

# CITY OF IRRIGON, OREGON

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## ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017





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## **INTRODUCTORY SECTION**

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

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**Mayor**

**Term Expires**

Sam Heath	December, 2020	Irrigon, Oregon
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**Council Members**

**Term Expires**

Margaret Anderson	December, 2018	Irrigon, Oregon
Michelle Hagen	December, 2018	Irrigon, Oregon
Kenneth Matlack	December, 2020	Irrigon, Oregon
Daren Strong	December, 2020	Irrigon, Oregon
Marina Avila Serratos	December, 2020	Irrigon, Oregon

**Recorder-Administrator**

Aaron Palmquist		Irrigon, 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, 2017, 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, 2017, 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.

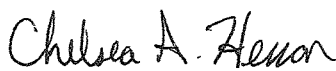
#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2017, 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 2, 2017, 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   
\_\_\_\_\_  
Chelsea A. Herron, CPA  
Owner/Member

La Grande, Oregon  
October 2, 2017

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**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**



## Management's Discussion and Analysis

Our discussion and analysis of City of Irrigon's financial performance provides an overview of the city's financial activities for the fiscal year ending June 30, 2017. Please read it in conjunction with the city's financial statements, which begin on page 9.

### Financial Highlights

- Net position from governmental activities increased \$138,838 or approximately 4%
- Net position from business-type activities decreased \$156,663 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 \$11,377,577 at the end of the 2017 fiscal year. This is a decrease of \$17,827 or approximately 0.2% from the previous fiscal year's amount of \$11,395,404 as demonstrated in the table below comparing net position between fiscal year 2017 and fiscal year 2016.

## Statement of Net Position

	Governmental Activities		Business-Type Activities		Total Activities	
	2016-2017	2015-2016	2016-2017	2015-2016	2016-2017	2015-2016
<b>Assets</b>						
Unrestricted Cash and Cash Equivale	\$ 697,267	\$ 484,653	\$ 1,171,120	\$ 656,321	1,868,387	1,140,974
Account Receivables	31,976	27,440	145,998	140,395	177,974	167,835
Property Tax Receivables	6,571	5,572	7,974	6,370	14,545	11,942
Total Current Assets	<u>735,814</u>	<u>517,665</u>	<u>1,325,092</u>	<u>803,086</u>	<u>2,060,906</u>	<u>1,320,751</u>
Non Current Assets						
Restricted Cash and Cash Equivalent:	-	-	62,129	445,243	62,129	445,243
Pension Asset	-	-	-	-	-	-
Capital Assets						
Land	91,882	91,882	68,241	57,782	160,123	149,664
Infrastructure	2,555,079	2,596,608	-	-	2,555,079	2,596,608
Water System	-	-	4,359,210	4,467,787	4,359,210	4,467,787
Sewer System	-	-	8,792,599	9,024,347	8,792,599	9,024,347
Buildings	403,798	410,407	571,126	580,225	974,924	990,632
Equipment	64,820	44,923	96,756	106,910	161,576	151,833
Total Capital Assets	<u>3,115,579</u>	<u>3,143,820</u>	<u>13,887,932</u>	<u>14,237,051</u>	<u>17,003,511</u>	<u>17,380,871</u>
Total Assets	<u>3,851,393</u>	<u>3,661,485</u>	<u>15,275,153</u>	<u>15,485,380</u>	<u>19,126,546</u>	<u>19,146,865</u>
Deferred Outflows of Resources	124,715	20,742	293,568	48,825	418,283	69,567
<b>Liabilities</b>						
Current Liabilities:						
Account Payables	23,002	11,838	44,150	23,385	67,152	35,223
Payroll Payable	3,588	3,553	9,517	8,466	13,105	12,019
Unearned Revenue	-	-	6,121	2,813	6,121	2,813
Customer Deposits	-	-	43,847	39,518	43,847	39,518
Accrued Compensated Absences	109,571	95,252	-	-	109,571	95,252
Accrued Interest Payable	-	-	16,384	114,396	16,384	114,396
Premium on Bonds, Current	-	-	58,312	-	58,312	-
Loans Payable within one year	-	-	241,136	181,363	241,136	181,363
Total Current Liabilities	<u>136,161</u>	<u>110,643</u>	<u>419,467</u>	<u>369,941</u>	<u>555,628</u>	<u>480,584</u>
Long-term Liabilities:						
Loans Payable after one year	-	-	6,348,725	6,950,200	6,348,725	6,950,200
Premium on Bonds, Non-Current	-	-	438,231	-	438,231	-
Pension Liability	243,579	93,616	568,427	215,426	812,006	309,042
Total Liabilities	<u>379,740</u>	<u>204,259</u>	<u>7,774,850</u>	<u>7,535,567</u>	<u>8,154,590</u>	<u>7,739,826</u>
Deferred Inflows of Resources	3,775	24,211	8,887	56,991	12,662	81,202
<b>Net Position</b>						
Net Investment in Capital Assets	3,115,579	3,143,820	6,801,528	7,105,488	9,917,107	10,249,308
Restricted for Debt Service	-	-	18,282	49,734	18,282	49,734
Restricted for System Replacement	-	-	-	355,991	-	355,991
Streets and Public Works	120,865	54,618	-	-	120,865	54,618
Unrestricted	356,149	255,319	965,174	430,434	1,321,323	685,753
Total Net Position	<u>\$ 3,592,593</u>	<u>\$ 3,453,757</u>	<u>\$ 7,784,984</u>	<u>\$ 7,941,647</u>	<u>11,377,577</u>	<u>11,395,404</u>

The City's total assets decreased \$20,319 and liabilities increased \$414,761. Revenues totaled \$2,307,563 and total expenses were \$2,325,390 resulting in the \$17,827, or approximately 0.2% decrease in net position. The total employer pension liability increased \$502,964 from \$309,042 in 2016 to \$812,006 in 2017. This is because Unfunded Actuarial Liability (UAL) amounts ballooned 54% for OPSRP and 38% for Tier 1/Tier 2. A major cause for the increase was the reduction of the discount rate (investment return assumption) from 7.75% for the June 30, 2015 Measurement Date, to 7.50% for the June 30, 2016 Measurement Date.

Current assets increased \$740,155. 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 \$415,662.

### Governmental Activities

Net position of the city’s governmental activities increased \$138,838, approximately 4%. 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.

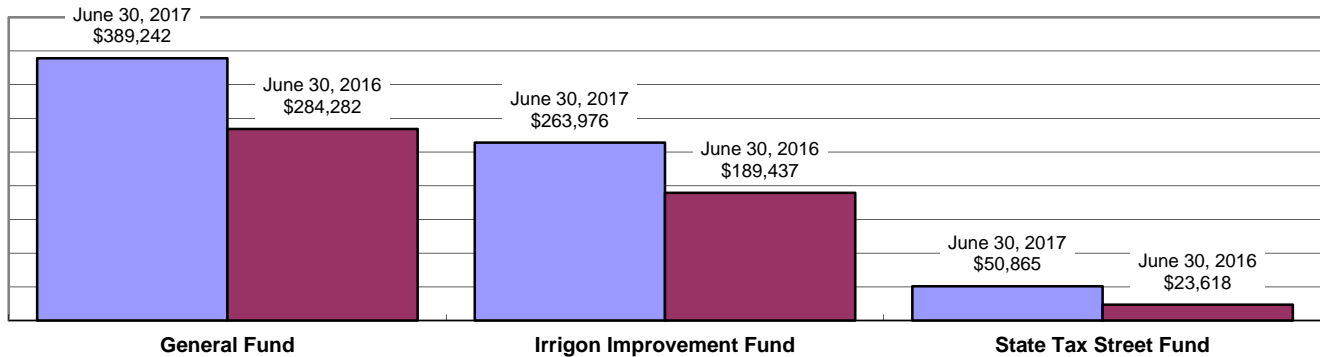
#### Statement of Activities Summary Governmental Activities for the years ended June 30, 2017 and 2016

Revenues	2016-2017	2015-2016	Difference
Property Tax	\$ 185,378	\$ 182,423	\$ 2,955
Franchise Fees	69,333	66,728	2,605
Pet Licenses	1,990	1,815	175
Intergovernmental	165,799	160,896	4,903
Miscellaneous	8,006	6,177	1,829
SDC Fees	1,500	1,000	500
Grants	257,000	143,730	113,270
Transient Room Tax	802	1,079	(277)
User Fees	96,164	-	96,164
City Fees	4,405	3,390	1,015
Lease Revenue	18,300	18,300	-
Interest on Investments	5,568	2,635	2,933
Nuisance Abatement	-	-	-
Total Revenues	814,244	588,173	226,071
Expenses			
General Government	431,775	279,075	152,700
Street Services	251,633	280,208	(28,575)
Total Expenditures	683,408	559,283	124,125
Increase (Decrease) in net assets before transfers and gain on disposal of real	130,836	28,890	101,946
Transfers	8,000	8,000	-
Net Change in Net Position	\$ 138,836	\$ 36,890	\$ 101,946

The City’s Revenue in Governmental Activities was \$814,244 with expenditures of \$683,408 and a transfer in of \$8,000 that resulted in the increase of net position of \$138,836. The city received \$113,270 more in grant resources than the year before. The grant received was \$257,000 from the Columbia River Enterprise Zone II for community enhancement projects.. The city also adopted user fees to pay a portion of the costs for police services, street maintenance and street lighting. The new user fees brought in a total of \$96,164. Overall expenditures for the city’s Governmental Activities increased approximately 22% from the previous fiscal year.

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, 2017 to the fund balances as of June 30, 2016.

## Governmental Funds Balances Comparisons



The General fund balance increased \$104,960 or approximately 37% from the previous year. The State Tax Street Fund balance increased \$27,247 or approximately 115%. The Irrigon Improvement Fund balance increased \$74,539 or approximately 39% from the previous year.

### Business-Type Activities

Net Position for business-type activities decreased \$156,663 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.

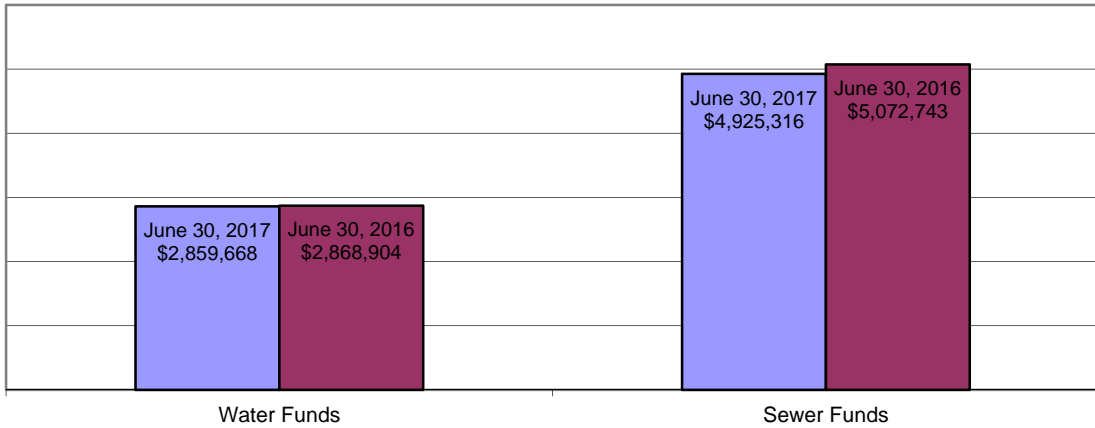
### Statement of Activities Summary Business Type Activities for the years ended June 30, 2017 and 2016

Revenues	2016-2017	2015-2016	Difference
Charges for Services	\$ 1,224,066	\$ 1,162,590	\$ 61,476
Grant	20,000	-	20,000
Property Taxes	233,236	223,349	9,887
Miscellaneous	4,163	1,752	2,411
Interest on Investments	11,854	7,037	4,817
Total Revenue	1,493,319	1,394,728	98,591
Expenses			
Water	632,808	632,232	576
Sewer	1,009,174	924,578	84,596
Total Expenses	1,641,982	1,556,810	85,172
Increase (decrease) in net assets before transfers and gain on disposal of real property	(148,663)	(162,082)	13,419
Transfers (out)	(8,000)	(8,000)	-
Change in Net Position	(156,663)	(170,082)	13,419

The proprietary activity revenue for the fiscal year was \$1,493,319; expenses were \$1,641,982 and transfers out were \$8,000 resulting in net position decreasing \$156,663. The city experienced an increase in revenues from the proprietary funds of \$98,591, the biggest reason being the increase in receipts for charges for services.

The expenses from the proprietary activities totaled \$1,641,982, an increase of approximately 5% from the prior year. Personnel services decreased 13%, materials and services increased 68%, and interest on debt decreased 27%. The city refunded bonds during the year with an issuance cost of \$100,575, approximately 6% of the total expenses. The capital asset depreciation expense was \$359,578 or approximately 22% of total expenses.

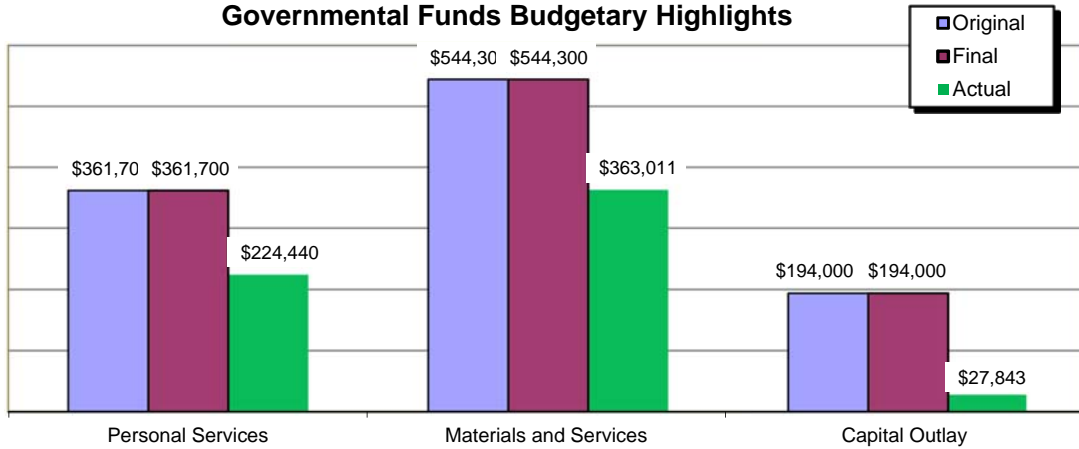
### Proprietary Fund Balances Comparison



The Proprietary Funds Balance Comparison Graph presented above compares the fund balances as of June 30, 2017 to the fund balances as of June 30, 2016 for the water funds and the sewer funds. The water fund balances decreased \$9,236 from the previous year's total water fund balances. The sewer fund balances decreased \$147,427 from the previous year.

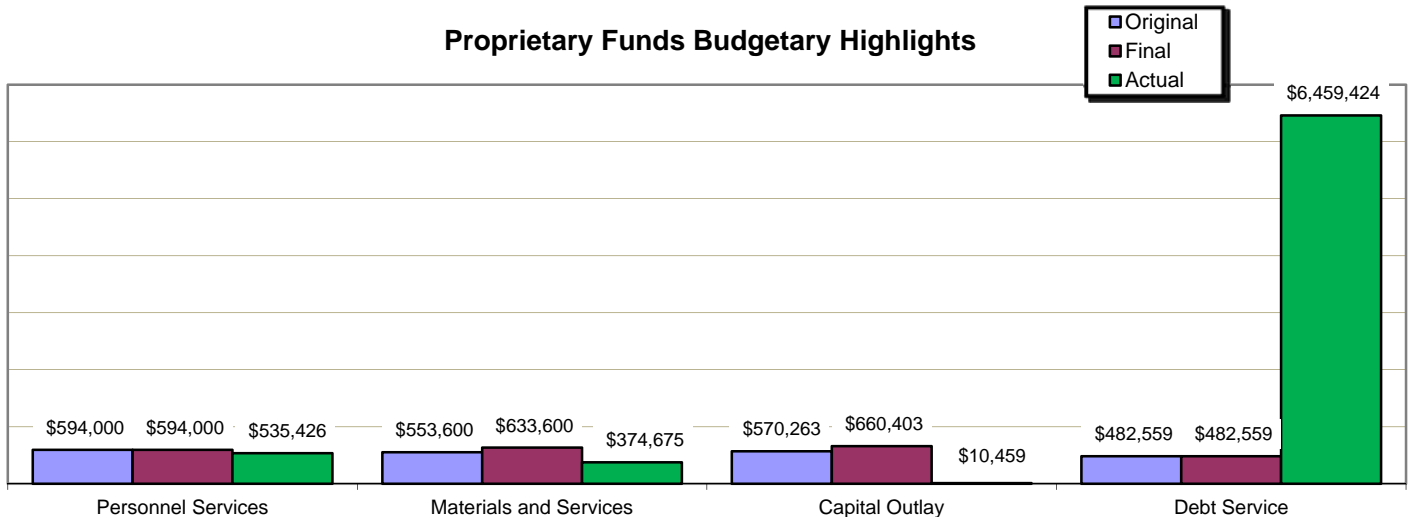
### Budgetary Highlights

#### 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 \$137,260 below budgeted amount allowing for the pay out of all accrued employee leave, materials and services were \$181,289 below budget amount and Capital Outlay was \$166,157 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 except for Debt Service appropriations. Personnel Services expenditures were \$58,574 below the budgeted amount, materials and services were \$258,925 below the budget amount, Capital Outlay was \$649,944 below the budgeted amount and debt service was \$5,976,865 above the budgeted amount. The Materials and Services, and Capital Outlay differences are due to the city assigning current reserves to costly maintenance projects and needed capital improvement projects until the reserve reaches the cost of the project. The debt service expenditures exceeded budget appropriations due to the refunding of debt in the current fiscal year. According to ORS 294.338(4) there is an exception to Local Budget Law and there is no official action required if the bonds are to refund previous bonds. The refunding bonds will save the city money in the end due to lower interest rates.

### **Debt Covenants**

The Sewer Fund is required by the State of Oregon acting by and through its Department of Environmental Quality to establish a loan reserve equal to one half of the average annual debt service to be used solely for making payments of principal and interest if no other funds are available. The loan reserve requirement was \$18,282 at the end of the year. This was the total restricted net position in the Sewer Fund.

At year end the Water Fund reported restricted cash of \$43,847 for customer deposits.

### **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 2017-2018 fiscal year is \$7,493,912. This is an increase of \$3,883,790 from the budget authority of \$3,610,122 for the 2016-2017 budget year. This large increase is due mostly to potential funding of \$3,500,000 for a sewer project. As well as Irrigon housing and enhancement initiatives, increasing operating costs and committing current resources to needed 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 \$190,100, allowing for uncollectible 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 tax on property to cover necessary payments on the bonded debt of approximately \$4.1911 per \$1,000 of assessed value. This is estimated to generate approximately \$221,500.

### **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, 2017**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 697,267	\$ 1,171,120	\$ 1,868,387
Taxes receivable	6,571	7,974	14,545
Accounts receivable	31,976	145,998	177,974
Restricted cash	-	62,129	62,129
Capital assets:			
Nondepreciable			
Land	91,882	68,241	160,123
Depreciable			
Improvements	-	17,016,356	17,016,356
Buildings	470,694	664,912	1,135,606
Equipment	168,690	216,189	384,879
Infrastructure	2,878,402	-	2,878,402
Less: accumulated depreciation	(494,089)	(4,077,766)	(4,571,855)
Total capital assets, net	<u>3,115,579</u>	<u>13,887,932</u>	<u>17,003,511</u>
Total assets	<u>3,851,393</u>	<u>15,275,153</u>	<u>19,126,546</u>
<b>Deferred outflows of resources</b>			
Pension deferred outflows of resources	<u>124,715</u>	<u>293,568</u>	<u>418,283</u>
<b>Liabilities</b>			
Accounts payable	23,002	44,150	67,152
Accrued payroll	3,588	9,517	13,105
Unearned revenue	-	6,121	6,121
Customer deposits	-	43,847	43,847
Accrued interest payable	-	16,384	16,384
Long-term obligations:			
Due within one year	109,571	299,448	409,019
Due in more than one year	-	6,786,956	6,786,956
Pension liability	243,579	568,427	812,006
Total liabilities	<u>379,740</u>	<u>7,774,850</u>	<u>8,154,590</u>
<b>Deferred inflows of resources</b>			
Pension deferred inflows of resources	<u>3,775</u>	<u>8,887</u>	<u>12,662</u>
<b>Net Position</b>			
Net investment in capital assets	3,115,579	6,801,528	9,917,107
Restricted for:			
Debt service	-	18,282	18,282
Streets and public works	120,865	-	120,865
Unrestricted	356,149	965,174	1,321,323
Total net position	<u>\$ 3,592,593</u>	<u>\$ 7,784,984</u>	<u>\$ 11,377,577</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, 2017**

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	\$ 431,775	\$ 56,593	\$ 308,015	\$ -	\$ (67,167)		\$ (67,167)
Streets and public works	251,633	47,895	114,784	-	(88,954)		(88,954)
Total governmental activities	<u>683,408</u>	<u>104,488</u>	<u>422,799</u>	<u>-</u>	<u>(156,121)</u>		<u>(156,121)</u>
Business-type activities:							
Water	632,808	532,749	-	-		\$ (100,059)	(100,059)
Sewer	1,009,174	691,317	20,000	-		(297,857)	(297,857)
Total business-type activities	<u>1,641,982</u>	<u>1,224,066</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>(397,916)</u>	<u>(397,916)</u>
Total primary government	<u>\$ 2,325,390</u>	<u>\$ 1,328,554</u>	<u>\$ 442,799</u>	<u>\$ -</u>	<u>(156,121)</u>	<u>(397,916)</u>	<u>(554,037)</u>
<b>General Revenues</b>							
Property taxes					185,378	233,236	418,614
Franchise fees					69,333	-	69,333
Interest on investments					5,568	11,854	17,422
Other income					26,678	4,163	30,841
<b>Transfers</b>					<u>8,000</u>	<u>(8,000)</u>	<u>-</u>
Total general revenues and transfers					<u>294,957</u>	<u>241,253</u>	<u>536,210</u>
Change in net position					138,836	(156,663)	(17,827)
Net position - beginning					<u>3,453,757</u>	<u>7,941,647</u>	<u>11,395,404</u>
Net position - ending					<u>\$ 3,592,593</u>	<u>\$ 7,784,984</u>	<u>\$ 11,377,577</u>

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

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## **FUND FINANCIAL STATEMENTS**

**CITY OF IRRIGON, OREGON**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	<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	\$ 365,192	\$ 275,820	\$ 56,255	\$ 697,267
Taxes receivable	6,571	-	-	6,571
Accounts receivable	27,922	50	4,004	31,976
Total assets	399,685	275,870	60,259	735,814
Deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 399,685</u>	<u>\$ 275,870</u>	<u>\$ 60,259</u>	<u>\$ 735,814</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 3,892	\$ 11,894	\$ 7,216	\$ 23,002
Accrued payroll	1,596	-	1,992	3,588
Unearned revenue	588	-	186	774
Total liabilities	<u>6,076</u>	<u>11,894</u>	<u>9,394</u>	<u>27,364</u>
Deferred inflows of resources:				
Unavailable property tax revenue	<u>4,367</u>	<u>-</u>	<u>-</u>	<u>4,367</u>
Fund Balances:				
Restricted	70,000	-	50,865	120,865
Committed	226,577	263,976	-	490,553
Unassigned	92,665	-	-	92,665
Total fund balances	<u>389,242</u>	<u>263,976</u>	<u>50,865</u>	<u>704,083</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 399,685</u>	<u>\$ 275,870</u>	<u>\$ 60,259</u>	<u>\$ 735,814</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, 2017**

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**Total fund balances - governmental funds** \$ 704,083

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	168,690	
Infrastructure	2,878,402	
Less: accumulated depreciation	<u>(494,089)</u>	3,115,579

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. 4,367

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. 774

Pension liability used in governmental activities are not financial resources and therefore are not reported in the funds. (243,579)

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 2017 employer contributions related to pensions	124,715	
Deferred inflows of resources related to pensions	<u>(3,775)</u>	120,940

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>(109,571)</u>
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**Total net position - governmental activities** **\$ 3,592,593**

*(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, 2017**

	<b>General Fund</b>	<b>Irrigon Improvements Fund</b>	<b>State Street Fund</b>	<b>Total</b>
<b>Revenues</b>				
Property taxes	\$ 185,570	\$ -	\$ -	\$ 185,570
Licenses and fees	56,593	-	47,895	104,488
Intergovernmental	108,015	200,000	114,784	422,799
Miscellaneous:				
Franchise fees	69,333	-	-	69,333
Interest on investments	3,156	1,953	459	5,568
Other income	22,809	1,700	1,773	26,282
Total revenues	<u>445,476</u>	<u>203,653</u>	<u>164,911</u>	<u>814,040</u>
<b>Expenditures</b>				
Current:				
General government	264,521	129,114	-	393,635
Streets and public works	-	-	193,816	193,816
Capital outlay	27,843	-	-	27,843
Total expenditures	<u>292,364</u>	<u>129,114</u>	<u>193,816</u>	<u>615,294</u>
Excess of revenues over (under) expenditures	<u>153,112</u>	<u>74,539</u>	<u>(28,905)</u>	<u>198,746</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	56,648	-	57,300	113,948
Transfers out	(104,800)	-	(1,148)	(105,948)
Total other financing sources (uses)	<u>(48,152)</u>	<u>-</u>	<u>56,152</u>	<u>8,000</u>
Net change in fund balance	104,960	74,539	27,247	206,746
Beginning fund balance	<u>284,282</u>	<u>189,437</u>	<u>23,618</u>	<u>497,337</u>
Ending fund balance	<u>\$ 389,242</u>	<u>\$ 263,976</u>	<u>\$ 50,865</u>	<u>\$ 704,083</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, 2017**

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<b>Total net change in fund balances - governmental funds</b>	<b>\$ 206,746</b>
Amounts reported for governmental <i>activities</i> 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 (\$27,843) exceeds depreciation expense (\$56,084) in the current year.	(28,241)
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.	(192)
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.	396
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.	(25,554)
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.	<u>(14,319)</u>
<b>Change in net position - governmental activities</b>	<b><u><u>\$ 138,836</u></u></b>

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

**CITY OF IRRIGON, OREGON**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 544,613	\$ 626,507	\$ 1,171,120
Taxes receivable	3,112	4,862	7,974
Accounts receivable	61,377	84,621	145,998
Due from other funds	18,525	-	18,525
Total current assets	<u>627,627</u>	<u>715,990</u>	<u>1,343,617</u>
Noncurrent assets:			
Capital assets:			
Land	46,799	21,442	68,241
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>(1,163,669)</u>	<u>(2,914,097)</u>	<u>(4,077,766)</u>
Total capital assets	4,661,003	9,226,929	13,887,932
Restricted cash	43,847	18,282	62,129
Advances to other funds	93,089	-	93,089
Total noncurrent assets	<u>4,797,939</u>	<u>9,245,211</u>	<u>14,043,150</u>
Total assets	<u>5,425,566</u>	<u>9,961,201</u>	<u>15,386,767</u>
<b>Deferred Outflows of Resources</b>			
Pension deferred outflows of resources	<u>134,261</u>	<u>159,307</u>	<u>293,568</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	15,913	28,237	44,150
Accrued payroll	4,215	5,302	9,517
Customer deposits	43,847	-	43,847
Unearned revenue	6,121	-	6,121
Accrued interest payable	2,172	14,212	16,384
Due to other funds	-	18,525	18,525
Current bond premium, net	23,699	34,613	58,312
Current bonds and notes payable	83,841	157,295	241,136
Total current liabilities	<u>179,808</u>	<u>258,184</u>	<u>437,992</u>
Noncurrent liabilities:			
Advances from other funds	-	93,089	93,089
Bond premium, net	175,576	262,655	438,231
Bonds and notes payable	2,072,643	4,276,082	6,348,725
Pension liability	268,067	300,360	568,427
Total noncurrent liabilities	<u>2,516,286</u>	<u>4,932,186</u>	<u>7,448,472</u>
Total liabilities	<u>2,696,094</u>	<u>5,190,370</u>	<u>7,886,464</u>
<b>Deferred Inflows of Resources</b>			
Pension deferred inflows of resources	<u>4,065</u>	<u>4,822</u>	<u>8,887</u>
<b>Net Position</b>			
Net investment in capital assets	2,305,244	4,496,284	6,801,528
Restricted for:			
Debt service	-	18,282	18,282
Unrestricted	<u>554,424</u>	<u>410,750</u>	<u>965,174</u>
Total net position	<u>\$ 2,859,668</u>	<u>\$ 4,925,316</u>	<u>\$ 7,784,984</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, 2017**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Operating Revenues</b>			
Charges for services	\$ 532,749	\$ 691,317	\$ 1,224,066
Grant income	-	20,000	20,000
Other income	1,370	2,793	4,163
Total operating revenues	<u>534,119</u>	<u>714,110</u>	<u>1,248,229</u>
<b>Operating Expenses</b>			
Personnel services	274,413	321,167	595,580
Materials and services	130,814	243,861	374,675
Depreciation	116,723	242,855	359,578
Total operating expenses	<u>521,950</u>	<u>807,883</u>	<u>1,329,833</u>
Operating income (loss)	<u>12,169</u>	<u>(93,773)</u>	<u>(81,604)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Property taxes	87,626	145,610	233,236
Interest on investments	5,827	6,027	11,854
Interest expense	(70,606)	(140,968)	(211,574)
Debt issuance costs	(40,252)	(60,323)	(100,575)
Total nonoperating revenues (expenses)	<u>(17,405)</u>	<u>(49,654)</u>	<u>(67,059)</u>
Income (loss) before transfers	(5,236)	(143,427)	(148,663)
Transfers in	95,800	201,800	297,600
Transfers out	<u>(99,800)</u>	<u>(205,800)</u>	<u>(305,600)</u>
Change in net position	(9,236)	(147,427)	(156,663)
Net position - beginning	<u>2,868,904</u>	<u>5,072,743</u>	<u>7,941,647</u>
Total net position - ending	<u>\$ 2,859,668</u>	<u>\$ 4,925,316</u>	<u>\$ 7,784,984</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, 2017**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total Proprietary Funds</b>
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers	\$ 538,520	\$ 683,251	\$ 1,221,771
Other miscellaneous receipts	1,370	22,793	24,163
Payments (to) from suppliers	(125,283)	(228,627)	(353,910)
Payments to employees	(246,703)	(287,672)	(534,375)
Net cash provided (used) by operating activities	<u>167,904</u>	<u>189,745</u>	<u>357,649</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Property taxes	87,157	144,475	231,632
Transfers in (out)	(4,000)	(4,000)	(8,000)
Net cash provided (used) by noncapital financing activities	<u>83,157</u>	<u>140,475</u>	<u>223,632</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Restricted for loan covenants	351,662	31,452	383,114
Interfund loans	18,440	(18,440)	-
Proceeds from sale of bonds	2,215,028	3,359,972	5,575,000
Premium on bonds issued	211,696	315,420	527,116
Acquisition of capital assets	-	(10,459)	(10,459)
Customer deposits during the year	4,329	-	4,329
Payments on capital debt	(2,539,847)	(3,917,014)	(6,456,861)
Payments for bond issuance costs	(40,252)	(60,323)	(100,575)
Net cash provided (used) by capital and related financing activities	<u>221,056</u>	<u>(299,392)</u>	<u>(78,336)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest and dividends	<u>5,827</u>	<u>6,027</u>	<u>11,854</u>
Net increase (decrease) in cash and investments	477,944	36,855	514,799
Beginning cash and investments	<u>66,669</u>	<u>589,652</u>	<u>656,321</u>
Ending cash and investments	<u>\$ 544,613</u>	<u>\$ 626,507</u>	<u>\$ 1,171,120</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 12,169	\$ (93,773)	\$ (81,604)
<i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i>			
Depreciation	116,723	242,855	359,578
(Increase) decrease in accounts receivable	2,463	(8,066)	(5,603)
Increase (decrease) in accounts payable	5,531	15,234	20,765
Increase (decrease) in accrued payroll	198	853	1,051
Increase (decrease) in unearned revenue	3,308	-	3,308
Increase (decrease) in pension liability	161,443	191,558	353,001
(Increase) decrease in deferred outflows	(111,931)	(132,812)	(244,743)
Increase (decrease) in deferred inflows	(22,000)	(26,104)	(48,104)
Net cash provided (used) by operating activities	<u>\$ 167,904</u>	<u>\$ 189,745</u>	<u>\$ 357,649</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, 2017, 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. \$211,574 of interest was incurred, all of which was charged to expense during the fiscal year ended June 30, 2017.

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.

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

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**Net Position/Fund Balance Classifications**

Government-Wide Statements

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

- a. Net Investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
- b. Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

Fund Financial Statements

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

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**

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Fund balances by classification for the year ended June 30, 2017 were as follows:

	<u>General Fund</u>	<u>Irrigon Improvements Fund</u>	<u>State Tax Street Fund</u>	<u>Total Governmental Funds</u>
<u>Fund balances:</u>				
Restricted:				
Street	\$ -	\$ -	\$ 42,765	\$ 42,765
Unappropriated ending fund balance	70,000	-	8,100	78,100
Committed:				
Accrued Leave	105,503	-	-	105,503
Building Maintenance	22,879	-	-	22,879
Equipment Replacement	16,310	-	-	16,310
Bike/Foot Paths	14,529	-	-	14,529
SDC Capital Improvements	25,875	-	-	25,875
Construction	41,481	-	-	41,481
Improvements	-	263,976	-	263,976
Unassigned	92,665	-	-	92,665
Total fund balances	<u>\$ 389,242</u>	<u>\$ 263,976</u>	<u>\$ 50,865</u>	<u>\$ 704,083</u>

The amount of the primary government's net position at June 30, 2017 that is restricted by enabling legislation totaled \$120,865.

**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.

*None Reported*

*Action Taken: Not Applicable*

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

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**Note 3 - Deposits and Investments:**

Deposits and Investments are comprised of the following at June 30, 2017:

	Carrying Value	Fair Value
Deposits with financial institutions	\$ 488,301	\$ 488,301
Investments with State of Oregon Local Government Investment Pool (LGIP)	1,442,215	1,442,215
	\$ 1,930,516	\$ 1,930,516

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

Cash and investments	\$ 1,868,387
Restricted cash	62,129
Cash and investments	\$ 1,930,516

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

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 \$527,138 at June 30, 2017. 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.

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

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**Custodial Credit Risk - Investments**

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

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

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

**Concentration Risk**

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

Investment Type	Maturities	Concentration% of Portfolio	Actual Amount
Local Government Investment Pool	Avg 6-18 months	100%	\$ 1,442,215

**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 \$14,545, which are all past due and accruing interest.

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

**Note 5 - Capital Assets:**

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance at July 1, 2016	Increases	Decreases	Balance at June 30, 2017
<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	27,843	-	168,690
Infrastructure	2,878,402	-	-	2,878,402
being depreciated	3,489,943	27,843	-	3,517,786
Less: accumulated depreciation:				
Buildings	(60,288)	(6,609)	-	(66,897)
Equipment	(95,923)	(7,947)	-	(103,870)
Infrastructure	(281,794)	(41,528)	-	(323,322)
Total accumulated depreciation	(438,005)	(56,084)	-	(494,089)
Net capital assets being depreciated	3,051,938	(28,241)	-	3,023,697
Governmental Activities - net capital assets	\$ 3,143,820	\$ (28,241)	\$ -	\$ 3,115,579
	Balance at July 1, 2016	Increases	Decreases	Balance at June 30, 2017
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 57,782	\$ 10,459	\$ -	\$ 68,241
Capital assets being depreciated:				
Buildings	664,912	-	-	664,912
Equipment	216,189	-	-	216,189
Improvements	17,016,356	-	-	17,016,356
being depreciated	17,847,270	-	-	17,897,457
Less: accumulated depreciation:				
Buildings	(84,687)	(9,098)	-	(93,785)
Equipment	(109,279)	(10,153)	-	(119,432)
Improvements	(3,524,222)	(340,327)	-	(3,864,549)
Total accumulated depreciation	(3,359,614)	(359,578)	-	(4,077,766)
Net capital assets being depreciated	14,487,656	(359,578)	-	13,819,691
Business-Type Activities - net capital assets	\$ 14,545,438	\$ (349,119)	\$ -	\$ 13,887,932

Depreciation expense was charged to functions as follows:

<b>Governmental Activities:</b>		<b>Business-Type Activities:</b>	
General government	\$ 14,556	Water	\$ 116,723
Streets	41,528	Sewer	242,855
Total	\$ 56,084	Total	\$ 359,578

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

**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, 2017, are as follows:

	<u>Payable at July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Payable at June 30, 2017</u>	<u>Due within one year</u>
<b><u>Governmental Activities:</u></b>					
Compensated absences	\$ 95,252	\$ 52,152	\$ (37,832)	\$ 109,572	\$ 109,572
<b><u>Business-Type Activities:</u></b>					
G.O. Sewer No. 1 - 2005	\$ 2,198,774	\$ -	\$ (2,198,774)	\$ -	\$ -
G.O. Sewer No. 2 - 2005	334,209	-	(334,209)	-	-
Sewer Revenue Bond 2005	496,430	-	(496,430)	-	-
Sewer Revenue Bond 2010	513,546	-	(513,546)	-	-
State OR Drinking Water 2009	813,323	-	(813,323)	-	-
G.O. Water Bond 2009	1,570,134	-	(1,570,134)	-	-
Septic Conversion Loan	735,891	-	(20,792)	715,099	21,210
State Sewer Loan	469,256	-	(14,494)	454,762	14,926
General Obligation Refunding, 2016A	-	3,955,000	(155,000)	3,800,000	110,000
Unamortized Premium GO Bond 2016A	-	340,736	(17,643)	323,093	33,536
Full Faith & Credit Refunding, 2016B	-	1,620,000	-	1,620,000	95,000
Unamortized Premium FFC Bond 2016I	-	186,380	(12,930)	173,450	24,776
Total business-type activities	<u>\$ 7,131,563</u>	<u>\$ 6,102,116</u>	<u>\$ (6,147,275)</u>	<u>\$ 7,086,404</u>	<u>\$ 299,448</u>

**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. The balance on these bonds was paid in full during the fiscal year through a debt refunding with the new General Obligation Bonds, Series 2016A.

**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. The balance on these bonds was paid in full during the fiscal year through a debt refunding with the new General Obligation Bonds, Series 2016A.

**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. The balance on these bonds was paid in full during the fiscal year through a debt refunding with the new Full Faith and Credit Refunding, Series 2016B.

**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. The balance on these bonds was paid in full during the fiscal year through a debt refunding with the new Full Faith and Credit Refunding, Series 2016B.

**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. The balance on these bonds was paid in full during the fiscal year through a debt refunding with the new Full Faith and Credit Refunding, Series 2016B.



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

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**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. The balance on these bonds was paid in full during the fiscal year through a debt refunding with the new General Obligation Bonds, Series 2016A.

**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 2.00% 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 \$17,703 principal and interest are payable at 6/1 and 12/1.

Fiscal Year	Principal	Interest	Total
2018	\$ 21,210	\$ 14,196	\$ 35,406
2019	21,636	13,770	35,406
2020	22,070	13,336	35,406
2021	22,514	12,892	35,406
2022	22,967	12,439	35,406
2023	23,429	11,977	35,406
2024	23,899	11,507	35,406
2025	24,380	11,026	35,406
2026	24,870	10,536	35,406
2027	25,370	10,036	35,406
2028	25,879	9,527	35,406
2029	26,400	9,006	35,406
2030	26,930	8,476	35,406
2031	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	32,860	2,546	35,406
2041	33,521	1,885	35,406
2042	34,194	1,212	35,406
2043	34,885	524	35,409
	<u>\$ 715,099</u>	<u>\$ 205,460</u>	<u>\$ 920,559</u>

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

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**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.

Fiscal Year	Principal	Interest	Total
2018	\$ 14,926	\$ 13,552	\$ 28,478
2019	15,371	13,107	28,478
2020	15,829	12,649	28,478
2021	16,301	12,177	28,478
2022	16,786	11,692	28,478
2023	17,287	11,191	28,478
2024	17,802	10,676	28,478
2025	18,332	10,146	28,478
2026	18,878	9,599	28,477
2027	19,441	9,037	28,478
2028	20,020	8,457	28,477
2029	20,617	7,861	28,478
2030	21,231	7,246	28,477
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	27,655	824	28,479
	<u>\$ 454,762</u>	<u>\$ 171,751</u>	<u>\$ 626,513</u>

**Full Faith & Credit Refunding, 2016B**

During the fiscal year ended June 30, 2017, the City issued \$1,620,000 in Full Faith & Credit Refunding at a \$186,380 premium for the refunding of Sewer Revenue Bond 2005, Sewer Revenue Bond 2010, and State OR Drinking Water 2009. These bonds are due in semi-annual installments for interest payments and annual installments for principal payments. Final bond maturity is scheduled for 2032. The annual requirements to amortize bond debt outstanding as of June 30, 2017 is as follows:

Fiscal Year	Principal	Interest	Total	Premium
2018	\$ 95,000	\$ 57,175	\$ 152,175	\$ 24,776
2019	100,000	54,250	154,250	22,712
2020	100,000	51,250	151,250	20,833
2021	105,000	48,175	153,175	19,086
2022	110,000	44,950	154,950	17,434
2023	110,000	41,650	151,650	15,902
2024	115,000	37,700	152,700	13,954
2025	120,000	33,000	153,000	11,573
2026	125,000	28,100	153,100	9,323
2027	130,000	23,000	153,000	7,165
2028	135,000	17,700	152,700	5,153
2029	140,000	12,200	152,200	3,315
2030	145,000	6,500	151,500	1,648
2031	75,000	2,100	77,100	508
2032	15,000	300	15,300	69
	<u>\$ 1,620,000</u>	<u>\$ 458,050</u>	<u>\$ 2,078,050</u>	<u>\$ 173,450</u>

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

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**General Obligation Refunding, 2016A**

During the fiscal year ended June 30, 2017, the City issued \$3,995,000 in General Obligation bonds at a \$340,737 premium for the refunding of General Obligation Sewer No. 1-2005, General Obligation Sewer No. 2-2005, and General Obligation Water Bond-2009. These bonds are due in semi-annual installments for interest payments and annual installments for principal payments. Final bond maturity is scheduled for 2041. The annual requirements to amortize bond debt outstanding as of June 30, 2017 is as follows:

Fiscal Year	Principal	Interest	Total	Premium
2018	\$ 110,000	\$ 132,623	\$ 242,623	\$ 33,536
2019	110,000	129,323	239,323	31,143
2020	115,000	125,948	240,948	28,971
2021	120,000	122,423	242,423	26,888
2022	120,000	118,823	238,823	24,943
2023	125,000	115,148	240,148	23,139
2024	130,000	110,673	240,673	20,835
2025	135,000	106,824	241,824	19,410
2026	135,000	103,550	238,550	18,755
2027	140,000	99,425	239,425	17,488
2028	145,000	94,425	239,425	15,806
2029	150,000	88,525	238,525	13,720
2030	160,000	82,325	242,325	11,784
2031	165,000	75,825	240,825	9,980
2032	170,000	69,125	239,125	8,310
2033	180,000	62,125	242,125	6,739
2034	185,000	54,825	239,825	5,242
2035	195,000	47,225	242,225	3,815
2036	200,000	39,325	239,325	2,462
2037	210,000	31,125	241,125	1,180
2038	220,000	22,525	242,525	(99)
2039	225,000	14,609	239,609	(589)
2040	235,000	7,422	242,422	(293)
2041	120,000	1,875	121,875	(73)
	<u>\$ 3,800,000</u>	<u>\$ 1,856,038</u>	<u>\$ 5,656,038</u>	<u>\$ 323,093</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	\$ 70,606
Sewer	140,968

**Debt Covenants**

The Sewer Fund is required by the State of Oregon acting by and through its Department of Environmental Quality to establish a loan reserve equal to one half of the average annual debt service to be used solely for making payments of principal and interest if no other funds are available. The loan reserve requirement was \$18,282 at the end of the year. This was the total restricted Net Position in the Sewer Fund. At year end the Water Fund reported restricted cash of \$43,847 as detailed below, which meets the current requirement.

	Customer Deposits
Beginning Restriction	\$ 39,518
Current Year Restriction	4,329
Line Replacements	-
Ending Restriction	<u>\$ 43,847</u>

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

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**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, 2015, 2016, and 2017 were \$41,852, \$52,072 and \$55,761 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 2015 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, 2017 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, 2017, the City reported a liability of \$812,006 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the City's proportion was .00540893 percent.

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

For the year ended June 30, 2017, the City recognized pension expense of \$85,708. At June 30, 2017 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	\$ 26,865	\$ -
Changes of assumptions	173,181	-
Net difference between projected and actual earnings on Plan investments	160,418	-
Changes in proportionate share	2,058	-
Changes in proportion and differences between City contributions and proportionate share of contributions.	-	12,662
Contributions subsequent to the measurement date	55,761	-
Total	\$ 418,283	\$ 12,662

The \$55,761 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, 2018. 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,	
2018	\$ 61,549
2019	61,549
2020	120,898
2021	92,712
2022	13,152
Total	\$ 349,860

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

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement date:

**Actuarial methods**

Valuation Date	December 31, 2014
Measurement Date	June 30, 2016
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	2.50 percent
Long-term expected rate of return	7.50 percent
Discount rate	7.50 percent
Projected salary increases	3.50 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 (70% for males, 95% 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 7.50 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***

<b><u>Asset Class/Strategy</u></b>	<b><u>OIC Target</u></b>
Cash	0.0%
Debt Securities	20.0%
Public Equity	37.5%
Private Equity	17.5%
Real Estate	12.5%
Alternative Equity	12.5%
Opportunity Portfolio	0.0%
Total	<u>100.0%</u>

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

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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 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	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leveraged Loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.13%	6.73%
Emerging Foreign Equities	4.12%	7.25%
Non-US Small Cap Equities	1.88%	7.22%
Private Equity	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Funds - Event-driven	0.63%	6.72%
Timber	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Assumed Inflation - Mean		2.50%

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset)	\$ 1,311,119	\$ 812,006	\$ 394,835



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

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**Note 9 - Internal Transfers**

Internal transfers for the fiscal year ending June 30, 2017 consist of the following:

	Transfers In	Transfers Out
<b>Governmental Funds:</b>		
General Fund	\$ 56,648	\$ 104,800
Irrigon Improvements Fund	-	-
Street Fund	57,300	1,148
<b>Proprietary Funds:</b>		
Water Fund	95,800	99,800
Sewer Fund	201,800	205,800
	\$ 411,548	\$ 411,548

Transfers are primarily used to move funds from:

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

**Note 10 - Other Postemployment Benefits:**

**PERS Retirement Health Insurance Account**

*Plan Description*

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

*Funding Policy*

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

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by PERS, currently 0.53 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, 2017 are included in the PERS annual pension amount.

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

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**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 \$76,000 during the fiscal year for contracted services. The City also paid the Sheriff's office \$27,843 for a patrol vehicle that will be used by the Sheriff's office for three years and be back in possession of the City at the end of those three years. Martin Brown was a councilor until June 20, 2017 and works for IJCS, LLC. The City has used this company for maintenance items for many years. The City has paid this company \$3,648 for services during the year.

**Note 14 - Interfund Transactions:**

The composition of interfund balances as of June 30, 2017 are as follows:

	<u>Receivables</u>	<u>Payables</u>
Enterprise Funds:		
Water Fund	\$ 111,614	\$ -
Sewer Fund	-	111,614

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 \$18,525. 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 \$46 of accrued interest.

**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, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>
	<b>Original</b>	<b>Final</b>	
<b>Revenues</b>			
Property taxes	\$ 182,000	\$ 182,000	\$ 185,570
Franchise fees	67,100	67,100	69,333
Licenses and fees	59,800	59,800	56,593
Intergovernmental	153,800	153,800	108,015
Interest on investments	1,200	1,200	3,156
Other income	38,300	38,300	22,809
Total revenues	<u>502,200</u>	<u>502,200</u>	<u>445,476</u>
<b>Expenditures</b>			
Personnel services	201,700	201,700	88,320
Materials and services	278,700	278,700	176,201
Capital outlay	144,000	144,000	27,843
Total expenditures	<u>624,400</u>	<u>624,400</u>	<u>292,364</u>
Excess of revenues over (under) expenditures	<u>(122,200)</u>	<u>(122,200)</u>	<u>153,112</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	57,000	57,000	56,648
Transfers out	(104,800)	(104,800)	(104,800)
Total other financing sources (uses)	<u>(47,800)</u>	<u>(47,800)</u>	<u>(48,152)</u>
Net change in fund balance	(170,000)	(170,000)	104,960
Beginning fund balance	<u>240,000</u>	<u>240,000</u>	<u>284,282</u>
Ending fund balance	<u><u>\$ 70,000</u></u>	<u><u>\$ 70,000</u></u>	<u><u>\$ 389,242</u></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, 2017**

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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	\$ 100	\$ 100	\$ 1,953	\$ 1,853
Intergovernmental	-	-	200,000	200,000
Other income	-	-	1,700	1,700
Total revenues	<u>100</u>	<u>100</u>	<u>203,653</u>	<u>203,553</u>
<b>Expenditures</b>				
Materials and services	<u>195,900</u>	<u>195,900</u>	<u>129,114</u>	<u>66,786</u>
Net change in fund balance	(195,800)	(195,800)	74,539	270,339
Beginning fund balance	<u>195,800</u>	<u>195,800</u>	<u>189,437</u>	<u>(6,363)</u>
Ending fund balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 263,976</u></u>	<u><u>\$ 263,976</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, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Licenses and fees	\$ 49,800	\$ 49,800	\$ 47,895	\$ (1,905)
Intergovernmental	161,000	161,000	114,784	(46,216)
Interest on investments	200	200	459	259
Other income	1,000	1,000	1,773	773
Total revenues	<u>212,000</u>	<u>212,000</u>	<u>164,911</u>	<u>(47,089)</u>
<b>Expenditures</b>				
Personnel services	160,000	160,000	136,120	23,880
Materials and services	69,700	69,700	57,696	12,004
Capital outlay	50,000	50,000	-	50,000
Total expenditures	<u>279,700</u>	<u>279,700</u>	<u>193,816</u>	<u>85,884</u>
Excess of revenues over (under) expenditures	<u>(67,700)</u>	<u>(67,700)</u>	<u>(28,905)</u>	<u>38,795</u>
<b>Other Finance Sources (Uses)</b>				
Transfers in	57,300	57,300	57,300	-
Transfers out	(1,500)	(1,500)	(1,148)	352
Total other finance sources (uses)	<u>55,800</u>	<u>55,800</u>	<u>56,152</u>	<u>352</u>
Net change in fund balance	(11,900)	(11,900)	27,247	39,147
Beginning fund balance	<u>20,000</u>	<u>20,000</u>	<u>23,618</u>	<u>3,618</u>
Ending fund balance	<u>\$ 8,100</u>	<u>\$ 8,100</u>	<u>\$ 50,865</u>	<u>\$ 42,765</u>

**CITY OF IRRIGON, OREGON**  
**Schedule of the Proportionate Share of the Net Pension Liability and Contributions - OPERS**

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

Year Ended June 30,	Authority's proportion of the net pension liability (asset)	Authority's proportionate share of the net pension liability (asset)	Authority's covered payroll	Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll
2017	0.00540893%	\$ 812,006	\$ 462,165	176%
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**

Year Ended June 30,	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution Deficiency (excess)	Authority's covered payroll	Contributions as a percent of covered payroll
2017	\$ 55,761	\$ 55,761	\$ -	\$ 462,165	12%
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/Documents/Financials/Actuarial/2013/Experience-Study-Updated.pdf> and <http://www.oregon.gov/PERS/Documents/Financials/Actuarial/2015/Experience-Study.pdf>.



## **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, 2017**

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	<b>10</b>	<b>11</b>	
	<b>General</b>	<b>Governmental</b>	
	<b>Fund</b>	<b>Reserve</b>	<b>Total</b>
	<b>Fund</b>	<b>Fund</b>	
<b>Revenues</b>			
Property taxes	\$ 185,570	\$ -	\$ 185,570
Licenses and fees	55,093	1,500	56,593
Intergovernmental	108,015	-	108,015
Miscellaneous:			
Franchise fees	69,333	-	69,333
Interest on investments	1,238	1,918	3,156
Other income	22,809	-	22,809
Total revenues	<u>442,058</u>	<u>3,418</u>	<u>445,476</u>
<b>Expenditures</b>			
Current:			
Personnel services	86,371	1,949	88,320
Materials and services	173,439	2,762	176,201
Capital outlay	27,843	-	27,843
Total expenditures	<u>287,653</u>	<u>4,711</u>	<u>292,364</u>
Excess of revenues over (under) expenditures	<u>154,405</u>	<u>(1,293)</u>	<u>153,112</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	56,648	56,648
Transfers out	<u>(104,800)</u>	<u>-</u>	<u>(104,800)</u>
Total other financing sources (uses)	<u>(104,800)</u>	<u>56,648</u>	<u>(48,152)</u>
Net change in fund balance	49,605	55,355	104,960
Beginning fund balance	<u>113,060</u>	<u>171,222</u>	<u>284,282</u>
Ending fund balance	<u>\$ 162,665</u>	<u>\$ 226,577</u>	<u>\$ 389,242</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, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Property taxes	\$ 182,000	\$ 182,000	\$ 185,570	\$ 3,570
Franchise fees	67,100	67,100	69,333	2,233
Intergovernmental	153,800	153,800	108,015	(45,785)
Licenses and fees	57,800	57,800	55,093	(2,707)
Interest on investments	500	500	1,238	738
Other income	38,300	38,300	22,809	(15,491)
Total revenues	<u>499,500</u>	<u>499,500</u>	<u>442,058</u>	<u>(57,442)</u>
<b>Expenditures</b>				
Personnel services	96,700	96,700	86,371	10,329
Materials and services	262,500	262,500	173,439	89,061
Capital outlay	35,500	35,500	27,843	7,657
Total expenditures	<u>394,700</u>	<u>394,700</u>	<u>287,653</u>	<u>107,047</u>
Excess of revenues over (under) expenditures	104,800	104,800	154,405	49,605
<b>Other Finance Sources (Uses)</b>				
Transfers out	<u>(104,800)</u>	<u>(104,800)</u>	<u>(104,800)</u>	<u>-</u>
Net change in fund balance	-	-	49,605	49,605
Beginning fund balance	<u>70,000</u>	<u>70,000</u>	<u>113,060</u>	<u>43,060</u>
Ending fund balance	<u><u>\$ 70,000</u></u>	<u><u>\$ 70,000</u></u>	<u><u>\$ 162,665</u></u>	<u><u>\$ 92,665</u></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, 2017**

	<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	\$ 700	\$ 700	\$ 1,918	\$ 1,218
Licenses and fees	2,000	2,000	1,500	(500)
Total revenues	<u>2,700</u>	<u>2,700</u>	<u>3,418</u>	<u>718</u>
<b>Expenditures</b>				
Personnel services	105,000	105,000	1,949	103,051
Materials and services	16,200	16,200	2,762	13,438
Capital outlay	108,500	108,500	-	108,500
Total expenditures	<u>229,700</u>	<u>229,700</u>	<u>4,711</u>	<u>224,989</u>
Excess of revenues over (under) expenditures	(227,000)	(227,000)	(1,293)	225,707
<b>Other Finance Sources (Uses)</b>				
Transfers in	<u>57,000</u>	<u>57,000</u>	<u>56,648</u>	<u>(352)</u>
Net change in fund balance	(170,000)	(170,000)	55,355	225,355
Beginning fund balance	<u>170,000</u>	<u>170,000</u>	<u>171,222</u>	<u>1,222</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,577</u>	<u>\$ 226,577</u>

**CITY OF IRRIGON, OREGON**  
**Combining Statement of Net Position**  
**Water Funds**  
**June 30, 2017**

	60 Water Operation & Development Fund	62 Water Reserve Fund	68 Water Debt Service Fund	69 Water Bond Debt Service Fund	Total
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 99,363	\$ 385,242	\$ 44,664	\$ 15,344	\$ 544,613
Taxes receivable	-	-	-	3,112	3,112
Accounts receivable	39,707	-	21,670	-	61,377
Due from other funds	-	18,525	-	-	18,525
Total current assets	<u>139,070</u>	<u>403,767</u>	<u>66,334</u>	<u>18,456</u>	<u>627,627</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	(1,163,669)	-	-	-	(1,163,669)
Total capital assets	<u>4,661,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,661,003</u>
Advances to other funds	-	93,089	-	-	93,089
Restricted cash	43,847	-	-	-	43,847
Total noncurrent assets	<u>4,704,850</u>	<u>93,089</u>	<u>-</u>	<u>-</u>	<u>4,797,939</u>
Total assets	<u>4,843,920</u>	<u>496,856</u>	<u>66,334</u>	<u>18,456</u>	<u>5,425,566</u>
<b>Deferred Outflows of Resources</b>					
Pension deferred outflows of resources	<u>134,261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,261</u>
<b>Liabilities</b>					
Current liabilities:					
Customer deposits	43,847	-	-	-	43,847
Accounts payable	12,098	3,815	-	-	15,913
Accrued payroll	4,215	-	-	-	4,215
Unearned revenue	6,121	-	-	-	6,121
Accrued interest payable	-	-	607	1,565	2,172
Current bond premium, net	-	-	11,030	12,669	23,699
Current bonds and notes payable	-	-	42,294	41,547	83,841
Total current liabilities	<u>66,281</u>	<u>3,815</u>	<u>53,931</u>	<u>55,781</u>	<u>179,808</u>
Noncurrent liabilities:					
Bond premium, net	-	-	66,190	109,386	175,576
Bonds and notes payable	-	-	678,930	1,393,713	2,072,643
Pension liability	268,067	-	-	-	268,067
Total noncurrent liabilities	<u>268,067</u>	<u>-</u>	<u>745,120</u>	<u>1,503,099</u>	<u>2,516,286</u>
Total liabilities	<u>334,348</u>	<u>3,815</u>	<u>799,051</u>	<u>1,558,880</u>	<u>2,696,094</u>
<b>Deferred Inflows of Resources</b>					
Pension deferred inflows of resources	<u>4,065</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,065</u>
<b>Net Position</b>					
Net investment in capital assets	4,661,003	-	(798,444)	(1,557,315)	2,305,244
Restricted for:					
Unrestricted	<u>(21,235)</u>	<u>493,041</u>	<u>65,727</u>	<u>16,891</u>	<u>554,424</u>
Total net position	<u>\$ 4,639,768</u>	<u>\$ 493,041</u>	<u>\$ (732,717)</u>	<u>\$ (1,540,424)</u>	<u>\$ 2,859,668</u>

**CITY OF IRRIGON, OREGON**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Water Funds**  
**For the Fiscal Year Ended June 30, 2017**

	60 Water Operations & Development Fund	62 Water Reserve Fund	68 Water Debt Service Fund	69 Water Bond Debt Service Fund	Total
<b>Operating Revenues</b>					
Charges for services	\$ 385,334	\$ 5,838	\$ 141,577	\$ -	\$ 532,749
Other income	1,370	-	-	-	1,370
Total operating revenues	<u>386,704</u>	<u>5,838</u>	<u>141,577</u>	<u>-</u>	<u>534,119</u>
<b>Operating Expenses</b>					
Personnel services	274,413	-	-	-	274,413
Materials and services	86,832	43,982	-	-	130,814
Depreciation	116,723	-	-	-	116,723
Total operating expenses	<u>477,968</u>	<u>43,982</u>	<u>-</u>	<u>-</u>	<u>521,950</u>
Operating income (loss)	<u>(91,264)</u>	<u>(38,144)</u>	<u>141,577</u>	<u>-</u>	<u>12,169</u>
<b>Nonoperating Revenues (Expenses)</b>					
Property taxes	-	-	-	87,626	87,626
Interest on investments	1,357	3,888	364	218	5,827
Interest expense	-	-	(20,598)	(50,008)	(70,606)
Debt issuance costs	-	-	(14,043)	(26,209)	(40,252)
Total nonoperating revenues (expenses)	<u>1,357</u>	<u>3,888</u>	<u>(34,277)</u>	<u>11,627</u>	<u>(17,405)</u>
Income (loss) before transfers	<u>(89,907)</u>	<u>(34,256)</u>	<u>107,300</u>	<u>11,627</u>	<u>(5,236)</u>
Transfers in	-	90,400	-	5,400	95,800
Transfers out	<u>(30,000)</u>	<u>-</u>	<u>(69,800)</u>	<u>-</u>	<u>(99,800)</u>
Change in net position	<u>(119,907)</u>	<u>56,144</u>	<u>37,500</u>	<u>17,027</u>	<u>(9,236)</u>
Net position - beginning	<u>4,759,675</u>	<u>436,897</u>	<u>(770,217)</u>	<u>(1,557,451)</u>	<u>2,868,904</u>
Total net position - ending	<u>\$ 4,639,768</u>	<u>\$ 493,041</u>	<u>\$ (732,717)</u>	<u>\$ (1,540,424)</u>	<u>\$ 2,859,668</u>

**CITY OF IRRIGON, OREGON**  
**Statement of Cash Flows**  
**Water Funds**  
**For the Year Ended June 30, 2017**

	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	\$ 390,712	\$ 5,838	\$ 141,970	\$ -	\$ 538,520
Other miscellaneous receipts	1,370	-	-	-	1,370
Payments to suppliers	(85,116)	(40,167)	-	-	(125,283)
Payments to employees	(246,703)	-	-	-	(246,703)
Net cash provided (used) by operating activities	<u>60,263</u>	<u>(34,329)</u>	<u>141,970</u>	<u>-</u>	<u>167,904</u>
<b>Cash Flows from Noncapital Financing Activities:</b>					
Property taxes	-	-	-	87,157	87,157
Transfers in (out)	(30,000)	90,400	(69,800)	5,400	(4,000)
Net cash provided (used) by noncapital financing activities	<u>(30,000)</u>	<u>90,400</u>	<u>(69,800)</u>	<u>92,557</u>	<u>83,157</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Restricted for loan covenants	44,819	306,843	-	-	351,662
Interfund loans	-	18,440	-	-	18,440
Customer deposits during the year	4,329	-	-	-	4,329
Proceeds from sale of bonds	-	-	721,224	1,493,804	2,215,028
Premium on bonds issued	-	-	82,976	128,720	211,696
Payments on capital debt	-	-	(854,916)	(1,684,931)	(2,539,847)
Payments for bond issuance costs	-	-	(14,043)	(26,209)	(40,252)
Net cash provided (used) by capital and related financing activities	<u>49,148</u>	<u>325,283</u>	<u>(64,759)</u>	<u>(88,616)</u>	<u>221,056</u>
<b>Cash Flows from Investing Activities:</b>					
Interest and dividends	1,357	3,888	364	218	5,827
Net increase (decrease) in cash and investments	80,768	385,242	7,775	4,159	477,944
Beginning cash and investments	18,595	-	36,889	11,185	66,669
Ending cash and investments	<u>\$ 99,363</u>	<u>\$ 385,242</u>	<u>\$ 44,664</u>	<u>\$ 15,344</u>	<u>\$ 544,613</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (91,264)	\$ (38,144)	\$ 141,577	\$ -	\$ 12,169
<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	2,070	-	393	-	2,463
Increase (decrease) in accounts payable	1,716	3,815	-	-	5,531
Increase (decrease) in accrued payroll	198	-	-	-	198
Increase (decrease) in unearned revenue	3,308	-	-	-	3,308
Increase (decrease) in pension liability	161,443	-	-	-	161,443
(Increase) decrease in deferred outflows	(111,931)	-	-	-	(111,931)
Increase (decrease) in deferred inflows	(22,000)	-	-	-	(22,000)
Net cash provided (used) by operating activities	<u>\$ 60,263</u>	<u>\$ (34,329)</u>	<u>\$ 141,970</u>	<u>\$ -</u>	<u>\$ 167,904</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, 2017**

	<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	\$ 455,000	\$ 455,000	\$ 385,334	\$ (69,666)
Interest on investments	500	500	1,357	857
Other income	1,000	1,000	1,370	370
Total revenues	<u>456,500</u>	<u>456,500</u>	<u>388,061</u>	<u>(68,439)</u>
<b>Expenditures</b>				
Personnel services	277,500	277,500	246,901	30,599
Materials and services	125,000	125,000	86,832	38,168
Capital outlay	5,000	5,000	-	5,000
Contingency	22,000	22,000	-	22,000
Total expenditures	<u>429,500</u>	<u>429,500</u>	<u>333,733</u>	<u>95,767</u>
Excess of revenues over (under) expenditures	27,000	27,000	54,328	27,328
<b>Other Finance Sources (Uses)</b>				
Transfers out	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Net change in fund balance	(3,000)	(3,000)	24,328	27,328
Beginning fund balance	<u>83,000</u>	<u>83,000</u>	<u>92,308</u>	<u>9,308</u>
Ending fund balance	<u>\$ 80,000</u>	<u>\$ 80,000</u>	116,636	<u>\$ 36,636</u>
<b><u>Adjustments to GAAP</u></b>				
Capital assets, net			4,661,003	
Pension deferred outflow			134,261	
Pension liability			(268,067)	
Pension deferred inflow			<u>(4,065)</u>	
			<u>\$ 4,639,768</u>	
<b><u>Detail of Fund Balance</u></b>				
Cash and investments			\$ 99,363	
Restricted cash			43,847	
Accounts receivable			39,707	
Customer deposits			(43,847)	
Unearned revenue			(6,121)	
Accounts payable			(12,098)	
Accrued payroll			<u>(4,215)</u>	
			<u>\$ 116,636</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, 2017**

	<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	\$ 1,663	\$ 1,663	\$ 3,888	\$ 2,225
Charges for services	7,800	7,800	5,838	(1,962)
Total revenues	<u>9,463</u>	<u>9,463</u>	<u>9,726</u>	<u>263</u>
<b>Expenditures</b>				
Materials and services	29,000	106,000	43,982	62,018
Capital outlay	391,363	314,363	-	314,363
Total expenditures	<u>420,363</u>	<u>420,363</u>	<u>43,982</u>	<u>376,381</u>
Excess of revenues over (under) expenditures	(410,900)	(410,900)	(34,256)	376,644
<b>Other Finance Sources (Uses)</b>				
Transfers in	<u>90,400</u>	<u>90,400</u>	<u>90,400</u>	<u>-</u>
Net change in fund balance	(320,500)	(320,500)	56,144	376,644
Beginning fund balance	<u>320,500</u>	<u>320,500</u>	<u>436,897</u>	<u>116,397</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 493,041</u>	<u>\$ 493,041</u>

**Detail of Fund Balance**

Cash and investments	\$ 385,242
Due from other funds	18,525
Advances to other funds	93,089
Accounts payable	(3,815)
	<u>\$ 493,041</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, 2017**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Interest on investments	\$ 200	\$ 200	\$ 364	\$ 164
Charges for services	155,000	155,000	141,577	(13,423)
Total revenues	155,200	155,200	141,941	(13,259)
<b>Expenditures</b>				
Debt service	73,646	73,646	853,720	(780,074)
Excess of revenues over (under) expenditures	81,554	81,554	(711,779)	(793,333)
<b>Other Finance Sources (Uses)</b>				
Transfers out	(69,800)	(69,800)	(69,800)	-
Proceeds from long-term debt	-	-	721,224	721,224
Premium on bonds issued	-	-	82,976	82,976
Total other financing sources (uses)	(69,800)	(69,800)	734,400	804,200
Net change in fund balance	11,754	11,754	22,621	10,867
Beginning fund balance	45,300	45,300	43,106	(2,194)
Ending fund balance	\$ 57,054	\$ 57,054	65,727	\$ 8,673
<b><u>Adjustments to GAAP</u></b>				
Bonds payable			(721,224)	
Bond premium, net			(77,220)	
			\$ (732,717)	
<b><u>Detail of Fund Balance</u></b>				
Cash and investments			\$ 44,664	
Accounts receivable			21,670	
Accrued interest payable			(607)	
			\$ 65,727	

**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, 2017**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 85,500	\$ 85,500	\$ 87,626	\$ 2,126
Interest on investments	100	100	218	118
Total revenues	85,600	85,600	87,844	2,244
<b>Expenditures</b>				
Debt service	90,801	90,801	1,711,560	(1,620,759)
Excess of revenues over (under) expenditures	(5,201)	(5,201)	(1,623,716)	(1,618,515)
<b>Other Finance Sources (Uses)</b>				
Transfers in	5,400	5,400	5,400	-
Proceeds from long-term debt	-	-	1,493,804	1,493,804
Premium on bonds issued	-	-	128,720	128,720
Total other financing sources (uses)	5,400	5,400	1,627,924	1,622,524
Net change in fund balance	199	199	4,208	4,009
Beginning fund balance	11,000	11,000	12,683	1,683
Ending fund balance	\$ 11,199	\$ 11,199	16,891	\$ 5,692
<b><u>Adjustments to GAAP</u></b>				
Bonds payable			(1,435,260)	
Bond premium, net			(122,055)	
			\$ (1,540,424)	
<b><u>Detail of Fund Balance</u></b>				
Cash and investments			\$ 15,344	
Taxes receivable			3,112	
Accrued interest payable			(1,565)	
			\$ 16,891	

**CITY OF IRRIGON, OREGON**  
**Combining Statement of Net Position**  
**Sewer Funds**  
**June 30, 2017**

	70 Sewer Operation & Development Fund	72 Sewer Reserve Fund	78 Sewer Debt Service Fund	79 Sewer Bond Debt Service Fund	Total
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 168,433	\$ 233,162	\$ 65,396	\$ 159,516	\$ 626,507
Taxes receivable	-	-	-	4,862	4,862
Accounts receivable	57,195	-	27,426	-	84,621
Total current assets	<u>225,628</u>	<u>233,162</u>	<u>92,822</u>	<u>164,378</u>	<u>715,990</u>
Noncurrent assets:					
Capital assets:					
Land	21,442	-	-	-	21,442
Buildings	396,419	-	-	-	396,419
Equipment	135,684	-	-	-	135,684
Improvements	11,587,481	-	-	-	11,587,481
Less: Accumulated depreciation	<u>(2,914,097)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,914,097)</u>
Total capital assets	9,226,929	-	-	-	9,226,929
Restricted cash	-	-	18,282	-	18,282
Total noncurrent assets	<u>9,226,929</u>	<u>-</u>	<u>18,282</u>	<u>-</u>	<u>9,245,211</u>
Total assets	<u>9,452,557</u>	<u>233,162</u>	<u>111,104</u>	<u>164,378</u>	<u>9,961,201</u>
<b>Deferred Outflows of Resources</b>					
Pension deferred outflows of resources	159,307	-	-	-	159,307
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	28,237	-	-	-	28,237
Accrued payroll	5,302	-	-	-	5,302
Accrued interest payable	-	-	11,633	2,579	14,212
Due to other funds	-	-	18,525	-	18,525
Current bond premium, net	-	-	13,746	20,867	34,613
Current bonds and notes payable	-	-	88,842	68,453	157,295
Total current liabilities	<u>33,539</u>	<u>-</u>	<u>132,746</u>	<u>91,899</u>	<u>258,184</u>
Noncurrent liabilities:					
Advances from other funds	-	-	93,089	-	93,089
Bond premium, net	-	-	82,484	180,171	262,655
Bonds and notes payable	-	-	1,979,795	2,296,287	4,276,082
Pension liability	300,360	-	-	-	300,360
Total noncurrent liabilities	<u>300,360</u>	<u>-</u>	<u>2,155,368</u>	<u>2,476,458</u>	<u>4,932,186</u>
Total liabilities	<u>333,899</u>	<u>-</u>	<u>2,288,114</u>	<u>2,568,357</u>	<u>5,190,370</u>
<b>Deferred Inflows of Resources</b>					
Pension deferred inflows of resources	4,822	-	-	-	4,822
<b>Net Position</b>					
Net investment in capital assets	9,226,929	-	(2,164,867)	(2,565,778)	4,496,284
Restricted for:					
Debt service	-	-	18,282	-	18,282
Unrestricted	46,214	233,162	(30,425)	161,799	410,750
Total net position	<u>\$ 9,273,143</u>	<u>\$ 233,162</u>	<u>\$ (2,177,010)</u>	<u>\$ (2,403,979)</u>	<u>\$ 4,925,316</u>

**CITY OF IRRIGON, OREGON**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Sewer Funds**  
**For the Fiscal Year Ended June 30, 2017**

	<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	\$ 499,868	\$ 7,878	\$ 183,571	\$ -	\$ 691,317
Grant income	20,000	-	-	-	20,000
Other income	2,793	-	-	-	2,793
Total operating revenues	<u>522,661</u>	<u>7,878</u>	<u>183,571</u>	<u>-</u>	<u>714,110</u>
<b>Operating Expenses</b>					
Personnel services	321,167	-	-	-	321,167
Materials and services	243,861	-	-	-	243,861
Depreciation	242,855	-	-	-	242,855
Total operating expenses	<u>807,883</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>807,883</u>
Operating income (loss)	<u>(285,222)</u>	<u>7,878</u>	<u>183,571</u>	<u>-</u>	<u>(93,773)</u>
<b>Nonoperating Revenues (Expenses)</b>					
Property taxes	-	-	-	145,610	145,610
Interest on investments	1,608	2,105	741	1,573	6,027
Interest expense	-	-	(60,869)	(80,099)	(140,968)
Debt issuance costs	-	-	(17,561)	(42,762)	(60,323)
Total nonoperating revenues (expenses)	<u>1,608</u>	<u>2,105</u>	<u>(77,689)</u>	<u>24,322</u>	<u>(49,654)</u>
Income (loss) before transfers	<u>(283,614)</u>	<u>9,983</u>	<u>105,882</u>	<u>24,322</u>	<u>(143,427)</u>
Transfers in	130,000	56,000	-	15,800	201,800
Transfers out	<u>(60,000)</u>	<u>-</u>	<u>(145,800)</u>	<u>-</u>	<u>(205,800)</u>
Change in net position	<u>(213,614)</u>	<u>65,983</u>	<u>(39,918)</u>	<u>40,122</u>	<u>(147,427)</u>
Net position - beginning	9,476,298	177,638	(2,137,092)	(2,444,101)	5,072,743
Equity transfer	10,459	(10,459)	-	-	-
Total net position - ending	<u>\$ 9,273,143</u>	<u>\$ 233,162</u>	<u>\$ (2,177,010)</u>	<u>\$ (2,403,979)</u>	<u>\$ 4,925,316</u>

**CITY OF IRRIGON, OREGON**  
**Statement of Cash Flows**  
**Sewer Funds**  
**For the Year Ended June 30, 2017**

	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	\$ 493,205	\$ 7,878	\$ 182,168	\$ -	\$ 683,251
Other miscellaneous receipts	22,793	-	-	-	22,793
Payments (to) from suppliers	(228,627)	-	-	-	(228,627)
Payments to employees	(287,672)	-	-	-	(287,672)
Net cash provided (used) by operating activities	(301)	7,878	182,168	-	189,745
<b>Cash Flows from Noncapital Financing Activities:</b>					
Property taxes	-	-	-	144,475	144,475
Transfers in (out)	70,000	56,000	(145,800)	15,800	(4,000)
Net cash provided (used) by noncapital financing activities	70,000	56,000	(145,800)	160,275	140,475
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Restricted for loan covenants	-	-	31,452	-	31,452
Interfund loans	-	-	(18,440)	-	(18,440)
Proceeds from sale of bonds	-	-	898,776	2,461,196	3,359,972
Premium on bonds issued	-	-	103,404	212,016	315,420
Acquisition of capital assets	-	(10,459)	-	-	(10,459)
Payments on capital debt	-	-	(1,140,560)	(2,776,454)	(3,917,014)
Payments for bond issuance costs	-	-	(17,561)	(42,762)	(60,323)
Net cash provided (used) by capital and related financing activities	-	(10,459)	(142,929)	(146,004)	(299,392)
<b>Cash Flows from Investing Activities:</b>					
Interest and dividends	1,608	2,105	741	1,573	6,027
Net increase (decrease) in cash and investments	71,307	55,524	(105,820)	15,844	36,855
Beginning cash and investments	97,126	177,638	171,216	143,672	589,652
Ending cash and investments	\$ 168,433	\$ 233,162	\$ 65,396	\$ 159,516	\$ 626,507
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ (285,222)	\$ 7,878	\$ 183,571	\$ -	\$ (93,773)
<i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i>					
Depreciation	242,855	-	-	-	242,855
(Increase) decrease in accounts receivable	(6,663)	-	(1,403)	-	(8,066)
Increase (decrease) in accounts payable	15,234	-	-	-	15,234
Increase (decrease) in accrued payroll	853	-	-	-	853
Increase (decrease) in pension liability	191,558	-	-	-	191,558
(Increase) decrease in deferred outflows	(132,812)	-	-	-	(132,812)
Increase (decrease) in deferred inflows	(26,104)	-	-	-	(26,104)
Net cash provided (used) by operating activities	\$ (301)	\$ 7,878	\$ 182,168	\$ -	\$ 189,745

**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, 2017**

	<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	\$ 507,200	\$ 507,200	\$ 499,868	\$ (7,332)
Interest on investments	500	500	1,608	1,108
Grant income	-	-	20,000	20,000
Other income	11,100	11,100	2,793	(8,307)
Total revenues	<u>518,800</u>	<u>518,800</u>	<u>524,269</u>	<u>5,469</u>
<b>Expenditures</b>				
Personnel services	316,500	316,500	288,525	27,975
Materials and services	319,500	319,500	243,861	75,639
Contingency	2,800	2,800	-	2,800
Total expenditures	<u>638,800</u>	<u>638,800</u>	<u>532,386</u>	<u>106,414</u>
Excess of revenues over (under) expenditures	<u>(120,000)</u>	<u>(120,000)</u>	<u>(8,117)</u>	<u>111,883</u>
<b>Other Finance Sources (Uses)</b>				
Transfers out	(60,000)	(60,000)	(60,000)	-
Transfers in	-	-	130,000	130,000
Total other finance sources (uses)	<u>(60,000)</u>	<u>(60,000)</u>	<u>70,000</u>	<u>130,000</u>
Net change in fund balance	(180,000)	(180,000)	61,883	241,883
Beginning fund balance	<u>220,000</u>	<u>220,000</u>	<u>130,206</u>	<u>(89,794)</u>
Ending fund balance	<u>\$ 40,000</u>	<u>\$ 40,000</u>	<u>192,089</u>	<u>\$ 152,089</u>
<b><u>Adjustments to GAAP</u></b>				
Capital assets, net			9,226,929	
Pension deferred outflow			159,307	
Pension liability			(300,360)	
Pension deferred inflow			(4,822)	
			<u>\$ 9,273,143</u>	
<b><u>Detail of Fund Balance</u></b>				
Cash and investments			\$ 168,433	
Accounts receivable			57,195	
Accounts payable			(28,237)	
Accrued payroll			(5,302)	
			<u>\$ 192,089</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, 2017**

	<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	\$ 7,878	\$ (2,622)
Interest on investments	1,000	1,000	2,105	1,105
Total revenues	<u>11,500</u>	<u>11,500</u>	<u>9,983</u>	<u>(1,517)</u>
<b>Expenditures</b>				
Materials and services	83,100	83,100	-	83,100
Capital outlay	173,900	173,900	10,459	163,441
Total expenditures	<u>257,000</u>	<u>257,000</u>	<u>10,459</u>	<u>246,541</u>
Excess of revenues over (under) expenditures	(245,500)	(245,500)	(476)	245,024
<b>Other Finance Sources (Uses)</b>				
Transfers in	<u>56,000</u>	<u>56,000</u>	<u>56,000</u>	<u>-</u>
Net change in fund balance	(189,500)	(189,500)	55,524	245,024
Beginning fund balance	<u>189,500</u>	<u>189,500</u>	<u>177,638</u>	<u>(11,862)</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233,162</u>	<u>\$ 233,162</u>
<b><u>Detail of Fund Balance</u></b>				
Cash and investments			<u>\$ 233,162</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, 2017**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Interest on investments	\$ 500	\$ 500	\$ 741	\$ 241
Charges for services	187,000	187,000	183,571	(3,429)
Total revenues	187,500	187,500	184,312	(3,188)
<b>Expenditures</b>				
Debt service	167,140	167,140	1,130,866	(963,726)
Excess of revenues over (under) expenditures	20,360	20,360	(946,554)	(966,914)
<b>Other Finance Sources (Uses)</b>				
Transfers out	(15,800)	(15,800)	(145,800)	(130,000)
Proceeds from long-term debt	-	-	898,776	898,776
Premium on bonds issued	-	-	103,404	103,404
Total other financing sources (uses)	(15,800)	(15,800)	856,380	872,180
Net change in fund balance	4,560	4,560	(90,174)	(94,734)
Beginning fund balance	85,000	85,000	78,031	(6,969)
Ending fund balance	\$ 89,560	\$ 89,560	(12,143)	\$ (101,703)
<b>Adjustments to GAAP</b>				
Bonds and notes payable			(2,068,637)	
Bond premium, net			(96,230)	
			\$ (2,177,010)	
<b>Detail of Fund Balance</b>				
Cash and investments			\$ 65,396	
Restricted cash			18,282	
Accounts receivable			27,426	
Accrued interest payable			(11,633)	
Due to other funds			(18,525)	
Advances from other funds			(93,089)	
			\$ (12,143)	

**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, 2017**

	<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	\$ 145,610	\$ 9,463
Interest on investments	800	800	1,573	773
Total revenues	<u>136,947</u>	<u>136,947</u>	<u>147,183</u>	<u>10,236</u>
<b>Expenditures</b>				
Debt service	<u>150,972</u>	<u>150,972</u>	<u>2,763,278</u>	<u>(2,612,306)</u>
Excess of revenues over (under) expenditures	(14,025)	(14,025)	(2,616,095)	(2,602,070)
<b>Other Finance Sources (Uses)</b>				
Transfers in	15,800	15,800	15,800	-
Proceeds from long-term debt	-	-	2,461,196	2,461,196
Premium on bonds issued	-	-	<u>212,016</u>	<u>212,016</u>
Total other financing sources (uses)	<u>15,800</u>	<u>15,800</u>	<u>2,689,012</u>	<u>2,673,212</u>
Net change in fund balance	1,775	1,775	72,917	71,142
Beginning fund balance	<u>85,000</u>	<u>85,000</u>	<u>88,882</u>	<u>3,882</u>
Ending fund balance	<u>\$ 86,775</u>	<u>\$ 86,775</u>	161,799	<u>\$ 75,024</u>
<b><u>Adjustments to GAAP</u></b>				
Bonds and notes payable			(2,364,740)	
Bond premium, net			<u>(201,038)</u>	
			<u>\$ (2,403,979)</u>	
<b><u>Detail of Fund Balance</u></b>				
Cash and investments			\$ 159,516	
Taxes receivable			4,862	
Accrued interest payable			<u>(2,579)</u>	
			<u>\$ 161,799</u>	

**CITY OF IRRIGON, OREGON**  
**Comparative Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

	<u>Water System</u>		<u>Sewer System</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 544,613	\$ 66,669	\$ 626,507	\$ 589,652
Taxes receivable	3,112	2,643	4,862	3,727
Accounts receivable	61,377	63,840	84,621	76,555
Due from other funds	18,525	9,264	-	-
Total current assets	<u>627,627</u>	<u>142,416</u>	<u>715,990</u>	<u>669,934</u>
Noncurrent assets:				
Capital assets:				
Land	46,799	46,799	21,442	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	11,587,481
Less: Accumulated depreciation	<u>(1,163,669)</u>	<u>(1,046,946)</u>	<u>(2,914,097)</u>	<u>(2,671,242)</u>
Total capital assets	4,661,003	4,777,726	9,226,929	9,459,325
Restricted cash	43,847	395,509	18,282	49,734
Advances to other funds	93,089	120,790	-	-
Total noncurrent assets	<u>4,797,939</u>	<u>5,294,025</u>	<u>9,245,211</u>	<u>9,509,059</u>
Total assets	<u>5,425,566</u>	<u>5,436,441</u>	<u>9,961,201</u>	<u>10,178,993</u>
<b>Deferred Outflows of Resources</b>	<u>134,261</u>	<u>22,330</u>	<u>159,307</u>	<u>26,495</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	15,913	10,382	28,237	13,003
Accrued payroll	4,215	4,017	5,302	4,449
Customer deposits	43,847	39,518	-	-
Unearned revenue	6,121	2,813	-	-
Accrued interest payable	2,172	16,991	14,212	97,405
Due to other funds	-	-	18,525	9,264
Current bond premium, net	23,699	-	34,613	-
Current bonds and notes payable	83,841	68,588	157,295	112,775
Total current liabilities	<u>179,808</u>	<u>142,309</u>	<u>258,184</u>	<u>236,896</u>
Noncurrent liabilities:				
Advances from other funds	-	-	93,089	120,790
Bond premium, net	175,576	-	262,655	-
Bonds and notes payable	2,072,643	2,314,869	4,276,082	4,635,331
Pension liability	268,067	106,624	300,360	108,802
Total noncurrent liabilities	<u>2,516,286</u>	<u>2,421,493</u>	<u>4,932,186</u>	<u>4,864,923</u>
Total liabilities	<u>2,696,094</u>	<u>2,563,802</u>	<u>5,190,370</u>	<u>5,101,819</u>
<b>Deferred Inflows of Resources</b>	<u>4,065</u>	<u>26,065</u>	<u>4,822</u>	<u>30,926</u>
<b>Net Position</b>				
Net investment in capital assets	2,305,244	2,394,269	4,496,284	4,711,219
Restricted for:				
Debt service	-	-	18,282	49,734
System replacement	-	355,991	-	-
Unrestricted	554,424	118,644	410,750	311,790
Total net position	<u>\$ 2,859,668</u>	<u>\$ 2,868,904</u>	<u>\$ 4,925,316</u>	<u>\$ 5,072,743</u>

**CITY OF IRRIGON, OREGON**  
**Comparative Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2017**

	<u>Water System</u>		<u>Sewer System</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>				
Charges for services	\$ 532,749	\$ 494,626	\$ 691,317	\$ 667,964
Grant income	-	-	20,000	-
Other income	1,370	861	2,793	891
Total operating revenues	<u>534,119</u>	<u>495,487</u>	<u>714,110</u>	<u>668,855</u>
<b>Operating Expenses</b>				
Personnel services	274,413	330,441	321,167	354,491
Materials and services	130,814	87,672	243,861	135,965
Depreciation	116,723	116,723	242,855	241,851
Total operating expenses	<u>521,950</u>	<u>534,836</u>	<u>807,883</u>	<u>732,307</u>
Operating income (loss)	<u>12,169</u>	<u>(39,349)</u>	<u>(93,773)</u>	<u>(63,452)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Property taxes	87,626	86,166	145,610	137,183
Interest on investments	5,827	3,790	6,027	3,247
Interest expense	(70,606)	(97,396)	(140,968)	(192,271)
Debt issuance costs	(40,252)	-	(60,323)	-
Total nonoperating revenues (expenses)	<u>(17,405)</u>	<u>(7,440)</u>	<u>(49,654)</u>	<u>(51,841)</u>
Income (loss) before transfers	(5,236)	(46,789)	(143,427)	(115,293)
Transfers in	95,800	75,400	201,800	46,273
Transfers out	<u>(99,800)</u>	<u>(79,400)</u>	<u>(205,800)</u>	<u>(50,273)</u>
Change in net position	(9,236)	(50,789)	(147,427)	(119,293)
Net position - beginning	<u>2,868,904</u>	<u>2,919,693</u>	<u>5,072,743</u>	<u>5,192,036</u>
Total net position - ending	<u>\$ 2,859,668</u>	<u>\$ 2,868,904</u>	<u>\$ 4,925,316</u>	<u>\$ 5,072,743</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, 2017, and have issued our report thereon dated October 2, 2017. 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. The transactions relating to the bond proceeds for debt refunding in the Water and Sewer Debt Service Funds are an exemption per ORS 294.338(4).

**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 2, 2017, 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 Chelsea A. Herron  
Chelsea A. Herron, CPA  
Owner/Member

La Grande, Oregon  
October 2, 2017

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, 2017, 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 2, 2017.

**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.

**2017-1: 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*.

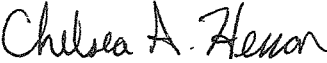
### **City of Irrigon, Oregon's Response to Findings**

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   
\_\_\_\_\_  
Chelsea A. Herron, CPA  
Owner/Member

La Grande, Oregon  
October 2, 2017