, Expenses and Changes in Net Position		
Statement of Cash Flows	Statement of Net Position	56
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual: Sewer Operation and Development Fund	Statement of Revenues, Expenses and Changes in Net Position	57
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual: Sewer Operation and Development Fund	Statement of Cash Flows	58
Sewer Connection Fees Fund		
Sewer Connection Fees Fund		59
Sewer Equipment Reserve Fund	Sewer Connection Fees Fund	60
Sewer Equipment Reserve Fund	Sewer Reserve Fund	61
Sewer Debt Service Fund		
Comparative Statements: Statement of Net Position - Water & Sewer		
Comparative Statements: Statement of Net Position - Water & Sewer	Sewer Debt Service for General Obligation Bonds Fund	64
Statement of Net Position - Water & Sewer	Comparative Statements:	
Statement of Revenues, Expenses and Changes in Net Position - Water & Sewer	Statement of Net Position - Water & Sewer	65
Statement of Property Tax Transactions	Statement of Revenues, Expenses and Changes in Net Position - Water & Sewer	66
Statement of Property Tax Transactions	Other Financial Schedules:	
AUDIT DELIVERABLES REQUIRED BY THE SINGLE AUDIT ACT OF 1996: Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		67
AUDIT DELIVERABLES REQUIRED BY THE SINGLE AUDIT ACT OF 1996: Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	Statement of Property Tax Transactions	07
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS	68-69
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	AUDIT DELIVERABLES REQUIRED BY THE SINGLE AUDIT ACT OF 1996	
Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		
Government Auditing Standards		
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance as Required by OMB Circular A-133		70-71
over Compliance as Required by OMB Circular A-133		
Schedule of Expenditures of Federal Awards		72-73
Notes to Schedule of Expenditures of Federal Awards		
Schedule of Findings and Questioned Costs76-77	· ·	







CITY OF IRRIGON, OREGON City Officials

Mayor

Term Expires

David Burns December 31, 2016 Irrigon, Oregon

Council Members

Term Expires

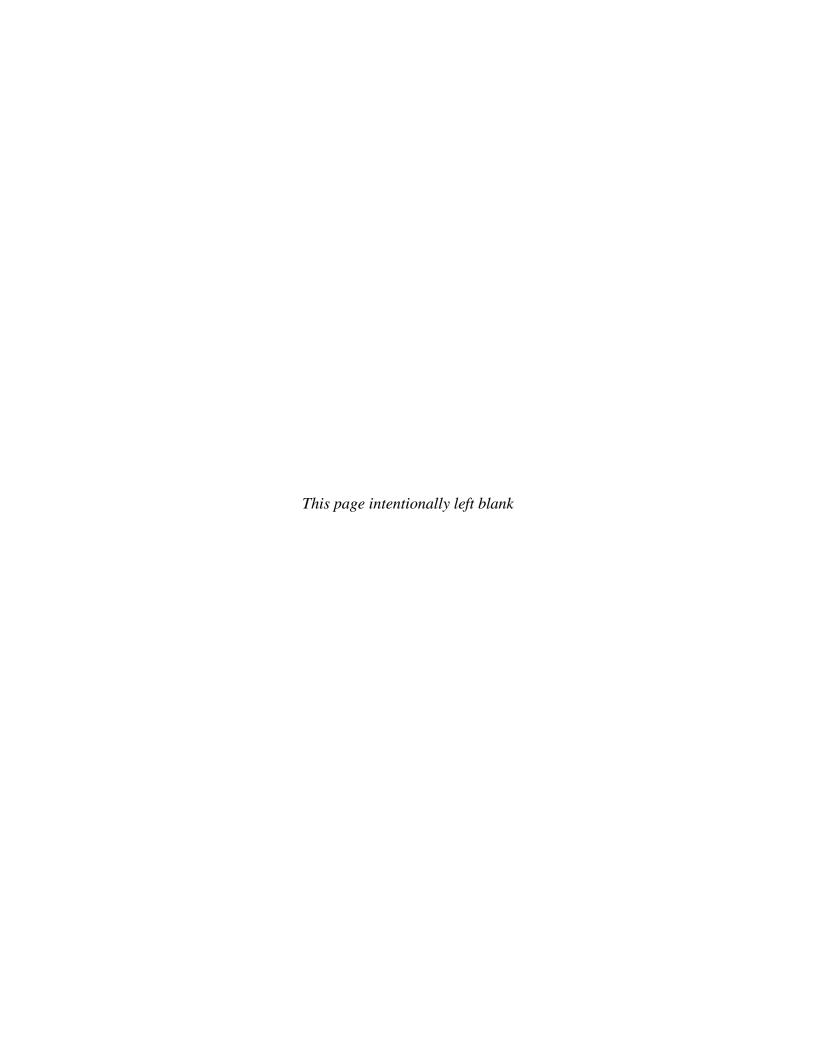
December 31, 2016	Irrigon, Oregon
December 31, 2014	Irrigon, Oregon
December 31, 2016	Irrigon, Oregon
December 31, 2016	Irrigon, Oregon
December 31, 2014	Irrigon, Oregon
	December 31, 2014 December 31, 2016 December 31, 2016

Recorder-Administrator

Jerry Breazeale Irrigon, Oregon

City Attorney

William J. Kuhn 269A Main Street Heppner, Oregon





SEYDEL, LEWIS, POE, MOELLER & GUNDERSON, LLC

CERTIFIED PUBLIC ACCOUNTANTS 1121 ADAMS AVENUE • P.O. BOX 1024 LA GRANDE, OREGON 97850-1024

Independent Auditor's Report

Mayor and City Council City of Irrigon, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Irrigon, Oregon, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Irrigon, Oregon, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding New Accounting Policy

As described in Note 1, during the year ended June 30, 2013, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting and Deferred Outflows of Resources, Deferred inflows of Resources, and Net Position.*

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 on pages 4-9 and 34-36 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 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 management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Irrigon, Oregon's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2013, on our consideration of the City of Irrigon, Oregon's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Irrigon, Oregon's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated October 9, 2013, on our consideration of City of Irrigon'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.

SEYDEL, LEWIS, POE, MOELLER & GUNDERSON, LLC Certified Public Accountants

Michael R. Poe, CPA Owner/Member

La Grande, Oregon October 9, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS



Management's Discussion and Analysis

Our discussion and analysis of City of Irrigon's financial performance provides an overview of the city's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the city's financial statements, which begin on page 10.

Financial Highlights

- Net position from governmental activities increased \$70,199 or approximately 2%
- Net position from business-type activities increased \$1,176,726 or approximately 17%

Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Using This Annual Report

This annual report consists of a series of financial statements. The government-wide financial statements start on page 10 and are designed to provide readers with a broad overview of the city's finances in a manner similar to a private-sector business. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when related cash flows take place. On an accrual basis, revenue from property taxes are recognized in the fiscal year for which the taxes are levied and revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. The statement of net position presents financial information on all of the city's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. Over time increases or decreases in net position may serve as a useful indicator of whether the financial position of the city is improving or deteriorating. The statement of activities presents information showing how the city's net position has changed in the fiscal year. All changes are reported as soon as the underlying event giving rise to the event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods such as uncollected taxes and earned but unused vacation leave.

The city, like other states and governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide information about the city's individual funds. A fund is a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances that are separate for the purpose of carrying on specific activities or attaining certain objectives.

The City of Irrigon uses two types of funds- Governmental Funds and Proprietary Funds. Governmental Funds are used to account for the general operations of a government. Proprietary Funds are used to account for the business-type operations of a government such as the water and sewer funds.

The City as a Whole

The City's total assets exceeded total liabilities by \$11,314,381 at the end of the 2012-2013 fiscal year. This is a increase of \$1,246,925 or approximately 12% from the previous fiscal year's amount of \$10,067,456 as demonstrated in the table below comparing net position between fiscal year 2012-2013 and fiscal year 2011-2012.

Statement of Net Position

		Governmental Activities		Business-T	ype Activities	Total A	<u>ctivities</u>
Restricted Cash and Cash Equivalents 3.0,445 16.616 152,728 101,443 183,173 118,059 Account Receivables 6,186 6,175 3,480 1,014 9,666 7,729 Total Current Assets 376,032 280,512 764,480 687,985 1,140,512 968,497 Capital Assets 376,032 280,512 764,480 687,985 1,140,512 968,497 Construction in Progress - - 2,433,925 179,309 2,433,925 179,309 Land 91,882 91,882 57,782 57,782 149,664 149,664 Infrastructure 2,473,974 2,512,030 - - 2,473,974 2,512,030 Water System - - 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,739,514	<u>Assets</u>	2012-2013 2011-2012		2012-2013	2011-2012	2012-2013	2010-2011
Account Receivables 30,445 16,616 152,728 101,443 183,173 118,059 Property Tax Receivables 6,186 6,715 3,480 1,014 9,666 7,729 Total Current Assets 376,032 280,512 764,480 687,985 1,140,512 968,497 Capital Assets - 2,433,925 179,309 2,433,925 179,309 Land 91,882 91,882 57,782 179,209 2,433,925 149,664 Infrastructure 2,473,974 2,512,030 - 2,473,914 2,512,030 Water System - - 4,723,645 4,739,514 4,723,645 4,739,514 Sewer System - - 7,082,189 7,261,761 7,082,189 7,261,761 7,082,189 7,261,761 7,082,189 7,261,761 7,082,189 7,261,761 7,082,189 7,261,761 7,082,189 7,261,761 7,082,189 7,261,761 7,082,189 7,261,761 7,037,261 7,037,261 7,037,261 1,092,189 7,261,761 <td>Unrestricted Cash and Cash Equivalents</td> <td>\$ 339,401</td> <td>\$ 257,181</td> <td>\$ 385,362</td> <td>\$ 306,033</td> <td>\$ 724,763</td> <td>\$ 563,214</td>	Unrestricted Cash and Cash Equivalents	\$ 339,401	\$ 257,181	\$ 385,362	\$ 306,033	\$ 724,763	\$ 563,214
Property Tax Receivables 6,186 6,715 3,480 1,014 9,666 7,729 Total Current Assets 376,032 280,512 764,480 687,985 1,140,512 968,497 Capital Assets - 2,433,925 179,309 2,433,925 179,309 Land 91,882 91,882 57,782 149,664 149,664 Infrastructure 2,473,974 2,512,030 - 2,473,974 2,512,030 Water System - - 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,733,641 1,037,722 1,053,462 1,048,602 1,048,722 1,053,462 1,048,602 1,048,	Restricted Cash and Cash Equivalents	-	-	222,910	279,495	222,910	279,495
Total Current Assets 376,032 280,512 764,480 687,985 1,140,512 968,497 Capital Assets - - 2,433,925 179,309 2,433,925 179,309 Land 91,882 91,882 57,782 57,782 149,664 149,664 Infrastructure 2,473,974 2,512,030 - - 2,473,974 2,512,030 Water System - - 4,723,645 4,739,514 4,723,645 4,739,514 7,261,761 7,082,189 7,261,761 7,082,189 7,261,761 7,082,189 7,261,761 7,082,189 7,261,761 7,082,189 7,261,761 7,082,189 7,261,761 7,082,189 7,261,761 7,082,189 7,261,761 7,082,189 7,261,761 7,082,189 7,261,761 7,082,189 7,261,761 7,082,189 7,261,761 7,082,189 7,261,761 7,082,189 7,261,761 7,082,189 7,261,761 7,082,189 7,261,761 7,082,189 7,261,761 7,261,761 1,037,752 1,053,612 1,053,612 1,053,61	Account Receivables	30,445	16,616	152,728	101,443	183,173	118,059
Capital Assets - 2,433,925 179,309 2,433,925 179,309 2,433,925 179,309 2,433,925 179,309 2,433,925 179,309 2,433,925 179,309 2,433,925 179,309 2,433,925 179,309 2,433,925 179,309 2,433,974 2,512,030 - - 2,473,974 2,512,030 - - 2,473,974 2,512,030 - - 2,473,974 2,512,030 - - 2,473,974 2,512,030 - - 2,473,974 2,512,030 - - 2,473,974 2,512,030 - - 2,473,974 2,512,030 - - 2,473,974 2,512,030 - - 2,473,974 2,512,030 - - 2,473,974 2,512,030 - - 2,473,974 2,512,030 - - 2,473,974 2,512,030 - 2,473,514 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,739,514 4,723,645 4,7	Property Tax Receivables	6,186	6,715	3,480	1,014	9,666	7,729
Construction in Progress - - 2,433,925 179,309 2,433,925 179,309 Land 91,882 91,882 57,782 57,782 149,664 149,664 Infrastructure 2,473,974 2,512,030 - - 2,473,974 2,512,030 Water System - - 4,723,645 4,739,514 4,723,645 4,739,514 6,739,615 4,739,514 6,739,615 1,037,752 1,053,462 1,037,752 1,053,462 1,037,752 1,053,462 1,037,752 1,053,462 1,037,752 1,053,462 1,037,752 1,053,462 1,037,752 1,053,462 1,037,752 1,053,462 1,037,752 1,053,462 1,037,752 1,053,462 1,037,752 1,053,462 1,037,752 1,053,462 1,037,752 1,053,462 1,037,752 1,053,462 1,037,752 1,053,462 1,037,602 1,037,602 1,037,602 1,037,602 1,037,602 1,037,602 1,037,602 1,037,602 1,037,602 1,037,602 1,037,602 1,037,602 1,037,602 1,037,602	Total Current Assets	376,032	280,512	764,480	687,985	1,140,512	968,497
Land Infrastructure 91,882 (2,473,974) 91,882 (2,512,030) 57,782 (2,473,974) 149,664 (2,512,030) 149,664 (2,512,030) 149,664 (3,739,514) 149,664 (2,512,030) 149,664 (3,739,514) 149,664 (3,739,514) 149,664 (4,739,514) 149,664 (4,739,514) 149,664 (4,739,514) 149,665 (4,739,514) 4,723,645 (4,739,514) 4,723,645 (4,739,514) 4,739,514 (4,739,514) 4,733,615 (4,79) 1,601,612 (4,79) 1,601,612 (4,79) 1,601,612 (4,79) 1,601,612 (4,79) 1,601,612 (4,79) 1,601,612 (4,79) 1,602,613 (4,79) 1,602,613 (4,79) 1,602,613 (4,79) <t< td=""><td>Capital Assets</td><td></td><td></td><td></td><td></td><td></td><td></td></t<>	Capital Assets						
Infrastructure	Construction in Progress	-	-	2,433,925	179,309	2,433,925	179,309
Water System - - 4,723,645 4,739,514 4,723,645 4,739,514 Sewer System - - 7,082,189 7,261,761 7,082,189 7,261,761 Buildings 430,233 436,842 607,519 616,620 1,037,752 1,053,462 Equipment 66,592 34,288 140,978 95,104 207,570 129,392 Total Capital Assets 3,062,681 3,075,042 15,810,518 13,638,075 19,249,231 16,925,132 Total Assets 3,438,713 3,355,554 15,810,518 13,638,075 19,249,231 16,993,629 Liabilities Account Payables 37,611 11,018 141,960 18,017 179,571 29,035 Deferred Revenue - - 1,579 1,909 1,579 1,909 Customer Deposits - - 23,637 21,359 23,637 21,359 Accrued Compensated Absences 77,640 91,273 - - 77,640 91,2	Land	91,882	91,882	57,782	57,782	149,664	149,664
Sewer System - - 7,082,189 7,261,761 7,082,189 7,261,761 Buildings 430,233 436,842 607,519 616,620 1,037,752 1,053,462 Equipment 66,592 34,288 140,978 95,104 207,570 129,392 Total Assets 3,062,681 3,075,042 15,046,038 12,950,090 18,108,719 16,025,132 Liabilities Current Liabilities: Account Payables 37,611 11,018 141,960 18,017 179,571 29,035 Deferred Revenue - - 1,579 1,909 1,579 1,909 Customer Deposits - - 23,637 21,359 23,637 21,359 Accrued Compensated Absences 77,640 91,273 - - 77,640 91,273 Accrued Interest Payable - - 130,762 114,489 130,762 114,489 Loans Payable within one year - - 149,615	Infrastructure	2,473,974	2,512,030	-	-	2,473,974	2,512,030
Buildings 430,233 436,842 607,519 616,620 1,037,752 1,053,462 Equipment 66,592 34,288 140,978 95,104 207,570 129,392 Total Capital Assets 3,062,681 3,075,042 15,046,038 12,950,090 18,108,719 16,025,132 Total Assets 3,438,713 3,355,554 15,810,518 13,638,075 19,249,231 16,993,629 Liabilities Current Liabilities Account Payables 37,611 11,018 141,960 18,017 179,571 29,035 Deferred Revenue - - 1,579 1,909 1,579 1,909 Customer Deposits - - 2,3637 21,359 23,637 21,359 Accrued Compensated Absences 77,640 91,273 - - 77,640 91,273 Accrued Interest Payable - - 130,762 114,489 130,762 114,489 Loans Payable within one year - -	Water System	-	-	4,723,645	4,739,514	4,723,645	4,739,514
Equipment 66,592 34,288 140,978 95,104 207,570 129,392 Total Capital Assets 3,062,681 3,075,042 15,046,038 12,950,090 18,108,719 16,025,132 Total Assets 3,438,713 3,355,554 15,810,518 13,638,075 19,249,231 16,993,629 Current Liabilities: Account Payables 37,611 11,018 141,960 18,017 179,571 29,035 Deferred Revenue - - 1,579 1,909 1,579 1,909 Customer Deposits - - 23,637 21,359 23,637 21,359 Accrued Compensated Absences 77,640 91,273 - - 77,640 91,273 Accrued Interest Payable - - 130,762 114,489 130,762 114,489 Loans Payable within one year - - 149,615 128,679 149,615 128,679 Total Current Liabilities 115,251 102,291 447,553 284,453 562,804<	Sewer System	-	-	7,082,189	7,261,761	7,082,189	7,261,761
Total Capital Assets 3,062,681 3,075,042 15,046,038 12,950,090 18,108,719 16,025,132 Liabilities Current Liabilities: Account Payables 37,611 11,018 141,960 18,017 179,571 29,035 Deferred Revenue - - 1,579 1,909 1,579 1,909 Customer Deposits - - 23,637 21,359 23,637 21,359 Accrued Compensated Absences 77,640 91,273 - - 77,640 91,273 Accrued Interest Payable - - 130,762 114,489 130,762 114,489 Loans Payable within one year - - 149,615 128,679 149,615 128,679 Total Current Liabilities 115,251 102,291 447,553 284,453 562,804 386,744 Long-term Liabilities 115,251 102,291 7,372,046 6,539,429 7,372,046 6,539,429 Total Liabilities 115,251 102,291 <t< td=""><td>Buildings</td><td>430,233</td><td>436,842</td><td>607,519</td><td>616,620</td><td>1,037,752</td><td>1,053,462</td></t<>	Buildings	430,233	436,842	607,519	616,620	1,037,752	1,053,462
Total Assets 3,438,713 3,355,554 15,810,518 13,638,075 19,249,231 16,993,629 Liabilities: Current Liabilities: Account Payables 37,611 11,018 141,960 18,017 179,571 29,035 Deferred Revenue - - 1,579 1,909 1,579 1,909 Customer Deposits - - 23,637 21,359 23,637 21,359 Accrued Compensated Absences 77,640 91,273 - - 77,640 91,273 Accrued Interest Payable - - 130,762 114,489 130,762 114,489 Loans Payable within one year - - 149,615 128,679 149,615 128,679 Total Current Liabilities 115,251 102,291 447,553 284,453 562,804 386,744 Long-term Liabilities: 1 102,291 7,819,599 6,823,882 7,934,850 6,926,173 Net Position 115,251 102,291 7,819,599 6,823,8	Equipment	66,592	34,288	140,978	95,104	207,570	129,392
Liabilities Current Liabilities: Account Payables 37,611 11,018 141,960 18,017 179,571 29,035 Deferred Revenue - - 1,579 1,909 1,579 1,909 Customer Deposits - - 23,637 21,359 23,637 21,359 Accrued Compensated Absences 77,640 91,273 - - 77,640 91,273 Accrued Interest Payable - - 130,762 114,489 130,762 114,489 Loans Payable within one year - - 149,615 128,679 149,615 128,679 Total Current Liabilities 115,251 102,291 447,553 284,453 562,804 386,744 Long-term Liabilities - - 7,372,046 6,539,429 7,372,046 6,539,429 Total Liabilites 115,251 102,291 7,819,599 6,823,882 7,934,850 6,926,173 Net Position - - 7,372,046 6,539,429 7,37	Total Capital Assets	3,062,681	3,075,042	15,046,038	12,950,090	18,108,719	16,025,132
Current Liabilities: Account Payables 37,611 11,018 141,960 18,017 179,571 29,035 Deferred Revenue - - 1,579 1,909 1,579 1,909 Customer Deposits - - 23,637 21,359 23,637 21,359 Accrued Compensated Absences 77,640 91,273 - - 77,640 91,273 Accrued Interest Payable - - 130,762 114,489 130,762 114,489 Loans Payable within one year - - 149,615 128,679 149,615 128,679 Total Current Liabilities 115,251 102,291 447,553 284,453 562,804 386,744 Long-term Liabilities: Loans Payable after one year - - 7,372,046 6,539,429 7,372,046 6,539,429 Total Liabilities 115,251 102,291 7,819,599 6,823,882 7,934,850 6,926,173 Net Position Net Investment in Capital Assets 3,062,681	Total Assets	3,438,713	3,355,554	15,810,518	13,638,075	19,249,231	16,993,629
Account Payables 37,611 11,018 141,960 18,017 179,571 29,035 Deferred Revenue - - 1,579 1,909 1,579 1,909 Customer Deposits - - - 23,637 21,359 23,637 21,359 Accrued Compensated Absences 77,640 91,273 - - 77,640 91,273 Accrued Interest Payable - - 130,762 114,489 130,762 114,489 Loans Payable within one year - - 149,615 128,679 149,615 128,679 Total Current Liabilities 115,251 102,291 447,553 284,453 562,804 386,744 Long-term Liabilities: 1 102,291 7,372,046 6,539,429 7,372,046 6,539,429 7,372,046 6,539,429 7,372,046 6,539,429 7,372,046 6,926,173 Net Position 1 115,251 102,291 7,819,599 6,823,882 7,934,850 6,926,173 Net Investment in Cap	<u>Liabilities</u>						
Deferred Revenue - - 1,579 1,909 1,579 1,909 Customer Deposits - - - 23,637 21,359 23,637 21,359 Accrued Compensated Absences 77,640 91,273 - - 77,640 91,273 Accrued Interest Payable - - 130,762 114,489 130,762 114,489 Loans Payable within one year - - 149,615 128,679 149,615 128,679 Total Current Liabilities 115,251 102,291 447,553 284,453 562,804 386,744 Long-term Liabilities: - - 7,372,046 6,539,429 7,372,046 6,539,429 7,372,046 6,539,429 7,372,046 6,539,429 7,934,850 6,926,173 Net Position - - 7,819,599 6,823,882 7,934,850 6,926,173 Net Investment in Capital Assets 3,062,681 3,075,042 7,524,377 6,281,982 10,587,058 9,357,024 Restricted for Debt Servi	Current Liabilities:						
Customer Deposits - - 23,637 21,359 23,637 21,359 Accrued Compensated Absences 77,640 91,273 - - 77,640 91,273 Accrued Interest Payable - - 130,762 114,489 130,762 114,489 Loans Payable within one year - - 149,615 128,679 149,615 128,679 Total Current Liabilities 115,251 102,291 447,553 284,453 562,804 386,744 Long-term Liabilities: Loans Payable after one year - - 7,372,046 6,539,429 7,372,046 6,539,429 Total Liabilities 115,251 102,291 7,819,599 6,823,882 7,934,850 6,926,173 Net Position Net Investment in Capital Assets 3,062,681 3,075,042 7,524,377 6,281,982 10,587,058 9,357,024 Restricted for Debt Service - - 35,162 137,695 35,162 137,695 Restricted for System Replacement - - 167,179	Account Payables	37,611	11,018	141,960	18,017	179,571	29,035
Accrued Compensated Absences 77,640 91,273 - - 77,640 91,273 Accrued Interest Payable - - 130,762 114,489 130,762 114,489 Loans Payable within one year - - 149,615 128,679 149,615 128,679 Total Current Liabilities 115,251 102,291 447,553 284,453 562,804 386,744 Long-term Liabilities: - - 7,372,046 6,539,429 7,372,046 6,539,429 Total Liabilities 115,251 102,291 7,819,599 6,823,882 7,934,850 6,926,173 Net Position Net Investment in Capital Assets 3,062,681 3,075,042 7,524,377 6,281,982 10,587,058 9,357,024 Restricted for Debt Service - - 35,162 137,695 35,162 137,695 Restricted for System Replacement - - 167,179 193,200 167,179 193,200 Streets and Public Works 69,290 63,057 - -	Deferred Revenue	-	-	1,579	1,909	1,579	1,909
Accrued Interest Payable - - 130,762 114,489 130,762 114,489 Loans Payable within one year - - - 149,615 128,679 149,615 128,679 Total Current Liabilities 115,251 102,291 447,553 284,453 562,804 386,744 Loans Payable after one year - - - 7,372,046 6,539,429 7,372,046 6,539,429 Total Liabilities 115,251 102,291 7,819,599 6,823,882 7,934,850 6,926,173 Net Position Net Investment in Capital Assets 3,062,681 3,075,042 7,524,377 6,281,982 10,587,058 9,357,024 Restricted for Debt Service - - 35,162 137,695 35,162 137,695 Restricted for System Replacement - - 167,179 193,200 167,179 193,200 Streets and Public Works 69,290 63,057 - - 69,290 63,057 Unrestricted 191,491 115,164 26	Customer Deposits	-	-	23,637	21,359	23,637	21,359
Loans Payable within one year - - 149,615 128,679 149,615 128,679 Total Current Liabilities 115,251 102,291 447,553 284,453 562,804 386,744 Long-term Liabilities: - - - 7,372,046 6,539,429 7,372,046 6,539,429 Total Liabilites 115,251 102,291 7,819,599 6,823,882 7,934,850 6,926,173 Net Position Net Investment in Capital Assets 3,062,681 3,075,042 7,524,377 6,281,982 10,587,058 9,357,024 Restricted for Debt Service - - 35,162 137,695 35,162 137,695 Restricted for System Replacement - - 167,179 193,200 167,179 193,200 Streets and Public Works 69,290 63,057 - - 69,290 63,057 Unrestricted 191,491 115,164 264,201 201,316 455,692 316,480	Accrued Compensated Absences	77,640	91,273	-	-	77,640	91,273
Total Current Liabilities 115,251 102,291 447,553 284,453 562,804 386,744 Long-term Liabilities: Loans Payable after one year - - 7,372,046 6,539,429 7,372,046 6,539,429 Total Liabilites 115,251 102,291 7,819,599 6,823,882 7,934,850 6,926,173 Net Position Net Investment in Capital Assets 3,062,681 3,075,042 7,524,377 6,281,982 10,587,058 9,357,024 Restricted for Debt Service - - 35,162 137,695 35,162 137,695 Restricted for System Replacement - - 167,179 193,200 167,179 193,200 Streets and Public Works 69,290 63,057 - - 69,290 63,057 Unrestricted 191,491 115,164 264,201 201,316 455,692 316,480	Accrued Interest Payable	-	-	130,762	114,489	130,762	114,489
Long-term Liabilities: Loans Payable after one year - - 7,372,046 6,539,429 7,372,046 6,539,429 Total Liabilites 115,251 102,291 7,819,599 6,823,882 7,934,850 6,926,173 Net Position Net Investment in Capital Assets 3,062,681 3,075,042 7,524,377 6,281,982 10,587,058 9,357,024 Restricted for Debt Service - - 35,162 137,695 35,162 137,695 Restricted for System Replacement - - 167,179 193,200 167,179 193,200 Streets and Public Works 69,290 63,057 - - 69,290 63,057 Unrestricted 191,491 115,164 264,201 201,316 455,692 316,480	Loans Payable within one year			149,615	128,679	149,615	128,679
Loans Payable after one year7,372,0466,539,4297,372,0466,539,429Total Liabilities115,251102,2917,819,5996,823,8827,934,8506,926,173Net PositionNet Investment in Capital Assets3,062,6813,075,0427,524,3776,281,98210,587,0589,357,024Restricted for Debt Service35,162137,69535,162137,695Restricted for System Replacement167,179193,200167,179193,200Streets and Public Works69,29063,05769,29063,057Unrestricted191,491115,164264,201201,316455,692316,480	Total Current Liabilities	115,251	102,291	447,553	284,453	562,804	386,744
Total Liabilities 115,251 102,291 7,819,599 6,823,882 7,934,850 6,926,173 Net Position Net Investment in Capital Assets 3,062,681 3,075,042 7,524,377 6,281,982 10,587,058 9,357,024 Restricted for Debt Service - - 35,162 137,695 35,162 137,695 Restricted for System Replacement - - 167,179 193,200 167,179 193,200 Streets and Public Works 69,290 63,057 - - 69,290 63,057 Unrestricted 191,491 115,164 264,201 201,316 455,692 316,480	Long-term Liabilities:						
Net Position Net Investment in Capital Assets 3,062,681 3,075,042 7,524,377 6,281,982 10,587,058 9,357,024 Restricted for Debt Service - - 35,162 137,695 35,162 137,695 Restricted for System Replacement - - - 167,179 193,200 167,179 193,200 Streets and Public Works 69,290 63,057 - - 69,290 63,057 Unrestricted 191,491 115,164 264,201 201,316 455,692 316,480	Loans Payable after one year			7,372,046	6,539,429	7,372,046	6,539,429
Net Investment in Capital Assets 3,062,681 3,075,042 7,524,377 6,281,982 10,587,058 9,357,024 Restricted for Debt Service - - 35,162 137,695 35,162 137,695 Restricted for System Replacement - - - 167,179 193,200 167,179 193,200 Streets and Public Works 69,290 63,057 - - 69,290 63,057 Unrestricted 191,491 115,164 264,201 201,316 455,692 316,480	Total Liabilites	115,251	102,291	7,819,599	6,823,882	7,934,850	6,926,173
Restricted for Debt Service - - 35,162 137,695 35,162 137,695 Restricted for System Replacement - - 167,179 193,200 167,179 193,200 Streets and Public Works 69,290 63,057 - - 69,290 63,057 Unrestricted 191,491 115,164 264,201 201,316 455,692 316,480	Net Position						
Restricted for System Replacement - - 167,179 193,200 167,179 193,200 Streets and Public Works 69,290 63,057 - - - 69,290 63,057 Unrestricted 191,491 115,164 264,201 201,316 455,692 316,480	Net Investment in Capital Assets	3,062,681	3,075,042	7,524,377	6,281,982	10,587,058	9,357,024
Streets and Public Works 69,290 63,057 - - 69,290 63,057 Unrestricted 191,491 115,164 264,201 201,316 455,692 316,480	Restricted for Debt Service	-	-	35,162	137,695	35,162	137,695
Unrestricted 191,491 115,164 264,201 201,316 455,692 316,480	Restricted for System Replacement	-	-	167,179	193,200	167,179	193,200
	Streets and Public Works	69,290	63,057	-	-	69,290	63,057
Total Net Position \$ 3,323,462 \$ 3,253,263 \$ 7,990,919 \$ 6,814,193 \$11,314,381 \$10,067,456	Unrestricted	191,491			201,316		316,480
	Total Net Position	\$ 3,323,462	\$ 3,253,263	\$ 7,990,919	\$ 6,814,193	\$ 11,314,381	\$10,067,456

The City's total assets increased \$2,255,602 and liabilities increased \$1,008,677 which resulted in the \$1,246,925 or approximately 12% increase in net position. Current assets increased \$172,015. Current Assets are assets that are expected to either be converted to cash or used to pay current liabilities within 12 months.

Capital assets are depreciated over their estimated useful lives using the straight line method. The total amount of the capital asset depreciation for the fiscal year was \$356,190. Grant proceeds in the amount of \$1,206,548 and \$982,231 borrowed for construction on converting the city's sewer system from the old residential septic/sewer hybrid systems to the more conventional sewer system at the cost of \$2,254,616. All of these different occurrences attributed to the increase of total net position.

Governmental Activities

Net position of the city's governmental activities increased \$70,199, approximately 2%. The statements of activities for governmental activities will give a better understanding of how this came to be. The table below is included for reference and comparison between the current period and the previous period.

Statement of Activities Summary Governmental Activities for the years ended June 30, 2013 and 2012

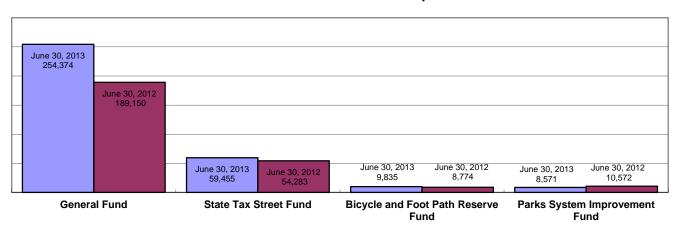
Revenues	2012-2013		2011-2012		Difference
Property Tax Collection	\$	167,736	\$	165,503	\$ 2,233
Franchise Fees		62,699		62,097	602
Pet Licenses		980		755	225
Intergovernmental		257,349		171,141	86,208
Miscellaneous		5,825		6,751	(926)
SDC Fees		1,000		-	1,000
Grants		1,021		21,150	(20,129)
Transient Room Tax		206		207	(1)
Planning/Zoning/Building Fees		4,929		1,488	3,441
Lease Revenue		14,400		13,200	1,200
Cemetary Contract Services		3,050		1,925	1,125
Interest on Investments		1,811		1,345	466
Total Revenues		521,006		445,562	75,444
Expenses					_
General Government		305,136		316,514	(11,378)
Street Services		151,321		155,305	(3,984)
Total Expenditures		456,457		471,819	(15,362)
Increase (Decrease) in net assets before		_			
transfers and gain on disposal of real property		64,549		(26,257)	90,806
Transfers		5,650		7,439	(1,789)
Net Change in Net Position	\$	70,199	\$	(18,818)	\$ 89,017

The City's Revenue in Governmental Activities was \$521,006 with expenditures of \$456,457 and a transfer in of \$5,650 which resulted in the increase of net position. The table above is included for reference and comparison between the current and previous period. The city received less in grant resources then the year before. The grants received were \$20,129 less the prior period. The amount received from intergovernmental entities increased \$86,208. Included in this is \$100,000 received from the Oregon Trail Library District for the construction of a parking lot on the corner of Division Street and Main Avenue. Previously Morrow County chose to distribute a portion of their road tax to the cities within the county, but this practice has been discontinued. In the prior period the city received \$22,140 from the county for use on city streets.

Overall expenditures for the city's Governmental Activities decreased approximately 3% from the previous fiscal year. The General government expenditures increased 2% and street service expenditures decreased 3%.

The Governmental Funds Balance Comparison Graph presented below is based on the fund financial statements on pages 12 thru 15. This graph compares the fund balances as of June 30, 2013 to the fund balances as of June 30, 2012.

Governmental Funds Balances Comparisons



The General fund balance increased \$65,224 or approximately 34% from the previous year. The State Tax Street Fund balance increased \$5,172 or approximately 10%. The Bicycle and Foot Path Reserve Fund balance increased \$1,061 or approximately 12%. The Park System Improvement Fund balance decreased \$2,001 or approximately 19% from the previous year.

Business-Type Activities

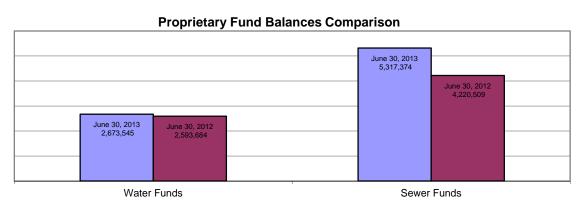
Net assets for business-type activities increased \$1,176,726 approximately 17%. The statements of activities for the business-type activities will give a better understanding of how this came to be. The table below is included for reference and comparison between the current period and the previous period.

Statement of Activities Summary Business Type Activities for the years ended June 30, 2013 and 2012

Revenues		2012-2013		2011-2012	Difference
Charges for Services	\$	1,074,567	\$	1,009,321	\$ 65,246
Grant		1,208,651		-	1,208,651
Property Taxes		176,227		27,245	148,982
Miscellaneous		2,082		11,477	(9,395)
Interest on Investments		3,813		3,124	689
Total Revenue		2,465,340		1,051,167	1,414,173
Expenses					
Water		508,423		476,656	31,767
Sewer		774,541		714,845	59,696
Total Expenses		1,282,964		1,191,501	91,463
Increase (decrease) in net assets before transfers					
and gain on disposal of real property		1,182,376		(140,334)	1,322,710
Loss on sale of real property		-		(23,028)	23,028
Transfers (out)		(5,650)		(7,439)	1,789
Change in Net Position	_	1,176,726		(170,801)	1,347,527

The proprietary activity revenue for the fiscal year was \$2,465,340; expenses were \$1,282,964 and transfers out were \$5,650 resulting in net position increasing \$1,176,726. The city has experienced an increase in revenues from the proprietary funds of \$1,414,173. The reasons being that in the period being reported the city received \$1,208,651 in grant proceeds versus none in the prior period, revenue from charges for services increased \$65,246, and revenue from property taxes levied increased \$148,982.

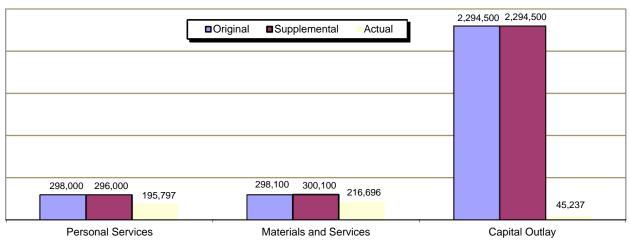
The expenses from the proprietary activities totaled \$1,282,964, an increase of \$91,463 from the prior year. All expenses increased. Personnel services increased \$57,237 due to cost increases in employment taxes and employee benefits, and changing city managers; materials and services increased \$25,842 and interest on debt increased \$12,888.



The Proprietary Funds Balance Comparison Graph presented above compares the fund balances as of June 30, 2013 to the fund balances as of June 30, 2012 for the water funds and the sewer funds. The water fund balances increased \$79,861 from the previous year's total water fund balances. The sewer fund balances increased \$1,096,865 from the previous year.

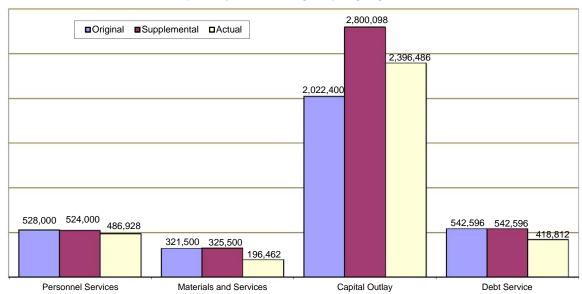
Budgetary Highlights





The governmental funds expenditures for the fiscal year were below the appropriations approved by the city council. Personnel Service expenditures were \$100,203 below budgeted amount allowing for the pay out of all accrued employee leave, materials and services were \$83,404 below budget amount and Capital Outlay was \$2,249,263 below budgeted amount. The reason why the capital outlay is so far below budget is that the local improvement district for street improvements did not get approval and the amount budgeted for the project was \$2,000,000.

Proprietary Funds Budgetary Highlights



The proprietary funds total expenditures for the fiscal year were below the total appropriations approved by the city council. Personnel Services expenditures were \$37,072 below the budgeted amount, materials and services were \$129,038 below the budget amount, Capital Outlay was \$403,612 below the budgeted amount and debt service was \$123,784 below the budgeted amount. Even though total expenditures for debt service did not exceed the total overall amount appropriated, the debt service expenditures in just the Water Debt Service Fund did exceed the amount appropriated by \$3,302 for that fund. This budget appropriation violation is due to a mistake while preparing the budget and a different amount being budgeted for then the actual debt service repayment amount.

Debt Covenants

The Water Fund and Sewer Fund are required by the Rural Utilities Services (RUS) and the Department of Environmental Quality to restrict money for the purpose of paying the cost of repairing or replacing any damage to the facility which may be caused by any unforeseen catastrophe and for the purpose of making payments of principal and interest on the bonds if no other funds are available. For Water Bonds issued in 2009, the city is required to reserve \$11,400 annually in a depreciation reserve and \$53,000 annually in a reserve for undersize waterline replacement starting in the fiscal year ending June 30, 2010. At year end the Water Fund should have had \$200,896 in reserves but was short \$3,148. The Sewer Fund is required to increase its restriction by \$3,146 each year until the restriction reaches \$31,452. At year end the City reported \$25,162 of restricted net position in the Sewer Fund. The sewer fund had no problem complying with this restriction.

Approved Loan Agreement

The city has entered into a loan agreement with the State of Oregon in the amount of \$496,998 for converting septic effluent systems to a conventional gravity sewer system. The loan has a 2.98% interest rate, a maximum term life of 25 years and is secured by the City's net operating revenue. Of the \$496,998 approved, \$340,033 of the loan proceeds had been drawn as of June 30, 2013, with the remaining to be drawn soon after. Amortization of the loan will be calculated when all funds have been drawn.

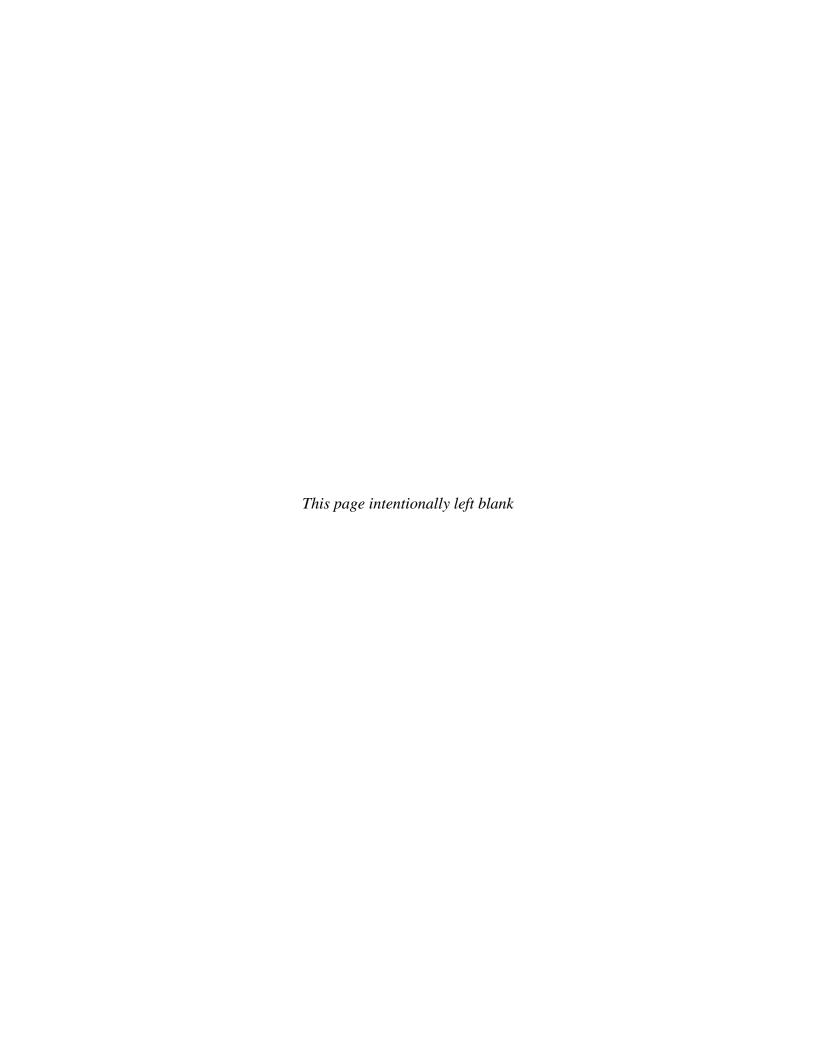
Economic Factors and Next Year's Budget and Rates

Total Budget Authority for the 2013-2014 fiscal year is \$7,240,465. This is a decrease of \$694,433 from the budget authority of \$7,934,798 from the 2012-2013 budget year.

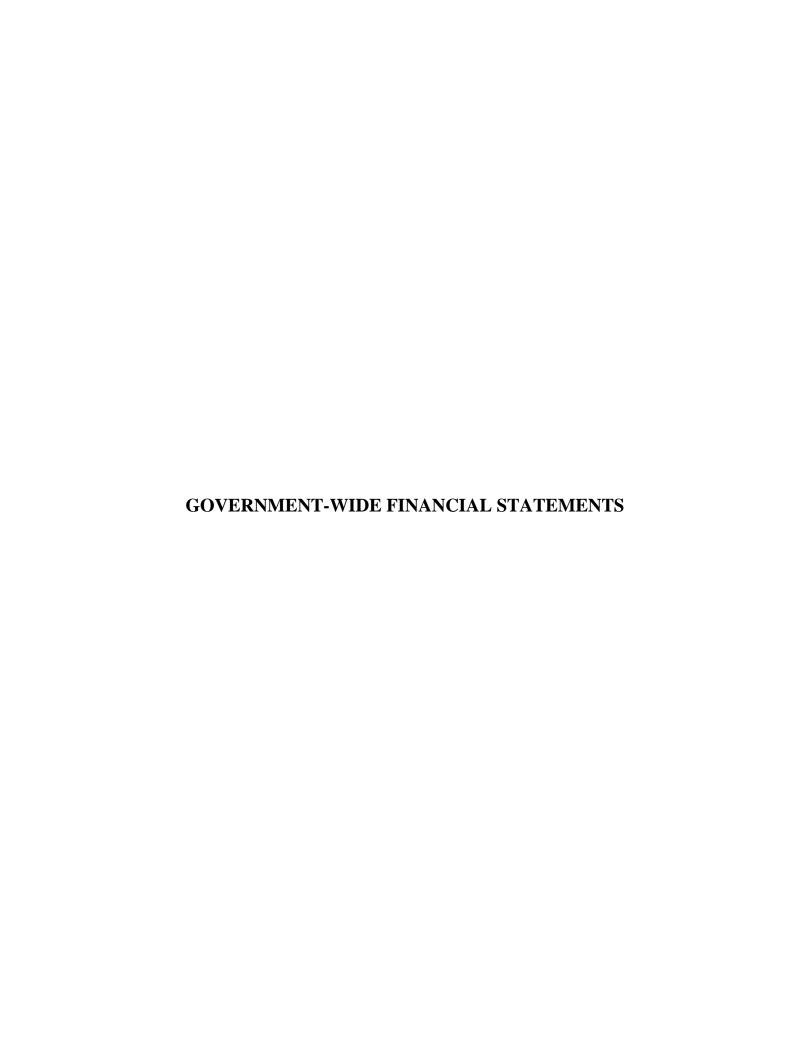
The City's permanent governmental tax rate is \$3.6782 per \$1,000 assessed value. The permanent tax rate is expected to raise an estimated \$167,500, allowing for uncollected tax payments and discounts for early payment. The voters have approved general obligation bonds for both water and sewer which allows the city to levy taxes to make the annual payments on the bond. The annual payments total \$241,770, but the city has never imposed the full amount. The city has continued with a lesser tax on property to cover necessary payments on the bonded debt of approximately \$3.7153 per \$1,000 of assessed value. The property tax levy of \$3.7153 per \$1,000 assessed value is estimated to generate approximately \$136,817.

Requests for Information

This financial report is to provide a general overview of the City's finances and to show the City's accountability for the money it receives to all those with an interest in the government's finances. Questions in regards to this report or requests for additional financial information should be directed to the following address: City of Irrigon PO Box 428 Irrigon, OR 97844







CITY OF IRRIGON, OREGON Statement of Net Position June 30, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 339,401	\$ 385,362	\$ 724,763
Taxes receivable	6,186	3,480	9,666
Accounts receivable	30,445	152,728	183,173
Restricted cash	-	222,910	222,910
Capital assets:			
Nondepreciable			
Land	91,882	57,782	149,664
Construction in progress	-	2,433,925	2,433,925
Depreciable			
Improvements	-	14,338,362	14,338,362
Buildings	470,694	664,912	1,135,606
Equipment	140,847	233,789	374,636
Infrastructure	2,635,354	-	2,635,354
Less: accumulated depreciation	(276,096)	(2,682,732)	(2,958,828)
Total capital assets	3,062,681	15,046,038	18,108,719
Total assets	3,438,713	15,810,518	19,249,231
Deferred outflow of resources			
Liabilities			
Accounts payable	37,611	141,960	179,571
Unearned revenue	-	1,579	1,579
Customer deposits	-	23,637	23,637
Accrued interest payable	-	130,762	130,762
Long-term obligations:		, -	,
Due within one year	77,640	149,615	227,255
Due in more than one year	-	7,372,046	7,372,046
Total liabilities	115,251	7,819,599	7,934,850
Deferred inflow of resources			
Net Position			
Net investment in capital assets Restricted for:	3,062,681	7,524,377	10,587,058
Debt service	-	35,162	35,162
System replacement	-	167,179	167,179
Streets and public works	69,290	- ,	69,290
Unrestricted	191,491	264,201	455,692
Total net position	\$ 3,323,462	\$ 7,990,919	\$ 11,314,381

Statement of Activities

For the Fiscal Year Ended June 30, 2013

									Net Revenue (Expense) and Changes in Net Position																											
Activities	E	Expenses		arges for ervices	C	perating Grants & ntributions	G	Capital rants & tributions																											Business-Type Activities	Total
Primary government:																																				
Governmental activities:																																				
General government	\$	305,136	\$	5,909	\$	149,014	\$	-	\$	(150,213)		\$ (150,213)																								
Streets and public works		151,321		3,050		108,741		-		(39,530)		(39,530)																								
Total governmental activities		456,457		8,959		257,755		-		(189,743)		(189,743)																								
Business-type activities:																																				
Water		508,423		504,281		-		-			\$ (4,142)	(4,142)																								
Sewer		774,541		570,286		-		1,206,548			1,002,293	1,002,293																								
Total business-type activities		1,282,964		1,074,567		-		1,206,548		-	998,151	998,151																								
Total primary government	\$	1,739,421	\$ 1	1,083,526	\$	257,755	\$	1,206,548		(189,743)	998,151	808,408																								
	Ge	neral Reven	ues																																	
	F	Property taxes	S							167,736	176,227	343,963																								
	F	ranchise fee	s							62,699	-	62,699																								
	li	nterest on inv	estm/	ents						1,811	3,813	5,624																								
	Ν	/liscellaneous	3							22,046	4,185	26,231																								
	Tra	ansfers								5,650	(5,650)	-																								
		Total genera	al reve	enues and	trans	fers				259,942	178,575	438,517																								
		Change in	net p	osition						70,199	1,176,726	1,246,925																								
	Ne	t position - be	eginni	ng						3,253,263	6,814,193	10,067,456																								
	Ne	t position - e	nding						\$	3,323,462	\$ 7,990,919	\$11,314,381																								



CITY OF IRRIGON, OREGON Balance Sheet Governmental Funds June 30, 2013

Assets and Deferred Outflows	Genera Fund		;	State Street Fund	Gov	onmajor ernmental Funds	 Total
of Resources Assets: Cash and investments Taxes receivable Accounts receivable	\$	262,892 6,186 21,659	\$	57,814 - 8,786	\$	18,695 - -	\$ 339,401 6,186 30,445
Total assets		290,737		66,600		18,695	 376,032
Deferred outflows of resources:		-		-		-	 -
Total assets and deferred outflows of resources	\$	290,737	\$	66,600	\$	18,695	\$ 376,032
Liabilities, Deferred Inflows of Resources, and Fund Balances Liabilities:							
Accounts payable Unearned revenue Total liabilities	\$	30,177 6,186 36,363	\$	7,145 - 7,145	\$	289 - 289	\$ 37,611 6,186 43,797
Deferred inflows of resources:		-		-		_	-
Fund Balances:							
Restricted		-		59,455		9,835	69,290
Committed		99,427		-		8,571	107,998
Unassigned Total fund balances		154,947 254,374		<u>-</u> 59,455		18,406	 154,947 332,235
		204,314		38,433		10,400	 332,233
Total liabilities, deferred inflows of resources, and fund balances	\$	290,737	\$	66,600	\$	18,695	\$ 376,032

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2013

Total fund balances - governmental funds

332,235

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

Captial assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.

Land	91,882
Buildings	470,694
Equipment	140,847
Infrastructure	2,635,354
Less: accumulated depreciation	(276,096)

3,062,681

Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.

6,186

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:

Compensated absences

(77,640)

Total net position - governmental activities

\$ 3,323,462

Statements of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

For the Fiscal Year Ended June 30, 2013

	General Fund		State Street Fund		Nonmajor Governmental Funds			Total
Revenues	•		•		•		•	
Property taxes	\$	168,265	\$	-	\$	-	\$	168,265
Franchise fees		62,699		-		-		62,699
Licenses and fees		5,909		-		-		5,909
Intergovernmental		149,014		108,741		-		257,755
Interest on investments		1,294		368		149		1,811
Miscellaneous		18,887		4,389		1,820		25,096
Total revenues		406,068		113,498		1,969		521,535
Expenditures Current:								
General government		214,603		-		53,914		268,517
Streets and public works		-		151,321		-		151,321
Capital outlay		37,891		-		-		37,891
Total expenditures		252,494		151,321		53,914		457,729
Excess of revenues over (under) expenditures		153,574		(37,823)		(51,945)		63,806
(under) experialitares		155,574		(37,023)		(31,343)		03,000
Other Financing Sources (Uses)								
Transfers in		8,650		45,000		51,005		104,655
Transfers out		(97,000)		(2,005)		_		(99,005)
Total other financing sources (uses)		(88,350)		42,995		51,005		5,650
Net change in fund balance		65,224		5,172		(940)		69,456
Beginning fund balance		189,150		54,283		19,346		262,779
Ending fund balance	\$	254,374	\$	59,455	\$	18,406	\$	332,235

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2013

Total net change in fund balances - governmental funds	\$ 69,456
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$50,252) exceeds capital outlays and other capitalized expenditures (\$37,891) in the current year.	(12,361)
Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount.	(529)
In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used. Accrued compensated absences (increased) decreased by this amount in the current year.	13,633
Change in net position - governmental activities	\$ 70,199

CITY OF IRRIGON, OREGON Statement of Net Position Proprietary Funds June 30, 2013

	Water Fund	Sewer Fund	Total	
Assets				
Current assets:				
Cash and investments	\$ -	\$ 385,362	\$ 385,362	
Taxes receivable	1,387	2,093	3,480	
Accounts receivable	59,931	92,797	152,728	
Total current assets	61,318	480,252	541,570	
Noncurrent assets:				
Capital assets:				
Land	46,799	10,983	57,782	
Construction in progress	5,400	2,428,525	2,433,925	
Buildings	268,493	396,419	664,912	
Equipment	80,505	153,284	233,789	
Improvements	5,359,692	8,978,670	14,338,362	
Less: Accumulated depreciation	(696,401)	(1,986,331)	(2,682,732)	
Total capital assets	5,064,488	9,981,550	15,046,038	
Restricted cash	197,748	25,162	222,910	
Total noncurrent assets	5,262,236	10,006,712	15,268,948	
Total assets	5,323,554	10,486,964	15,810,518	
Deferred Outflows of Resources	<u> </u>	<u> </u>	<u>-</u>	
Liabilities				
Current liabilities:				
Accounts payable	16,991	124,969	141,960	
Customer deposits	23,637	-	23,637	
Unearned revenue	1,579	-	1,579	
Accrued interest payable	19,852	110,910	130,762	
Current bonds and notes payable	67,211	82,404	149,615	
Total current liabilities	129,270	318,283	447,553	
Noncurrent liabilities:				
Bonds and notes payable	2,520,739	4,851,307	7,372,046	
Total liabilities	2,650,009	5,169,590	7,819,599	
Deferred Inflows of Resources				
Net Position				
Net investment in capital assets	2,476,538	5,047,839	7,524,377	
Restricted for:	10.000	05.400	05.400	
Debt service	10,000	25,162	35,162	
System replacement	167,179	-	167,179	
Unrestricted	19,828	244,373	264,201	
Total net position	\$ 2,673,545	\$ 5,317,374	\$ 7,990,919	

Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds

For the Fiscal Year Ended June 30, 2013

	Water Fund	Sewer Fund	Total	
Operating Revenues Charges for services Miscellaneous Total operating revenues	\$ 504,281	\$ 570,286	\$ 1,074,567	
	2,536	1,649	4,185	
	506,817	571,935	1,078,752	
Operating Expenses Personnel services Materials and services Depreciation Total operating expenses	190,727	296,229	486,956	
	98,023	101,910	199,933	
	114,692	191,246	305,938	
	403,442	589,385	992,827	
Operating income (loss)	103,375	(17,450)	85,925	
Nonoperating Revenues (Expenses) Property taxes Interest on investments Grants Interest expense Total nonoperating revenues (expenses) Income (loss) before transfers	81,863	94,364	176,227	
	1,604	2,209	3,813	
	-	1,206,548	1,206,548	
	(104,981)	(185,156)	(290,137)	
	(21,514)	1,117,965	1,096,451	
	81,861	1,100,515	1,182,376	
Transfers in Transfers out Change in net position	250,429	98,000	348,429	
	(252,429)	(101,650)	(354,079)	
	79,861	1,096,865	1,176,726	
Net position - beginning	2,593,684	4,220,509	6,814,193	
Total net position - ending	\$ 2,673,545	\$ 5,317,374	\$ 7,990,919	

Statement of Cash Flows Propreitary Funds

For the Fiscal Year Ended June 30, 2013

	Water Fund		Sewer Fund		Total Proprietary Funds	
Cash Flows from Operating Activities: Receipts from customers Other miscellaneous reciepts Payments (to) from suppliers Payments to employees Net cash provided (used) by	\$	493,170 2,536 (87,109) (190,727)	\$	565,217 1,649 (94,820) (296,229)	\$	1,058,387 4,185 (181,929) (486,956)
operating activities		217,870		175,817		393,687
Cash Flows from Noncapital Financing Activities:						
Grant income Transfers in (out) Net cash provided (used) by noncapital		(2,000)		1,171,113 (3,650)		1,171,113 (5,650)
financing activities		(2,000)		1,167,463		1,165,463
Cash Flows from Capital and Related Financing Activities:				(<i>(,</i>)
Acquisition and construction of capital assets Loan proceeds		(106,870)		(2,189,077) 982,231		(2,295,947) 982,231
Restricted for loan covenants		(45,949)		102,533		56,584
Customer deposits during the year		2,278		-		2,278
Property taxes		80,476		93,285		173,761
Payments on capital debt Net cash provided (used) by capital and related financing activities		(240,742)		(231,865)		(402,542) (1,483,635)
Cash Flows from Investing Activities:				,		<u>, , , , , , , , , , , , , , , , , , , </u>
Interest and dividends		1,604		2,209		3,813
Net increase (decrease) in cash and investments		(23,268)		102,596		79,328
Beginning cash and investments		23,268		282,766		306,034
Ending cash and investments	\$	-	\$	385,362	\$	385,362
Reconciliation of operating income to net cash provided (used) by operating activities: Operating income (loss) Adjustments to reconcile operating income to	\$	103,375	\$	(17,450)	\$	85,925
net cash provided (used) by operating activities: Depreciation (Increase) decrease in accounts receivable Increase (decrease) in accounts payable Increase (decrease) in unearned revenue		114,692 (10,781) 10,914 (330)		191,246 (5,069) 7,090		305,938 (15,850) 18,004 (330)
Net cash provided (used) by operating activities	\$	217,870	\$	175,817	\$	393,687



CITY OF IRRIGON, OREGON Notes to Basic Financial Statements

Note 1 - Summary of Significant Accounting Policies:

Reporting Entity

The accompanying financial statements present the activities of the City of Irrigon, Oregon. The City of Irrigon, Morrow County, Oregon (the City), was incorporated as a municipal corporation in 1957. The government of the City is vested in a Common Council and a Mayor. The Council members are elected at large for terms of four years. The Mayor is elected by the Council to serve a term of two years. All other officers and employees of the City are appointed by the majority of the Council. The administration of day-to-day City affairs is the responsibility of the City Administrator who serves at the pleasure of the City Council. The City is legally and financially independent of other state and local government units, has the power to levy taxes, is responsible for its debts, and is entitled to any surpluses.

The City has implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.

Basis of Presentation, Basis of Accounting

Government-Wide Financial Statements: The Statement of Net Position and Statement of Activities display information about the primary government (the City). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-accounting of internal activities. These statements distinguish between governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category, governmental and proprietary, are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associates with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund - This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

State Tax Street Fund - This fund accounts for Oregon highway monies, special grants, and other monies required to be spent on streets.

The City reports the following major enterprise funds:

Water Fund - This fund accounts for the operation and maintenance of the water system.

Sewer Fund - This fund accounts for the operation and maintenance of the sewer system.

Notes to Basic Financial Statements

Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: The government-wide and proprietary fund 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 City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, 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.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net resources available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Financial Position

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the City for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2013, based on market prices. The individual fund's portion of the pool's fair value is presented as cash and cash equivalents. Earnings on the pooled funds are apportioned and paid or credited to the funds monthly based on the ending balance of each participating fund.

Cash and Cash Equivalents

The government's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and Pavables

The City shows their receivables net of an allowance for uncollectible accounts.

Grants and other receivables from other government agencies are generally expected to be collectable and, therefore an allowance for uncollectibles is not considered necessary or recorded.

All accounts receivable are expected to be collected within one year.

Property Tax Calendar

Property taxes attach as an enforceable lien on July 1, when they are levied, and until they are paid. Taxes are due in one-third increments on November 15, February 15, and May 15. Unpaid taxes are considered delinquent after November 15.

Notes to Basic Financial Statements

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. Delinquent taxes are considered fully collectible and, therefore, no allowance of uncollectible taxes is provided.

Property tax revenues are accounted for on the accrual basis of accounting in the government-wide statements and are recognized when earned.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. Major capital asset additions are financed primarily from bond proceeds. The normal cost of maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used for assets that have initial useful lives extending beyond a single reporting period.

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

Buildings	80-100 years
Machinery and Equipment	20-30 years
Water and Sewer Systems	40-50 years
Infrastructure	30-40 years

Capitalized Interest

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. \$290,134 of interest was incurred, all of which was charged to expense during the fiscal year ended June 30, 2013.

Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Net Position/Fund Balance Classifications

Government-Wide Statements

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

- a. 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 and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
- b. Restricted net position Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. 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.
- c. Unrestricted net position Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the City's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

Fund Financial Statements

In the governmental funds the difference among assets, deferred outflows, liabilities, and deferred inflows of governmental funds is reported as fund balance and classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint. The constraints are defined as follows:

<u>Nonspendable</u> - Resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

<u>Restricted</u> - Constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributions, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

<u>Committed</u> - Reported when the Council passes an ordinance that places specific constraints on how the resources may be used. The Council can modify or rescind the ordinance at any time through passage of an additional ordinance.

<u>Assigned</u> - Resources that are constrained by the government's intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the Council approves which resources should be "reserved" during the adoption of the annual budget. The City Manager uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City's annual financial report.

<u>Unassigned</u> - The residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed inorder by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

The City has no formal minimum fund balance policies or any formal stabilization arrangements in place.

Fund balances by classification for the year ended June 30, 2013 were as follows:

			tate Tax eet Fund	Nonmajor Governmental Funds			Total Governmental Funds		
Fund balances:									
Restricted:									
Public Works	\$	-	\$	-	\$	9,835	\$	9,835	
Street				59,455				59,455	
Committed:									
Equipment		2,362		-		-		2,362	
Compensated Absences		81,028		-		-		81,028	
Park Improvement		-		-		8,571		8,571	
Building Maintenance		16,037		-		-		16,037	
Unassigned		154,947		-				154,947	
Total fund balances	\$	254,374	\$	59,455	\$	18,406	\$	332,235	

The amount of the primary government's net position at June 30, 2013 that is restricted by enabling legislation totaled \$69,290.

Accounting 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 at the date of the financial statements and the reported amounts of revenues and expenses

during the reported period. Actual results could differ from these estimates. Depreciation Expense, Accumulated Depreciation, Property Taxes Receivable, Allowance for Uncollectible Accounts, and Deferred Revenue accounts have been subject to estimation.

Note 2 - Compliance and Accountability:

Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, Certain Financial Statement Note Disclosures, violations of finance-related legal and contractual provisions, if any, are reported below, along with the actions taken to address such violations.

<u>Violation:</u> The City did not meet the annual reserves required by its debt covenants.

Action Taken: Implemented a general obligation property tax levy and increased water rates.

<u>Violation:</u> The City did not comply with ORS 294.456(6). Expenditures exceeded budgeted appropriations for the year ended June 30, 2013 as follows:

		Over
Fund	Exp	enditure
Water Debt Service Fund - Debt service	\$	3,303

Action Taken: Budget to actual reports will be monitored monthly.

Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances at year end, along with remarks which address such deficits:

Fund Name	Deficit Amount		Remarks			
Water Connection Fees Fund	\$	523	Revenues were less than expected			

Note 3 - Deposits and Investments:

Deposits and Investments are comprised of the following at June 30, 2013:

	Carı	Carrying Value		F	air Value
Deposits with financial institutions	\$	425,842		\$	425,842
Investments with State of Oregon Local					
Government Investment Pool (LGIP)		521,831			521,831
	\$	947,673		\$	947,673

Deposits and investments are reflected in the government-wide Statement of Net Position as follows:

\$ 724,763
 222,910
\$ 947,673
\$ \$

The City maintains a cash management pool for its cash and cash equivalents in which each fund participates. Interest earnings are distributed monthly based on average daily balances.

Investments, including amounts held in pooled cash and investments are stated at fair value, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. 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. Investments in the State of Oregon Local Government Pool (LGIP) are stated at fair value.

Deposits

Deposits with financial institutions are comprised of bank demand deposits. The total bank balance per the bank statements was \$991,034 at June 30, 2013. The difference is due to transactions in process. Deposits are secured by federal deposit insurance to legal limits. The remaining amount is secured by collateral in accordance with Oregon Revised Statutes.

Custodial Credit Risk - Deposits

Custodial credit risk on deposits is the risk that in the event of a bank failure, the City's deposits may not be returned. In order to minimize this risk, state statutes require banks holding public funds to become members of the Public Funds Collateralization Program (PFCP), a multiple financial institution collateral pool created by the Office of the State Treasurer. To qualify, participating banks must pledge collateral against any public fund deposits in excess of deposit insurance. The amount of collateral is set up by the PFCP between 10% and 110% of each bank's public fund deposits based on their net worth and level of capitalization. Although the PFCP creates a shared liability structure for participating bank depositories, it does not guarantee that all funds are 100% protected.

All non-interest bearing transaction activity accounts are fully insured by FDIC. All other accounts including interest-bearing deposits are insured up to \$250,000.

Investments

The purpose of the City's investment policy is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities. The City has delegated investment responsibilities to the City Manager, who is primarily responsible for implementing the investment policy.

Credit Risk - Investments

State statutes authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers and the State Treasurer's investment pool, among others. The City has no formal investment policy that further restricts its investment choices.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of a counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City does not have a policy that limits the amount of investments that can be held by counterparties.

The Local Government Investment Pool (LGIP) is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. The LGIP's credit quality is unrated.

Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by the securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP. The fair value of the City's position in the LGIP is the same as the value of the pool shares.

Concentration Risk

The City does not have a formal policy that places a limit on the amount that they may be invested in any one investment. The City has concentrations in the following investments: Local Government Pool. These investments are 100% of the City's total investments.

		Concentration%		
Investment Type	Maturities	of Portfolio	Actu	ıal Amount
Local Government				
Investment Pool	Avg 6-18 months	100%	\$	521,831

Interest Rate Risk

The City does not have a formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

Note 4 - Property Taxes:

Property taxes receivable included in revenues are \$9,666, which are all past due and accruing interest.

Note 5 - Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance at July 1, 2012		Increases		Decreases		Balance at June 30, 2013		
Governmental Activities: Capital assets not being depreciated: Land	\$	91,882	\$	-	\$	-	\$	91,882	
Capital assets being depreciated: Buildings Equipment Infrastructure Total capital assets being depreciated		470,694 102,956 2,635,354 3,209,004		37,891 37,891		- - - -		470,694 140,847 2,635,354 3,246,895	
Less: accumulated depreciation: Buildings Equipment Infrastructure Total accumulated depreciation Net capital assets being depreciated		(33,852) (68,668) (123,324) (225,844) 2,983,160		(6,609) (5,587) (38,056) (50,252) (12,361)		- - - -		(40,461) (74,255) (161,380) (276,096) 2,970,799	
Governmental Activities - net capital assets	\$	3,075,042	\$	(12,361)	\$		\$	3,062,681	

	Balance at July 1, 2012		Increases		Decreases		Balance at June 30, 2013		
Business-Type Activities:									
Capital assets not being depreciated:									
Land	\$	57,782	\$	-	\$	-	\$	57,782	
Construction in progress		179,309		2,254,616		-		2,433,925	
Total capital assets, not									
being depreciated		237,091		2,254,616		-		2,491,707	
Capital assets being depreciated:									
Buildings		664,912		-		-		664,912	
Equipment		176,939		56,850		-		233,789	
Improvements		14,247,942		90,420		-		14,338,362	
Total capital assets				<u> </u>					
being depreciated		15,089,793		147,270	-	-		15,237,063	
Less: accumulated depreciation:									
Buildings .		(48,295)		(9,098)		-		(57,393)	
Equipment		(81,834)		(10,977)		-		(92,811)	
Improvements		(2,246,665)		(285,863)		-		(2,532,528)	
Total accumulated depreciation		(2,376,794)		(305,938)		-		(2,682,732)	
Net capital assets		<u> </u>		<u> </u>				· ·	
being depreciated		12,712,999		(158,668)		-		12,554,331	
Business-Type Activities -									
net capital assets	\$	12,950,090	\$	2,095,948	\$	-	\$	15,046,038	
Depreciation expense was charged	d to fur	nctions as follow	ws:						

Governmental Activities:		Business-Type Activities:	
General government	\$ 12,196	Water	\$ 114,692
Streets	38,056	Sewer	 191,246
Total	\$ 50,252	Total	\$ 305,938

Note 6 - Long-Term Obligations:

Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2013, are as follows:

	Payable at July 1, 2012	Additions	Deletions	Payable at June 30, 2013	Due within one year
Governmental Activities: Compensated absences	\$ 77,640			\$ 77,640	\$ 77,640
Business-Type Activities:					
G.O. Sewer No. 1 - 2005	\$ 2,334,466	\$ -	\$ (31,835)	\$ 2,302,631	\$ 33,188
G.O. Sewer No. 2 - 2005	354,837	-	(4,839)	349,998	5,045
Sewer Revenue Bond 2005	560,272	-	(7,640)	552,632	7,965
Sewer Revenue Bond 2010	598,019	-	(19,602)	578,417	20,580
Water Bond 91-05	18,336	-	(5,378)	12,958	5,651
State OR Drinking Water 2009	984,701	-	(40,757)	943,944	42,118
G.O. Water Bond 2009	1,649,675	-	(18,627)	1,631,048	19,442
Septic Conversion Loan	167,802	642,198	-	810,000	15,626
State Sewer Loan		340,033		340,033	
Total business-type activities	\$ 6,668,108	\$ 982,231	\$ (128,678)	\$ 7,521,661	\$ 149,615

	Total		Curre	ent Portion	Long-Term Portion		
Governmental Activities: Compensated Absences	\$	77,640	\$	77,640	\$	-	
Debt Service Requirements							
Business-Type Activities:							
General Obligation Bond - Sewer No. 1 - 2005							
On December 15, 2005, the City issued General Obligation Sewer Bonds in the amount of \$2,500,000 for improvements to the sewer system. The loan is payable over 40 years, including interest at 4.25%, with annual installments of \$131,050.	\$	2,302,631	\$	33,188	\$	2,269,443	
General Obligation Bond - Sewer No. 2 - 2005							
On December 15, 2005, the City issued General Obligation Sewer Bonds in the amount of \$380,000 for improvements to the sewer system. The loan is payable over 40 years, including interest at 4.25%, with annual installments of \$19,920.		349,998		5,045	\$	344,953	
Sewer Revenue Bond 2005 On December 15, 2005, the City issued Sewer Revenue Bonds in the amount of \$600,000 for improvements to the sewer system. The loan is payable over 40 years, including interest at 4.25%, with annual installments of \$31,452.		552,632		7,965	\$	544,667	
Sewer Revenue Bond 2010 On December 1, 2010, the City issued Sewer Revenue Bonds in the amount of \$616,689 for improvements to the sewer system. The loan is payable over 21 years, including interest at 4.99%, with annual installments of \$49,443.		578,417		20,580	\$	557,837	
Septic Conversion Loan							
During the fiscal year ended June 30, 2011, the City entered into a loan agreement with the Department of Environmental Quality in the amount of \$1,810,000 for a new lift station and collector sewers. The loan has a 2.88% interest rate and is secured by the City's net operating revenue. As of June 30, 2013, all \$1,810,000 of loan proceeds had been drawn and \$1,000,000 was forgiven as a grant resulting in a balance of \$810,000. Interest only of \$15,065 is due on 12/01/13 then semi annual payments of \$27,290 principal and interest are payable at 6/1 and 12/1.		810,000		15,626	\$	794,374	
State Sewer Loan During the fiscal year ended June 30, 2013, the City entered into a loan agreement with the Oregon Infrastructure Finance Authority for the matching on a new lift station and collector sewers. The loan of \$496,993 has a 2.98% interest rate and is secured by the City's net operating revenue of the sewer system. As of June 30, 2013, \$340,033 of loan proceeds had been drawn.		340,033		<u>.</u>	\$	340,033	
Total - Sewer Fund		4,933,711		82,404		4,851,307	
Water Bond 91-05		· · · · · · · · · · · · · · · · · · ·				· ·	
On February 1, 1975, the City issued General Obligation Water Bonds in the amount of \$106,000 for improvements to the water system. The loan is payable over 40 years, including interest at 5%, with semi-annual installments of \$3,115		12,958		5,651	\$	7,307	

State OR Drinking Water 2009

On December 1, 2009, the City issued General Obligation Water Bonds in the amount of \$1,062,000 for improvements to the water system. The loan is payable over 21 years, including interest at 3.34%, with annual installments of \$73,746.

General Obligation Water Bond 2009

Total Business Type Activities

Total - Water Fund

On June 24, 2009, the City issued General Obligation Water Bonds in the amount of \$1,701,000 for improvements to the water system. The loan is payable over 40 years, including interest at 4.375%, with annual installments of \$90,800.

1,631,048	19,442	\$ 1,611,606
2,587,950	67,211	2,520,739
7,521,661	149,615	7,372,046

Summary of Debt Service Requirements to Maturity - Annual Principal and Interest:

	Water Bond 91-05				State of Oregon Water Bond				
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total			
2014	5,651	579	6,230	42,118	31,528	73,646			
2015	5,937	293	6,230	43,525	30,121	73,646			
2016	1,370	35	1,405	44,978	28,667	73,645			
2017	-	-	-	46,481	27,165	73,646			
2018	-	-	-	48,033	25,613	73,646			
2019	-	-	-	49,638	24,008	73,646			
2020	-	-	-	51,295	22,350	73,645			
2021	-	-	-	53,009	20,637	73,646			
2022	-	-	-	54,779	18,867	73,646			
2023	-	-	-	56,609	17,037	73,646			
2024	-	-	-	58,500	15,146	73,646			
2025	-	-	-	60,453	13,192	73,645			
2026	=	=	-	62,473	11,173	73,646			
2027	-	-	-	64,559	9,087	73,646			
2028	-	-	-	66,715	6,930	73,645			
2029	-	-	-	68,944	4,702	73,646			
2030				71,835	2,399	74,234			
	\$ 12,958	\$ 907	\$ 13,865	\$ 943,944	\$ 308,622	\$ 1,252,566			

	General	Obligation Water B	ond '09	Sewer Revenue Bond 2		2006-Issue	
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total	
2014	19,442	71,358	90,800	7,965	23,487	31,452	
2015	20,292	70,508	90,800	8,304	23,148	31,452	
2016	21,180	69,620	90,800	8,657	22,795	31,452	
2017	22,107	68,693	90,800	9,024	22,427	31,451	
2018	23,074	67,726	90,800	9,408	22,044	31,452	
2019	24,083	66,717	90,800	9,808	21,644	31,452	
2020	25,137	65,663	90,800	10,225	21,227	31,452	
2021	26,237	64,563	90,800	10,659	20,793	31,452	
2022	27,384	63,416	90,800	11,112	20,340	31,452	
2023	28,583	62,217	90,800	11,585	19,867	31,452	
2024	29,833	60,967	90,800	12,077	19,375	31,452	
2025	31,138	59,662	90,800	12,590	18,862	31,452	
2026	32,501	58,299	90,800	13,125	18,327	31,452	
2027	33,922	56,878	90,800	13,683	17,769	31,452	
2028	35,407	55,393	90,800	14,265	17,187	31,452	
2029	36,956	53,844	90,800	14,871	16,581	31,452	
2030	38,572	52,228	90,800	15,503	15,949	31,452	
2031	40,260	50,540	90,800	16,162	15,290	31,452	
2032	42,021	48,779	90,800	16,849	14,603	31,452	
2033	43,860	46,940	90,800	17,565	13,887	31,452	
2034	45,779	45,021	90,800	18,311	13,141	31,452	
2035	47,781	43,019	90,800	19,089	12,363	31,452	
2036	49,872	40,928	90,800	19,901	11,551	31,452	
2037	52,054	38,746	90,800	20,746	10,706	31,452	
2038	54,331	36,469	90,800	21,628	9,824	31,452	
2039	56,708	34,092	90,800	22,547	8,905	31,452	
2040	59,189	31,611	90,800	23,505	7,946	31,451	
2041	61,779	29,021	90,800	24,505	6,947	31,452	
2042	64,481	26,319	90,800	25,546	5,906	31,452	
2043	67,302	23,498	90,800	26,632	4,820	31,452	
2044	70,247	20,553	90,800	27,764	3,688	31,452	
2045	73,320	17,480	90,800	28,943	2,508	31,451	
2046	76,528	14,272	90,800	30,078	1,278	31,356	
2047	79,876	10,924	90,800	-	-	-	
2048	83,371	7,429	90,800	-	-	-	
2049	86,441	3,782	90,223		<u> </u>	-	
	\$ 1,631,048	\$ 1,637,175	\$ 3,268,223	\$ 552,632	\$ 485,185	\$ 1,037,817	

	General Obligation Sewer Bond #1 2005-Issue		General Obligation Sewer Bond #2 2005-Issue				
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total	
2014	33,188	97,862	131,050	5,045	14,875	19,920	
2015	34,599	96,451	131,050	5,260	14,660	19,920	
2016	36,069	94,981	131,050	5,483	14,437	19,920	
2017	37,602	93,448	131,050	5,716	14,204	19,920	
2018	39,200	91,850	131,050	5,959	13,961	19,920	
2019	40,866	90,184	131,050	6,212	13,708	19,920	
2020	42,603	88,447	131,050	6,476	13,444	19,920	
2021	44,414	86,636	131,050	6,752	13,168	19,920	
2022	46,301	84,749	131,050	7,039	12,881	19,920	
2023	48,269	82,781	131,050	7,338	12,582	19,920	
2024	50,320	80,730	131,050	7,650	12,270	19,920	
2025	52,459	78,591	131,050	7,975	11,945	19,920	
2026	54,689	76,361	131,050	8,314	11,606	19,920	
2027	57,013	74,037	131,050	8,667	11,253	19,920	
2028	59,436	71,614	131,050	9,035	10,885	19,920	
2029	61,962	69,088	131,050	9,419	10,501	19,920	
2030	64,595	66,455	131,050	9,820	10,100	19,920	
2031	67,341	63,709	131,050	10,237	9,683	19,920	
2032	70,203	60,847	131,050	10,672	9,248	19,920	
2033	73,186	57,864	131,050	11,125	8,795	19,920	
2034	76,297	54,753	131,050	11,598	8,322	19,920	
2035	79,539	51,511	131,050	12,091	7,829	19,920	
2036	82,920	48,130	131,050	12,605	7,315	19,920	
2037	86,444	44,606	131,050	13,141	6,779	19,920	
2038	90,118	40,932	131,050	13,699	6,221	19,920	
2039	93,948	37,102	131,050	14,282	5,638	19,920	
2040	97,940	33,110	131,050	14,889	5,031	19,920	
2041	102,103	28,947	131,050	15,521	4,399	19,920	
2042	106,442	24,608	131,050	16,181	3,739	19,920	
2043	110,966	20,084	131,050	16,868	3,051	19,919	
2044	115,682	15,368	131,050	17,586	2,335	19,921	
2045	120,599	10,451	131,050	18,333	1,587	19,920	
2046	125,318	5,326	130,644	19,010	808	19,818	
	\$ 2,302,631	\$ 2,021,613	\$ 4,324,244	\$ 349,998	\$ 307,260	\$ 657,258	

Notes to Basic Financial Statements

2010 Sewer Revenue Bond				Septic Conversion Loan			
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total	
2014	20,580	28,863	49,443	15,626	26,729	42,355	
2015	21,607	27,836	49,443	31,930	22,650	54,580	
2016	22,685	26,758	49,443	32,857	21,723	54,580	
2017	23,817	25,626	49,443	33,810	20,770	54,580	
2018	25,005	24,437	49,442	34,791	19,789	54,580	
2019	26,253	23,190	49,443	35,800	18,780	54,580	
2020	27,563	21,880	49,443	36,838	17,742	54,580	
2021	28,938	20,504	49,442	37,907	16,673	54,580	
2022	30,382	19,060	49,442	39,006	15,574	54,580	
2023	31,899	17,544	49,443	40,137	14,443	54,580	
2024	33,490	15,952	49,442	41,302	13,278	54,580	
2025	35,161	14,281	49,442	42,500	12,080	54,580	
2026	36,916	12,527	49,443	43,733	10,847	54,580	
2027	38,758	10,685	49,443	45,002	9,578	54,580	
2028	40,692	8,751	49,443	46,307	8,273	54,580	
2029	42,723	6,720	49,443	47,650	6,930	54,580	
2030	44,855	4,588	49,443	49,032	5,548	54,580	
2031	47,093	2,350	49,443	50,455	4,125	54,580	
2032	-	-	-	51,918	2,662	54,580	
2033				53,399	1,156	54,555	
	\$ 578,417	\$ 311,552	\$ 889,969	\$ 810,000	\$ 269,350	\$ 1,079,350	

State Sewer Loan

This loan is currently a construction loan and will not be included in the summary.

Interest expense on long-term debt has been charged as a direct activity expense on the Statement of Activities as follows:

Business-Type Activities:

Water \$ 104,981 Sewer \$ 185,156

Debt Covenants

The Water Fund and Sewer Fund are required by the Rural Utilities Services (RUS) to restrict money for the purpose of paying the cost of repairing or replacing damage to the facility which may be caused by any unforeseen catastrophe, and making payments of principal and interest on the bonds if no other funds are available. The Water Fund has restricted the full amount required by RUS of \$10,000 for Bond 91-05. For Water Bonds issued in 2009, the City is required to reserve \$11,400 annually in a depreciation reserve and \$53,000 annually in a reserve for undersize waterline replacement starting in the fiscal year ending June 30, 2010 and continuing for 20 years. At year end the Water Fund reported restricted cash of \$197,748 as detailed below, which is \$3,148 less than required:

				2009						
	91-05		Depreciation		Re	Replacement		Deposits		Total
Beginning Restriction	\$ 1	0,000	\$	34,200	\$	159,000	\$	25,338	\$	228,538
Current Year Restriction		-		11,400		53,000		(1,621)		62,779
Line Replacements		-		-		(90,421)		-		(90,421)
Ending Restriction	\$ 1	0,000	\$	45,600	\$	121,579	\$	23,717	_\$	200,896

The Sewer Fund is required to increase its restriction by \$3,146 each year until the restriction reaches \$31,452. At year end the City reported \$25,162 of restricted net position in the Sewer Fund.

Note 7 - Grants:

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority to ensure compliance with conditions of the grant. Any liability for reimbursement which may arise as the result of a grantor audit is not believed to be material.

Note 8 - Contributions to Pension Plan:

Plan Description

The City contributes to two pension plans administered by the Oregon Public Employees Retirement System (PERS). The Oregon Public Employees Retirement Fund (OPERF) applies to the City's contribution for qualifying employees who were hired before August 29, 2003, and is a cost-sharing multiple-employer defined benefit pension plan. The Oregon Public Service Retirement Plan (OPSRP) is a hybrid successor plan to the OPERF and consists of two programs: The Pension Program, the defined benefit portion of the plan, applies to qualifying City employees hired after August 29, 2003, and to inactive employees who return to employment following a six-month or greater break in service. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service. Beginning January 1, 2004, all PERS member contributions go into the Individual Account Program (IAP), the defined contribution portion of the plan. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account.

Both PERS plans provide retirement and disability benefits, post employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS is administered under Oregon Revised Statute Chapter 238, which establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS, PO Box 23700, Tigard, OR, 97281-3700 or by calling 503-598-7377, or by assessing the PERS website at http://www.oregon.gov/PERS/.

Funding Policy

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The City is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate for the qualifying employees under the OPSRP plan. The combined OPERF and the OPSRP rates in effect for the year ended June 30, 2013 was 11.07% and 9.65%, respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost - The City's contributions to PERS for the years ending June 30, 2011, 2012, and 2013 were \$23,298, \$43,223 and \$45,502 respectively, which equaled the required contribution for the year.

Note 9 - Internal Transfers

Internal transfers for the fiscal year ending June 30, 2013 consist of the following:

	Transfers In		Transfers C	
Governmental Funds:				
General Fund	\$	8,650	\$	97,000
Street Fund		45,000		2,005
Nonmajor funds		51,005		-
Proprietary Funds:				
Water Fund		-		2,000
Sewer Fund		-		3,650
	\$	104,655	\$	104,655

Transfers are primarily used to move funds from:

The General Fund and Street Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 10 - Other Postemployment Benefits:

PERS Retirement Health Insurance Account

Plan Description

The City contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. ORS 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700.

Funding Policy

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by PERS, currently 0.59 percent of annual covered payroll. The Oregon PERS Board of Trustees sets the employer contribution rate. It is based on the annual required contribution of the combined participant employers. This is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a closed period not to exceed 30 years. The City's contributions to RHIA for the year ended June 30, 2013 are included in the PERS annual pension amount.

Note 11 - Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters; employee injury or illness for which the City carries commercial insurance, subject to customary deductibles and total coverage limits recommended by the City's insurance agent of record. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

Note 12 - Litigation:

The City is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the City. It is expected that insurance will cover any liabilities the City might incur.



Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual General Fund

	Budget	Actual		
	Original	Final	Amounts	
Revenues				
Property taxes	\$ 169,000	\$ 169,000	\$ 168,265	
Franchise fees	66,000	66,000	62,699	
Licenses and fees	4,000	4,000	5,909	
Intergovernmental	151,600	151,600	149,014	
Interest on investments	1,200	1,200	1,294	
Miscellaneous	52,900	52,900	18,887	
Total revenues	444,700	444,700	406,068	
Expenditures				
Personnel services	135,000	133,000	53,675	
Materials and services	211,000	213,000	160,928	
Capital outlay	154,600	154,600	37,891	
Contingency	29,500	29,500	-	
Total expenditures	530,100	530,100	252,494	
Excess of revenues over				
(under) expenditures	(85,400)	(85,400)	153,574	
Other Financing Sources (Uses)				
Transfers in	11,000	11,000	8,650	
Transfers out	(97,000)	(97,000)	(97,000)	
Total other financing sources (uses)	(86,000)	(86,000)	(88,350)	
Net change in fund balance	(171,400)	(171,400)	65,224	
Beginning fund balance	171,400	171,400	189,150	
Ending fund balance	\$ -	\$ -	\$ 254,374	

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual State Street Fund - 020

	Budgeted	Amounts	Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Intergovernmental	\$ 130,000	\$ 130,000	\$ 108,741	\$ (21,259)
Interest on investments	500	500	368	(132)
Miscellaneous	2,006,000	2,006,000	4,389	(2,001,611)
Total revenues	2,136,500	2,136,500	113,498	(2,023,002)
Expenditures				
Personnel services	111,000	111,000	95,041	15,959
Materials and services	73,500	73,500	56,280	17,220
Capital outlay	2,025,000	2,025,000	-	2,025,000
Contingency	21,900	21,900	-	21,900
Total expenditures	2,231,400	2,231,400	151,321	2,080,079
Excess of revenues over				
(under) expenditures	(94,900)	(94,900)	(37,823)	57,077
Other Finance Sources (Uses)				
Transfers in	45,000	45,000	45,000	-
Transfers out	(2,100)	(2,100)	(2,005)	95
Total other finance sources (uses)	42,900	42,900	42,995	95
Net change in fund balance	(52,000)	(52,000)	5,172	57,172
Beginning fund balance	52,000	52,000	54,283	2,283
Ending fund balance	\$ -	\$ -	\$ 59,455	\$ 59,455

CITY OF IRRIGON, OREGON Notes to Required Supplementary Information

Budgets and Budgetary Accounting

The City budgets all funds which are subject to budget requirements of state law. The City Council legally adopts the budget by resolution before July 1. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of control (total personal services, materials and services, capital outlay, and other expenditures) is established by resolution for all funds. The City budgets sub funds of the water and sewer fund that are combined in the supplemental information and presented as a single fund in the fund financial statements.

The detail budget document is required to contain more specific, detailed information for the aforementioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriations ordinance. A supplemental budget that differs by 10 percent or more of any one of the individual funds contained in the original budget for that fiscal year requires hearings before the public, publications in newspapers, and approval by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by the City Council. Appropriations that have not been expended at year-end lapse and subsequent actual expenditures are then charged against ensuing year's appropriations.



Combining Statement of Revenues, Expenditures and Changes in Fund Balances General Funds

		10 General Fund	Sic	15 cation & k Leave Fund	Maiı	17 uilding ntenance Fund	Eq	25 Street uipment erve Fund		Total
Revenues	•	400.005	•		•		•		•	400.005
Property taxes	\$	168,265	\$	-	\$	-	\$	-	\$	168,265
Franchise fees		62,699		-		-		-		62,699
Licenses and fees		5,909		-		-		-		5,909
Intergovernmental		149,014		-		-		-		149,014
Interest on investments		680		476		87		51		1,294
Miscellaneous		18,887		-		-		-		18,887
Total revenues		405,454		476		87		51		406,068
Expenditures										
Personnel services		37,954		15,721		-		-		53,675
Materials and services		160,745		· -		183		-		160,928
Capital outlay		24,891		-		-		13,000		37,891
Total expenditures		223,590		15,721		183		13,000		252,494
Excess of revenues over										
(under) expenditures		181,864		(15,245)		(96)		(12,949)		153,574
Other Financing Sources (Uses)										
Transfers in		-		5,000		2,650		1,000		8,650
Transfers out		(97,000)				-				(97,000)
Total other financing sources (uses)		(97,000)		5,000		2,650		1,000		(88,350)
Net change in fund balance		84,864		(10,245)		2,554		(11,949)		65,224
Beginning fund balance		70,083		91,273		13,483		14,311		189,150
Ending fund balance	\$	154,947	\$	81,028	\$	16,037	\$	2,362	\$	254,374

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual General Fund - 010

	Budgeted	I Amounts	Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Property taxes	\$ 169,000	\$ 169,000	\$ 168,265	\$ (735)
Franchise fees	66,000	66,000	62,699	(3,301)
Intergovernmental	151,600	151,600	149,014	(2,586)
Licenses and fees	4,000	4,000	5,909	1,909
Interest on investments	500	500	680	180
Miscellaneous	52,900	52,900	18,887	(34,013)
Total revenues	444,000	444,000	405,454	(38,546)
Expenditures				
Personnel services	41,000	39,000	37,954	1,046
Materials and services	205,000	207,000	160,745	46,255
Capital outlay	126,500	126,500	24,891	101,609
Contingency	29,500	29,500		29,500
Total expenditures	402,000	402,000	223,590	178,410
Excess of revenues over				
(under) expenditures	42,000	42,000	181,864	139,864
Other Finance Sources (Uses)				
Transfers out	(97,000)	(97,000)	(97,000)	
Net change in fund balance	(55,000)	(55,000)	84,864	139,864
Beginning fund balance	55,000	55,000	70,083	15,083
Ending fund balance	\$ -	\$ -	\$ 154,947	\$ 154,947

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Vacation and Sick Leave Reserve Fund - 015

		Budgeted	Amou	nts		Actual	Fina	ance with I Budget ositive	
	Or	iginal		Final	Aı	mounts	(Ne	(Negative)	
Revenues Interest on investments	\$	500	\$	500	\$	476	\$	(24)	
Expenditures Personnel services		94,000		94,000		15,721		78,279	
Excess of revenues over (under) expenditures		(93,500)		(93,500)		(15,245)		78,255	
Other Finance Sources (Uses) Transfers in		5,000		5,000		5,000			
		<u> </u>		<u> </u>					
Net change in fund balance Beginning fund balance		(88,500) 88,500		(88,500) 88,500		(10,245) 91,273		78,255 2,773	
Ending fund balance	\$		\$	-	\$	81,028	\$	81,028	

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Building Maintenance Fund - 017 For the Fiscal Year Ended June 30, 2013

	Budgeted	Amounts	Actual	Variance with Final Budget Positive		
	Original	Final	Amounts	(Negative)		
Revenues						
Interest on investments	\$ 100	\$ 100	\$ 87	\$ (13)		
Expenditures						
Materials and services	6,000	6,000	183	5,817		
Capital outlay	12,500	12,500		12,500		
Total expenditures	18,500	18,500	183	18,317		
Excess of revenues over (under) expenditures	(18,400)	(18,400)	(96)	18,304		
Other Finance Sources (Uses)						
Transfers in	5,000	5,000	2,650	(2,350)		
Net change in fund balance	(13,400)	(13,400)	2,554	15,954		
Beginning fund balance	13,400	13,400	13,483	83		
Ending fund balance	\$ -	\$ -	\$ 16,037	\$ 16,037		

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Street Equipment Reseve Fund - 025

		Budgeted	Amour	nts	A	Actual	Variance with Final Budget Positive (Negative)		
	Ori	ginal		Final	Ar	nounts			
Revenues Interest on investments	\$	100	\$	100	\$	51	\$	(49)	
Expenditures Capital outlay		15,600		15,600		13,000		2,600	
Excess of revenues over (under) expenditures		(15,500)		(15,500)		(12,949)		2,551	
Other Finance Sources (Uses) Transfers in		1,000		1,000		1,000			
Net change in fund balance Beginning fund balance		(14,500) 14,500		(14,500) 14,500		(11,949) 14,311		2,551 (189)	
Ending fund balance	\$	-	\$	-	\$	2,362	\$	2,362	

CITY OF IRRIGON, OREGON Combining Balance Sheet Nonmajor Governmental Funds June 30, 2013

	Fo	26 cycle & ot Path ⁻ und	Impro	40 s System ovement fund	Total
Assets and Deferred Outflows of Resources Assets: Cash and investments Accounts receivable	\$	9,835	\$	8,860	\$ 18,695
Total assets		9,835		8,860	 18,695
Deferred outflows of resources:		-			 -
Total assets and deferred outflows of resources	\$	9,835	\$	8,860	\$ 18,695
Liabilities, Deferred Inflows of Resources, and Fund Balances Liabilities: Accounts payable	\$	<u>- </u>	_\$	289_	\$ 289_
Deferred inflows of resources:				-	-
Fund Balances: Restricted Committed Total fund balances		9,835 - 9,835		- 8,571 8,571	 9,835 8,571 18,406
Total liabilities, deferred inflows of resources, and fund balances	\$	9,835	\$	8,860	\$ 18,695

Combining Statement of Revenues, Expenditures and Changes in Fund Balance Nonmajor Governmental Funds

	26 Bicycle 8 Foot Path Fund		Total
Revenues			A 440
Interest on investments Miscellaneous	\$	56 \$ 93 - 1,820	· ·
Total revenues		56 1,913	
Expenditures			
Personnel services	-	- 47,079	47,079
Materials and services		- 6,835	_
Total expenditures		53,914	53,914
Excess of revenues over (under) expenditures		56 (52,001) (51,945)
Other Financing Sources (Uses) Transfers in	1,0	005 50,000	51,005
Net change in fund balance	1,0	061 (2,001	(940)
Beginning fund balance	8,7	774 10,572	19,346
Ending fund balance	\$ 9,8	335 \$ 8,571	\$ 18,406

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Bicycle & Foot Path Fund - 026 For the Fiscal Year Ended June 30, 2013

		Budgeted	Amoui	A	Actual	Final	ance with I Budget ositive		
	0	riginal		Final	An	nounts	(Negative)		
Revenues Interest on investments	\$	100	\$	100	\$	56	\$	(44)	
Expenditures Capital outlay		9,900		9,900				9,900	
Excess of revenues over (under) expenditures		(9,800)		(9,800)		56		9,856	
Other Finance Sources (Uses) Transfers in		1,100		1,100		1,005		(95)	
Net change in fund balance Beginning fund balance		(8,700) 8,700		(8,700) 8,700		1,061 8,774		9,761 74	
Ending fund balance	\$	-	\$	-	\$	9,835	\$	9,835	

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Parks System Improvement Fund - 040 For the Fiscal Year Ended June 30, 2013

	Budgeted	Amounts	Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues		·		
Intergovernmental	\$ 20,000	\$ 20,000	\$ -	\$ (20,000)
Interest on investments	100	100	93	(7)
Miscellaneous	5,500	5,500	1,820	(3,680)
Total revenues	25,600	25,600	1,913	(23,687)
Expenditures				
Personnel services	52,000	52,000	47,079	4,921
Materials and services	13,600	13,600	6,835	6,765
Capital outlay	105,000	105,000	-	105,000
Total expenditures	170,600	170,600	53,914	116,686
Excess of revenues over				
(under) expenditures	(145,000)	(145,000)	(52,001)	92,999
Other Finance Sources (Uses)				
Sale of assets	85,000	85,000	-	(85,000)
Transfers in	50,000	50,000	50,000	-
Total other finance sources (uses)	135,000	135,000	50,000	(85,000)
Net change in fund balance	(10,000)	(10,000)	(2,001)	7,999
Beginning fund balance	10,000	10,000	10,572	572
Ending fund balance	\$ -	\$ -	\$ 8,571	\$ 8,571

CITY OF IRRIGON, OREGON Combining Statement of Net Position Water Funds

June 30, 2013

	60 Water Operation & Development Fund	61 Water Connection Fees Fund	65 Water Reserve Fund	67 Water Equipment Reserve Fund	68 Water Debt Service Fund	69 Water Bond Debt Service Fund	16 Water Deposit Common Trust Fund	Total
Assets								
Current assets:								
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes receivable	-	-	-	-	-	1,387	-	1,387
Accounts receivable	59,931	-	-	-	-	-	-	59,931
Total current assets	59,931	-	-	-	-	1,387	-	61,318
Noncurrent assets:								
Capital assets:								
Land	46,799	-	-	-	-	-	-	46,799
Construction in progress	5,400	-	-	-	-	-	-	5,400
Buildings	268,493	-	-	-	-	-	-	268,493
Equipment	80,505	-	-	-	_	_	-	80,505
Improvements	5.359.692	_	_	_	_	_	_	5.359.692
Less: Accumulated depreciation	(696,401)	-	_	_	_	-	_	(696,401)
Total capital assets	5,064,488							5,064,488
Restricted cash	12,493	112	130,227	518	30,681	_	23,717	197,748
Total noncurrent assets	5,076,981	112	130,227	518	30.681		23,717	5,262,236
Total assets	5,136,912	112	130,227	518	30,681	1,387	23,717	5,323,554
	3,130,312		100,221		30,001	1,307	23,717	3,323,334
Deferred Outflows of Resources								
Liabilities								
Current liabilities:								
Customer deposits	-	-	-	-	_	_	23,637	23,637
Accounts payable	16,276	635	_	_	_	_	80	16,991
Unearned revenue	1,579	-	_	_	_	_	-	1,579
Accrued interest payable	-,	-	_	_	18.663	1.189	_	19.852
Current bonds and notes payable			_	_	47,769	19,442		67,211
Total current liabilities	17,855	635			66,432	20,631	23,717	129,270
Noncurrent liabilities:	17,000	000			00,432	20,031	20,717	123,210
Bonds and notes payable		_			909,133	1,611,606		2,520,739
Total liabilities	17,855	635			975,565	1,632,237	23,717	2,650,009
Total liabilities	17,033				973,303	1,032,237	23,717	2,030,009
Deferred Inflows of Resources								
Net Position								
Net investment in capital assets	5,064,488	_	_	_	(956,902)	(1,631,048)	_	2,476,538
Restricted for:	-,, 700				(,302)	(.,,510)		_,,
Debt service		_	_	_	10.000	_	_	10.000
System replacement	15.753	-	130.227	518	20,681	-		167,179
Unrestricted	38,816	(523)	100,221	-	(18,663)	198		19,828
OTH COLLICION		(323)				190		
Total net position	\$ 5,119,057	\$ (523)	\$ 130,227	\$ 518	\$ (944,884)	\$ (1,630,850)	\$ -	\$ 2,673,545

Combining Statement of Revenues, Expenses, and Changes in Net Position Water Funds

	60 Water Operations & Development Fund	61 Water Connection Fees Fund	65 Water Reserve Fund	67 Water Equipment Reserve Fund	68 Water Debt Service Fund	69 Water Bond Debt Service Fund	16 Water Deposit Common Trust Fund	Total
Operating Revenues Charges for services Miscellaneous Total operating revenues	\$ 500,389 2,536 502,925	\$ 3,892 - 3,892	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ 504,281 2,536 506,817
Operating Expenses Personnel services Materials and services Depreciation Total operating expenses	190,727 93,099 114,692 398,518	- - - -	4,924 - 4,924	- - - -	- - - -	- - - -	- - - -	190,727 98,023 114,692 403,442
Operating income (loss) Nonoperating Revenues (Expenses Property taxes	-	3,892	(4,924)	-		81,863	-	103,375 81,863
Interest on investments Interest expense Total nonoperating revenues (expenses)	189 - 189	12	840	43 - 43	196 (32,835) (32,639)	324 (72,146) 10,041		1,604 (104,981) (21,514)
Income (loss) before transfers Transfers in	104,596	3,904	(4,084) 132,950	10,000	(32,639)	10,041	-	81,861 250,429
Transfers out Change in net position	(248,450) (139,875)	3,904	128,866	10,043	60,861	20,041	(3,979)	(252,429) 79,861
Net position - beginning Equity transfer	5,152,062 106,870	973 (5,400)	91,781 (90,420)	1,525 (11,050)	(1,005,745)	(1,650,891)	3,979	2,593,684
Total net position- ending	\$ 5,119,057	\$ (523)	\$ 130,227	\$ 518	\$ (944,884)	\$ (1,630,850)	\$ -	\$ 2,673,545

Statement of Cash Flows Water Funds

For the Year Ended June 30, 2013

		60 Water erations & velopment Fund	Cor	61 Water nection Fees Fund	65 Water Reserve Fund	Eq	67 Water Juipment Reserve Fund	Deb	68 Water ot Service Fund	Deb	69 ter Bond t Service Fund	Comm	16 Vater eposit non Trust Fund	 Total
Cash Flows from Operating Activities: Receipts from customers Other miscellaneous reciepts Payments to suppliers Payments to employees	\$	489,278 2,536 (82,900) (190,727)	\$	3,892 - 635	\$ - - (4,924) -	\$	- - -	\$	-	\$		\$	- - 80	\$ 493,170 2,536 (87,109) (190,727)
Net cash provided (used) by operating activities		218,187		4,527	 (4,924)		-		-		-		80	 217,870
Cash Flows from Noncapital Financing Activities: Transfers in (out)	_	(244,471)			132,950		10,000		93,500		10,000		(3,979)	 (2,000)
Cash Flows from Capital and Related Financing Activities:				(5.400)	(00, 400)		(44.050)							(400.070)
Acuisition and construction of capital assets Restricted for loan covenants Property taxes		2,827 -		(5,400) 861 -	(90,420) (38,446) -		(11,050) 1,007 -		(13,819) -		- 80,476		1,621	(106,870) (45,949) 80,476
Customer deposits during the year Payments on capital debt Net cash provided (used) by capital and					 				(79,877)		(90,800)		2,278	 2,278 (170,677)
related financing activities Cash Flows from Investing Activities:		2,827		(4,539)	 (128,866)		(10,043)		(93,696)		(10,324)		3,899	 (240,742)
Interest and dividends	_	189		12	 840		43	-	196		324		-	 1,604
Net increase (decrease) in cash and investments		(23,268)		-	-		-		-		-		-	(23,268)
Beginning cash and investments	_	23,268			 -		-							 23,268
Ending cash and investments	\$	-	\$		\$ 	\$		\$		\$		\$		\$
Reconciliation of operating income to net cash provided (used) by operating activities: Operating income (loss) Adjustments to reconcile operating income to net cash provided (used) by operating activities:	\$	104,407	\$	3,892	\$ (4,924)	\$	-	\$	-	\$	-	\$	-	\$ 103,375
Depreciation (Increase) decrease in accounts receivable Increase (decrease) in accounts payable Increase (decrease) in deferred revenue		114,692 (10,781) 10,199 (330)		- - 635 -	- - -		- - -		- - -		- - -		- - 80 -	 114,692 (10,781) 10,914 (330)
Net cash provided (used) by operating activities	\$	218,187	\$	4,527	\$ (4,924)	\$	-	\$	-	\$	-	\$	80	\$ 217,870

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Water Operation & Development Fund - 060

				Variance with Final Budget
	Budgeted A Original	Amounts Final	Actual Amounts	Positive (Negative)
Revenues	Original	Filiai	Amounts	(Negative)
Charges for services	563,000	563,000	500,389	(62,611)
Interest on investments	500	500	189	(311)
Miscellaneous	52,000	52,000	2,536	(49,464)
Total revenues	615,500	615,500	503,114	(112,386)
Expenditures				
Personnel services	209,000	207,000	190,727	16,273
Materials and services	134,500	136,500	93,099	43,401
Capital outlay	9,000	9,000	-	9,000
Contingency	35,000	35,000		35,000
Total expenditures	387,500	387,500	283,826	103,674
Excess of revenues over				
(under) expenditures	228,000	228,000	219,288	(8,712)
Other Finance Sources (Uses)				
Transfers in	4,000	4,000	3,979	(21)
Transfers out	(308,000)	(308,000)	(248,450)	59,550 [°]
Total other finance sources (uses)	(304,000)	(304,000)	(244,471)	59,529
Net change in fund balance	(76,000)	(76,000)	(25,183)	50,817
Beginning fund balance	76,000	76,000	79,752	3,752
Ending fund balance	\$ -	\$ -	\$ 54,569	\$ 54,569
	Adjustments to G Capital assets, net		5,064,488	
	Capital assets, fiet	l.		
			\$ 5,119,057	
	Detail of Fund Ba	lance		
	Accounts receivab		59,931	
	Restricted cash	· -	12,493	
	Unearned revenue)	(1,579)	
	Accounts payable		(16,276)	
			\$ 54,569	
			Ψ 37,303	

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Water Connection Fees Fund - 061 For the Fiscal Year Ended June 30, 2013

		Dudwatad	A	-4-	,	N a 4 a l	Final	ance with Budget	
		Budgeted				Actual		ositive	
D	Original		<u>Final</u>		Ar	mounts	(Negative)		
Revenues	•		•		•		•		
Charges for services	\$	-	\$	-	\$	3,892	\$	3,892	
Interest on investments		100		100		12		(88)	
Miscellaneous		6,000		6,000		-		(6,000)	
Total revenues		6,100		6,100		3,904	<u> </u>	(2,196)	
Expenditures									
Capital outlay		7,100		7,100		5,400		1,700	
Net change in fund balance		(1,000)		(1,000)		(1,496)		(496)	
Beginning fund balance		1,000		1,000		973		(27)	
Ending fund balance	\$		\$		\$	(523)	\$	(523)	
	Deta	il of Fund Ba	alance						
	Acco	ounts payable				(635)			
		ricted cash				`112 [′]			
					\$	(523)			

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Water Reserve Fund - 065 For the Fiscal Year Ended June 30, 2013

	Budgete	d Amounts	Actual	Variance with Final Budget Positive		
	Original	Final	Amounts	(Negative)		
Revenues						
Interest on investments	\$ 500	\$ 500	\$ 840	\$ 340		
Expenditures						
Materials and services	20,000	20,000	4,924	15,076		
Capital outlay	258,000	258,000	90,420	167,580		
Total expenditures	278,000	278,000	95,344	182,656		
Excess of revenues over (under) expenditures	(277,500)	(277,500)	(94,504)	182,996		
Other Finance Sources (Uses) Transfers in	188,000	188,000	132,950	(55,050)		
Net change in fund balance	(89,500)	(89,500)	38,446	127,946		
Beginning fund balance	89,500	89,500	91,781	2,281		
Ending fund balance	\$ -	\$ -	\$ 130,227	\$ 130,227		
	Detail of Fund B Restricted cash	<u>Balance</u>	\$ 130,227			

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Water Equipment Reserve Fund - 067

		Budgeted	Amou	ınts	A	Actual	Variance with Final Budget Positive		
	C	riginal		Final	An	nounts	(Negative)		
Revenues Interest on investments	\$	100	\$	100	\$	43	\$	(57)	
Expenditures Capital outlay		11,600		11,600		11,050		550	
Excess of revenues over (under) expenditures		(11,500)		(11,500)		(11,007)		493	
Other Finance Sources (Uses) Transfers in		10,000		10,000		10,000			
Net change in fund balance Beginning fund balance		(1,500) 1,500		(1,500) 1,500		(1,007) 1,525		493 25	
Ending fund balance	\$		\$		\$	518	\$	518	
		ail of Fund B tricted cash	alance	<u> </u>	\$	518			

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Water Debt Service Fund - 068 For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts			Actual		Variance with Final Budget Positive		
	Original		Final		Amounts		(Negative)	
Revenues Interest on investments	\$	200	\$	200	\$	196	\$	(4)
Expenditures								
Debt service		75,667		75,667		78,970		(3,303)
Excess of revenues over (under) expenditures		(75,467)		(75,467)		(78,774)		(3,307)
Other Finance Sources (Uses) Transfers in		96,000		96,000		93,500		(2,500)
Net change in fund balance Beginning fund balance		20,533 100		20,533 100		14,726 (2,708)		(5,807) (2,808)
Ending fund balance	\$	20,633	\$	20,633	\$	12,018	\$	(8,615)
		Adjustments to GAAP				(050,000)		
	Bonds payable				(956,902)			
					\$	(944,884)		
		ail of Fund B						
	Restricted cash Accrued interest payable					30,681		
						(18,663)		
					\$	12,018		

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Water Debt Service for General Obligation Bonds Fund - 069

		Budgeted Amounts				Actual		Variance with Final Budget Positive	
Revenues		riginal	<u>Final</u>		Amounts		(Negative)		
Property taxes Interest on investments Total revenues	\$	81,000 100 81,100	\$	81,000 100 81,100	\$	81,863 324 82,187	\$	863 224 1,087	
Expenditures Debt service		90,800		90,800		90,773		27	
Excess of revenues over (under) expenditures		(9,700)		(9,700)		(8,586)		1,114	
Other Finance Sources (Uses) Transfers in		10,000		10,000		10,000			
Net change in fund balance Beginning fund balance		300		300		1,414 (1,216)		1,114 (1,216)	
Ending fund balance	\$	300	\$	300	\$	198	\$	(102)	
		ustments to day able	<u>GAAP</u>			,631,048) ,630,850)			
	<u>Detail of Fund Balance</u> Taxes receivable Accrued interest payable				\$	1,387 (1,189) 198			

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Water Deposit Common Trust Fund - 016 For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts				Actual		Variance with Final Budget Positive	
	Original		Final		Amounts		(Negative)	
Revenues	\$	-	\$	-	\$	-	\$	-
Expenditures								
Excess of revenues over (under) expenditures		-		-		-		-
Other Finance Sources (Uses) Transfers out		(4,000)		(4,000)		(3,979)		21
Net change in fund balance Beginning fund balance		(4,000) 4,000		(4,000) 4,000		(3,979) 3,979		21 (21)
Ending fund balance	\$	-	\$	-	\$	-	\$	-
	Detail of Fund Balance Customer Deposits Restricted cash Accounts payable				\$	(23,637) 23,717 (80)		

Combining Statement of Net Position Sewer Funds June 30, 2013

	70 Sewer Operation & Development Fund	71 Sewer Connections Fees Fund	75 76 78		79 Sewer Bond Debt Service Fund	Total	
Assets							
Current assets:	A 440.044	6 00 777	ф 7 4.000	40.050	0 74 507	A 47 400	Φ 005.000
Cash and investments	\$ 149,214	\$ 29,777	\$ 74,066	\$ 43,250	\$ 71,587	\$ 17,468	\$ 385,362
Taxes receivable	- 00 707	-	-	-	-	2,093	2,093
Accounts receivable Total current assets	92,797 242,011	29,777	74,066	43,250	71,587	19,561	92,797 480,252
Noncurrent assets:	242,011	29,777	74,000	43,250	11,501	19,561	400,252
Capital assets:							
Land	10,983						10.983
Construction in progress	2,428,525	-	-	-	-	-	2,428,525
Buildings	396,419	_	_	_	_	_	396,419
Equipment	153,284	_	_	_	_	_	153,284
Improvements	8,978,670	_	_	_	_	_	8,978,670
Less: Accumulated depreciation	(1,986,331)	_	_	_	_	_	(1,986,331)
Total capital assets	9,981,550						9,981,550
Restricted cash	-	_	-	_	25,162	_	25,162
Total noncurrent assets	9,981,550				25,162		10,006,712
Total assets	10,223,561	29,777	74,066	43,250	96,749	19,561	10,486,964
Deferred Outflows of Resources		-					
Liabilities							
Current liabilities:							
Accounts payable	124,969	_	_	_	_	_	124,969
Accrued interest payable	-	_	_	_	49.845	61,065	110,910
Current bonds and notes payable	_	_	_	_	44,171	38,233	82,404
Total current liabilities	124,969				94.016	99,298	318,283
Noncurrent liabilities:	.=.,				- 1,	,	,
Bonds and notes payable	-	-	-	-	2,236,911	2,614,396	4,851,307
Total liabilities	124,969	-	-		2,330,927	2,713,694	5,169,590
Deferred Inflows of Resources		-					
Net Position							
Net investment in capital assets	9,981,550	_	_	_	(2,281,082)	(2,652,629)	5,047,839
Restricted for:	0,001,000				(2,201,302)	(2,002,020)	0,047,000
Debt service	_	_	_	_	25.162	_	25.162
Unrestricted	117,042	29,777	74,066	43,250	21,742	(41,504)	244,373
Total net position	\$ 10,098,592	\$ 29,777	\$ 74,066	\$ 43,250	\$ (2,234,178)	\$ (2,694,133)	\$ 5,317,374

Combining Statement of Revenues, Expenses, and Changes in Net Position Sewer Funds

	70 Sewer Operation & Development Fund	Sewer Sewer Operation & Connections Development Fees		76 Sewer Equipment Reserve Fund	78 Sewer Debt Service Fund	79 Sewer Bond Debt Service Fund	Total	
Operating Revenues	\$ 558.267	\$ -	\$ -	\$ -	\$ -	\$ 12.019	\$ 570,286	
Charges for services Miscellaneous	*,	Ъ -	\$ -	Ъ -	5 -	\$ 12,019		
Total operating revenues	1,649 559.916					12,019	1,649 571,935	
Total operating revenues	559,910					12,019	371,933	
Operating Expenses								
Personnel services	296,229	-	-	-	-	-	296,229	
Materials and services	101,910	-	-	-	-	-	101,910	
Depreciation	191,246						191,246	
Total operating expenses	589,385						589,385	
Operating income (loss)	(29,469)					12,019	(17,450)	
Nonoperating Revenues (Expenses)								
Property taxes	_	-	-	-	-	94,364	94,364	
Interest on investments	531	177	346	270	751	134	2,209	
Grants	1,206,548	-	-	-	-	-	1,206,548	
Interest expense	· · · · -	-	-	-	(71,705)	(113,451)	(185,156)	
Total nonoperating revenues (expenses)	1,207,079	177	346	270	(70,954)	(18,953)	1,117,965	
Income (loss) before transfers	1,177,610	177	346	270	(70,954)	(6,934)	1,100,515	
Transfers in	-	_	20,000	15,000	-	63,000	98,000	
Transfers out	(101,650)			·			(101,650)	
Change in net position	1,075,960	177	20,346	15,270	(70,954)	56,066	1,096,865	
Net position - beginning	7,826,799	29,600	53,720	73,780	(1,013,191)	(2,750,199)	4,220,509	
Equity transfer	1,195,833			(45,800)	(1,150,033)			
Total net position - ending	\$ 10,098,592	\$ 29,777	\$ 74,066	\$ 43,250	\$ (2,234,178)	\$ (2,694,133)	\$ 5,317,374	

Statement of Cash Flows Sewer Funds

For the Year Ended June 30, 2013

	70 Sewer Operation & Development Fund	Con	71 Sewer nections Fees Fund	R	75 Sewer eserve Fund	Ec	76 Sewer quipment Reserve Fund		78 Sewer Debt Service Fund		79 wer Bond Debt Service Fund		Total
Cash Flows from Operating Activities:	A 550 400	•		•		•		•		•	40.040	•	505.047
Receipts from customers	\$ 553,198	\$	-	\$	-	\$	-	\$	-	\$	12,019	\$	565,217
Other miscellaneous reciepts	1,649		-		-		-		-		-		1,649
Payments (to) from suppliers	(94,820)		-		-		-		-		-		(94,820)
Payments to employees Net cash provided (used) by	(296,229)								<u>-</u>				(296,229)
	400 700										40.040		475.047
operating activities	163,798				-						12,019		175,817
Cash Flows from Noncapital													
Financing Activities:													
Grant income	1,171,113		-		-		-		-		-		1,171,113
Transfers in (out)	(101,650)		-		20,000		15,000		-		63,000		(3,650)
Net cash provided (used) by				-									(-,,
noncapital financing activities	1,069,463		-		20,000		15,000		-		63,000		1,167,463
Cash Flows from Capital and													
Related Financing Activities:	,												
Acquisition and construction of capital assets	(2,143,277)		-		-		(45,800)		-		-		(2,189,077)
Loan proceeds	982,231		-		-		-				-		982,231
Restricted for loan covenants	-		-		-		-		102,533				102,533
Property taxes	-		-		-		-		·		93,285		93,285
Payments on capital debt					-		-		(80,895)		(150,970)		(231,865)
Net cash provided (used) by capital and													
related financing activities	(1,161,046)						(45,800)		21,638		(57,685)		(1,242,893)
Cash Flows from Investing Activities:													
Interest and dividends	531		177		346		270		751		134		2,209
morest and dividends					010		210		701		104		2,200
Net increase (decrease) in													
cash and investments	72,746		177		20,346		(30,530)		22,389		17,468		102,596
Beginning cash and investments	76,468		29,600		53,720		73,780		49,198				282,766
Ending cash and investments	\$ 149,214	\$	29,777	\$	74,066	\$	43,250	\$	71,587	\$	17,468	\$	385,362
Reconciliation of operating income to net cash provided (used) by operating activities: Operating income (loss)	\$ (29,469)	\$	-	\$	-	\$	-	\$	-	\$	12,019	\$	(17,450)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:													
Depreciation	191,246		-		-		-		-		-		191,246
(Increase) decrease in accounts receivable	(5,069)		-		-		-		-		-		(5,069)
Increase (decrease) in accounts payable	7,090		-				-		-				7,090
Net cash provided (used) by operating activities	\$ 163,798	\$		\$	-	\$		\$		\$	12,019	\$	175,817

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Sewer Operation & Development Fund - 070

	Budgeted	Amounts	Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				<u> (*****</u>
Charges for services	571,000	571,000	558,267	(12,733)
Interest on investments	1,000	1,000	531	(469)
Grants	-	250,000	1,206,548	956,548
Miscellaneous	25,000	25,000	1,649	(23,351)
Total revenues	597,000	847,000	1,766,995	919,995
Expenditures				
Personnel services	319,000	317,000	296,229	20,771
Materials and services	121,000	123,000	101,910	21,090
Capital outlay	1,611,000	2,388,698	2,249,216	139,482
Contingency	45,000	45,000	-	45,000
Total expenditures	2,096,000	2,873,698	2,647,355	226,343
Excess of revenues over				
(under) expenditures	(1,499,000)	(2,026,698)	(880,360)	1,146,338
Other Finance Sources (Uses)				
Proceeds from long-term debt	1,600,000	2,127,698	1,052,735	(1,074,963)
Transfers out	(199,000)	(199,000)	(101,650)	97,350
Total other finance sources (uses)	1,401,000	1,928,698	951,085	(977,613)
Net change in fund balance	(98,000)	(98,000)	70,725	168,725
Beginning fund balance	98,000	98,000	116,821	18,821
Ending fund balance	\$ -	\$ -	187,546	\$ 187,546
	Adjustments to C	BAAP		
	Capital assets, ne		9,981,550	
	Budgetary accoun		(70,504)	
	0 ,	•		
			\$ 10,098,592	
	Detail of Fund Ba	alance		
	Cash and investm		\$ 149,214	
	Accounts receivab		92,797	
	Accounts payable		(124,969)	
	Budgetary accoun	iting difference	70,504	
			\$ 187,546	

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Sewer Connection Fees Fund - 071

		Budgeted				Actual	Fina P	ance with I Budget ositive	
	O	Original		Final	Aı	mounts	(Negative)		
Revenues									
Charges for services	\$	8,000	\$	8,000	\$	-	\$	(8,000)	
Interest on investments		100		100		177		77	
Total revenues		8,100		8,100		177		(7,923)	
Expenditures									
Capital outlay		37,700		37,700		-		37,700	
Net change in fund balance		(29,600)		(29,600)		177		29,777	
Beginning fund balance		29,600		29,600		29,600			
Ending fund balance	\$	-	\$		\$	29,777	\$	29,777	
	Deta	il of Fund B	<u>alance</u>						
	Cash	and investn	nents		\$	29,777			

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Sewer Reserve Fund - 075 For the Fiscal Year Ended June 30, 2013

	E	Budgeted	Amour	A	Actual	Variance with Final Budget Positive			
	Orig			inal		nounts	(Negative)		
Revenues								<u> </u>	
Interest on investments	\$	3,000	\$	3,000	\$	346	\$	(2,654)	
Expenditures									
Materials and services	4	6,000		46,000		-		46,000	
Debt service	12	27,700		127,700				127,700	
Total expenditures	17	3,700		173,700		-		173,700	
Excess of revenues over (under) expenditures	(17	(0,700)	((170,700)		346		171,046	
Other Finance Sources (Uses)								(07.000)	
Transfers in	11	7,000		117,000		20,000		(97,000)	
Net change in fund balance	(5	3,700)		(53,700)		20,346		74,046	
Beginning fund balance	•	3,700		53,700		53,720		20	
Ending fund balance	\$		\$	-	\$	74,066	\$	74,066	
	Detail o	of Fund Ba	alance						
		nd investm			\$	74,066			

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Sewer Equipment Reserve Fund - 076 For the Fiscal Year Ended June 30, 2013

		Budgeted	Amou	nts	,	Actual	Fina	ance with I Budget ositive	
	Original		Final		Aı	mounts	(Negative)		
Revenues									
Interest on investments	\$	400	\$	400	\$	270	\$	(130)	
Expenditures									
Capital outlay		88,000		88,000		45,800		42,200	
Excess of revenues over (under) expenditures		(87,600)		(87,600)		(45,530)		42,070	
Other Finance Sources (Uses)									
Transfers in		15,000		15,000		15,000		-	
Net change in fund balance		(72,600)		(72,600)		(30,530)		42,070	
Beginning fund balance		72,600		72,600		73,780		1,180	
Ending fund balance	\$		\$		\$	43,250	\$	43,250	
	<u>Deta</u>	il of Fund B	alance	·					
	Cash	and investm	nents		\$	43,250			

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Sewer Debt Service Fund - 078 For the Fiscal Year Ended June 30, 2013

	Budgeted	Amounts	Actual	Variance with Final Budget Positive		
	Original	Final	Amounts	(Negative)		
Revenues Interest on investments	1,000	1,000	751	(249)		
Expenditures						
Debt service	97,457	97,457	80,895	16,562		
Net change in fund balance Beginning fund balance	(96,457) 180,000	(96,457) 180,000	(80,144) 176,893	16,313 (3,107)		
Ending fund balance	\$ 83,543	\$ 83,543	96,749	\$ 13,206		
	Adjustments to C					
	Accrued interest p	· · ·	(49,845)			
	Bonds and notes p	payable	(2,281,082)			
			\$ (2,234,178)			
	Detail of Fund Ba	alance				
	Cash and investm	ents	\$ 71,587			
	Restricted cash		25,162			
			\$ 96,749			

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Sewer Debt Service for General Obligation Bonds Fund - 079

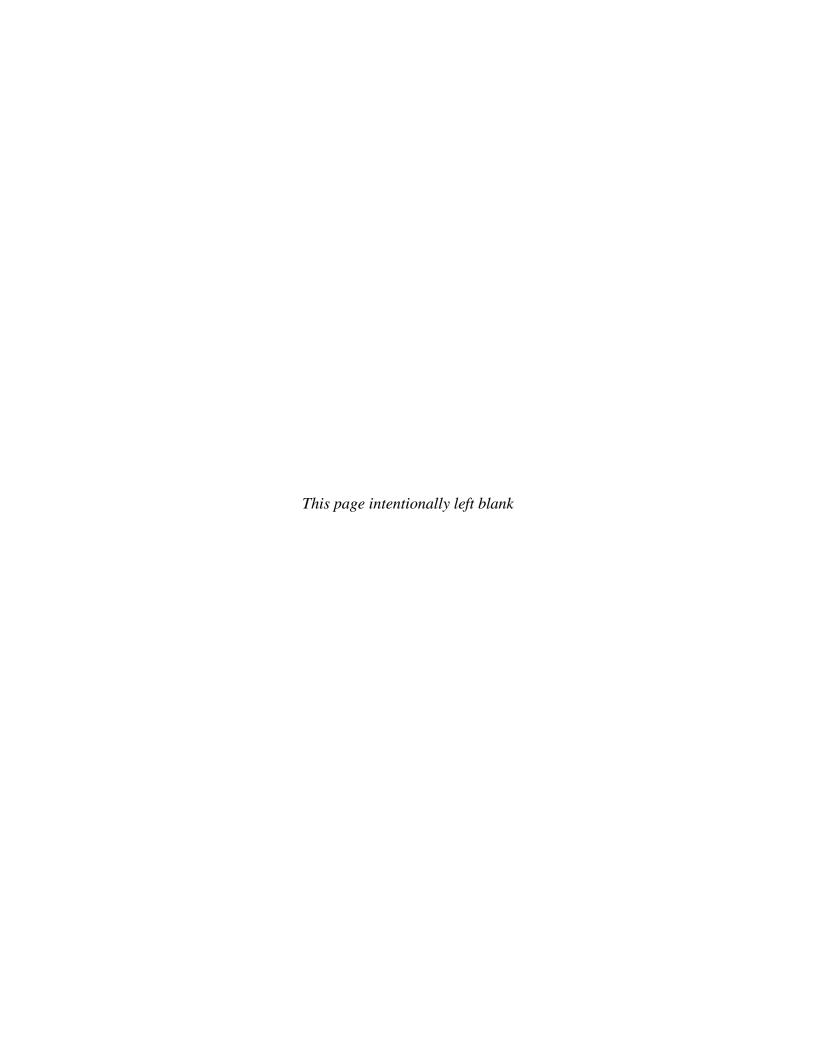
	Budgeted	Amounts	Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues Property taxes Charges for services Interest on investments Total revenues	\$ 93,800 11,000 200 105,000	\$ 93,800 11,000 200 105,000	\$ 94,364 12,019 134 106,517	\$ 564 1,019 (66) 1,517
Expenditures Debt service	150,972	150,972	150,970	2
Excess of revenues over (under) expenditures	(45,972)	(45,972)	(44,453)	1,519
Other Finance Sources (Uses) Transfers in	52,000	52,000	63,000	11,000
Net change in fund balance Beginning fund balance	6,028	6,028	18,547 1,014	12,519 1,014
Ending fund balance	\$ 6,028	\$ 6,028	19,561	\$ 13,533
	Adjustments to C Accrued interest p Bonds and notes	payable	(61,065) (2,652,629) \$ (2,694,133)	
	Detail of Fund Backer Cash and investment Taxes receivable		\$ 17,468 2,093 \$ 19,561	

CITY OF IRRIGON, OREGON Comparative Statement of Net Position Proprietary Funds June 30, 2013

	Water 9	System	Sewer System			
	2013	2012	2013	2012		
Assets		·				
Current assets:						
Cash and investments	\$ -	\$ 23,268	\$ 385,362	\$ 282,765		
Taxes receivable	1,387	-	2,093	1,014		
Accounts receivable	59,931	49,150	92,797	52,293		
Total current assets	61,318	72,418	480,252	336,072		
Noncurrent assets:						
Capital assets:						
Land	46,799	46,799	10,983	10,983		
Construction in progress	5,400	-	2,428,525	179,309		
Buildings	268,493	268,493	396,419	396,419		
Equipment	80,505	69,455	153,284	107,484		
Improvements	5,359,692	5,269,272	8,978,670	8,978,670		
Less: Accumulated depreciation	(696,401)	(581,709)	(1,986,331)	(1,795,085)		
Total capital assets	5,064,488	5,072,310	9,981,550	7,877,780		
Restricted cash	197,748	151,799	25,162	127,696		
Total noncurrent assets	5,262,236	5,224,109	10,006,712	8,005,476		
Total assets	5,323,554	5,296,527	10,486,964	8,341,548		
Deferred Outflows of Resources						
Liabilities						
Current liabilities:						
Accounts payable	16,991	6,077	124,969	11,940		
Customer deposits	23,637	21,359	-	-		
Unearned revenue	1,579	1,909	-	-		
Accrued interest payable	19,852	20,786	110,910	93,703		
Current bonds and notes payable	67,211	64,763	82,404	63,916		
Total current liabilities	129,270	114,894	318,283	169,559		
Noncurrent liabilities:						
Bonds and notes payable	2,520,739	2,587,949	4,851,307	3,951,480		
Total liabilities	2,650,009	2,702,843	5,169,590	4,121,039		
Deferred Inflows of Resources						
Net Position						
Net investment in capital assets	2,476,538	2,419,598	5,047,839	3,862,384		
Restricted for:	, ,	, ,	, ,	, ,		
Debt service	10,000	10,000	25,162	127,695		
System replacement	167,179	193,200	-	-		
Unrestricted	19,828	(29,114)	244,373	230,430		
Total net position	\$ 2,673,545	\$ 2,593,684	\$ 5,317,374	\$ 4,220,509		

Comparative Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds

	Water Sys			em	Sewer	Syste	em
		2013	-	2012	2013		2012
Operating Revenues							
Charges for services	\$	504,281	\$	445,948	\$ 570,286	\$	563,373
Miscellaneous		2,536		1,205	1,649		10,272
Total operating revenues		506,817		447,153	571,935		573,645
Operating Expenses							
Personnel services		190,727		180,206	296,229		249,513
Materials and services		98,023		68,701	101,910		105,390
Depreciation		114,692		120,342	191,246		190,100
Total operating expenses		403,442		369,249	589,385		545,003
Operating income (loss)		103,375		77,904	 (17,450)		28,642
Nonoperating Revenues (Expenses)							
Property taxes		81,863		-	94,364		27,245
Interest on investments		1,604		1,029	2,209		2,095
Grant income		-		-	1,206,548		-
Interest expense		(104,981)		(107,407)	(185,156)		(169,842)
Loss on sale of assets		-		(23,028)			
Total nonoperating							
revenues (expenses)		(21,514)		(129,406)	 1,117,965		(140,502)
Income (loss) before transfers		81,861		(51,502)	1,100,515		(111,860)
Transfers in		250,429		197,500	98,000		196,900
Transfers out		(252,429)		(197,500)	(101,650)		(204,339)
Change in net position		79,861		(51,502)	1,096,865		(119,299)
Net position - beginning		2,593,684		2,626,573	4,220,509		4,416,598
Prior period adjustment				18,613			(76,790)
Total net position - ending	\$	2,673,545	\$	2,593,684	\$ 5,317,374	\$	4,220,509





CITY OF IRRIGON, OREGON Schedule of Property Tax Transactions For the Fiscal Year Ended June 30, 2013

Tax Year	Т	ollected axes 1, 2012	Cu	Current Tax Levy		Less: Collections 2012-2013		Adjustments & Discounts		ollected Taxes 30, 2013
2012-13	\$	-	\$	355,401	\$	338,675	\$	(11,407)	\$	5,319
2011-12		3,760		-		1,177		(890)		1,693
2010-11		1,869		-		676		(4)		1,189
2009-10		1,153		-		572		(3)		578
2008-09		752		-		665		(4)		83
2007-08		76		-		41		(2)		33
2006-07		46		-		25		(1)		20
Prior		73				1_		(2)		70
	\$	7,729	\$	355,401	\$	341,832	\$	(12,313)		8,985
					Und	istributed taxe	es from	County		681
									\$	9,666

Reconciliation with City Recorder's books:

·	Total		General Fund		Sewer & Water Funds	
Tax collections (shown above) Interest and miscellaneous fees	\$	341,832 2,660	\$	167,424 841	\$	174,408 1,819
Total tax revenues per fund financial statements	\$	344,492	\$	168,265	\$	176,227

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

SEYDEL, LEWIS, POE, MOELLER & GUNDERSON, LLC

CERTIFIED PUBLIC ACCOUNTANTS 1121 ADAMS AVENUE • P.O. BOX 1024 LA GRANDE, OREGON 97850-1024

Independent Auditor's Report Required by Oregon State Regulations

Members of the City Council City of Irrigon P.O. Box 428 Irrigon, Oregon 97844

We have audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Irrigon of and for the year ended June 30, 2013, and have issued our report thereon dated October 9, 2013.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Irrigon'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.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

The independent elected officials of the City of Irrigon do not collect or receive money and are, therefore, not subject to the requirements of OAR 162-10-140.

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

1. The City did not comply with ORS 294.456(6). Expenditures exceeded budgeted appropriations for the year ended June 30, 2013, as follows:

	C	Over
Fund	Expenditure	
Water Debt Service Fund - Debt service	\$	3.303

OAR 162-10-0230 Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified a certain deficiency in internal control that we consider to be a material weakness.

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

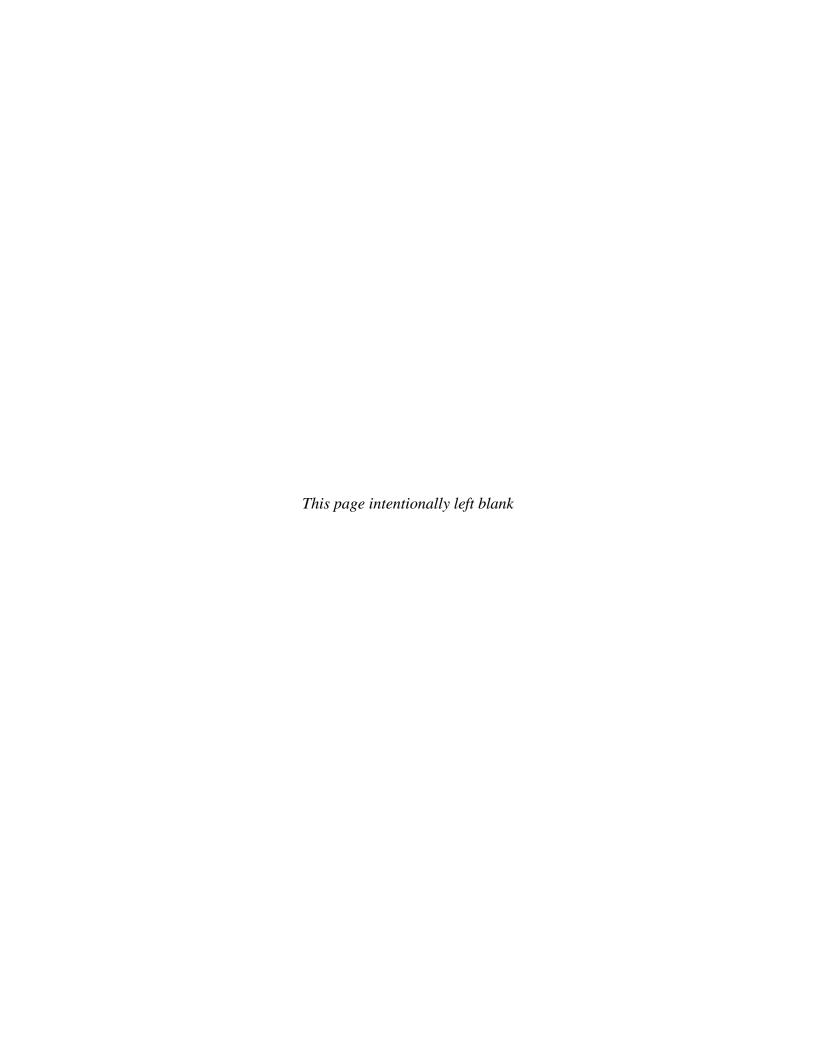
A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

This report is intended solely for the information and use of the management, the audit committee, City Council of the City of Irrigon and federal awarding agencies and pass-through entities and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these specified parties.

SEYDEL, LEWIS, POE, MOELLER & GUNDERSON, LLC Certified Public Accountants

Michael R. Poe, CPA Owner/Member

La Grande, Oregon October 9, 2013



AUDIT DELIVERABLES REQUIRED

BY THE SINGLE AUDIT ACT OF 1996

SEYDEL, LEWIS, POE, MOELLER & GUNDERSON, LLC

CERTIFIED PUBLIC ACCOUNTANTS 1121 ADAMS AVENUE • P.O. BOX 1024 LA GRANDE, OREGON 97850-1024

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the City Council City of Irrigon Irrigon, OR 97844

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Irrigon, Oregon, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Irrigon, Oregon's basic financial statements, and have issued our report thereon dated October 9, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness

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

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Purpose of this Report

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

SEYDEL, LEWIS, POE, MOELLER & GUNDERSON, LLC Certified Public Accountants

Michael R. Poe, CPA Owner/Member

La Grande, Oregon October 9, 2013

SEYDEL, LEWIS, POE, MOELLER & GUNDERSON, LLC

CERTIFIED PUBLIC ACCOUNTANTS 1121 ADAMS AVENUE • P.O. BOX 1024 LA GRANDE, OREGON 97850-1024

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

To the City Council City of Irrigon Irrigon, OR 97844

Report on Compliance for Each Major Federal Program

We have audited City of Irrigon, Oregon's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of City of Irrigon, Oregon's major federal programs for the year ended June 30, 2013. City of Irrigon, Oregon's federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Irrigon, Oregon's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Irrigon, Oregon's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, City of Irrigon, Oregon, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of City of Irrigon, Oregon, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Irrigon, Oregon's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Irrigon, Oregon's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

SEYDEL, LEWIS, POE, MOELLER & GUNDERSON, LLC

Certified Public Accountants

Michael R. Poe, CPA

La Grande, Oregon October 9, 2013

Schedule of Expenditures of Federal Awards - Modified Cash Basis For the Fiscal Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures	
Environmental Protection Agency: Pass-Through Program From: Oregon Business Development Department Capitalization Grants for Clean Water State Revolving Funds	66.458	U13005	\$	2,103
Oregon Department of Environmental Quality Capitalization Grants for Clean Water State Revolving Funds	66.458	R47741		1,642,198
Total Expenditures of Federal Awards			\$	1,644,301

Notes to Schedule of Expenditures of Federal Awards

Note A - Purpose of the Schedule:

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") is a supplementary schedule to City of Irrigon's financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of City of Irrigon, it is not intended to and does not present either the financial position, results of operations, or changes in fund balances of City of Irrigon.

Note B - Significant Accounting Policies:

Reporting Entity

The reporting entity is fully described in Note 1 to City of Irrigon's basic financial statements. The Schedule includes all federal programs administered by City of Irrigon for the year ended June 30, 2013.

Basis of Presentation

The information in the Schedule is presented in accordance with OMB Circular A-133.

Federal Financial Assistance

Pursuant to the Single Audit Act and OMB Circular A-133, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between the City the federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Major Programs

The Single Audit Act and OMB Circular A-133 establish criteria to be used in defining major programs. Major programs for City of Irrigon are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in OMB Circular A-133. Programs with similar requirements may be grouped into a cluster for testing purposes.

Basis of Accounting

The receipt and expenditure of federal awards are accounted for under the same basis of accounting as the fund in which they are recorded. Federal awards recorded in proprietary funds are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Federal awards recorded in governmental funds are reported using the modified accrual basis of accounting. Revenues are recognized when measurable and available. Expenditures are recorded when the related liability is incurred.

Insurance Coverage

For the fiscal year ended June 30, 2013, the City had insurance coverage in effect comparable to other entities of similar size and circumstance.

CITY OF IRRIGON, OREGON Schedule of Findings and Questioned Costs For the Year Ended June 30, 2013

	Results
Financial Statements Audit	
1. Type of auditor's report issued	Unqualified
2. Internal control over financial reporting:	
Were significant deficiencies disclosed?	Yes
Of the significant deficiencies disclosed were any material weaknesses?	Yes
3. Did the audit disclose any noncompliance material to the financial statements?	No

Federal Awards

1. Type of auditor's report issued:

Major programs:

A. Summary of Audit Results

Capitalization Grants for Clean Water State Revolving Funds CFDA Number 66.458

Unqualified

2. Internal control over major programs:

Were significant deficiencies disclosed?

Of the significant deficiencies disclosed were any material weaknesses?

No

N/A

3. Were any of the following disclosed in accordance with section 510(a) of OMB

Circular A-133?

Significant deficiencies in internal control over major programs?

Material Noncompliance with the provisions of laws, regulations, contracts,

No

or grant agreements related to major programs?

Known questioned costs which are greater than \$10,000 for a type of

No

compliance requirement for a major program?

Known questioned costs which are greater than \$10,000 for a federal

No

program which is not audited as a major program?

No

4. The threshold for distinguishing Types A and B programs:

\$ 300,000 No

5. Auditee qualified as a low-risk auditee

B. Findings and Questioned Costs - Financial Statement Audit

1. Material Weakness: The City's Financial Officer has the ability to prepare all the individual fund financial statements including the Budgetary Comparison Schedules. However, the City does rely on us as the auditor to assist them in drafting the Government-Wide Financial Statements, including reconciliations from the Fund Financial Statements. In addition, we verify the financial statements, including note disclosures, contain all of the elements required to comply with the modified cash basis of accounting. We do believe the City has staff with the ability to understand, review, and take responsibility for the financial statements required to comply with independence standards outlined under both Government Auditing Standards and AICPA 101-3. However, our assistance in drafting the financial statements described above does produce a significant deficiency in the City's internal control system as defined by AU 265.

Criteria: Auditing standards require us to assess the internal control system of the entity. In addition, the standards clearly state that the auditor cannot be relied upon as part of the entity's control system. AU 265, *Communicating Internal Control Related Matters Identified in an Audit* defines the reporting requirements for internal Control related matters. One aspect of this standard requires us to extend this assessment to controls over financial statement presentation. Proper controls over financial statement presentation require adequate knowledge and involvement to detect errors and omissions in the financial statements.

CITY OF IRRIGON, OREGON Schedule of Findings and Questioned Costs For the Year Ended June 30, 2013

Cause: The City wishes to outsource report writing because of time, cost and experience considerations.

Effect: Since the financial statements and related note disclosures are prepared by independent auditors annually there is no effect caused by this condition.

Views of Responsible Officials and Recommendations: We do not recommend any change in the preparation of the financial statements, but the City Council should be aware of this control deficiency and stress the importance of thorough review of the financial statements prior to approval of the audit. The City officials are in agreement with the condition and recommendation stated above.

Action Taken: As recommended above the City has not made any change in the preparation of the financial statements. The City does not feel it is cost effective to hire additional staff or an independent contractor to prepare the financial statements.

C. Federal Awards Findings and Questioned Costs

None noted as a result of our audit procedures.

CITY OF IRRIGON, OREGON Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2013

None noted as a result of our audit procedures.