

# CITY OF IRRIGON, OREGON

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## ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016



LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC

Certified Public Accountants

**CITY OF IRRIGON, OREGON**  
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## **INTRODUCTORY SECTION**

**CITY OF IRRIGON, OREGON**  
**City Officials**

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**Mayor**

**Term Expires**

Sam Heath	January 9, 2017	Irrigon, Oregon
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**Council Members**

**Term Expires**

Kenneth Matlack	January 9, 2017	Irrigon, Oregon
Michelle Hagen	January 1, 2019	Irrigon, Oregon
Daren Strong	January 9, 2017	Irrigon, Oregon
Margaret Anderson	January 1, 2019	Irrigon, Oregon
Martin Brown	January 1, 2019	Irrigon, Oregon
Vacant		

**Recorder-Administrator**

Aaron Palmquist		Irrigon, Oregon
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**City Attorney**

William J. Kuhn		Heppner, Oregon
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## **FINANCIAL SECTION**

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, 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 and each major fund of City of Irrigon, Oregon, as of and for the year ended June 30, 2016, 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 and each major fund information of the City of Irrigon, Oregon, as of June 30, 2016, 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.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension liability information 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 and pension liability information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we

obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and pension liability information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information is the responsibility of management and was derived from, and relate directly to, the underlying accounting and other records used to prepare the financial statements. This 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 and combining and individual fund financial statements are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual fund financial statements 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 fund financial statements 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 10, 2016, 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 10, 2016, 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.

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

By   
\_\_\_\_\_  
Michael R. Poe, CPA  
Owner/Member

La Grande, Oregon  
October 10, 2016



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**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**



## CITY OF IRRIGON

*AN EQUAL OPPORTUNITY PROVIDER*

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### 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, 2016. Please read it in conjunction with the city's financial statements, which begin on page 9.

### Financial Highlights

- Net position from governmental activities increased \$36,890 or approximately 1%
- Net position from business-type activities decreased \$170,082 or approximately 2%

### 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 9 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 has implemented GASB statement No. 68, Accounting and Financial Reporting for Pensions, and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Under the new rules, employers are required to record a balance sheet liability for their unfunded pension obligations.

### The City as a Whole

The City's total assets exceeded total liabilities by \$11,395,404 at the end of the 2016 fiscal year. This is a decrease of \$133,192 or approximately 1% from the previous fiscal year's amount of \$11,528,596 as demonstrated in the table below comparing net position between fiscal year 2016 and fiscal year 2015.

## Statement of Net Position

Assets	Governmental Activities		Business-Type Activities		Total Activities	
	2015-2016	2014-2015	2015-2016	2014-2015	2015-2016	2014-2015
Unrestricted Cash and Cash Equivalents	\$ 484,653	\$ 298,370	\$ 656,321	\$ 574,338	1,140,974	872,708
Restricted Cash and Cash Equivalents	-	12,063	445,243	384,342	445,243	396,405
Account Receivables	27,440	25,142	140,395	163,030	167,835	188,172
Property Tax Receivables	5,572	5,712	6,370	5,757	11,942	11,469
Total Current Assets	<u>517,665</u>	<u>341,287</u>	<u>1,248,329</u>	<u>1,127,467</u>	<u>1,765,994</u>	<u>1,468,754</u>
Non Current Assets						
Pension Asset	-	34,579	-	86,334	-	120,913
Capital Assets						
Land	91,882	91,882	57,782	57,782	149,664	149,664
Infrastructure	2,596,608	2,638,135	-	-	2,596,608	2,638,135
Water System	-	-	4,467,787	4,576,365	4,467,787	4,576,365
Sewer System	-	-	9,024,347	9,204,908	9,024,347	9,204,908
Buildings	410,407	417,016	580,225	589,322	990,632	1,006,338
Equipment	44,923	51,879	106,910	117,061	151,833	168,940
Total Capital Assets	<u>3,143,820</u>	<u>3,198,912</u>	<u>14,237,051</u>	<u>14,545,438</u>	<u>17,380,871</u>	<u>17,744,350</u>
Total Assets	<u>3,661,485</u>	<u>3,574,778</u>	<u>15,485,380</u>	<u>15,759,239</u>	<u>19,146,865</u>	<u>19,334,017</u>
Deferred Outflows of Resources	20,742	13,913	48,825	32,750	69,567	46,663
<u>Liabilities</u>						
Current Liabilities:						
Account Payables	11,838	6,138	23,385	19,300	35,223	25,438
Payroll Payable	3,553	11,257	8,466	25,928	12,019	37,185
Unearned Revenue	-	-	2,813	3,048	2,813	3,048
Customer Deposits	-	-	39,518	33,843	39,518	33,843
Accrued Compensated Absences	95,252	87,028	-	-	95,252	87,028
Accrued Interest Payable	-	-	114,396	117,342	114,396	117,342
Loans Payable within one year	-	-	181,363	187,259	181,363	187,259
Total Current Liabilities	<u>110,643</u>	<u>104,423</u>	<u>369,941</u>	<u>386,720</u>	<u>480,584</u>	<u>491,143</u>
Long-term Liabilities:						
Loans Payable after one year	-	-	6,950,200	7,125,261	6,950,200	7,125,261
Pension Liability	93,616	-	215,426	-	309,042	-
Total Liabilities	<u>204,259</u>	<u>104,423</u>	<u>7,535,567</u>	<u>7,511,981</u>	<u>7,739,826</u>	<u>7,616,404</u>
Deferred Inflows of Resources	24,211	67,401	56,991	168,279	81,202	235,680
<u>Net Position</u>						
Net Investment in Capital Assets	3,143,820	3,198,912	7,105,488	7,232,918	10,249,308	10,431,830
Restricted for Debt Service	-	-	49,734	58,742	49,734	58,742
Restricted for System Replacement	-	-	355,991	291,590	355,991	291,590
Streets and Public Works	54,618	30,112	-	-	54,618	30,112
Unrestricted	255,319	187,843	430,434	528,479	685,753	716,322
Total Net Position	<u>\$ 3,453,757</u>	<u>\$ 3,416,867</u>	<u>\$ 7,941,647</u>	<u>\$ 8,111,729</u>	<u>11,395,404</u>	<u>11,528,596</u>

The City's total assets decreased \$187,152 and liabilities increased \$123,422. Revenues totaled \$1,982,901 and total expenses were \$2,116,093 resulting in the \$133,192, or approximately 1.1% decrease in net position. The total employer pension went from being an income of \$111,509 in 2015 to being an expense of \$252,573 in 2016. This is a result of the Oregon Supreme Court decision in *Moro v. State of Oregon* (issued on April 30, 2015) occurred after the December 31, 2013 valuation date but affected the plan provisions reflected for financial reporting purposes. The *Moro* decision modified the COLA-related changes of Senate Bills 822 and 861, creating a blended COLA for members who earned service both before and after the effective dates of the legislation. For GASB 67 and GASB 68, the benefits valued in the Total Pension Liability must be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the System. Due to the timing of the Supreme Court decision, this means the COLA change due to *Moro* is reflected in the June 30, 2015 Total Pension Liability, but was not reflected in the June 30, 2014 Total Pension Liability. The increase in the Total Pension Liability resulting from the *Moro* decision, measured as of June 30, 2015, as the "Effect of plan changes" during the measurement period. To reflect the *Moro* decision, the blended COLA was estimated based on creditable service before and after the effective dates of the legislation. This approach is consistent with OAR 459-005-0510, adopted by the PERS Board in September 2015.

Current assets increased \$297,240. 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 \$413,666.

**Governmental Activities**

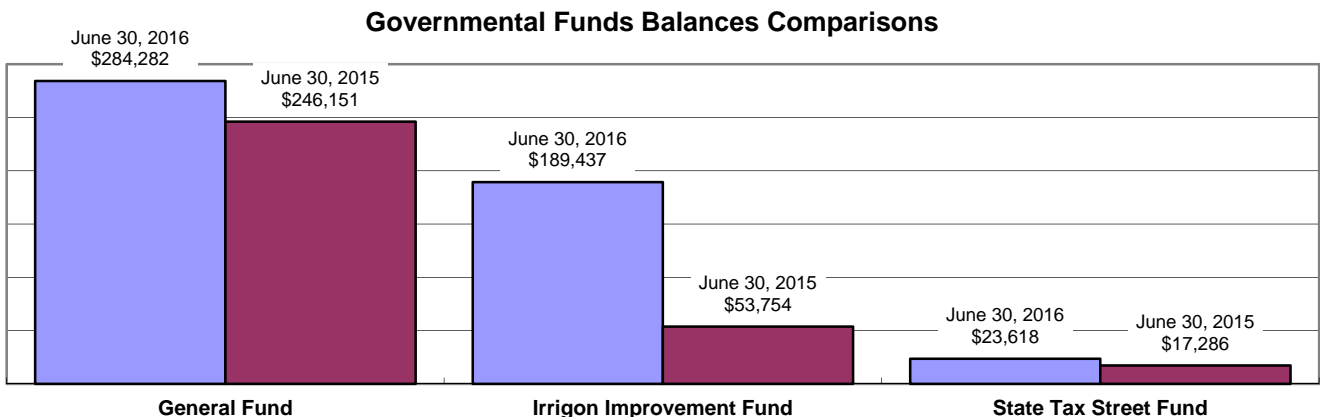
Net position of the city’s governmental activities increased \$36,890, approximately 1%. The statements of activities for governmental activities will give a better understanding of how this came to be. The report below is included for reference and comparison between the current period and the previous period.

**Statement of Activities Summary  
Governmental Activities for the years ended June 30, 2016 and 2015**

Revenues	2015-2016	2014-2015	Difference
Property Tax	\$ 182,423	\$ 173,710	\$ 8,713
Franchise Fees	66,728	65,073	1,655
Pet Licenses	1,815	810	1,005
Intergovernmental	160,896	152,970	7,926
Miscellaneous	6,177	12,089	(5,912)
SDC Fees	1,000	1,000	-
Grants	143,730	78,000	65,730
Transient Room Tax	1,079	1,222	(143)
City Fees	3,390	1,989	1,401
Lease Revenue	18,300	18,300	-
Interest on Investments	2,635	1,421	1,214
Nuisance Abatement	-	650	(650)
<b>Total Revenues</b>	<b>588,173</b>	<b>507,234</b>	<b>80,939</b>
Expenses			
General Government	279,075	224,447	54,628
Street Services	280,208	234,862	45,346
<b>Total Expenditures</b>	<b>559,283</b>	<b>459,309</b>	<b>99,974</b>
Increase (Decrease) in net assets before transfers and gain on disposal of real	28,890	47,925	(19,035)
Transfers	8,000	7,000	1,000
<b>Net Change in Net Position</b>	<b>\$ 36,890</b>	<b>\$ 54,925</b>	<b>\$ (18,035)</b>

The City’s Revenue in Governmental Activities was \$588,173 with expenditures of \$559,283 and a transfer in of \$8,000 that resulted in the increase of net position of \$36,890. The table above is included for reference and comparison between the current and previous period. The city received more in grant resources then the year before. The grants received were \$140,000 from the Columbia River Enterprise Zone II for community enhancement projects, \$2,730 from CityCounty Insurance Services for risk management and \$1,000 from Oregon Department of Land for planning. Overall expenditures for the city’s Governmental Activities increased approximately 22% from the previous fiscal year. The total pension expense for the governmental funds was \$78,176.

The Governmental Funds Balance Comparison Graph presented below is based on the fund financial statements on pages 11 thru 14. This graph compares the fund balances as of June 30, 2016 to the fund balances as of June 30, 2015.



The General fund balance increased \$38,131 or approximately 15% from the previous year. The State Tax Street Fund balance increased \$6,332 or approximately 37%. The Irrigon Improvement Fund balance increased \$135,683 or approximately 252% from the previous year.

**Business-Type Activities**

Net Position for business-type activities decreased \$170,082 approximately 2%. 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.

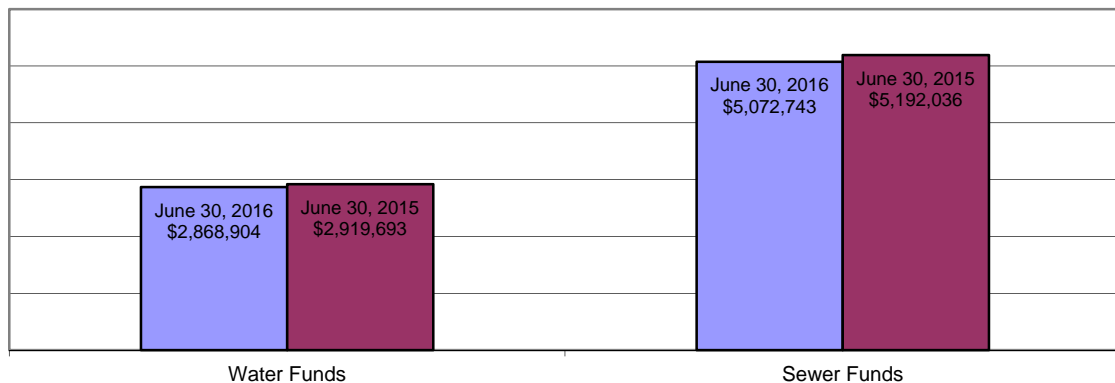
**Statement of Activities Summary  
Business Type Activities for the years ended June 30, 2016 and 2015**

Revenues	2015-2016	2014-2015	Difference
Charges for Services	\$ 1,162,590	\$ 1,148,187	\$ 14,403
Grant	-	27,896	(27,896)
Property Taxes	223,349	225,302	(1,953)
Miscellaneous	1,752	10,654	(8,902)
Interest on Investments	7,037	4,800	2,237
<b>Total Revenue</b>	<b>1,394,728</b>	<b>1,416,839</b>	<b>(22,111)</b>
<b>Expenses</b>			
Water	632,232	506,234	125,998
Sewer	924,578	751,792	172,786
<b>Total Expenses</b>	<b>1,556,810</b>	<b>1,258,026</b>	<b>298,784</b>
Increase (decrease) in net assets before transfers and gain on disposal of real property	(162,082)	158,813	(320,895)
Transfers (out)	(8,000)	(7,000)	(1,000)
<b>Change in Net Position</b>	<b>(170,082)</b>	<b>151,813</b>	<b>(321,895)</b>

The proprietary activity revenue for the fiscal year was \$1,394,728; expenses were \$1,556,810 and transfers out were \$8,000 resulting in net position decreasing \$170,082. The city has experienced a decrease in revenues from the proprietary funds of \$22,111, the reasons being that the city's grant revenue was less.

The expenses from the proprietary activities totaled \$1,556,810, an increase of approximately 24% from the prior year. Personnel services increased 78%, materials and services increased 6%, depreciation decreased less than 1% and interest on debt decreased 4%. The pension expense for the proprietary funds was \$174,397.

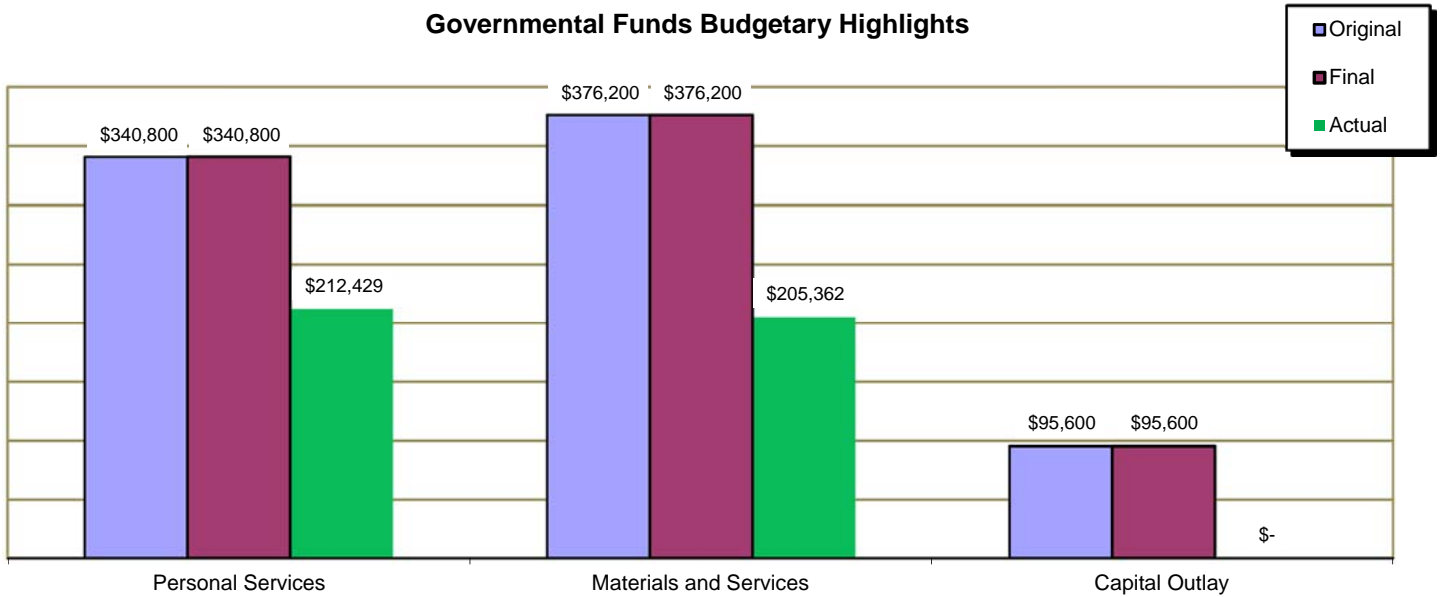
**Proprietary Fund Balances Comparison**



The Proprietary Funds Balance Comparison Graph presented above compares the fund balances as of June 30, 2016 to the fund balances as of June 30, 2015 for the water funds and the sewer funds. The water fund balances decreased \$50,789 from the previous year's total water fund balances. The sewer fund balances decreased \$119,293 from the previous year.

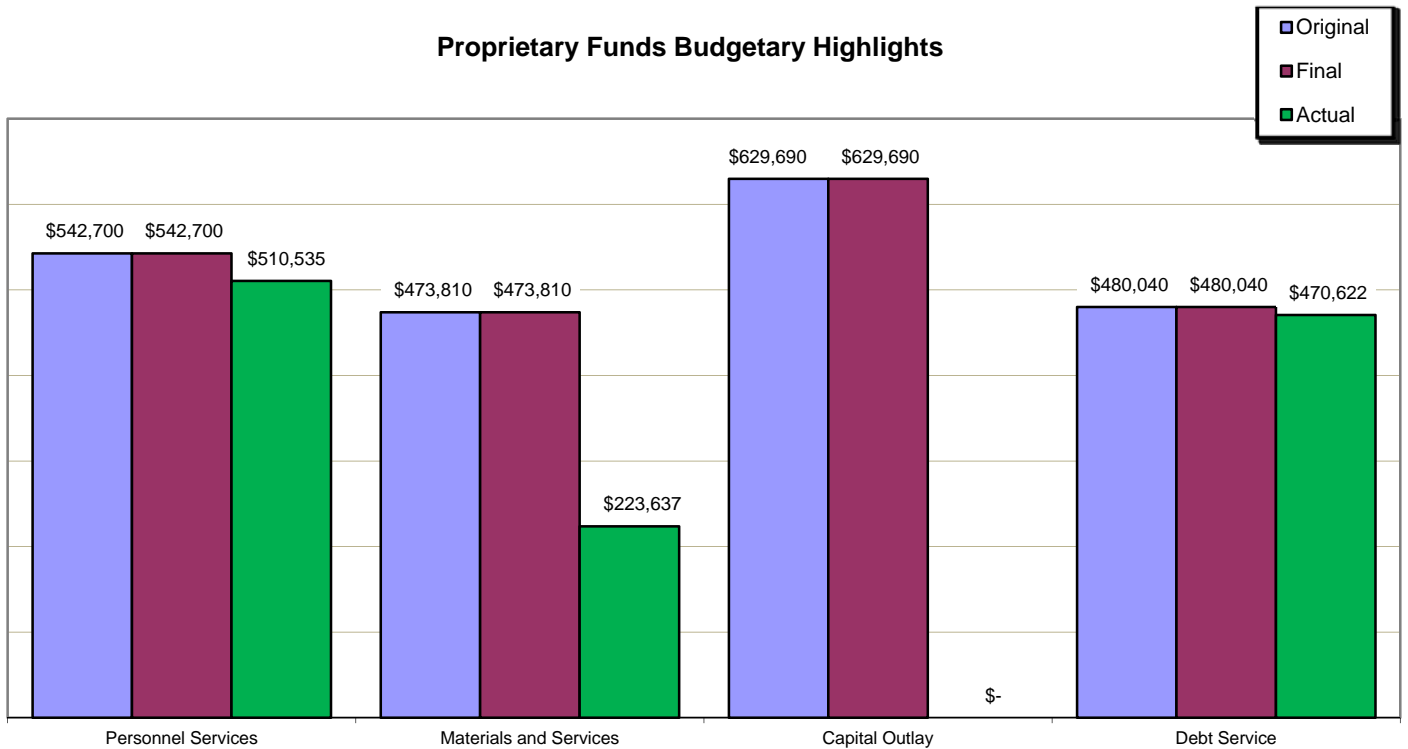
**Budgetary Highlights**

**Governmental Funds Budgetary Highlights**



The governmental funds expenditures for the fiscal year were below the appropriations approved by the city council. Personnel Service expenditures were \$128,371 below budgeted amount allowing for the pay out of all accrued employee leave, materials and services were \$170,838 below budget amount and Capital Outlay was \$95,600 below budgeted amount. The city is continuously trying to set aside money for needed capital improvements until enough is available to complete the needed projects.

**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 \$32,165 below the budgeted amount, materials and services were \$250,173 below the budget amount, Capital Outlay was \$629,690 below the budgeted amount and debt service was \$9,418 below the budgeted amount. The difference in the amount budgeted and the actual expenditures for materials and services is due to not receiving an anticipated Community Development Block Grant of \$150,000 as well as staff deliberately reducing expenses and the postponement of a couple high cost maintenance projects. The Capital Outlay difference is because the city is assigning current reserves to needed capital Improvement projects until the reserve reaches the cost of the project.

### **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 had \$355,990 of restricted assets and \$49,734 of restricted assets in the Sewer Fund for debt service.

### **Significant Capital Asset and Long-term Debt Activity**

The city has been working on converting from septage effluent system to conventional gravity sewer, a section of the city at a time, as funding becomes available. In the period being reported, no funding was available and no sewer projects were completed.

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

Total Budget Authority for the 2016-2017 fiscal year is \$3,961,710. This is an increase of \$404,890 from the budget authority of \$3,556,820 from the 2015-2016 budget year. This slight increase is due to Irrigon housing and enhancement initiatives, increasing operating costs and committing current resources to needed future capital improvement projects.

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 \$182,000, 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. The city has continued with a lesser tax on property to cover necessary payments on the bonded debt of approximately \$4.5765 per \$1,000 of assessed value. The property tax levy of \$4.386 per \$1,000 assessed value is estimated to generate approximately \$221,647.

### **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



## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF IRRIGON, OREGON**  
**Statement of Net Position**  
**June 30, 2016**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 484,653	\$ 656,321	\$ 1,140,974
Taxes receivable	5,572	6,370	11,942
Accounts receivable	27,440	140,395	167,835
Restricted cash	-	445,243	445,243
Capital assets:			
Nondepreciable			
Land	91,882	57,782	149,664
Depreciable			
Improvements	-	17,016,356	17,016,356
Buildings	470,694	664,912	1,135,606
Equipment	140,847	216,189	357,036
Infrastructure	2,878,402	-	2,878,402
Less: accumulated depreciation	(438,005)	(3,718,188)	(4,156,193)
Total capital assets, net	<u>3,143,820</u>	<u>14,237,051</u>	<u>17,380,871</u>
Total assets	<u>3,661,485</u>	<u>15,485,380</u>	<u>19,146,865</u>
<b>Deferred outflows of resources</b>			
Pension deferred outflows of resources	<u>20,742</u>	<u>48,825</u>	<u>69,567</u>
<b>Liabilities</b>			
Accounts payable	11,838	23,385	35,223
Accrued payroll	3,553	8,466	12,019
Unearned revenue	-	2,813	2,813
Customer deposits	-	39,518	39,518
Accrued interest payable	-	114,396	114,396
Long-term obligations:			
Due within one year	95,252	181,363	276,615
Due in more than one year	-	6,950,200	6,950,200
Pension liability	93,616	215,426	309,042
Total liabilities	<u>204,259</u>	<u>7,535,567</u>	<u>7,739,826</u>
<b>Deferred inflows of resources</b>			
Pension deferred inflows of resources	<u>24,211</u>	<u>56,991</u>	<u>81,202</u>
<b>Net Position</b>			
Net investment in capital assets	3,143,820	7,105,488	10,249,308
Restricted for:			
Debt service	-	49,734	49,734
System replacement	-	355,991	355,991
Streets and public works	54,618	-	54,618
Unrestricted	<u>255,319</u>	<u>430,434</u>	<u>685,753</u>
Total net position	<u>\$ 3,453,757</u>	<u>\$ 7,941,647</u>	<u>\$ 11,395,404</u>

*(The accompanying notes are an integral part of these financial statements)*

**CITY OF IRRIGON, OREGON**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2016**

Activities	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 279,075	\$ 7,284	\$ 191,554	\$ -	\$ (80,237)		\$ (80,237)
Streets and public works	280,208	-	113,072	-	(167,136)		(167,136)
Total governmental activities	<u>559,283</u>	<u>7,284</u>	<u>304,626</u>	<u>-</u>	<u>(247,373)</u>		<u>(247,373)</u>
Business-type activities:							
Water	632,232	494,626	-	-		\$ (137,606)	(137,606)
Sewer	924,578	667,964	-	-		(256,614)	(256,614)
Total business-type activities	<u>1,556,810</u>	<u>1,162,590</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(394,220)</u>	<u>(394,220)</u>
Total primary government	<u>\$ 2,116,093</u>	<u>\$ 1,169,874</u>	<u>\$ 304,626</u>	<u>\$ -</u>	<u>(247,373)</u>	<u>(394,220)</u>	<u>(641,593)</u>
<b>General Revenues</b>							
Property taxes					182,423	223,349	405,772
Franchise fees					66,728	-	66,728
Interest on investments					2,635	7,037	9,672
Other income					24,477	1,752	26,229
<b>Transfers</b>					<u>8,000</u>	<u>(8,000)</u>	<u>-</u>
Total general revenues and transfers					<u>284,263</u>	<u>224,138</u>	<u>508,401</u>
Change in net position					36,890	(170,082)	(133,192)
Net position - beginning					<u>3,416,867</u>	<u>8,111,729</u>	<u>11,528,596</u>
Net position - ending					<u>\$ 3,453,757</u>	<u>\$ 7,941,647</u>	<u>\$ 11,395,404</u>

(The accompanying notes are an integral part of these financial statements)

## **FUND FINANCIAL STATEMENTS**

**CITY OF IRRIGON, OREGON**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	<u>General Fund</u>	<u>Irrigon Improvements Fund</u>	<u>State Street Fund</u>	<u>Total</u>
<b>Assets and Deferred Outflows of Resources</b>				
Assets:				
Cash and investments	\$ 261,778	\$ 189,465	\$ 33,410	\$ 484,653
Taxes receivable	5,572	-	-	5,572
Accounts receivable	27,387	-	53	27,440
Total assets	294,737	189,465	33,463	517,665
Deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 294,737</u>	<u>\$ 189,465</u>	<u>\$ 33,463</u>	<u>\$ 517,665</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 3,991	\$ 28	\$ 7,819	\$ 11,838
Accrued payroll	1,527	-	2,026	3,553
Unearned revenue	378	-	-	378
Total liabilities	<u>5,896</u>	<u>28</u>	<u>9,845</u>	<u>15,769</u>
Deferred inflows of resources:				
Unavailable property tax revenue	4,559	-	-	4,559
Fund Balances:				
Restricted	31,000	-	23,618	54,618
Committed	171,222	189,437	-	360,659
Unassigned	82,060	-	-	82,060
Total fund balances	<u>284,282</u>	<u>189,437</u>	<u>23,618</u>	<u>497,337</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 294,737</u>	<u>\$ 189,465</u>	<u>\$ 33,463</u>	<u>\$ 517,665</u>

*(The accompanying notes are an integral part of these financial statements)*

**CITY OF IRRIGON, OREGON**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2016**

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**Total fund balances - governmental funds** \$ 497,337

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

Capital 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	2,878,402	
Less: accumulated depreciation	<u>(438,005)</u>	3,143,820

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 unavailable revenue in the funds. 4,559

Some of the City's revenue 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 unearned revenue in the funds. 378

Pension liability used in governmental activities are not financial resources and therefore are not reported in the funds. (93,616)

Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources pension expense and deferred outflow of 2016 employer contributions related to pensions	20,742	
Deferred inflows of resources related to pensions	<u>(24,211)</u>	(3,469)

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		<u>(95,252)</u>
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**Total net position - governmental activities** **\$ 3,453,757**

*(The accompanying notes are an integral part of these financial statements)*

**CITY OF IRRIGON, OREGON**  
**Statements of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2016**

	<u>General Fund</u>	<u>Irrigon Improvements Fund</u>	<u>State Street Fund</u>	<u>Total</u>
<b>Revenues</b>				
Property taxes	\$ 182,329	\$ -	\$ -	\$ 182,329
Licenses and fees	7,284	-	-	7,284
Intergovernmental	51,554	140,000	113,072	304,626
Miscellaneous:				
Franchise fees	66,728	-	-	66,728
Interest on investments	1,629	760	246	2,635
Other income	24,480	-	1,855	26,335
Total revenues	<u>334,004</u>	<u>140,760</u>	<u>115,173</u>	<u>589,937</u>
<b>Expenditures</b>				
Current:				
General government	205,327	23,623	-	228,950
Streets and public works	-	-	188,841	188,841
Total expenditures	<u>205,327</u>	<u>23,623</u>	<u>188,841</u>	<u>417,791</u>
Excess of revenues over (under) expenditures	<u>128,677</u>	<u>117,137</u>	<u>(73,668)</u>	<u>172,146</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	9,100	72,300	81,100	162,500
Transfers out	(153,400)	-	(1,100)	(154,500)
Total other financing sources (uses)	<u>(144,300)</u>	<u>72,300</u>	<u>80,000</u>	<u>8,000</u>
Net change in fund balance	(15,623)	189,437	6,332	180,146
Beginning fund balance	<u>299,905</u>	<u>-</u>	<u>17,286</u>	<u>317,191</u>
Ending fund balance	<u>\$ 284,282</u>	<u>\$ 189,437</u>	<u>\$ 23,618</u>	<u>\$ 497,337</u>

*(The accompanying notes are an integral part of these financial statements)*



**CITY OF IRRIGON, OREGON**  
**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, 2016**

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**Total net change in fund balances - governmental funds** \$ 180,146

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 capital outlays and other capitalized expenditures (\$0) exceeds depreciation expense (\$55,092) in the current year. (55,092)

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. 94

Because some revenue 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. Unearned tax revenues increased (decreased) by this amount. (1,858)

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. (78,176)

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. (8,224)

**Change in net position - governmental activities** \$ 36,890

*(The accompanying notes are an integral part of these financial statements)*

**CITY OF IRRIGON, OREGON**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 66,669	\$ 589,652	\$ 656,321
Taxes receivable	2,643	3,727	6,370
Accounts receivable	63,840	76,555	140,395
Due from other funds	9,264	-	9,264
Total current assets	<u>142,416</u>	<u>669,934</u>	<u>812,350</u>
Noncurrent assets:			
Capital assets:			
Land	46,799	10,983	57,782
Buildings	268,493	396,419	664,912
Equipment	80,505	135,684	216,189
Improvements	5,428,875	11,587,481	17,016,356
Less: Accumulated depreciation	<u>(1,046,946)</u>	<u>(2,671,242)</u>	<u>(3,718,188)</u>
Total capital assets	4,777,726	9,459,325	14,237,051
Restricted cash	395,509	49,734	445,243
Advances to other funds	120,790	-	120,790
Total noncurrent assets	<u>5,294,025</u>	<u>9,509,059</u>	<u>14,803,084</u>
Total assets	<u>5,436,441</u>	<u>10,178,993</u>	<u>15,615,434</u>
<b>Deferred Outflows of Resources</b>			
Pension deferred outflows of resources	<u>22,330</u>	<u>26,495</u>	<u>48,825</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	10,382	13,003	23,385
Accrued payroll	4,017	4,449	8,466
Customer deposits	39,518	-	39,518
Unearned revenue	2,813	-	2,813
Accrued interest payable	16,991	97,405	114,396
Due to other funds	-	9,264	9,264
Current bonds and notes payable	<u>68,588</u>	<u>112,775</u>	<u>181,363</u>
Total current liabilities	<u>142,309</u>	<u>236,896</u>	<u>379,205</u>
Noncurrent liabilities:			
Advances from other funds	-	120,790	120,790
Bonds and notes payable	2,314,869	4,635,331	6,950,200
Pension liability	106,624	108,802	215,426
Total noncurrent liabilities	<u>2,421,493</u>	<u>4,864,923</u>	<u>7,286,416</u>
Total liabilities	<u>2,563,802</u>	<u>5,101,819</u>	<u>7,665,621</u>
<b>Deferred Inflows of Resources</b>			
Pension deferred inflows of resources	<u>26,065</u>	<u>30,926</u>	<u>56,991</u>
<b>Net Position</b>			
Net investment in capital assets	2,394,269	4,711,219	7,105,488
Restricted for:			
Debt service	-	49,734	49,734
System replacement	355,991	-	355,991
Unrestricted	<u>118,644</u>	<u>311,790</u>	<u>430,434</u>
Total net position	<u>\$ 2,868,904</u>	<u>\$ 5,072,743</u>	<u>\$ 7,941,647</u>

*(The accompanying notes are an integral part of these financial statements)*

**CITY OF IRRIGON, OREGON**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2016**

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	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Operating Revenues</b>			
Charges for services	\$ 494,626	\$ 667,964	\$ 1,162,590
Other income	861	891	1,752
Total operating revenues	<u>495,487</u>	<u>668,855</u>	<u>1,164,342</u>
<b>Operating Expenses</b>			
Personnel services	330,441	354,491	684,932
Materials and services	87,672	135,965	223,637
Depreciation	116,723	241,851	358,574
Total operating expenses	<u>534,836</u>	<u>732,307</u>	<u>1,267,143</u>
Operating income (loss)	<u>(39,349)</u>	<u>(63,452)</u>	<u>(102,801)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Property taxes	86,166	137,183	223,349
Interest on investments	3,790	3,247	7,037
Interest expense	(97,396)	(192,271)	(289,667)
Total nonoperating revenues (expenses)	<u>(7,440)</u>	<u>(51,841)</u>	<u>(59,281)</u>
Income (loss) before transfers	(46,789)	(115,293)	(162,082)
Transfers in	75,400	46,273	121,673
Transfers out	<u>(79,400)</u>	<u>(50,273)</u>	<u>(129,673)</u>
Change in net position	(50,789)	(119,293)	(170,082)
Net position - beginning	<u>2,919,693</u>	<u>5,192,036</u>	<u>8,111,729</u>
Total net position - ending	<u>\$ 2,868,904</u>	<u>\$ 5,072,743</u>	<u>\$ 7,941,647</u>

*(The accompanying notes are an integral part of these financial statements)*

**CITY OF IRRIGON, OREGON**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2016**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total Proprietary Funds</b>
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers	\$ 518,007	\$ 666,983	\$ 1,184,990
Other miscellaneous receipts	861	891	1,752
Payments (to) from suppliers	(97,082)	(145,473)	(242,555)
Payments to employees	(234,870)	(270,124)	(504,994)
Net cash provided (used) by operating activities	<u>186,916</u>	<u>252,277</u>	<u>439,193</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Property taxes	86,028	136,707	222,735
Transfers in (out)	(4,000)	(4,000)	(8,000)
Net cash provided (used) by noncapital financing activities	<u>82,028</u>	<u>132,707</u>	<u>214,735</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Restricted for loan covenants	(69,909)	9,008	(60,901)
Interfund loans	(130,054)	130,054	-
Equity transfer	-	(50,187)	(50,187)
Customer deposits during the year	5,675	-	5,675
Payments on capital debt	(164,446)	(309,123)	(473,569)
Net cash provided (used) by capital and related financing activities	<u>(358,734)</u>	<u>(220,248)</u>	<u>(578,982)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest and dividends	<u>3,790</u>	<u>3,247</u>	<u>7,037</u>
Net increase (decrease) in cash and investments	(86,000)	167,983	81,983
Beginning cash and investments	<u>152,669</u>	<u>421,669</u>	<u>574,338</u>
Ending cash and investments	<u>\$ 66,669</u>	<u>\$ 589,652</u>	<u>\$ 656,321</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (39,349)	\$ (63,452)	\$ (102,801)
<i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i>			
Depreciation	116,723	241,851	358,574
(Increase) decrease in accounts receivable	23,616	(981)	22,635
Increase (decrease) in accounts payable	(7,954)	(9,508)	(17,462)
Increase (decrease) in accrued payroll	(1,434)	5,519	4,085
Increase (decrease) in unearned revenue	(235)	-	(235)
(Increase) decrease in pension asset	31,384	54,950	86,334
Increase (decrease) in pension liability	106,624	108,802	215,426
(Increase) decrease in deferred outflows	(7,352)	(8,723)	(16,075)
Increase (decrease) in deferred inflows	(35,107)	(76,181)	(111,288)
Net cash provided (used) by operating activities	<u>\$ 186,916</u>	<u>\$ 252,277</u>	<u>\$ 439,193</u>

*(The accompanying notes are an integral part of these financial statements)*

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**CITY OF IRRIGON, OREGON**  
**Notes to Basic Financial Statements**

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**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.

**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.

*Irrigon Improvements Fund* - This fund accounts for the City's improvements.

*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.

**CITY OF IRRIGON, OREGON**  
**Notes to Basic Financial Statements**

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**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, 2016, 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*

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.

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

**CITY OF IRRIGON, OREGON**  
**Notes to Basic Financial Statements**

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In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has multiple items, which arises under the accrual and modified accrual basis of accounting that qualify for reporting in this category. The governmental funds reports unavailable property tax revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The government-wide statements of the City also report both deferred outflows and inflows related to the pension.

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.

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. \$289,666 of interest was incurred, all of which was charged to expense during the fiscal year ended June 30, 2016.

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.



**CITY OF IRRIGON, OREGON**  
**Notes to Basic Financial Statements**

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- 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:

Nonspendable - 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.

Restricted - 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.

Committed - 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.

Assigned - 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.

Unassigned - 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 in-order 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.

**CITY OF IRRIGON, OREGON**  
**Notes to Basic Financial Statements**

Fund balances by classification for the year ended June 30, 2016 were as follows:

	General Fund	Irrigon Improvements Fund	State Tax Street Fund	Total Governmental Funds
<u>Fund balances:</u>				
Restricted:				
Street	\$ -	\$ -	\$ 21,718	\$ 21,718
Unappropriated ending fund balance	31,000	-	1,900	32,900
Committed:				
Accrued Leave	102,520	-	-	102,520
Building Maintenance	21,209	-	-	21,209
Equipment Replacement	10,102	-	-	10,102
Bike/Foot Paths	13,243	-	-	13,243
SDC Capital Improvements	24,148	-	-	24,148
Improvements	-	189,437	-	189,437
Unassigned	82,060	-	-	82,060
Total fund balances	\$ 284,282	\$ 189,437	\$ 23,618	\$ 497,337

The amount of the primary government's net position at June 30, 2016 that is restricted by enabling legislation totaled \$54,618.

**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 Unearned 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.

Violation: *None Reported*

**Note 3 - Deposits and Investments:**

Deposits and Investments are comprised of the following at June 30, 2016:

	Carrying Value	Fair Value
Deposits with financial institutions	\$ 1,027,242	\$ 1,027,242
Investments with State of Oregon Local Government Investment Pool (LGIP)	558,975	558,975
	\$ 1,586,217	\$ 1,586,217

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

Cash and investments	\$ 1,140,974
Restricted cash	445,243
Cash and investments	\$ 1,586,217

The City maintains a cash management pool for its cash and cash equivalents in which each fund participates.

**CITY OF IRRIGON, OREGON**  
**Notes to Basic Financial Statements**

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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 \$1,049,233 at June 30, 2016. 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 accounts are fully insured by FDIC 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.

**CITY OF IRRIGON, OREGON**  
**Notes to Basic Financial Statements**

**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.

Investment Type	Maturities	Concentration% of Portfolio	Actual Amount
Local Government Investment Pool	Avg 6-18 months	100%	\$ 558,975

**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 \$11,942, which are all past due and accruing interest.

**Note 5 - Capital Assets:**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance at July 1, 2015	Increases	Decreases	Balance at June 30, 2016
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 91,882	\$ -	\$ -	\$ 91,882
Capital assets being depreciated:				
Buildings	470,694	-	-	470,694
Equipment	140,847	-	-	140,847
Infrastructure	2,878,402	-	-	2,878,402
Total capital assets	3,489,943	-	-	3,489,943
Less: accumulated depreciation:				
Buildings	(53,679)	(6,609)	-	(60,288)
Equipment	(88,968)	(6,955)	-	(95,923)
Infrastructure	(240,266)	(41,528)	-	(281,794)
Total accumulated depreciation	(382,913)	(55,092)	-	(438,005)
Net capital assets being depreciated	3,107,030	(55,092)	-	3,051,938
Governmental Activities - net capital assets	\$ 3,198,912	\$ (55,092)	\$ -	\$ 3,143,820

**CITY OF IRRIGON, OREGON**  
**Notes to Basic Financial Statements**

	Balance at July 1, 2015	Increases	Decreases	Balance at June 30, 2016
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 57,782	\$ -	\$ -	\$ 57,782
Capital assets being depreciated:				
Buildings	664,912	-	-	664,912
Equipment	216,189	-	-	216,189
Improvements	16,966,169	50,187	-	17,016,356
Total capital assets	<u>17,847,270</u>	<u>50,187</u>	<u>-</u>	<u>17,897,457</u>
Less: accumulated depreciation:				
Buildings	(75,589)	(9,098)	-	(84,687)
Equipment	(99,127)	(10,152)	-	(109,279)
Improvements	(3,184,898)	(339,324)	-	(3,524,222)
Total accumulated depreciation	<u>(3,359,614)</u>	<u>(358,574)</u>	<u>-</u>	<u>(3,718,188)</u>
Net capital assets being depreciated	<u>14,487,656</u>	<u>(308,387)</u>	<u>-</u>	<u>14,179,269</u>
Business-Type Activities - net capital assets	<u>\$ 14,545,438</u>	<u>\$ (308,387)</u>	<u>\$ -</u>	<u>\$ 14,237,051</u>

Depreciation expense was charged to functions as follows:

<b>Governmental Activities:</b>		<b>Business-Type Activities:</b>	
General government	\$ 13,564	Water	\$ 116,723
Streets	41,528	Sewer	241,851
Total	<u>\$ 55,092</u>	Total	<u>\$ 358,574</u>

**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, 2016, are as follows:

	Payable at July 1, 2015	Additions	Deletions	Payable at June 30, 2016	Due within one year
<b>Governmental Activities:</b>					
Compensated absences	\$ 87,028	\$ 44,673	\$ (36,449)	\$ 95,252	\$ 95,252
<b>Business-Type Activities:</b>					
G.O. Sewer No. 1 - 2005	\$ 2,234,843	\$ -	\$ (36,069)	\$ 2,198,774	\$ 37,602
G.O. Sewer No. 2 - 2005	339,692	-	(5,483)	334,209	5,716
Sewer Revenue Bond 2005	506,362	-	(9,932)	496,430	10,354
Sewer Revenue Bond 2010	536,231	-	(22,685)	513,546	23,817
State OR Drinking Water 2009	858,301	-	(44,978)	813,323	46,481
G.O. Water Bond 2009	1,591,314	-	(21,180)	1,570,134	22,107
Septic Conversion Loan	762,444	-	(26,553)	735,891	20,792
State Sewer Loan	483,331	-	(14,075)	469,256	14,494
Total business-type activities	<u>\$ 7,312,518</u>	<u>\$ -</u>	<u>\$ (180,955)</u>	<u>\$ 7,131,563</u>	<u>\$ 181,363</u>
			Total	Current Portion	Long-Term Portion
<b>Governmental Activities:</b>			\$ 95,252	\$ 95,252	\$ -
<b>Compensated Absences</b>			<u>\$ 95,252</u>	<u>\$ 95,252</u>	<u>\$ -</u>

**CITY OF IRRIGON, OREGON**  
**Notes to Basic Financial Statements**

**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.

\$ 2,198,774      \$ 37,602      \$ 2,161,172

**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.

334,209                      5,716                      328,493

**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.

496,430                      10,354                      486,076

**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.

513,546                      23,817                      489,729

**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. Semi annual payments of \$27,290 principal and interest are payable at 6/1 and 12/1.

735,891                      20,792                      715,099

**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.

469,256                      14,494                      454,762

Total - Sewer Fund

4,748,106                      112,775                      4,635,331

	<u>Total</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>
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**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.

813,323                      46,481                      766,842

**General Obligation Water Bond 2009**

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.

1,570,134                      22,107                      1,548,027

Total - Water Fund

2,383,457                      68,588                      2,314,869

Total Business Type Activities

\$ 7,131,563                      \$ 181,363                      \$ 6,950,200

**CITY OF IRRIGON, OREGON**  
**Notes to Basic Financial Statements**

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

Fiscal Year	State Sewer Loan			State of Oregon Water Bond		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 14,495	\$ 13,984	\$ 28,479	\$ 46,481	\$ 27,165	\$ 73,646
2018	14,926	13,552	28,478	48,033	25,613	73,646
2019	15,371	13,107	28,478	49,638	24,008	73,646
2020	15,829	12,649	28,478	51,295	22,350	73,645
2021	16,301	12,177	28,478	53,009	20,637	73,646
2022	16,786	11,692	28,478	54,779	18,867	73,646
2023	17,287	11,191	28,478	56,609	17,037	73,646
2024	17,802	10,676	28,478	58,500	15,146	73,646
2025	18,332	10,146	28,478	60,453	13,192	73,645
2026	18,878	9,599	28,477	62,473	11,173	73,646
2027	19,441	9,037	28,478	64,559	9,087	73,646
2028	20,020	8,457	28,477	66,715	6,930	73,645
2029	20,617	7,861	28,478	68,944	4,702	73,646
2030	21,231	7,246	28,477	71,835	2,399	74,234
2031	21,864	6,614	28,478	-	-	-
2032	22,516	5,962	28,478	-	-	-
2033	23,187	5,291	28,478	-	-	-
2034	23,878	4,600	28,478	-	-	-
2035	24,589	3,889	28,478	-	-	-
2036	25,322	3,156	28,478	-	-	-
2037	26,076	2,401	28,477	-	-	-
2038	26,854	1,624	28,478	-	-	-
2039	27,654	824		-	-	-
	<u>\$ 469,256</u>	<u>\$ 185,735</u>	<u>\$ 626,513</u>	<u>\$ 813,323</u>	<u>\$ 218,306</u>	<u>\$ 1,031,629</u>

**CITY OF IRRIGON, OREGON**  
**Notes to Basic Financial Statements**

Fiscal Year	General Obligation Water Bond '09			Sewer Revenue Bond 2005-Issue		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 22,107	\$ 68,693	\$ 90,800	\$ 10,354	\$ 21,098	\$ 31,452
2018	23,074	67,726	90,800	10,794	20,658	31,452
2019	24,083	66,717	90,800	11,253	20,199	31,452
2020	25,137	65,663	90,800	11,731	19,721	31,452
2021	26,237	64,563	90,800	12,230	19,222	31,452
2022	27,384	63,416	90,800	12,750	18,702	31,452
2023	28,583	62,217	90,800	13,292	18,161	31,453
2024	29,833	60,967	90,800	13,857	17,596	31,453
2025	31,138	59,662	90,800	14,445	17,007	31,452
2026	32,501	58,299	90,800	15,059	16,393	31,452
2027	33,922	56,878	90,800	15,699	15,753	31,452
2028	35,407	55,393	90,800	16,367	15,086	31,453
2029	36,956	53,844	90,800	17,062	14,390	31,452
2030	38,572	52,228	90,800	17,787	13,665	31,452
2031	40,260	50,540	90,800	18,543	12,908	31,451
2032	42,021	48,779	90,800	19,331	12,121	31,452
2033	43,860	46,940	90,800	20,153	11,299	31,452
2034	45,779	45,021	90,800	21,009	10,443	31,452
2035	47,781	43,019	90,800	21,902	9,550	31,452
2036	49,872	40,928	90,800	22,833	8,619	31,452
2037	52,054	38,746	90,800	23,803	7,649	31,452
2038	54,331	36,469	90,800	24,815	6,637	31,452
2039	56,708	34,092	90,800	25,870	5,582	31,452
2040	59,189	31,611	90,800	26,969	4,483	31,452
2041	61,779	29,021	90,800	28,115	3,337	31,452
2042	64,481	26,319	90,800	29,310	2,142	31,452
2043	67,302	23,498	90,800	21,098	896	21,994
2044	70,247	20,553	90,800	-	-	-
2045	73,320	17,480	90,800	-	-	-
2046	76,528	14,272	90,800	-	-	-
2047	79,876	10,924	90,800	-	-	-
2048	83,371	7,429	90,800	-	-	-
2049	86,441	3,782	90,223	-	-	-
	<u>\$ 1,570,134</u>	<u>\$ 1,425,689</u>	<u>\$ 2,995,823</u>	<u>\$ 496,431</u>	<u>\$ 343,317</u>	<u>\$ 839,748</u>



**CITY OF IRRIGON, OREGON**  
**Notes to Basic Financial Statements**

Fiscal Year	General Obligation Sewer Bond #1 2005-Issue			General Obligation Sewer Bond #2 2005-Issue		
	Principal	Interest	Total	Principal	Interest	Total
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	125,317	5,326	130,643	19,010	808	19,818
	<u>\$ 2,198,774</u>	<u>\$ 1,732,319</u>	<u>\$ 3,931,093</u>	<u>\$ 334,210</u>	<u>\$ 263,288</u>	<u>\$ 597,498</u>

**CITY OF IRRIGON, OREGON**  
**Notes to Basic Financial Statements**

Fiscal Year	2010 Sewer Revenue Bond			Septic Conversion Loan		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 23,817	\$ 25,626	\$ 49,443	\$ 20,792	\$ 14,614	\$ 35,406
2018	25,005	24,437	49,442	21,210	14,196	35,406
2019	26,253	23,190	49,443	21,636	13,770	35,406
2020	27,563	21,880	49,443	22,070	13,336	35,406
2021	28,938	20,504	49,442	22,514	12,892	35,406
2022	30,382	19,060	49,442	22,967	12,439	35,406
2023	31,899	17,544	49,443	23,329	11,977	35,306
2024	33,490	15,952	49,442	23,899	11,507	35,406
2025	35,161	14,281	49,442	24,380	11,026	35,406
2026	36,916	12,527	49,443	24,870	10,536	35,406
2027	38,758	10,685	49,443	25,370	10,036	35,406
2028	40,692	8,751	49,443	25,879	9,527	35,406
2029	42,723	6,720	49,443	26,400	9,006	35,406
2030	44,855	4,588	49,443	26,928	8,476	35,404
2031	47,094	2,350	49,444	27,472	7,934	35,406
2032	-	-	-	28,024	7,382	35,406
2033	-	-	-	28,588	6,818	35,406
2034	-	-	-	29,161	6,245	35,406
2035	-	-	-	29,748	5,658	35,406
2036	-	-	-	30,345	5,061	35,406
2037	-	-	-	30,956	4,450	35,406
2038	-	-	-	31,578	3,828	35,406
2039	-	-	-	32,213	3,193	35,406
2040	-	-	-	32,858	2,546	35,404
2041	-	-	-	33,521	1,885	35,406
2042	-	-	-	34,194	1,212	35,406
2043	-	-	-	34,885	524	35,409
	<u>\$ 513,546</u>	<u>\$ 228,095</u>	<u>\$ 741,641</u>	<u>\$ 735,787</u>	<u>\$ 220,074</u>	<u>\$ 955,861</u>

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	\$ 97,395
Sewer	192,271

**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. 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 \$395,509 as detailed below, which meets the current requirement.

	2009 Depreciation	Replacement	Customer Deposits	Total
Beginning Restriction	\$ 68,400	\$ 223,191	\$ 34,010	\$ 325,601
Current Year Restriction	11,400	53,000	5,508	69,908
Line Replacements	-	-	-	-
Ending Restriction	<u>\$ 79,800</u>	<u>\$ 276,191</u>	<u>\$ 39,518</u>	<u>\$ 395,509</u>

**CITY OF IRRIGON, OREGON**  
**Notes to Basic Financial Statements**

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The Sewer Fund is required by its USDA Sewer Revenue Bond issued in 2005 to increase its restriction by \$3,146 each year until the restriction reaches \$31,452. At year end the City reported \$31,452 of restricted net position for this bond. The Sewer Fund is also required by its Septic Conversion loan through the Department of Environmental Quality to reserve one-half the average debt service. The loan reserve requirement is \$27,290. At the end of the year the City reported a total of \$49,734 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 and 238A, which establishes the Public Employees Retirement Board as the governing body of PERS. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003. 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.

*Annual Pension Cost*

The City's contributions to PERS for the years ending June 30, 2014, 2015, and 2016 were \$46,279, \$41,852 and \$52,072 respectively, which equaled the required contribution for the year.

*PERS Pension (Chapter 238)*

The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

**Pension Benefits:** The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

**Death Benefits:** Upon death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest.) In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- member was employed by a PERS employer at the time of death,
- member died within 120 days after termination of PERS-covered employment,
- member died as a result of injury sustained while employed in a PERS covered job, or
- member was on an official leave of absence from a PERS-covered job at the time of death.

**CITY OF IRRIGON, OREGON**  
**Notes to Basic Financial Statements**

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**Disability Benefits:** A member with 10 or more years of creditable service who become disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualified a member (including PERS judge members) for disability benefits regardless of the length of PERS covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

**Benefit Changes After Retirements:** Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to change in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. The cap on the COLA in fiscal year 2016 and beyond will vary based on the amount of the annual benefit.

OPSRP Pension Program (OPSRP DB)

The ORS Chapter 238A Defined Benefit Pension Program provides benefits to members hired on or after August 29, 2003.

**Pension Benefits:** This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement. General Service: 1.5 percent is multiplied by the number of years service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit. A member of the pension program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

**Death Benefits:** Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as he spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

**Disability Benefits:** A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

**Benefit Changes After Retirements:** Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on COLA in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

Contributions

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 OPERF and the OPSRP rates in effect for the year ended June 30, 2016 was 14.53% and 9.60%, respectively. The contribution requirements for plan members are established by ORS Chapter 238A and may be amended by an act of the Oregon Legislature.

Pension Liabilities, Pension Assets Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the City reported liability of \$309,042 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City's proportion was .00533428 percent.

**CITY OF IRRIGON, OREGON**  
**Notes to Basic Financial Statements**

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For the year ended June 30, 2016, the City recognized pension expense of \$252,573. At June 30, 2016 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 16,665	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	-	64,782
Changes in proportionate share	830	-
Changes in proportion and differences between City contributions and proportionate share of contributions.	-	16,420
Contributions subsequent to the measurement date	52,072	-
Total	\$ 69,567	\$ 81,202

The \$52,072 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts are reported as deferred outflows of resources and deferred inflows of resources will be recognized as pension expense as follows:

Year ending June 30,	
2017	\$ (30,758)
2018	(30,758)
2019	(30,758)
2020	28,303
2021	264
Total	\$ (63,707)

**Actuarial Methods and Assumptions Used in Developing Total Pension Liability/Asset:**

The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement date:

**Actuarial methods**

Valuation Date	December 31, 2013
Measurement Date	June 30, 2015
Experience Study Report	2014, published September 2015
Actuarial cost method	Entry age normal
Equivalent single amortization period	20 years
Amortization method	Amortized as a level percentage of payroll as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years.

**CITY OF IRRIGON, OREGON**  
**Notes to Basic Financial Statements**

***Actuarial assumptions***

Inflation rate	2.75 percent
Long-term expected rate of return	7.75 percent
Discount rate	7.75 percent
Projected salary increases	3.75 overall payroll growth; salaries for individuals are assumed to grow at 3.75 percent plus assumed rates of merit/longevity increases based on service.
Cost of living increases	Blend of 2.00% COLA and grade COLA
Mortality	<p><b>Healthy retirees and beneficiaries:</b> RP-2--- Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p><b>Active members:</b> Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p><b>Disabled veterans:</b> Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disabled mortality sex-distinct table.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

*Assumed Asset Allocation*

<u><b>Asset Class/Strategy</b></u>	<u><b>Low Range</b></u>	<u><b>High Range</b></u>	<u><b>OIC Target</b></u>
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.0%	45.5%	37.5%
Private Equity	16.0%	24.0%	20.0%
Real Estate	9.5%	15.5%	12.5%
Alternative Equity	0.0%	10.0%	10.0%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			<u>100.0%</u>

*Long-Term Expected Rate of Return:*

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2013 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and

**CITY OF IRRIGON, OREGON**  
**Notes to Basic Financial Statements**

the Oregon Investment council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target	Compound Annual Return (Geometric)
Core Fixed Income	7.20%	4.50%
Short-Term Bonds	8.00%	3.70%
Intermediate-Term Bonds	3.00%	4.10%
High Yield Bonds	1.80%	6.66%
Large Cap US Equities	11.65%	7.20%
Mid Cap US Equities	3.88%	7.30%
Small Cap US Equities	2.27%	7.45%
Developed Foreign Equities	14.21%	6.90%
Emerging Foreign Equities	5.49%	7.40%
Private Equity	20.00%	8.26%
Hedge Funds/Absolute Return	5.00%	6.01%
Real Estate (Property)	13.75%	6.51%
Real Estate (REITS)	2.50%	6.76%
Commodities	1.25%	6.07%
Assumed Inflation - Mean		2.75%

Sensitivity Analysis of the City's Proportionate Share to Changes in the Discount Rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability (asset)	\$ 745,860	\$ 309,042	\$ (59,082)

**Note 9 - Internal Transfers**

Internal transfers for the fiscal year ending June 30, 2016 consist of the following:

	Transfers In	Transfers Out
<b>Governmental Funds:</b>		
General Fund	\$ 9,100	\$ 153,400
Irrigon Improvements Fund	81,100	-
Street Fund	72,300	1,100
<b>Proprietary Funds:</b>		
Water Fund	75,400	79,400
Sewer Fund	46,273	50,273
	<u>\$ 284,173</u>	<u>\$ 284,173</u>

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.

**CITY OF IRRIGON, OREGON**  
**Notes to Basic Financial Statements**

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**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 0.53 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, 2016 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.

**Note 13 - Related Party Transaction:**

Councilor Kenneth Matlack is the County Sheriff and the City contracts with the Sheriff's office for services. The City paid the County \$80,746 during the fiscal year for contracted services. Councilor Martin Brown works for IJCS, LLC. The City has used this company for maintenance items for many years. The City has paid this company \$3,038 for services since Mr. Brown has been a Councilor.



**CITY OF IRRIGON, OREGON**  
**Notes to Basic Financial Statements**

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**Note 14 - Interfund Transactions:**

The composition of interfund balances as of June 30, 2016 are as follows:

	<u>Receivables</u>	<u>Payables</u>
Enterprise Funds:		
Water Fund	\$ 130,054	\$ -
Sewer Fund	-	130,054

This interfund transaction is due to Resolution 16-04 loaning \$130,000 from the Water Reserve Fund to the Sewer Operation and Development Fund for a Facility Plan. The loan will be paid back to the Water Reserve Fund from the Sewer Debt Service Fund. The current portion is \$18,433. This loan, made May 1, 2016 is for 7 years at 1.5% per annum with biannual payments of \$9,373. The current interfund balance includes \$54 of accrued interest.

**Note 15 - Consolidated Funds:**

With the budget resolution approving the budget for the 2015-2016 fiscal year, the City consolidated funds to give a total of 12 funds rather than 19. Funds were consolidated with the ending fund balances of the prior year funds becoming the beginning fund balance of the new funds.

Funds were consolidated as follows:

	<u>2014-2015 Ending Fund Balance</u>	<u>2015-2016 Beginning Fund Balance</u>
Vacation/Sick Leave Reserve (15)	\$ 84,761	
Building Maintenance Reserve (17)	19,123	
Street Equipment Reserve (25)	5,068	
Bicycle & Foot Path Reserve (26)	12,063	
Parks System Improvement Reserve (40)	41,691	
Governmental Reserve (11)	41,691	\$ 162,706
Water Connection Fees (SDC) Reserve (61)	\$ 43,668	
Water Reserve (65)	307,453	
Water Equipment Reserve (67)	9,386	
Water Reserve (62)	360,507	\$ 360,507
Sewer Connection Fees (SDC) Reserve (71)	\$ 40,655	
Sewer Reserve (75)	102,324	
Sewer Equipment Reserve (76)	54,282	
Sewer Reserve (72)	197,261	\$ 197,261

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>
	<b>Original</b>	<b>Final</b>	
<b>Revenues</b>			
Property taxes	\$ 173,900	\$ 173,900	\$ 182,329
Franchise fees	66,700	66,700	66,728
Licenses and fees	10,400	10,400	7,284
Intergovernmental	104,500	104,500	51,554
Interest on investments	1,500	1,500	1,629
Other income	39,400	39,400	24,480
Total revenues	<u>396,400</u>	<u>396,400</u>	<u>334,004</u>
<b>Expenditures</b>			
Personnel services	189,500	189,500	84,126
Materials and services	225,600	225,600	121,201
Capital outlay	95,600	95,600	-
Contingency	10,000	10,000	-
Total expenditures	<u>520,700</u>	<u>520,700</u>	<u>205,327</u>
Excess of revenues over (under) expenditures	<u>(124,300)</u>	<u>(124,300)</u>	<u>128,677</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	9,100	9,100	9,100
Transfers out	<u>(156,100)</u>	<u>(156,100)</u>	<u>(153,400)</u>
Total other financing sources (uses)	<u>(147,000)</u>	<u>(147,000)</u>	<u>(144,300)</u>
Net change in fund balance	(271,300)	(271,300)	(15,623)
Beginning fund balance	<u>302,300</u>	<u>302,300</u>	<u>299,905</u>
Ending fund balance	<u>\$ 31,000</u>	<u>\$ 31,000</u>	<u>\$ 284,282</u>

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Irrigon Improvements - 012**  
**For the Fiscal Year Ended June 30, 2016**

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	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest on investments	\$ -	\$ -	\$ 760	\$ 760
Intergovernmental	-	-	140,000	140,000
Total revenues	<u>-</u>	<u>-</u>	<u>140,760</u>	<u>140,760</u>
<b>Expenditures</b>				
Materials and services	<u>75,000</u>	<u>75,000</u>	<u>23,623</u>	<u>51,377</u>
Excess of revenues over (under) expenditures	(75,000)	(75,000)	117,137	192,137
<b>Other Finance Sources (Uses)</b>				
Transfers in	<u>75,000</u>	<u>75,000</u>	<u>72,300</u>	<u>(2,700)</u>
Net change in fund balance	-	-	189,437	189,437
Beginning fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending fund balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 189,437</u></u>	<u><u>\$ 189,437</u></u>

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**State Street Fund - 020**  
**For the Fiscal Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 127,300	\$ 127,300	\$ 113,072	\$ (14,228)
Interest on investments	500	500	246	(254)
Other income	1,000	1,000	1,855	855
Total revenues	<u>128,800</u>	<u>128,800</u>	<u>115,173</u>	<u>(13,627)</u>
<b>Expenditures</b>				
Personnel services	151,300	151,300	128,303	22,997
Materials and services	75,600	75,600	60,538	15,062
Total expenditures	<u>226,900</u>	<u>226,900</u>	<u>188,841</u>	<u>38,059</u>
Excess of revenues over (under) expenditures	<u>(98,100)</u>	<u>(98,100)</u>	<u>(73,668)</u>	<u>24,432</u>
<b>Other Finance Sources (Uses)</b>				
Transfers in	81,100	81,100	81,100	-
Transfers out	(1,100)	(1,100)	(1,100)	-
Total other finance sources (uses)	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>
Net change in fund balance	(18,100)	(18,100)	6,332	24,432
Beginning fund balance	<u>20,000</u>	<u>20,000</u>	<u>17,286</u>	<u>(2,714)</u>
Ending fund balance	<u>\$ 1,900</u>	<u>\$ 1,900</u>	<u>\$ 23,618</u>	<u>\$ 21,718</u>

**CITY OF IRRIGON, OREGON**

**Schedule of the Proportionate Share of the Net Pension Liability and Contributions - OPERS**

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**Schedule of the Proportionate Share of the Net Pension Liability - OPERS**

<u>Year Ended June 30,</u>	<u>Authority's proportion of the net pension liability (asset)</u>	<u>Authority's proportionate share of the net pension liability (asset)</u>	<u>Authority's covered payroll</u>	<u>Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll</u>
2016	0.00538263%	\$ 309,042	\$ 437,860	71%
2015	0.53342800%	(120,913)	416,470	-29%
2014	0.00533428%	272,216	432,576	63%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**Schedule of Contributions - OPERS**

<u>Year Ended June 30,</u>	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution Deficiency (excess)</u>	<u>Authority's covered payroll</u>	<u>Contributions as a percent of covered payroll</u>
2016	\$ 52,072	\$ 52,072	\$ -	\$ 437,860	12%
2015	41,852	41,852	-	416,470	10%
2014	46,279	46,279	-	432,576	11%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

**CITY OF IRRIGON, OREGON**  
**Notes to Required Supplementary Information**

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**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.

**Schedule of the Proportionate Share of the Net Pension Liability - OPERS**

**Changes in Benefit Terms**

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms was not included in the net pension liability (asset) proportionate shares provided by OPERS for the years ending June 30, 2015 and June 30, 2014.

**Changes of Assumptions**

Details and a comprehensive list of changes in methods and assumptions can be found in the 2012 and 2014 Experience Study for the System, which were published on September 18, 2013 and September 23, 2015. These reports can be found at: [http://www.oregon.gov/pers/Pages/section/financial\\_reports/mercercer\\_reports.aspx](http://www.oregon.gov/pers/Pages/section/financial_reports/mercercer_reports.aspx).

**SUPPLEMENTARY INFORMATION**



**CITY OF IRRIGON, OREGON**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**General Funds**  
**For the Fiscal Year Ended June 30, 2016**

	10 <u>General Fund</u>	11 <u>Governmental Reserve Fund</u>	<u>Total</u>
<b>Revenues</b>			
Property taxes	\$ 182,329	\$ -	\$ 182,329
Licenses and fees	6,284	1,000	7,284
Intergovernmental	51,554	-	51,554
Miscellaneous:			
Franchise fees	66,728	-	66,728
Interest on investments	556	1,073	1,629
Other income	24,480	-	24,480
Total revenues	<u>331,931</u>	<u>2,073</u>	<u>334,004</u>
<b>Expenditures</b>			
Current:			
Personnel services	83,350	776	84,126
Materials and services	119,320	1,881	121,201
Total expenditures	<u>202,670</u>	<u>2,657</u>	<u>205,327</u>
Excess of revenues over (under) expenditures	<u>129,261</u>	<u>(584)</u>	<u>128,677</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	9,100	9,100
Transfers out	(153,400)	-	(153,400)
Total other financing sources (uses)	<u>(153,400)</u>	<u>9,100</u>	<u>(144,300)</u>
Net change in fund balance	(24,139)	8,516	(15,623)
Beginning fund balance	<u>137,199</u>	<u>162,706</u>	<u>299,905</u>
Ending fund balance	<u>\$ 113,060</u>	<u>\$ 171,222</u>	<u>\$ 284,282</u>

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**General Fund - 010**  
**For the Fiscal Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 173,900	\$ 173,900	\$ 182,329	\$ 8,429
Franchise fees	66,700	66,700	66,728	28
Intergovernmental	104,500	104,500	51,554	(52,946)
Licenses and fees	8,400	8,400	6,284	(2,116)
Interest on investments	500	500	556	56
Other income	39,400	39,400	24,480	(14,920)
Total revenues	<u>393,400</u>	<u>393,400</u>	<u>331,931</u>	<u>(61,469)</u>
<b>Expenditures</b>				
Personnel services	91,500	91,500	83,350	8,150
Materials and services	210,800	210,800	119,320	91,480
Capital outlay	27,000	27,000	-	27,000
Contingency	10,000	10,000	-	10,000
Total expenditures	<u>339,300</u>	<u>339,300</u>	<u>202,670</u>	<u>136,630</u>
Excess of revenues over (under) expenditures	54,100	54,100	129,261	75,161
<b>Other Finance Sources (Uses)</b>				
Transfers out	<u>(156,100)</u>	<u>(156,100)</u>	<u>(153,400)</u>	<u>2,700</u>
Net change in fund balance	(102,000)	(102,000)	(24,139)	77,861
Beginning fund balance	<u>133,000</u>	<u>133,000</u>	<u>137,199</u>	<u>4,199</u>
Ending fund balance	<u>\$ 31,000</u>	<u>\$ 31,000</u>	<u>\$ 113,060</u>	<u>\$ 82,060</u>

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Governmental Reserve - 011**  
**For the Fiscal Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest on investments	\$ 1,000	\$ 1,000	\$ 1,073	\$ 73
Licenses and fees	2,000	2,000	1,000	(1,000)
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>2,073</u>	<u>(927)</u>
<b>Expenditures</b>				
Personnel services	98,000	98,000	776	97,224
Materials and services	14,800	14,800	1,881	12,919
Capital outlay	68,600	68,600	-	68,600
Total expenditures	<u>181,400</u>	<u>181,400</u>	<u>2,657</u>	<u>178,743</u>
Excess of revenues over (under) expenditures	(178,400)	(178,400)	(584)	177,816
<b>Other Finance Sources (Uses)</b>				
Transfers in	<u>9,100</u>	<u>9,100</u>	<u>9,100</u>	<u>-</u>
Net change in fund balance	(169,300)	(169,300)	8,516	177,816
Beginning fund balance	<u>169,300</u>	<u>169,300</u>	<u>162,706</u>	<u>(6,594)</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 171,222</u>	<u>\$ 171,222</u>

**CITY OF IRRIGON, OREGON**  
**Combining Statement of Net Position**  
**Water Funds**  
**June 30, 2016**

	<b>60</b>	<b>62</b>	<b>68</b>	<b>69</b>	
	<b>Water Operation &amp; Development Fund</b>	<b>Water Reserve Fund</b>	<b>Water Debt Service Fund</b>	<b>Water Bond Debt Service Fund</b>	<b>Total</b>
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 18,595	\$ -	\$ 36,889	\$ 11,185	\$ 66,669
Taxes receivable	-	-	-	2,643	2,643
Accounts receivable	41,777	-	22,063	-	63,840
Due from other funds	-	9,264	-	-	9,264
Total current assets	<u>60,372</u>	<u>9,264</u>	<u>58,952</u>	<u>13,828</u>	<u>142,416</u>
Noncurrent assets:					
Capital assets:					
Land	46,799	-	-	-	46,799
Buildings	268,493	-	-	-	268,493
Equipment	80,505	-	-	-	80,505
Improvements	5,428,875	-	-	-	5,428,875
Less: Accumulated depreciation	(1,046,946)	-	-	-	(1,046,946)
Total capital assets	<u>4,777,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,777,726</u>
Advances to other funds	-	120,790	-	-	120,790
Restricted cash	88,666	306,843	-	-	395,509
Total noncurrent assets	<u>4,866,392</u>	<u>427,633</u>	<u>-</u>	<u>-</u>	<u>5,294,025</u>
Total assets	<u>4,926,764</u>	<u>436,897</u>	<u>58,952</u>	<u>13,828</u>	<u>5,436,441</u>
<b>Deferred Outflows of Resources</b>					
Pension deferred outflows of resources	<u>22,330</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,330</u>
<b>Liabilities</b>					
Current liabilities:					
Customer deposits	39,518	-	-	-	39,518
Accounts payable	10,382	-	-	-	10,382
Accrued payroll	4,017	-	-	-	4,017
Unearned revenue	2,813	-	-	-	2,813
Accrued interest payable	-	-	15,846	1,145	16,991
Current bonds and notes payable	-	-	46,481	22,107	68,588
Total current liabilities	<u>56,730</u>	<u>-</u>	<u>62,327</u>	<u>23,252</u>	<u>142,309</u>
Noncurrent liabilities:					
Bonds and notes payable	-	-	766,842	1,548,027	2,314,869
Pension liability	106,624	-	-	-	106,624
Total noncurrent liabilities	<u>106,624</u>	<u>-</u>	<u>766,842</u>	<u>1,548,027</u>	<u>2,421,493</u>
Total liabilities	<u>163,354</u>	<u>-</u>	<u>829,169</u>	<u>1,571,279</u>	<u>2,563,802</u>
<b>Deferred Inflows of Resources</b>					
Pension deferred inflows of resources	<u>26,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,065</u>
<b>Net Position</b>					
Net investment in capital assets	4,777,726	-	(813,323)	(1,570,134)	2,394,269
Restricted for:					
System replacement	49,148	306,843	-	-	355,991
Unrestricted	(67,199)	130,054	43,106	12,683	118,644
Total net position	<u>\$ 4,759,675</u>	<u>\$ 436,897</u>	<u>\$ (770,217)</u>	<u>\$ (1,557,451)</u>	<u>\$ 2,868,904</u>

**CITY OF IRRIGON, OREGON**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Water Funds**  
**For the Fiscal Year Ended June 30, 2016**

	<b>60</b> <b>Water</b> <b>Operations &amp;</b> <b>Development</b> <b>Fund</b>	<b>62</b> <b>Water</b> <b>Reserve</b> <b>Fund</b>	<b>68</b> <b>Water</b> <b>Debt Service</b> <b>Fund</b>	<b>69</b> <b>Water Bond</b> <b>Debt Service</b> <b>Fund</b>	<b>Total</b>
<b>Operating Revenues</b>					
Charges for services	\$ 335,285	\$ 3,893	\$ 155,448	\$ -	\$ 494,626
Other income	861	-	-	-	861
Total operating revenues	<u>336,146</u>	<u>3,893</u>	<u>155,448</u>	<u>-</u>	<u>495,487</u>
<b>Operating Expenses</b>					
Personnel services	330,441	-	-	-	330,441
Materials and services	87,672	-	-	-	87,672
Depreciation	116,723	-	-	-	116,723
Total operating expenses	<u>534,836</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>534,836</u>
Operating income (loss)	<u>(198,690)</u>	<u>3,893</u>	<u>155,448</u>	<u>-</u>	<u>(39,349)</u>
<b>Nonoperating Revenues (Expenses)</b>					
Property taxes	-	-	-	86,166	86,166
Interest on investments	730	2,497	171	392	3,790
Interest expense	-	-	(27,791)	(69,605)	(97,396)
Total nonoperating revenues (expenses)	<u>730</u>	<u>2,497</u>	<u>(27,620)</u>	<u>16,953</u>	<u>(7,440)</u>
Income (loss) before transfers	<u>(197,960)</u>	<u>6,390</u>	<u>127,828</u>	<u>16,953</u>	<u>(46,789)</u>
Transfers in	-	70,000	-	5,400	75,400
Transfers out	<u>(9,600)</u>	<u>-</u>	<u>(69,800)</u>	<u>-</u>	<u>(79,400)</u>
Change in net position	<u>(207,560)</u>	<u>76,390</u>	<u>58,028</u>	<u>22,353</u>	<u>(50,789)</u>
Net position - beginning	<u>4,967,235</u>	<u>360,507</u>	<u>(828,245)</u>	<u>(1,579,804)</u>	<u>2,919,693</u>
Total net position - ending	<u>\$ 4,759,675</u>	<u>\$ 436,897</u>	<u>\$ (770,217)</u>	<u>\$ (1,557,451)</u>	<u>\$ 2,868,904</u>

**CITY OF IRRIGON, OREGON**  
**Statement of Cash Flows**  
**Water Funds**  
**For the Year Ended June 30, 2016**

	60 Water Operations & Development Fund	62 Water Reserve Fund	68 Water Debt Service Fund	69 Water Bond Debt Service Fund	Total
<b>Cash Flows from Operating Activities:</b>					
Receipts from customers	\$ 361,792	\$ 3,893	\$ 152,322	\$ -	\$ 518,007
Other miscellaneous receipts	861	-	-	-	861
Payments to suppliers	(97,082)	-	-	-	(97,082)
Payments to employees	(234,870)	-	-	-	(234,870)
Net cash provided (used) by operating activities	<u>30,701</u>	<u>3,893</u>	<u>152,322</u>	<u>-</u>	<u>186,916</u>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Property taxes	-	-	-	86,028	86,028
Transfers in (out)	(9,600)	70,000	(69,800)	5,400	(4,000)
Net cash provided (used) by noncapital financing activities	<u>(9,600)</u>	<u>70,000</u>	<u>(69,800)</u>	<u>91,428</u>	<u>82,028</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Restricted for loan covenants	(54,656)	(15,253)	-	-	(69,909)
Interfund loans	-	(130,054)	-	-	(130,054)
Customer deposits during the year	5,675	-	-	-	5,675
Payments on capital debt	-	-	(73,646)	(90,800)	(164,446)
Net cash provided (used) by capital and related financing activities	<u>(48,981)</u>	<u>(145,307)</u>	<u>(73,646)</u>	<u>(90,800)</u>	<u>(358,734)</u>
<b>Cash Flows from Investing Activities:</b>					
Interest and dividends	730	2,497	171	392	3,790
Net increase (decrease) in cash and investments	(27,150)	(68,917)	9,047	1,020	(86,000)
Beginning cash and investments	45,745	68,917	27,842	10,165	152,669
Ending cash and investments	<u>\$ 18,595</u>	<u>\$ -</u>	<u>\$ 36,889</u>	<u>\$ 11,185</u>	<u>\$ 66,669</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (198,690)	\$ 3,893	\$ 155,448	\$ -	\$ (39,349)
<i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i>					
Depreciation	116,723	-	-	-	116,723
(Increase) decrease in accounts receivable	26,742	-	(3,126)	-	23,616
Increase (decrease) in accounts payable	(7,954)	-	-	-	(7,954)
Increase (decrease) in accrued payroll	(1,434)	-	-	-	(1,434)
Increase (decrease) in unearned revenue	(235)	-	-	-	(235)
(Increase) decrease in pension asset	31,384	-	-	-	31,384
Increase (decrease) in pension liability	106,624	-	-	-	106,624
(Increase) decrease in deferred outflows	(7,352)	-	-	-	(7,352)
Increase (decrease) in deferred inflows	(35,107)	-	-	-	(35,107)
Net cash provided (used) by operating activities	<u>\$ 30,701</u>	<u>\$ 3,893</u>	<u>\$ 152,322</u>	<u>\$ -</u>	<u>\$ 186,916</u>

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Water Operation & Development Fund - 060**  
**For the Fiscal Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 355,000	\$ 355,000	\$ 335,285	\$ (19,715)
Interest on investments	500	500	730	230
Other income	2,000	2,000	861	(1,139)
Total revenues	<u>357,500</u>	<u>357,500</u>	<u>336,876</u>	<u>(20,624)</u>
<b>Expenditures</b>				
Personnel services	252,700	252,700	234,892	17,808
Materials and services	121,400	121,400	87,672	33,728
Capital outlay	5,000	5,000	-	5,000
Contingency	8,800	8,800	-	8,800
Total expenditures	<u>387,900</u>	<u>387,900</u>	<u>322,564</u>	<u>65,336</u>
Excess of revenues over (under) expenditures	(30,400)	(30,400)	14,312	44,712
<b>Other Finance Sources (Uses)</b>				
Transfers out	(9,600)	(9,600)	(9,600)	-
Net change in fund balance	(40,000)	(40,000)	4,712	44,712
Beginning fund balance	80,000	80,000	87,596	7,596
Ending fund balance	<u>\$ 40,000</u>	<u>\$ 40,000</u>	92,308	<u>\$ 52,308</u>
<b><u>Adjustments to GAAP</u></b>				
Capital assets, net			4,777,726	
Pension deferred outflow			22,330	
Pension liability			(106,624)	
Pension deferred inflow			(26,065)	
			<u>\$ 4,759,675</u>	
<b><u>Detail of Fund Balance</u></b>				
Cash and investments			\$ 18,595	
Restricted cash			88,666	
Accounts receivable			41,777	
Customer deposits			(39,518)	
Unearned revenue			(2,813)	
Accounts payable			(14,399)	
			<u>\$ 92,308</u>	

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Water Reserve Fund - 062**  
**For the Fiscal Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest on investments	\$ 1,500	\$ 1,500	\$ 2,497	\$ 997
Charges for services	7,800	7,800	3,893	(3,907)
Total revenues	<u>9,300</u>	<u>9,300</u>	<u>6,390</u>	<u>(2,910)</u>
<b>Expenditures</b>				
Materials and services	10,510	10,510	-	10,510
Capital outlay	428,690	428,690	-	428,690
Total expenditures	<u>439,200</u>	<u>439,200</u>	<u>-</u>	<u>439,200</u>
Excess of revenues over (under) expenditures	(429,900)	(429,900)	6,390	436,290
<b>Other Finance Sources (Uses)</b>				
Transfers in	70,000	70,000	70,000	-
Net change in fund balance	(359,900)	(359,900)	76,390	436,290
Beginning fund balance	<u>359,900</u>	<u>359,900</u>	<u>360,507</u>	<u>607</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 436,897</u>	<u>\$ 436,897</u>

**Detail of Fund Balance**

Restricted cash	\$ 306,843
Due from other funds	9,264
Advances to other funds	<u>120,790</u>
	<u>\$ 436,897</u>



**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Water Debt Service Fund - 068**  
**For the Fiscal Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest on investments	\$ 200	\$ 200	\$ 171	\$ (29)
Charges for services	155,000	155,000	155,448	448
Total revenues	<u>155,200</u>	<u>155,200</u>	<u>155,619</u>	<u>419</u>
<b>Expenditures</b>				
Debt service	<u>72,800</u>	<u>72,800</u>	<u>72,769</u>	<u>31</u>
Excess of revenues over (under) expenditures	82,400	82,400	82,850	450
<b>Other Finance Sources (Uses)</b>				
Transfers out	<u>(69,800)</u>	<u>(69,800)</u>	<u>(69,800)</u>	<u>-</u>
Net change in fund balance	12,600	12,600	13,050	450
Beginning fund balance	<u>28,000</u>	<u>28,000</u>	<u>30,056</u>	<u>2,056</u>
Ending fund balance	<u>\$ 40,600</u>	<u>\$ 40,600</u>	<u>43,106</u>	<u>\$ 2,506</u>
<b><u>Adjustments to GAAP</u></b>				
Bonds payable			<u>(813,323)</u>	
			<u>\$ (770,217)</u>	
<b><u>Detail of Fund Balance</u></b>				
Cash and investments			\$ 36,889	
Accounts receivable			22,063	
Accrued interest payable			<u>(15,846)</u>	
			<u>\$ 43,106</u>	

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Water Debt Service for General Obligation Bonds Fund - 069**  
**For the Fiscal Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 85,500	\$ 85,500	\$ 86,166	\$ 666
Interest on investments	200	200	392	192
Total revenues	<u>85,700</u>	<u>85,700</u>	<u>86,558</u>	<u>858</u>
<b>Expenditures</b>				
Debt service	<u>90,800</u>	<u>90,800</u>	<u>90,785</u>	<u>15</u>
Excess of revenues over (under) expenditures	(5,100)	(5,100)	(4,227)	873
<b>Other Finance Sources (Uses)</b>				
Transfers in	<u>5,400</u>	<u>5,400</u>	<u>5,400</u>	<u>-</u>
Net change in fund balance	300	300	1,173	873
Beginning fund balance	<u>10,800</u>	<u>10,800</u>	<u>11,510</u>	<u>710</u>
Ending fund balance	<u><u>\$ 11,100</u></u>	<u><u>\$ 11,100</u></u>	<u>12,683</u>	<u><u>\$ 1,583</u></u>
<b><u>Adjustments to GAAP</u></b>				
Bonds payable			<u>(1,570,134)</u>	
			<u><u>\$ (1,557,451)</u></u>	
<b><u>Detail of Fund Balance</u></b>				
Cash and investments			\$ 11,185	
Taxes receivable			2,643	
Accrued interest payable			<u>(1,145)</u>	
			<u><u>\$ 12,683</u></u>	

**CITY OF IRRIGON, OREGON**  
**Combining Statement of Net Position**  
**Sewer Funds**  
**June 30, 2016**

	<b>70</b>	<b>72</b>	<b>78</b>	<b>79</b>	
	<b>Sewer</b>	<b>Sewer</b>	<b>Sewer</b>	<b>Sewer Bond</b>	
	<b>Operation &amp;</b>	<b>Reserve</b>	<b>Debt</b>	<b>Debt</b>	
	<b>Development</b>	<b>Fund</b>	<b>Service</b>	<b>Service</b>	
	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Fund</b>	<b>Total</b>
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 97,126	\$ 177,638	\$ 171,216	\$ 143,672	\$ 589,652
Taxes receivable	-	-	-	3,727	3,727
Accounts receivable	50,532	-	26,023	-	76,555
Total current assets	<u>147,658</u>	<u>177,638</u>	<u>197,239</u>	<u>147,399</u>	<u>669,934</u>
Noncurrent assets:					
Capital assets:					
Land	10,983	-	-	-	10,983
Buildings	396,419	-	-	-	396,419
Equipment	135,684	-	-	-	135,684
Improvements	11,587,481	-	-	-	11,587,481
Less: Accumulated depreciation	<u>(2,671,242)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,671,242)</u>
Total capital assets	9,459,325	-	-	-	9,459,325
Restricted cash	-	-	49,734	-	49,734
Total noncurrent assets	<u>9,459,325</u>	<u>-</u>	<u>49,734</u>	<u>-</u>	<u>9,509,059</u>
Total assets	<u>9,606,983</u>	<u>177,638</u>	<u>246,973</u>	<u>147,399</u>	<u>10,178,993</u>
<b>Deferred Outflows of Resources</b>					
Pension deferred outflows of resources	26,495	-	-	-	26,495
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	13,003	-	-	-	13,003
Accrued payroll	4,449	-	-	-	4,449
Accrued interest payable	-	-	38,888	58,517	97,405
Due to other funds	-	-	9,264	-	9,264
Current bonds and notes payable	-	-	69,457	43,318	112,775
Total current liabilities	<u>17,452</u>	<u>-</u>	<u>117,609</u>	<u>101,835</u>	<u>236,896</u>
Noncurrent liabilities:					
Advances from other funds	-	-	120,790	-	120,790
Bonds and notes payable	-	-	2,145,666	2,489,665	4,635,331
Pension liability	108,802	-	-	-	108,802
Total noncurrent liabilities	<u>108,802</u>	<u>-</u>	<u>2,266,456</u>	<u>2,489,665</u>	<u>4,864,923</u>
Total liabilities	<u>126,254</u>	<u>-</u>	<u>2,384,065</u>	<u>2,591,500</u>	<u>5,101,819</u>
<b>Deferred Inflows of Resources</b>					
Pension deferred inflows of resources	30,926	-	-	-	30,926
<b>Net Position</b>					
Net investment in capital assets	9,459,325	-	(2,215,123)	(2,532,983)	4,711,219
Restricted for:					
Debt service	-	-	49,734	-	49,734
Unrestricted	16,973	177,638	28,297	88,882	311,790
Total net position	<u>\$ 9,476,298</u>	<u>\$ 177,638</u>	<u>\$ (2,137,092)</u>	<u>\$ (2,444,101)</u>	<u>\$ 5,072,743</u>

**CITY OF IRRIGON, OREGON**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Sewer Funds**  
**For the Fiscal Year Ended June 30, 2016**

	<b>70 Sewer Operation &amp; Development Fund</b>	<b>72 Sewer Reserve Fund</b>	<b>78 Sewer Debt Service Fund</b>	<b>79 Sewer Bond Debt Service Fund</b>	<b>Total</b>
<b>Operating Revenues</b>					
Charges for services	\$ 469,195	\$ 5,252	\$ 193,517	\$ -	\$ 667,964
Other income	891	-	-	-	891
Total operating revenues	<u>470,086</u>	<u>5,252</u>	<u>193,517</u>	<u>-</u>	<u>668,855</u>
<b>Operating Expenses</b>					
Personnel services	354,491	-	-	-	354,491
Materials and services	129,015	6,950	-	-	135,965
Depreciation	241,851	-	-	-	241,851
Total operating expenses	<u>725,357</u>	<u>6,950</u>	<u>-</u>	<u>-</u>	<u>732,307</u>
Operating income (loss)	<u>(255,271)</u>	<u>(1,698)</u>	<u>193,517</u>	<u>-</u>	<u>(63,452)</u>
<b>Nonoperating Revenues (Expenses)</b>					
Property taxes	-	-	-	137,183	137,183
Interest on investments	607	1,262	450	928	3,247
Interest expense	-	-	(83,810)	(108,461)	(192,271)
Total nonoperating revenues (expenses)	<u>607</u>	<u>1,262</u>	<u>(83,360)</u>	<u>29,650</u>	<u>(51,841)</u>
Income (loss) before transfers	(254,664)	(436)	110,157	29,650	(115,293)
Transfers in	-	31,000	-	15,273	46,273
Transfers out	<u>(35,000)</u>	<u>-</u>	<u>(15,273)</u>	<u>-</u>	<u>(50,273)</u>
Change in net position	(289,664)	30,564	94,884	44,923	(119,293)
Net position - beginning	9,715,775	197,261	(2,231,976)	(2,489,024)	5,192,036
Equity transfer	<u>50,187</u>	<u>(50,187)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total net position - ending	<u>\$ 9,476,298</u>	<u>\$ 177,638</u>	<u>\$ (2,137,092)</u>	<u>\$ (2,444,101)</u>	<u>\$ 5,072,743</u>

**CITY OF IRRIGON, OREGON**  
**Statement of Cash Flows**  
**Sewer Funds**  
**For the Year Ended June 30, 2016**

	70 Sewer Operation & Development Fund	72 Sewer Reserve Fund	78 Sewer Debt Service Fund	79 Sewer Bond Debt Service Fund	Total
<b>Cash Flows from Operating Activities:</b>					
Receipts from customers	\$ 470,954	\$ 5,252	\$ 190,777	\$ -	\$ 666,983
Other miscellaneous receipts	891	-	-	-	891
Payments (to) from suppliers	(138,523)	(6,950)	-	-	(145,473)
Payments to employees	(270,124)	-	-	-	(270,124)
Net cash provided (used) by operating activities	<u>63,198</u>	<u>(1,698)</u>	<u>190,777</u>	<u>-</u>	<u>252,277</u>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Property taxes	-	-	-	136,707	136,707
Transfers in (out)	(35,000)	31,000	(15,273)	15,273	(4,000)
Net cash provided (used) by noncapital financing activities	<u>(35,000)</u>	<u>31,000</u>	<u>(15,273)</u>	<u>151,980</u>	<u>132,707</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Restricted for loan covenants	-	-	9,008	-	9,008
Interfund loans	-	-	130,054	-	130,054
Equity transfer	-	(50,187)	-	-	(50,187)
Payments on capital debt	-	-	(158,153)	(150,970)	(309,123)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(50,187)</u>	<u>(19,091)</u>	<u>(150,970)</u>	<u>(220,248)</u>
<b>Cash Flows from Investing Activities:</b>					
Interest and dividends	607	1,262	450	928	3,247
Net increase (decrease) in cash and investments	28,805	(19,623)	156,863	1,938	167,983
Beginning cash and investments	68,321	197,261	14,353	141,734	421,669
Ending cash and investments	<u>\$ 97,126</u>	<u>\$ 177,638</u>	<u>\$ 171,216</u>	<u>\$ 143,672</u>	<u>\$ 589,652</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (255,271)	\$ (1,698)	\$ 193,517	\$ -	\$ (63,452)
<i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i>					
Depreciation	241,851	-	-	-	241,851
(Increase) decrease in accounts receivable	1,759	-	(2,740)	-	(981)
Increase (decrease) in accounts payable	(9,508)	-	-	-	(9,508)
Increase (decrease) in accrued payroll	5,519	-	-	-	5,519
(Increase) decrease in pension asset	54,950	-	-	-	54,950
Increase (decrease) in pension liability	108,802	-	-	-	108,802
(Increase) decrease in deferred outflows	(8,723)	-	-	-	(8,723)
Increase (decrease) in deferred inflows	(76,181)	-	-	-	(76,181)
Net cash provided (used) by operating activities	<u>\$ 63,198</u>	<u>\$ (1,698)</u>	<u>\$ 190,777</u>	<u>\$ -</u>	<u>\$ 252,277</u>

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Sewer Operation & Development Fund - 070**  
**For the Fiscal Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 453,000	\$ 453,000	\$ 469,195	\$ 16,195
Interest on investments	500	500	607	107
Grants	150,000	150,000	-	(150,000)
Other income	11,000	11,000	891	(10,109)
Total revenues	<u>614,500</u>	<u>614,500</u>	<u>470,693</u>	<u>(143,807)</u>
<b>Expenditures</b>				
Personnel services	290,000	290,000	275,643	14,357
Materials and services	296,900	296,900	129,015	167,885
Capital outlay	8,000	8,000	-	8,000
Contingency	2,600	2,600	-	2,600
Total expenditures	<u>597,500</u>	<u>597,500</u>	<u>404,658</u>	<u>192,842</u>
Excess of revenues over (under) expenditures	17,000	17,000	66,035	49,035
<b>Other Finance Sources (Uses)</b>				
Transfers out	<u>(35,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>
Net change in fund balance	(18,000)	(18,000)	31,035	49,035
Beginning fund balance	<u>58,000</u>	<u>58,000</u>	<u>99,171</u>	<u>41,171</u>
Ending fund balance	<u>\$ 40,000</u>	<u>\$ 40,000</u>	130,206	<u>\$ 90,206</u>
<b><u>Adjustments to GAAP</u></b>				
Capital assets, net			9,459,325	
Pension deferred outflow			26,495	
Pension liability			(108,802)	
Pension deferred inflow			<u>(30,926)</u>	
			<u>\$ 9,476,298</u>	
<b><u>Detail of Fund Balance</u></b>				
Cash and investments			\$ 97,126	
Accounts receivable			50,532	
Accounts payable			<u>(17,452)</u>	
			<u>\$ 130,206</u>	

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Sewer Reserve Fund - 072**  
**For the Fiscal Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ 10,500	\$ 10,500	\$ 5,252	\$ (5,248)
Interest on investments	1,000	1,000	1,262	262
Total revenues	<u>11,500</u>	<u>11,500</u>	<u>6,514</u>	<u>(4,986)</u>
<b>Expenditures</b>				
Materials and services	45,000	45,000	6,950	38,050
Capital outlay	188,000	188,000	50,187	137,813
Total expenditures	<u>233,000</u>	<u>233,000</u>	<u>57,137</u>	<u>175,863</u>
Excess of revenues over (under) expenditures	(221,500)	(221,500)	(50,623)	170,877
<b>Other Finance Sources (Uses)</b>				
Transfers in	<u>31,000</u>	<u>31,000</u>	<u>31,000</u>	<u>-</u>
Net change in fund balance	(190,500)	(190,500)	(19,623)	170,877
Beginning fund balance	<u>190,500</u>	<u>190,500</u>	<u>197,261</u>	<u>6,761</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,638</u>	<u>\$ 177,638</u>
<b><u>Detail of Fund Balance</u></b>				
Cash and investments			<u>\$ 177,638</u>	

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Sewer Debt Service Fund - 078**  
**For the Fiscal Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Interest on investments	\$ 600	\$ 600	\$ 450	\$ (150)
Charges for services	187,000	187,000	193,517	6,517
Total revenues	<u>187,600</u>	<u>187,600</u>	<u>193,967</u>	<u>6,367</u>
<b>Expenditures</b>				
Debt service	<u>166,400</u>	<u>166,400</u>	<u>157,055</u>	<u>9,345</u>
Excess of revenues over (under) expenditures	21,200	21,200	36,912	15,712
<b>Other Finance Sources (Uses)</b>				
Transfers out	<u>(15,273)</u>	<u>(15,273)</u>	<u>(15,273)</u>	<u>-</u>
Net change in fund balance	5,927	5,927	21,639	15,712
Beginning fund balance	<u>53,900</u>	<u>53,900</u>	<u>56,392</u>	<u>2,492</u>
Ending fund balance	<u>\$ 59,827</u>	<u>\$ 59,827</u>	<u>78,031</u>	<u>\$ 18,204</u>
<b><u>Adjustments to GAAP</u></b>				
Bonds and notes payable			<u>(2,215,123)</u>	
			<u>\$ (2,137,092)</u>	
<b><u>Detail of Fund Balance</u></b>				
Cash and investments			\$ 171,216	
Restricted cash			49,734	
Accounts receivable			26,023	
Accrued interest payable			(38,888)	
Due to other funds			(9,264)	
Advances from other funds			<u>(120,790)</u>	
			<u>\$ 78,031</u>	



**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Sewer Debt Service for General Obligation Bonds Fund - 079**  
**For the Fiscal Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property taxes	\$ 136,147	\$ 136,147	\$ 137,183	\$ 1,036
Interest on investments	800	800	928	128
Total revenues	<u>136,947</u>	<u>136,947</u>	<u>138,111</u>	<u>1,164</u>
<b>Expenditures</b>				
Debt service	<u>150,040</u>	<u>150,040</u>	<u>150,013</u>	<u>27</u>
Excess of revenues over (under) expenditures	(13,093)	(13,093)	(11,902)	1,191
<b>Other Finance Sources (Uses)</b>				
Transfers in	<u>15,273</u>	<u>15,273</u>	<u>15,273</u>	<u>-</u>
Net change in fund balance	2,180	2,180	3,371	1,191
Beginning fund balance	<u>83,100</u>	<u>83,100</u>	<u>85,511</u>	<u>2,411</u>
Ending fund balance	<u>\$ 85,280</u>	<u>\$ 85,280</u>	<u>88,882</u>	<u>\$ 3,602</u>
<b><u>Adjustments to GAAP</u></b>				
Bonds and notes payable			<u>(2,532,983)</u>	
			<u>\$ (2,444,101)</u>	
<b><u>Detail of Fund Balance</u></b>				
Cash and investments			\$ 143,672	
Taxes receivable			3,727	
Accrued interest payable			<u>(58,517)</u>	
			<u>\$ 88,882</u>	

**CITY OF IRRIGON, OREGON**  
**Comparative Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	<b>Water System</b>		<b>Sewer System</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 66,669	\$ 152,669	\$ 589,652	\$ 421,669
Taxes receivable	2,643	2,505	3,727	3,252
Accounts receivable	63,840	87,456	76,555	75,574
Due from other funds	9,264	-	-	-
Total current assets	<u>142,416</u>	<u>242,630</u>	<u>669,934</u>	<u>500,495</u>
Noncurrent assets:				
Pension asset	-	31,384	-	54,950
Capital assets:				
Land	46,799	46,799	10,983	10,983
Buildings	268,493	268,493	396,419	396,419
Equipment	80,505	80,505	135,684	135,684
Improvements	5,428,875	5,428,875	11,587,481	11,537,294
Less: Accumulated depreciation	(1,046,946)	(930,223)	(2,671,242)	(2,429,391)
Total capital assets	<u>4,777,726</u>	<u>4,894,449</u>	<u>9,459,325</u>	<u>9,650,989</u>
Restricted cash	395,509	325,600	49,734	58,742
Advances to other funds	120,790	-	-	-
Total noncurrent assets	<u>5,294,025</u>	<u>5,251,433</u>	<u>9,509,059</u>	<u>9,764,681</u>
Total assets	<u>5,436,441</u>	<u>5,494,063</u>	<u>10,178,993</u>	<u>10,265,176</u>
<b>Deferred Outflows of Resources</b>	<u>22,330</u>	<u>14,978</u>	<u>26,495</u>	<u>17,772</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	10,382	11,816	13,003	7,484
Accrued payroll	4,017	11,971	4,449	13,957
Customer deposits	39,518	33,843	-	-
Unearned revenue	2,813	3,048	-	-
Accrued interest payable	16,991	17,883	97,405	99,459
Due to other funds	-	-	9,264	-
Current bonds and notes payable	68,588	66,158	112,775	121,101
Total current liabilities	<u>142,309</u>	<u>144,719</u>	<u>236,896</u>	<u>242,001</u>
Noncurrent liabilities:				
Advances from other funds	-	-	120,790	-
Bonds and notes payable	2,314,869	2,383,457	4,635,331	4,741,804
Pension liability	106,624	-	108,802	-
Total noncurrent liabilities	<u>2,421,493</u>	<u>2,383,457</u>	<u>4,864,923</u>	<u>4,741,804</u>
Total liabilities	<u>2,563,802</u>	<u>2,528,176</u>	<u>5,101,819</u>	<u>4,983,805</u>
<b>Deferred Inflows of Resources</b>	<u>26,065</u>	<u>61,172</u>	<u>30,926</u>	<u>107,107</u>
<b>Net Position</b>				
Net investment in capital assets	2,394,269	2,444,834	4,711,219	4,788,084
Restricted for:				
Debt service	-	-	49,734	58,742
System replacement	355,991	291,590	-	-
Unrestricted	118,644	183,269	311,790	345,210
Total net position	<u>\$ 2,868,904</u>	<u>\$ 2,919,693</u>	<u>\$ 5,072,743</u>	<u>\$ 5,192,036</u>

**CITY OF IRRIGON, OREGON**  
**Comparative Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2016**

	<b>Water System</b>		<b>Sewer System</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Operating Revenues</b>				
Charges for services	\$ 494,626	\$ 501,053	\$ 667,964	\$ 647,134
Grant income	-	27,896	-	-
Other income	861	1,348	891	9,306
Total operating revenues	<u>495,487</u>	<u>530,297</u>	<u>668,855</u>	<u>656,440</u>
<b>Operating Expenses</b>				
Personnel services	330,441	183,920	354,491	202,308
Materials and services	87,672	105,244	135,965	106,163
Depreciation	116,723	117,257	241,851	242,683
Total operating expenses	<u>534,836</u>	<u>406,421</u>	<u>732,307</u>	<u>551,154</u>
Operating income (loss)	<u>(39,349)</u>	<u>123,876</u>	<u>(63,452)</u>	<u>105,286</u>
<b>Nonoperating Revenues (Expenses)</b>				
Property taxes	86,166	88,231	137,183	137,071
Interest on investments	3,790	2,451	3,247	2,349
Interest expense	(97,396)	(99,813)	(192,271)	(200,638)
Total nonoperating revenues (expenses)	<u>(7,440)</u>	<u>(9,131)</u>	<u>(51,841)</u>	<u>(61,218)</u>
Income (loss) before transfers	(46,789)	114,745	(115,293)	44,068
Transfers in	75,400	112,488	46,273	46,958
Transfers out	<u>(79,400)</u>	<u>(116,488)</u>	<u>(50,273)</u>	<u>(49,958)</u>
Change in net position	(50,789)	110,745	(119,293)	41,068
Net position - beginning	2,919,693	2,867,591	5,192,036	5,253,648
Restatement prior period net position	<u>-</u>	<u>(58,643)</u>	<u>-</u>	<u>(102,680)</u>
Total net position - ending	<u>\$ 2,868,904</u>	<u>\$ 2,919,693</u>	<u>\$ 5,072,743</u>	<u>\$ 5,192,036</u>

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

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, LLC  
CERTIFIED PUBLIC ACCOUNTANTS  
1121 ADAMS AVENUE • P.O. BOX 1024  
LA GRANDE, OREGON 97850-1024

**Independent Auditor's Report on Compliance and Internal Control  
Required by Oregon State Regulations**

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

We have audited the basic financial statements of the City of Irrigon as of and for the year ended June 30, 2016, and have issued our report thereon dated October 10, 2016. 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.

**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.

**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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control 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, 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 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 our report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements in accordance with Government Auditing Standards dated October 10, 2016, presented in this reporting package, 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.

**Purpose of this Report**

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

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

By Michael R. Poe  
Michael R. Poe, CPA  
Owner/Member

La Grande, Oregon  
October 10, 2016

LEWIS, POE, MOELLER, GUNDERSON & ROBERTS, 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 and each major fund information of City of Irrigon, Oregon, as of and for the year ended June 30, 2016, 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 10, 2016.

**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 below, 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 the following paragraph to be a material weakness.

**2016-1: Condition:** The 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. In addition, we verify that the financial statements, including note disclosures, contain all of the elements required to comply with the accounting principles generally accepted in the United States of America. We do believe the City has staff with the ability to understand, review, and take responsibility for the financial statements which is 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 material weakness 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 internal control system. Statement on Auditing Standards 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.

**Cause:** This condition is caused by the Financial Officer's limited experience in presenting financial information in the form of financial statements and the City of Irrigon's reliance upon the auditors to perform these functions.

**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.

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*.

### **City of Irrigon, Oregon's Response to Findings**

City of Irrigon, Oregon's response to the finding identified in our audit is described previously.

### **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.

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

By Michael R. Poe  
Michael R. Poe, CPA  
Owner/Member

La Grande, Oregon  
October 10, 2016