

CITY OF IRRIGON, OREGON

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018



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INTRODUCTORY SECTION

CITY OF IRRIGON, OREGON
City Officials

Mayor

Term Expires

Daren Strong	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
JoAnna Lamb	December, 2020	Irrigon, Oregon
Marlina Avila Serratos	December, 2020	Irrigon, Oregon
Wesley "Alan" Carnahan	December, 2018	Irrigon, Oregon

City Manager

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

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, 2018, 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, 2018, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in the fiscal year ending June 30, 2018, the City adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, pension liability information and other post-employment benefit 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, pension liability

information and other post-employment benefit 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, pension liability information and other post-employment benefit 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.

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, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are 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 November 27, 2018, 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 November 27, 2018, 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
Chelsea A. Herron, CPA
Owner/Member

La Grande, Oregon
November 27, 2018

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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, 2018. Please read it in conjunction with the city's financial statements, which begin on page 9.

Financial Highlights

- Net position from governmental activities increased \$662,576 or approximately 18.4%
- Net position from business-type activities decreased \$13,670 or approximately 0.2%

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. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB). Accordingly, the beginning net position was restated to book the net OPEB liability/asset and corresponding deferred outflows of resources as of July 1, 2017. The Net OPEB liability/asset adjustment reduced the net position as of July 1, 2017 for Governmental Activities \$12,439 to \$3,580,154 and for Business-Type Activities \$32,982 to \$7,752,002.

The City as a Whole

The City's total assets exceeded total liabilities by \$11,981,062 at the end of the 2018 fiscal year. This is an increase of \$648,906 or approximately 5.7% from the previous fiscal year's amount of \$11,332,156 as demonstrated in the table below comparing net position between fiscal year 2018 and fiscal year 2017.

Statement of Net Position

	Governmental Activities		Business-Type Activities		Total Activities	
	2017-2018	2016-2017	2017-2018	2016-2017	2017-2018	2016-2017
Assets						
Unrestricted Cash and Cash Equivalents	\$ 1,382,527	\$ 697,267	\$ 1,250,832	\$ 1,171,120	2,633,359	1,868,387
Account Receivables	42,733	31,976	148,418	145,998	191,151	177,974
Property Tax Receivables	9,914	6,571	11,683	7,974	21,597	14,545
Prepaid Expense	-	-	3,000	-	3,000	-
Total Current Assets	<u>1,435,174</u>	<u>735,814</u>	<u>1,413,933</u>	<u>1,325,092</u>	<u>2,849,107</u>	<u>2,060,906</u>
Non Current Assets						
Restricted Cash and Cash Equivalents	-	-	67,429	62,129	67,429	62,129
Pension Asset	-	-	-	-	-	-
Capital Assets						
Construction in Progress	-	-	-	-	-	-
Land	91,882	91,882	68,241	68,241	160,123	160,123
Construction in Progress	6,304	-	2,448	-	8,752	-
Infrastructure	2,513,551	2,555,079	-	-	2,513,551	2,555,079
Water System	-	-	4,250,633	4,359,210	4,250,633	4,359,210
Sewer System	-	-	8,560,850	8,792,599	8,560,850	8,792,599
Buildings	397,190	403,798	562,028	571,126	959,218	974,924
Equipment	100,418	64,820	86,603	96,756	187,021	161,576
Total Capital Assets	<u>3,109,345</u>	<u>3,115,579</u>	<u>13,530,802</u>	<u>13,887,932</u>	<u>16,640,147</u>	<u>17,003,511</u>
Total Assets	<u>4,544,519</u>	<u>3,851,393</u>	<u>15,012,164</u>	<u>15,275,153</u>	<u>19,556,683</u>	<u>19,126,546</u>
Deferred Outflows of Resources	<u>67,091</u>	<u>124,715</u>	<u>177,901</u>	<u>293,568</u>	<u>244,992</u>	<u>418,283</u>
Liabilities						
Current Liabilities:						
Account Payables	38,021	23,002	32,481	44,150	70,502	67,152
Payroll Payable	3,774	3,588	9,991	9,517	13,765	13,105
Unearned Revenue	-	-	4,618	6,121	4,618	6,121
Customer Deposits	-	-	49,147	43,847	49,147	43,847
Accrued Compensated Absences	118,474	109,571	-	-	118,474	109,571
Accrued Interest Payable	-	-	15,408	16,384	15,408	16,384
Premium on Bonds, Current	-	-	53,855	58,312	53,855	58,312
Loans Payable within one year	-	-	247,007	241,136	247,007	241,136
Total Current Liabilities	<u>160,269</u>	<u>136,161</u>	<u>412,507</u>	<u>419,467</u>	<u>572,776</u>	<u>555,628</u>
Long-term Liabilities:						
Loans Payable after one year	-	-	6,101,718	6,348,725	6,101,718	6,348,725
Premium on Bonds, Non-Current	-	-	384,377	438,231	384,377	438,231
Pension Liability	185,603	243,579	492,127	568,427	677,730	812,006
OPEB Liability	12,740	12,439	33,778	32,982	46,518	45,421
Total Liabilities	<u>358,612</u>	<u>392,179</u>	<u>7,424,507</u>	<u>7,807,832</u>	<u>7,783,119</u>	<u>8,200,011</u>
Deferred Inflows of Resources	<u>10,268</u>	<u>3,775</u>	<u>27,226</u>	<u>8,887</u>	<u>37,494</u>	<u>12,662</u>
Net Position						
Net Investment in Capital Assets	3,109,345	3,115,579	6,743,845	6,801,528	9,853,190	9,917,107
Restricted for Debt Service	-	-	18,282	18,282	18,282	18,282
Streets and Public Works	113,522	120,865	-	-	113,522	120,865
Prepaid Expense	-	-	3,000	-	3,000	-
Unrestricted	1,019,863	356,149	973,205	932,192	1,993,068	1,275,902
Total Net Position	<u>\$ 4,242,730</u>	<u>\$ 3,592,593</u>	<u>\$ 7,738,332</u>	<u>\$ 7,752,002</u>	<u>11,981,062</u>	<u>11,332,156</u>

The City's total assets increased \$430,137, deferred outflows of resources decreased \$173,291, liabilities decreased \$416,889, and deferred inflows of resources increased \$24,832. Revenues totaled \$2,856,158 and total expenses were

\$2,207,255 resulting in the \$648,903, or approximately 5.7% increase in net position. The total employer pension liability decreased \$134,276 from \$812,006 in 2017 to \$677,730 in 2018.

Current assets increased \$788,201. 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 \$416,458.

Governmental Activities

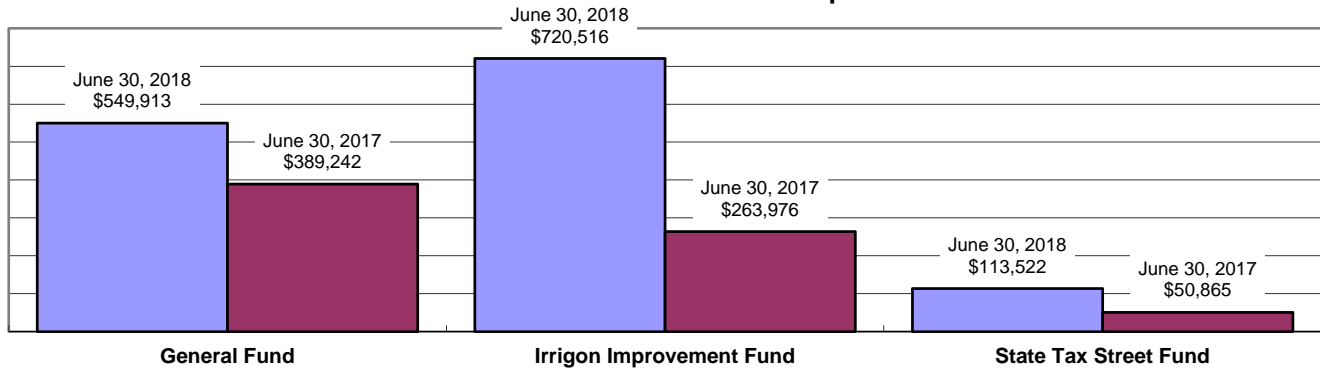
Net position of the city's governmental activities increased \$662,576, approximately 18%. The statements of activities for governmental activities will give a better understanding of how this came to be. The report below is included for reference and comparison between the current period and the previous period.

Revenues	2017-2018	2016-2017	Difference
Property Tax	\$ 194,410	\$ 185,378	\$ 9,032
Franchise Fees	70,643	69,333	1,310
Pet Licenses	1,770	1,990	(220)
Intergovernmental	227,138	165,799	61,339
Miscellaneous	8,665	8,006	660
SDC Fees	3,000	1,500	1,500
Grants	630,556	257,000	373,556
Transient Room Tax	896	802	94
User Fees	170,040	96,164	73,876
City Fees	8,035	4,405	3,631
Lease Revenue	20,300	18,300	2,000
Interest on Investments	15,875	5,568	10,307
Nuisance Abatement	2,939	-	2,939
Total Revenues	1,354,267	814,244	540,023
Expenses			
General Government	464,922	431,775	33,147
Street Services	234,769	251,633	(16,864)
Total Expenditures	699,691	683,408	16,283
Increase (Decrease) in net assets before transfers	654,576	130,836	523,740
Transfers	8,000	8,000	-
Net Change in Net Position	\$ 662,576	\$ 138,836	\$ 523,740

The City's revenue in Governmental Activities was \$1,354,267 with expenditures of \$699,691 and a transfer in of \$8,000 that resulted in the increase of net position of \$662,576. The city received \$373,556 more in grant resources than the year before. The grant received was \$629,556 from the Columbia River Enterprise Zone II for community enhancement projects. The city began billing garbage service fees to residents and then wholesaling to Sanitary Disposal, Inc. for the service. The new garbage service fees brought in a total of \$72,654. Overall expenditures for the city's Governmental Activities increased approximately 2% from the previous fiscal year.

The Governmental Funds Balance Comparison Graph presented below is based on the fund financial statements on pages 11 thru 13. This graph compares the fund balances as of June 30, 2018 to the fund balances as of June 30, 2017.

Governmental Funds Balances Comparisons



The General fund balance increased \$160,671 or approximately 41% from the previous year. There were four primary reasons for the increase: garbage service fees of \$72,654, Morrow County Infrastructure funding of \$45,028, additional disbursements from the Oregon Liquor Control Commission of \$7,424 and a decrease of capital expenditures of \$27,843. The Irrigon Improvement Fund balance increased \$456,540 or approximately 173% from the previous year due to additional grant money from the Columbia River Enterprise Fund II. The State Tax Street Fund balance increased \$62,657 or approximately 123% due to an increase in revenues, additional transfers in from the General Fund and a decrease in expenses.

Business-Type Activities

Net Position for business-type activities decreased \$13,670 approximately 0.2%. 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.

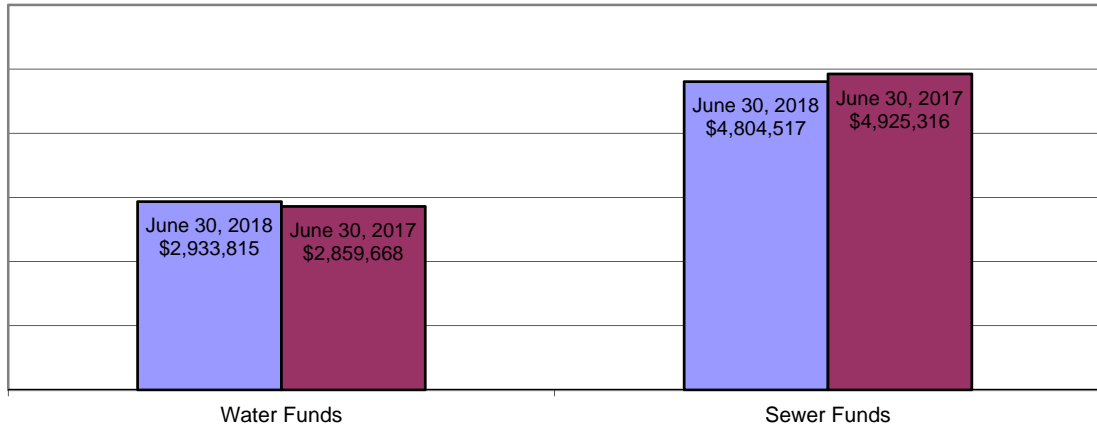
Statement of Activities Summary Business Type Activities for the years ended June 30, 2018 and 2017

Revenues	2017-2018	2016-2017	Difference
Charges for Services	\$ 1,254,479	\$ 1,224,066	\$ 30,413
Grant	-	20,000	(20,000)
Property Taxes	224,338	233,236	(8,898)
Miscellaneous	3,537	4,163	(626)
Interest on Investments	19,535	11,854	7,681
Total Revenue	1,501,889	1,493,319	8,570
Expenses			
Water	554,775	632,808	(78,033)
Sewer	952,784	1,009,174	(56,390)
Total Expenses	1,507,559	1,641,982	(134,423)
Increase (decrease) in net assets before transfers and gain on disposal of real property	(5,670)	(148,663)	142,993
Transfers (out)	(8,000)	(8,000)	-
Change in Net Position	(13,670)	(156,663)	142,993

The proprietary activity revenue for the fiscal year was \$1,501,889; expenses were \$1,507,559 and transfers out were \$8,000 resulting in net position decreasing \$13,670. The city experienced an increase in revenues from the proprietary funds of \$8,570.

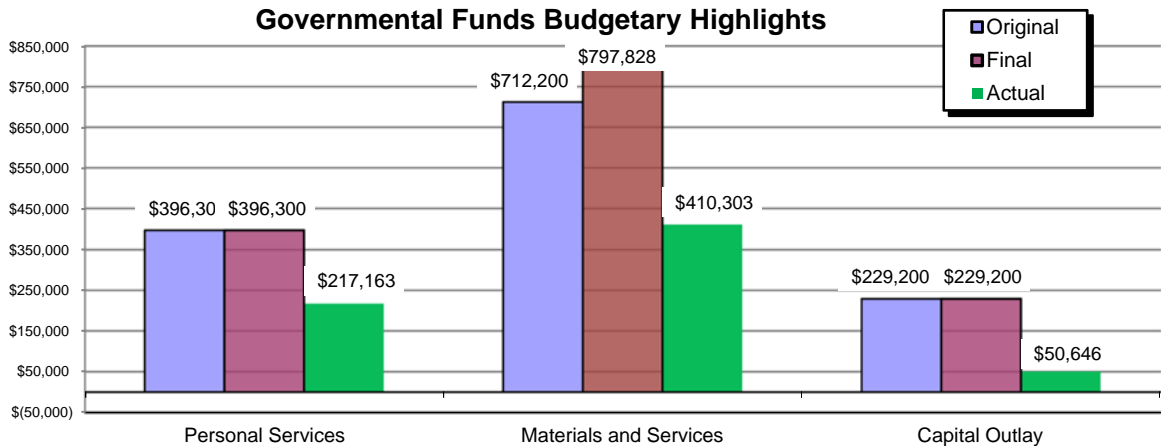
The expenses from the proprietary activities totaled \$1,507,559, a decrease of approximately 8% from the prior year. Personnel services increased approximately 5%, materials and services decreased 2%, and interest on debt decreased 23%. The capital asset depreciation expense was \$359,578 or approximately 24% of total expenses.

Proprietary Fund Balances Comparison



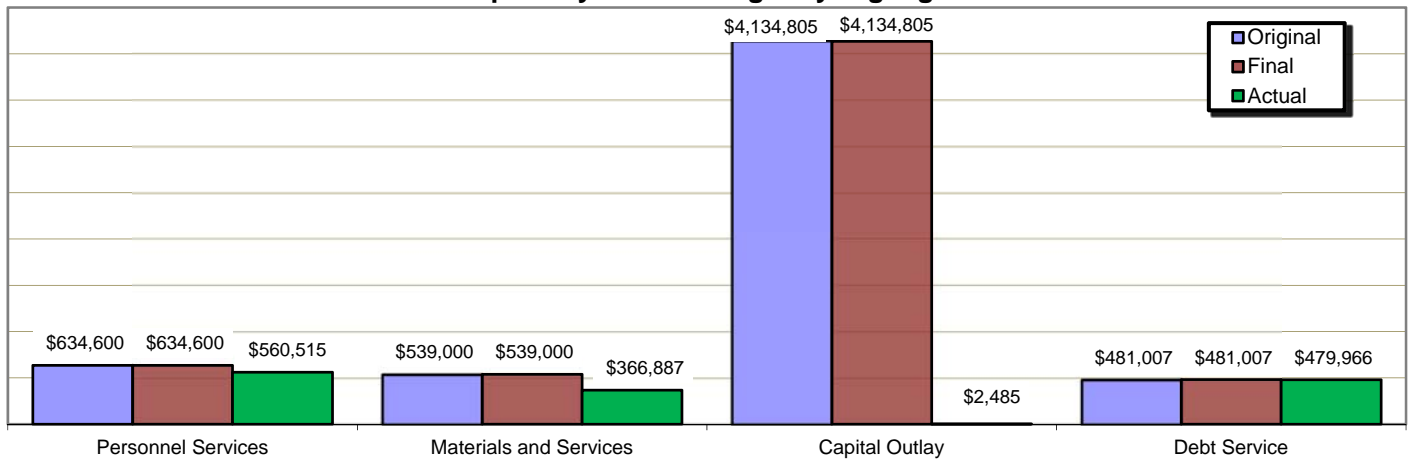
The Proprietary Funds Balance Comparison Graph presented above compares the fund balances as of June 30, 2018 to the fund balances as of June 30, 2017 for the water funds and the sewer funds. The water fund balances increased \$74,147 from the previous year's total water fund balances. The sewer fund balances decreased \$120,799 from the previous year.

Budgetary Highlights



The total governmental funds expenditures for the fiscal year were below the appropriations approved by the city council, but in the Irrigon Improvement fund capital outlay expenditures exceeded appropriations by \$44,342. Personnel Service expenditures were \$179,137 below budgeted amount allowing for the pay out of all accrued employee leave, materials and services were \$387,525 below budget amount and Capital Outlay was \$178,554 below budgeted amount. The city is continuously trying to set aside money for needed projects until enough is available to complete them.

Proprietary Funds Budgetary Highlights



The proprietary funds total expenditures for the fiscal year were below the total appropriations approved by the city council. Personnel Services expenditures were \$74,085 below the budgeted amount, materials and services were \$172,113 below the budget amount, Capital Outlay was \$4,132,320 below the budgeted amount and debt service was \$1,041 below 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.

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 \$49,147 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, the city was approved for a Community Development Block Grant in the amount of \$2,500,000 and loan in the amount of \$1,000,000 to fund additional sewer conversion.

Economic Factors and Next Year's Budget and Rates

Total Budget Authority for the 2018-2019 fiscal year is \$14,535,346. This is an increase of \$6,414,013 from the budget authority of \$8,121,333 from the 2017-2018 budget year. This large increase is due mostly to potential funding of \$1,420,300 more in community enhancement resources, \$4,200,000 for pedestrian safety and street improvements and the continuation of building reserves for needed capital improvements, as well increasing operating costs.

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 \$193,000, 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 \$516,994. The city has continued with a tax on property to cover necessary payments on the bonded debt of approximately 4.0752 per \$1,000 of assessed value. This is estimated to generate approximately \$220,000.

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, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and investments	\$ 1,382,527	\$ 1,250,831	\$ 2,633,358
Taxes receivable	9,914	11,683	21,597
Accounts receivable	42,733	148,419	191,152
Prepaid expense	-	3,000	3,000
Restricted cash	-	67,429	67,429
Capital assets:			
Nondepreciable			
Land	91,882	68,241	160,123
Construction in progress	6,304	2,448	8,752
Depreciable			
Improvements	-	17,016,356	17,016,356
Buildings	470,694	664,912	1,135,606
Equipment	213,032	216,189	429,221
Infrastructure	2,878,402	-	2,878,402
Less: accumulated depreciation	(550,969)	(4,437,344)	(4,988,313)
Total capital assets, net	<u>3,109,345</u>	<u>13,530,802</u>	<u>16,640,147</u>
Total assets	<u>4,544,519</u>	<u>15,012,164</u>	<u>19,556,683</u>
Deferred outflows of resources			
Pension deferred outflows of resources	66,140	175,371	241,511
OPEB deferred outflows of resources	951	2,530	3,481
Total deferred outflows of resources	<u>67,091</u>	<u>177,901</u>	<u>244,992</u>
Liabilities			
Accounts payable	38,021	32,481	70,502
Accrued payroll	3,774	9,991	13,765
Unearned revenue	-	4,618	4,618
Customer deposits	-	49,147	49,147
Accrued interest payable	-	15,409	15,409
Long-term obligations:			
Due within one year	118,474	300,862	419,336
Due in more than one year	-	6,486,094	6,486,094
Pension liability	185,603	492,127	677,730
OPEB liability	12,740	33,778	46,518
Total liabilities	<u>358,612</u>	<u>7,424,507</u>	<u>7,783,119</u>
Deferred inflows of resources			
Pension deferred inflows of resources	9,487	25,157	34,644
OPEB deferred inflows of resources	781	2,069	2,850
Total deferred inflows of resources	<u>10,268</u>	<u>27,226</u>	<u>37,494</u>
Net Position			
Net investment in capital assets	3,109,345	6,743,846	9,853,191
Restricted for:			
Debt service	-	18,282	18,282
Streets and public works	113,522	-	113,522
Prepaid expenses	-	3,000	3,000
Unrestricted	<u>1,019,863</u>	<u>973,204</u>	<u>1,993,067</u>
Total net position	<u>\$ 4,242,730</u>	<u>\$ 7,738,332</u>	<u>\$ 11,981,062</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, 2018

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
Primary government:							
Governmental activities:							
General government	\$ 464,922	\$ 135,226	\$ 689,620	\$ 45,028	\$ 404,952		\$ 404,952
Streets and public works	234,769	48,056	123,046	-	(63,667)		(63,667)
Total governmental activities	<u>699,691</u>	<u>183,282</u>	<u>812,666</u>	<u>45,028</u>	<u>341,285</u>		<u>341,285</u>
Business-type activities:							
Water	554,775	548,443	-	-		\$ (6,332)	(6,332)
Sewer	952,784	706,036	-	-		(246,748)	(246,748)
Total business-type activities	<u>1,507,559</u>	<u>1,254,479</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(253,080)</u>	<u>(253,080)</u>
Total primary government	<u>\$ 2,207,250</u>	<u>\$ 1,437,761</u>	<u>\$ 812,666</u>	<u>\$ 45,028</u>	<u>341,285</u>	<u>(253,080)</u>	<u>88,205</u>
General Revenues							
Property taxes					194,410	224,338	418,748
Franchise fees					70,643	-	70,643
Interest on investments					15,875	19,535	35,410
Other income					32,363	3,537	35,900
Transfers					<u>8,000</u>	<u>(8,000)</u>	<u>-</u>
Total general revenues and transfers					<u>321,291</u>	<u>239,410</u>	<u>560,701</u>
Change in net position					662,576	(13,670)	648,906
Net position - beginning					3,592,593	7,784,984	11,377,577
Prior period adjustment					(12,439)	(32,982)	(45,421)
Net position - ending					<u>\$ 4,242,730</u>	<u>\$ 7,738,332</u>	<u>\$ 11,981,062</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, 2018

	<u>General Fund</u>	<u>Irrigon Improvements Fund</u>	<u>State Street Fund</u>	<u>Total</u>
Assets and Deferred Outflows of Resources				
Assets:				
Cash and investments	\$ 531,160	\$ 732,505	\$ 118,862	\$ 1,382,527
Taxes receivable	9,914	-	-	9,914
Accounts receivable	38,551	-	4,182	42,733
Total assets	579,625	732,505	123,044	1,435,174
Deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	<u>\$ 579,625</u>	<u>\$ 732,505</u>	<u>\$ 123,044</u>	<u>\$ 1,435,174</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities:				
Accounts payable	\$ 19,078	\$ 11,989	\$ 6,954	\$ 38,021
Accrued payroll	1,628	-	2,146	3,774
Unearned revenue	1,052	-	422	1,474
Total liabilities	<u>21,758</u>	<u>11,989</u>	<u>9,522</u>	<u>43,269</u>
Deferred inflows of resources:				
Unavailable property tax revenue	<u>7,954</u>	<u>-</u>	<u>-</u>	<u>7,954</u>
Fund Balances:				
Restricted	-	-	113,522	113,522
Committed	297,515	720,516	-	1,018,031
Unassigned	252,398	-	-	252,398
Total fund balances	<u>549,913</u>	<u>720,516</u>	<u>113,522</u>	<u>1,383,951</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 579,625</u>	<u>\$ 732,505</u>	<u>\$ 123,044</u>	<u>\$ 1,435,174</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, 2018

Total fund balances - governmental funds \$ 1,383,951

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	
Construction in progress	6,304	
Buildings	470,694	
Equipment	213,032	
Infrastructure	2,878,402	
Less: accumulated depreciation	(550,969)	3,109,345

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. 7,954

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. 1,474

Pension liability used in governmental activities are not financial resources and therefore are not reported in the funds. (185,603)

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 2018 employer contributions related to pensions	66,140	
Deferred inflows of resources related to pensions	(9,487)	56,653

Other Post Employment Benefit (OPEB) liability used in governmental activities are not financial resources and therefore are not reported in the funds. (12,740)

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

Deferred outflows of resources OPEB expense and deferred outflow of 2018 employer contributions related to OPEB	951	
Deferred inflows of resources related to OPEB	(781)	170

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		(118,474)
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Total net position - governmental activities **\$ 4,242,730**

(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, 2018

	<u>General Fund</u>	<u>Irrigon Improvements Fund</u>	<u>State Street Fund</u>	<u>Total</u>
Revenues				
Property taxes	\$ 190,823	\$ -	\$ -	\$ 190,823
Licenses and fees	61,772	800	48,056	110,628
Intergovernmental	105,092	629,556	123,046	857,694
Charges for services	72,654	-	-	72,654
Miscellaneous:				
Franchise fees	70,643	-	-	70,643
Interest on investments	7,184	7,278	1,413	15,875
Other income	27,960	1,270	2,433	31,663
Total revenues	<u>536,128</u>	<u>638,904</u>	<u>174,948</u>	<u>1,349,980</u>
Expenditures				
Current:				
General government	299,374	138,022	-	437,396
Streets and public works	-	-	190,070	190,070
Capital outlay	6,304	44,342	-	50,646
Total expenditures	<u>305,678</u>	<u>182,364</u>	<u>190,070</u>	<u>678,112</u>
Excess of revenues over (under) expenditures	<u>230,450</u>	<u>456,540</u>	<u>(15,122)</u>	<u>671,868</u>
Other Financing Sources (Uses)				
Transfers in	61,021	-	79,000	140,021
Transfers out	(130,800)	-	(1,221)	(132,021)
Total other financing sources (uses)	<u>(69,779)</u>	<u>-</u>	<u>77,779</u>	<u>8,000</u>
Net change in fund balance	160,671	456,540	62,657	679,868
Beginning fund balance	<u>389,242</u>	<u>263,976</u>	<u>50,865</u>	<u>704,083</u>
Ending fund balance	<u>\$ 549,913</u>	<u>\$ 720,516</u>	<u>\$ 113,522</u>	<u>\$ 1,383,951</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, 2018

Total net change in fund balances - governmental funds \$ 679,868

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays and other capitalized expenditures (\$50,646) exceeds depreciation expense (\$56,880) in the current year. (6,234)

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 unavailable in the governmental funds. Unavailable property tax revenues increased (decreased) by this amount. 3,587

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 unearned in the governmental funds. Unearned revenues increased (decreased) by this amount. 700

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. (6,311)

Governmental funds report Other Post Employment Benefit (OPEB) contributions as expenditures. However, in the Statement of Activities, the cost of OPEB benefits earned net of employee contributions is reported as OPEB expense. (131)

In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used. Accrued compensated absences (increased) decreased by this amount in the current year. (8,903)

Change in net position - governmental activities \$ 662,576

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

CITY OF IRRIGON, OREGON
Statement of Net Position
Proprietary Funds
June 30, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Assets			
Current assets:			
Cash and investments	\$ 659,624	\$ 591,207	\$ 1,250,831
Taxes receivable	4,497	7,186	11,683
Accounts receivable	62,849	85,570	148,419
Prepaid expense	3,000	-	3,000
Due from other funds	18,564	-	18,564
Total current assets	<u>748,534</u>	<u>683,963</u>	<u>1,432,497</u>
Noncurrent assets:			
Capital assets:			
Land	46,799	21,442	68,241
Construction in progress	-	2,448	2,448
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>(1,280,392)</u>	<u>(3,156,952)</u>	<u>(4,437,344)</u>
Total capital assets	4,544,280	8,986,522	13,530,802
Restricted cash	49,147	18,282	67,429
Advances to other funds	74,564	-	74,564
Total noncurrent assets	<u>4,667,991</u>	<u>9,004,804</u>	<u>13,672,795</u>
Total assets	<u>5,416,525</u>	<u>9,688,767</u>	<u>15,105,292</u>
Deferred Outflows of Resources			
Pension deferred outflows of resources	75,832	99,539	175,371
OPEB deferred outflows of resources	1,093	1,437	2,530
Total deferred outflows of resources	<u>76,925</u>	<u>100,976</u>	<u>177,901</u>
Liabilities			
Current liabilities:			
Accounts payable	11,877	20,604	32,481
Accrued payroll	4,446	5,545	9,991
Customer deposits	49,147	-	49,147
Unearned revenue	4,618	-	4,618
Accrued interest payable	2,149	13,260	15,409
Due to other funds	-	18,564	18,564
Current bond premium, net	21,876	31,979	53,855
Current bonds and notes payable	<u>86,067</u>	<u>160,940</u>	<u>247,007</u>
Total current liabilities	<u>180,180</u>	<u>250,892</u>	<u>431,072</u>
Noncurrent liabilities:			
Advances from other funds	-	74,564	74,564
Bond premium, net	153,700	230,676	384,376
Bonds and notes payable	1,986,576	4,115,142	6,101,718
Pension liability	212,800	279,327	492,127
OPEB liability	<u>14,606</u>	<u>19,172</u>	<u>33,778</u>
Total noncurrent liabilities	<u>2,367,682</u>	<u>4,718,881</u>	<u>7,086,563</u>
Total liabilities	<u>2,547,862</u>	<u>4,969,773</u>	<u>7,517,635</u>
Deferred Inflows of Resources			
Pension deferred inflows of resources	10,878	14,279	25,157
OPEB deferred inflows of resources	<u>895</u>	<u>1,174</u>	<u>2,069</u>
Total deferred inflows of resources	<u>11,773</u>	<u>15,453</u>	<u>27,226</u>
Net Position			
Net investment in capital assets	2,296,061	4,447,785	6,743,846
Restricted for:			
Debt service	-	18,282	18,282
Prepaid expenses	3,000	-	3,000
Unrestricted	<u>634,754</u>	<u>338,450</u>	<u>973,204</u>
Total net position	<u>\$ 2,933,815</u>	<u>\$ 4,804,517</u>	<u>\$ 7,738,332</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, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 548,443	\$ 706,036	\$ 1,254,479
Other income	1,903	1,634	3,537
Total operating revenues	<u>550,346</u>	<u>707,670</u>	<u>1,258,016</u>
Operating Expenses			
Personnel services	255,397	363,620	619,017
Materials and services	130,832	233,644	364,476
Capital outlay	-	2,448	2,448
Depreciation	116,723	242,855	359,578
Total operating expenses	<u>502,952</u>	<u>842,567</u>	<u>1,345,519</u>
Operating income (loss)	<u>47,394</u>	<u>(134,897)</u>	<u>(87,503)</u>
Nonoperating Revenues (Expenses)			
Property taxes	86,620	137,718	224,338
Interest on investments	10,218	9,317	19,535
Interest expense	(51,823)	(110,217)	(162,040)
Total nonoperating revenues (expenses)	<u>45,015</u>	<u>36,818</u>	<u>81,833</u>
Income (loss) before transfers	92,409	(98,079)	(5,670)
Transfers in	99,100	80,998	180,098
Transfers out	<u>(103,100)</u>	<u>(84,998)</u>	<u>(188,098)</u>
Change in net position	88,409	(102,079)	(13,670)
Net position - beginning	2,859,668	4,925,316	7,784,984
Prior period adjustment	<u>(14,262)</u>	<u>(18,720)</u>	<u>(32,982)</u>
Total net position - ending	<u>\$ 2,933,815</u>	<u>\$ 4,804,517</u>	<u>\$ 7,738,332</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, 2018

	Water Fund	Sewer Fund	Total Proprietary Funds
Cash Flows from Operating Activities:			
Receipts from customers	\$ 545,468	\$ 705,087	\$ 1,250,555
Other miscellaneous receipts	1,903	1,634	3,537
Payments (to) from suppliers	(137,868)	(243,725)	(381,593)
Payments to employees	(245,045)	(314,996)	(560,041)
Net cash provided (used) by operating activities	<u>164,458</u>	<u>148,000</u>	<u>312,458</u>
Cash Flows from Noncapital Financing Activities:			
Property taxes	85,235	135,394	220,629
Transfers in (out)	(4,000)	(4,000)	(8,000)
Net cash provided (used) by noncapital financing activities	<u>81,235</u>	<u>131,394</u>	<u>212,629</u>
Cash Flows from Capital and Related Financing Activities:			
Restricted for loan covenants	(5,300)	-	(5,300)
Interfund loans	18,486	(18,486)	-
Acquisition of capital assets	-	(2,448)	(2,448)
Customer deposits during the year	5,300	-	5,300
Payments on capital debt	(159,386)	(303,077)	(462,463)
Net cash provided (used) by capital and related financing activities	<u>(140,900)</u>	<u>(324,011)</u>	<u>(464,911)</u>
Cash Flows from Investing Activities:			
Interest and dividends	<u>10,218</u>	<u>9,317</u>	<u>19,535</u>
Net increase (decrease) in cash and investments	115,011	(35,300)	79,711
Beginning cash and investments	<u>544,613</u>	<u>626,507</u>	<u>1,171,120</u>
Ending cash and investments	<u>\$ 659,624</u>	<u>\$ 591,207</u>	<u>\$ 1,250,831</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 47,394	\$ (134,897)	\$ (87,503)
<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	(1,472)	(949)	(2,421)
(Increase) decrease in prepaid expense	(3,000)	-	(3,000)
Increase (decrease) in accounts payable	(4,036)	(7,633)	(11,669)
Increase (decrease) in accrued payroll	231	243	474
Increase (decrease) in unearned revenue	(1,503)	-	(1,503)
Increase (decrease) in pension liability	(55,267)	(21,033)	(76,300)
Increase (decrease) in OPEB liability	(373)	(490)	(863)
(Increase) decrease in deferred outflows	58,053	59,273	117,326
Increase (decrease) in deferred inflows	7,708	10,631	18,339
Net cash provided (used) by operating activities	<u>\$ 164,458</u>	<u>\$ 148,000</u>	<u>\$ 312,458</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

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 Manager who serves at the pleasure of the City Council. The City is legally and financially independent of other state and local government units, has the power to levy taxes, is responsible for its debts, and is entitled to any surpluses.

The City has implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

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.

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

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.

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 city'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.

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

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.

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 and other post employment benefits.

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. \$162,040 of interest was incurred, all of which was charged to expense during the fiscal year ended June 30, 2018.

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

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 and/or resolution that places specific constraints on how the resources may be used. The Council can modify or rescind the ordinance and/or resolution at any time through passage of an additional ordinance and/or resolution.

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

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

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

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

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

Fund balances by classification for the year ended June 30, 2018 were as follows:

	General Fund	Irrigon Improvements Fund	State Tax Street Fund	Total Governmental Funds
<u>Fund balances:</u>				
Restricted:				
Street	\$ -	\$ -	\$ 113,522	\$ 113,522
Committed:				
Accrued Leave	108,141	-	-	108,141
Building Maintenance	27,229	-	-	27,229
Equipment Replacement	16,565	-	-	16,565
Bike/Foot Paths	15,977	-	-	15,977
SDC Capital Improvements	27,263	-	-	27,263
Construction	102,340	-	-	102,340
Improvements	-	720,516	-	720,516
Unassigned	252,398	-	-	252,398
Total fund balances	\$ 549,913	\$ 720,516	\$ 113,522	\$ 1,383,951

The amount of the primary government's net position at June 30, 2018 that is restricted by enabling legislation totaled \$113,522.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates. Depreciation Expense, Accumulated Depreciation, Property Taxes Receivable, Allowance for Uncollectible Accounts, and Unearned Revenue accounts have been subject to estimation.

Note 2 - Compliance and Accountability:

Finance-Related Legal and Contractual Provisions

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

Violation: The City did not comply with ORS 294.456(6). Expenditures exceeded budgeted appropriations for the year ended June 30, 2018 as follows:

Fund	Over Expenditure
12 Irrigon Improvements - Capital outlay	\$ 44,342
20 State Street Fund - Transfers out	21

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

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

Note 3 - Deposits and Investments:

Deposits and Investments are comprised of the following at June 30, 2018:

	Carrying Value	Fair Value
Deposits with financial institutions	\$ 493,210	\$ 493,210
Investments with State of Oregon Local Government Investment Pool (LGIP)	2,207,577	2,207,577
	\$ 2,700,787	\$ 2,700,787

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

Cash and investments	\$ 2,633,358
Restricted cash	67,429
Cash and investments	\$ 2,700,787

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 \$512,506 at June 30, 2018. 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

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%	\$ 2,207,577

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 \$21,597, 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, 2018, was as follows:

	Balance at July 1, 2017	Increases	Decreases	Balance at June 30, 2018
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 91,882	\$ -	\$ -	\$ 91,882
Construction in progress	-	6,304	-	6,304
Total capital assets, not being depreciated	<u>91,882</u>	<u>6,304</u>	<u>-</u>	<u>98,186</u>
Capital assets being depreciated:				
Buildings	470,694	-	-	470,694
Equipment	168,690	44,342	-	213,032
Infrastructure	2,878,402	-	-	2,878,402
being depreciated	<u>3,517,786</u>	<u>44,342</u>	<u>-</u>	<u>3,562,128</u>
Less: accumulated depreciation:				
Buildings	(66,897)	(6,608)	-	(73,505)
Equipment	(103,870)	(8,744)	-	(112,614)
Infrastructure	(323,322)	(41,528)	-	(364,850)
Total accumulated depreciation	<u>(494,089)</u>	<u>(56,880)</u>	<u>-</u>	<u>(550,969)</u>
Net capital assets being depreciated	<u>3,023,697</u>	<u>(12,538)</u>	<u>-</u>	<u>3,011,159</u>
Governmental Activities - net capital assets	<u><u>3,115,579</u></u>	<u><u>(6,234)</u></u>	<u><u>-</u></u>	<u><u>3,109,345</u></u>
	Balance at July 1, 2017	Increases	Decreases	Balance at June 30, 2018
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 68,241	\$ -	\$ -	\$ 68,241
Construction in progress	-	2,448	-	2,448
Total capital assets, not being depreciated	<u>68,241</u>	<u>2,448</u>	<u>-</u>	<u>70,689</u>
Capital assets being depreciated:				
Buildings	664,912	-	-	664,912
Equipment	216,189	-	-	216,189
Infrastructure	17,016,356	-	-	17,016,356
being depreciated	<u>17,897,457</u>	<u>-</u>	<u>-</u>	<u>17,897,457</u>
Less: accumulated depreciation:				
Buildings	(93,785)	(9,097)	-	(102,882)
Equipment	(119,432)	(10,153)	-	(129,585)
Infrastructure	(3,864,549)	(340,328)	-	(4,204,877)
Total accumulated depreciation	<u>(4,077,766)</u>	<u>(359,578)</u>	<u>-</u>	<u>(4,437,344)</u>
Net capital assets being depreciated	<u>13,819,691</u>	<u>(359,578)</u>	<u>-</u>	<u>13,460,113</u>
Business-Type Activities - net capital assets	<u><u>13,887,932</u></u>	<u><u>(359,578)</u></u>	<u><u>-</u></u>	<u><u>13,530,802</u></u>

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

Depreciation expense was charged to functions as follows:

Governmental Activities:		Business-Type Activities:	
General government	\$ 15,352	Water	\$ 116,723
Streets	41,528	Sewer	242,855
	\$ 56,880		\$ 359,578
Total	\$ 56,880	Total	\$ 359,578

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, 2018, are as follows:

	<u>Payable at July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Payable at June 30, 2018</u>	<u>Due within one year</u>
<u>Governmental Activities:</u>					
Compensated absences	\$ 109,572	\$ 51,196	\$ (42,294)	\$ 118,474	\$ 118,474
<u>Business-Type Activities:</u>					
Septic Conversion Loan	\$ 715,099	\$ -	\$ (21,210)	\$ 693,889	\$ 21,636
State Sewer Loan	454,762	-	(14,926)	439,836	15,371
General Obligation Refunding, 2016A	3,800,000	-	(110,000)	3,690,000	110,000
Unamortized Premium GO Bond 2016A	323,093	-	(33,536)	289,557	22,712
Full Faith & Credit Refunding, 2016B	1,620,000	-	(95,000)	1,525,000	100,000
Unamortized Premium FFC Bond 2016I	173,450	-	(24,776)	148,674	31,143
	\$ 7,086,404	\$ -	\$ (299,448)	\$ 6,786,956	\$ 300,862
Total business-type activities	\$ 7,086,404	\$ -	\$ (299,448)	\$ 6,786,956	\$ 300,862

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

Debt Service Requirements

Business-Type Activities:

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.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 693,889</u>	<u>\$ 191,264</u>	<u>\$ 885,153</u>

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

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
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>\$ 439,836</u>	<u>\$ 158,199</u>	<u>\$ 598,035</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, 2018 is as follows:

Fiscal Year	Principal	Interest	Total	Premium
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>\$ 1,525,000</u>	<u>\$ 400,875</u>	<u>\$ 1,925,875</u>	<u>\$ 148,674</u>

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

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, 2018 is as follows:

Fiscal Year	Principal	Interest	Total	Premium
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>\$ 3,690,000</u>	<u>\$ 1,723,415</u>	<u>\$ 5,413,415</u>	<u>\$ 289,557</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	\$ 51,823
Sewer	110,217

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 \$49,147 as detailed below, which meets the current requirement.

	Customer Deposits
Beginning Restriction	\$ 43,847
Current Year Restriction	5,300
Line Replacements	-
Ending Restriction	<u>\$ 49,147</u>

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

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 - Defined Benefit 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, 2016, 2017, and 2018 were \$52,072, \$55,761 and \$75,182 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

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 changes 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, 2018 was 18.41% and 12.59%, respectively. The contribution requirements for plan members are established by ORS Chapter 238 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, 2018, the City reported a liability of \$677,730 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the City's proportion was .00502766 percent.

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

For the year ended June 30, 2018, the City recognized pension expense of \$64,478. At June 30, 2018 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 32,775	\$ -
Changes of assumptions	123,538	-
Net difference between projected and actual earnings on Plan investments	6,982	-
Changes in proportionate share	1,540	25,823
Changes in proportion and differences between City contributions and proportionate share of contributions.	4,369	8,821
Contributions subsequent to the measurement date	72,307	-
Total	\$ 241,511	\$ 34,644

The \$72,307 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, 2019. 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,	
2019	\$ 96,178
2020	79,051
2021	53,007
2022	(20,873)
2023	(496)
Total	\$ 206,867

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

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement date:

Actuarial methods

Valuation Date	December 31, 2015
Measurement Date	June 30, 2017
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
Healthcare cost trend	Ranging from 6.3% in 2016 to 4.4% in 2094
Mortality	<p>Healthy retirees and beneficiaries: RP-2--- Sex-distinct, generational per Scale AA, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation.</p> <p>Disabled veterans: 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

<u>Asset Class/Strategy</u>	OIC Target
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

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)	\$ 1,154,976	\$ 677,730	\$ 278,664

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

Note 9 - Internal Transfers

Internal transfers for the fiscal year ending June 30, 2018 consist of the following:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$ 61,021	\$ 130,800
Street Fund	79,000	1,221
Proprietary Funds:		
Water Fund	99,100	103,100
Sewer Fund	80,998	84,998
	\$ 320,119	\$ 320,119

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:

The other postemployment benefits (OPEB) for the City combines two separate plans. The City provides an implicit rate subsidy for retiree health insurance premiums, and a contribution to the State of Oregon's PERS cost-sharing multiple-employer defined health insurance benefit plan.

Financial Statement Presentation

The City's two OPEB plans are presented in the aggregate on the Statement of Net Position. The amounts on the financial statements relate to the plans as follows:

	Implicit Rate Subsidy Plan	PERS RHIA Plan	Total OPEB on Financials
Deferred Outflows of Resources			
Contributions After the Measurement Date	\$ 1,196	\$ 2,285	\$ 3,481
Total OPEB Asset (Liability)	(48,433)	1,915	(46,518)
Deferred Inflows of Resources			
Change in Proportionate Share	-	(8)	(8)
Change in Assumptions	(1,955)	-	(1,955)
Difference in Earnings	-	(887)	(887)
OPEB Expense	4,271	10	4,281
(Included in program expenses on Statement of Activities)			

Implicit Rate Subsidy

Plan Description

The City's defined benefit postemployment healthcare plan is administered by Citycounty Insurance Services (CIS).

The City's postemployment healthcare plan administrator issues a publicly available financial report that includes financial statements and required supplementary information for CIS. This report may be obtained by writing to the CIS Main Office, 1212 Court Street NE, Salem, OR 97301.

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

Benefits Provided

The plan provides eligible retirees and their dependents under age 65 the same health care coverage at the same premium rates as offered to active employees. The retiree is responsible for the premiums. As of the valuation date of July 1, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	0
Active employees	8
	8

Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The City's total OPEB liability of \$48,433 was measured as of June 30, 2017, and was determined by an actuarial valuation as of July 1, 2016.

For the fiscal year ended June 30, 2018, the City recognized OPEB expense from this plan of \$4,271. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 1,955
Contributions subsequent to the measurement date	1,196	-
Total	\$ 1,196	\$ 1,955

Deferred outflows of resources related to OPEB of \$1,196 resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30,	
2019	\$ (238)
2020	(238)
2021	(238)
2022	(238)
2023	(238)
Thereafter	(765)
Total	\$ (1,955)

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2016 valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Inflation	2.50 percent
Salary increases	3.50 percent
Discount rate	3.58 percent (change from 2.85 percent in previous measurement period)
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.
Healthcare cost trend	Medical and vision: 7.50 percent per year, decreasing to 5.0 percent. Dental: 4.50 percent per year
Health Mortality	RP-2000 healthy white collar male and female mortality tables, set back one year for males. Mortality is projected on a generational basis using Scale BB for males and females.

The discount rate was based on Bond Buyer 20-Year General Obligation Bond Index.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of June 30, 2017	\$ 46,448
Changes for the year:	
Service cost	3,102
Interest on Total OPEB Liability	1,407
Effect of assumptions changes or inputs	(2,193)
Benefit Payments	(331)
Balance as of June 30, 2018	<u>\$ 48,433</u>

Changes in assumptions is the result of the change in the discount rate from 2.85 to 3.58.

Sensitivity of the Total OPEB Liability

The following presents the City's total OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate. A similar sensitivity analysis is then presented for changes in the healthcare trend assumption.

Discount Rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
City's proportionate share of the net OPEB liability (asset)	\$ 51,593	\$ 48,433	\$ 45,426

Healthcare Cost Trend:

	1% Decrease (6.5% decreasing to 4%)	Current Healthcare Trend Rate (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
City's proportionate share of the net OPEB liability (asset)	\$ 51,593	\$ 48,433	\$ 45,426

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

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, 2018 are included in the PERS annual pension amount.

Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The City's total OPEB liability/(asset) of \$1,915 was measured as of June 30, 2017, and was determined by an actuarial valuation as of December 31, 2015, rolled forward to June 30, 2017. The City's portion of the net OPEB asset was based on the City's contributions to the RHIA program during the measurement period relative to contributions from all participating employers. At June 30, 2018, the City's proportionate share was .00458959%.

For the year ended June 30, 2018, the City recognized OPEB expense of \$10. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to this OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on Plan	\$ -	\$ 887
Changes in proportion and differences between District contributions and proportionate share of contributions.	-	8
Contributions subsequent to the measurement date	2,285	-
Total	\$ 2,285	\$ 895

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

Deferred outflows of resources related to OPEB of \$2,285 resulting from the City's contributions subsequent to the measurement date will be recognized as either a reduction of the net OPEB liability or an increase in the net OPEB asset in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30,		
2019	\$	(225)
2020		(225)
2021		(224)
2022		(221)
Total	<u>\$</u>	<u>(895)</u>

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

All actuarial methods and assumptions are consistent with those disclosed for the OPERS Pension Plan, see note for additional information on Actuarial Assumptions and Methods, Healthcare cost trend rate, the Long-Term Expected Rate of Return, and the Discount Rate.

Sensitivity of the Total OPEB Liability

The following presents the City's total OPEB liability, as well as what the liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current discount rate.

Discount Rate:		Current Discount Rate	
	1% Decrease (6.50%)	(7.50%)	1% Increase (8.50%)
City's proportionate share of the net OPEB liability (asset)	\$ 267	\$ (1,915)	\$ (3,772)

OPEB Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Changes in Plan Provisions Subsequent to Measurement Date

The PERS Board lowered the Assumed Rate of Return from 7.50% to 7.20% on July 28, 2017. This change is effective January 1, 2018, and will decrease the net OPEB asset or increase the net OPEB liability in future periods.

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.

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

Note 14 - Interfund Transactions:

The composition of interfund balances as of June 30, 2018 are as follows:

	<u>Receivables</u>	<u>Payables</u>
Enterprise Funds:		
Water Fund	\$ 93,128	\$ -
Sewer Fund	-	93,128

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 \$18,564. 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 \$39 of accrued interest.

Note 15 - Change in Accounting Principal and Restatement of Prior Period Net Position

As described in Note 1, the City has implemented Governmental Accounting Standards Board Statements No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). Accordingly, the beginning net position was restated to book the net OPEB liability/asset and corresponding deferred outflows of resources as of July 1, 2017. The net effect of these restatements are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Government-Wide Statements:</u>		
Net position at July 1, 2017 - originally reported	\$ 3,592,593	\$ 7,784,984
Net OPEB liability/asset adjustment	<u>(12,439)</u>	<u>(32,982)</u>
Net position at July 1, 2017 - restated	<u>\$ 3,580,154</u>	<u>\$ 7,752,002</u>

**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, 2018

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Property taxes	\$ 190,100	\$ 190,100	\$ 190,823
Franchise fees	108,500	108,500	70,643
Licenses and fees	59,900	59,900	61,772
Intergovernmental	54,900	99,928	105,092
Charges for services	-	40,600	72,654
Interest on investments	3,000	3,000	7,184
Other income	56,300	56,300	27,960
Total revenues	<u>472,700</u>	<u>558,328</u>	<u>536,128</u>
Expenditures			
Personnel services	227,500	227,500	92,831
Materials and services	207,100	292,728	206,543
Capital outlay	179,200	179,200	6,304
Total expenditures	<u>613,800</u>	<u>699,428</u>	<u>305,678</u>
Excess of revenues over (under) expenditures	<u>(141,100)</u>	<u>(141,100)</u>	<u>230,450</u>
Other Financing Sources (Uses)			
Transfers in	60,900	60,900	61,021
Transfers out	(130,800)	(130,800)	(130,800)
Total other financing sources (uses)	<u>(69,900)</u>	<u>(69,900)</u>	<u>(69,779)</u>
Net change in fund balance	(211,000)	(211,000)	160,671
Beginning fund balance	<u>327,000</u>	<u>327,000</u>	<u>389,242</u>
Ending fund balance	<u>\$ 116,000</u>	<u>\$ 116,000</u>	<u>\$ 549,913</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest on investments	\$ 2,000	\$ 2,000	\$ 7,278	\$ 5,278
Licenses and fees	-	-	800	800
Intergovernmental	-	-	629,556	629,556
Other income	-	-	1,270	1,270
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>638,904</u>	<u>636,904</u>
Expenditures				
Materials and services	278,000	278,000	138,022	139,978
Capital outlay	-	-	44,342	(44,342)
Total expenditures	<u>278,000</u>	<u>278,000</u>	<u>182,364</u>	<u>95,636</u>
Net change in fund balance	(276,000)	(276,000)	456,540	732,540
Beginning fund balance	<u>276,000</u>	<u>276,000</u>	<u>263,976</u>	<u>(12,024)</u>
Ending fund balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 720,516</u></u>	<u><u>\$ 720,516</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Licenses and fees	\$ 49,800	\$ 49,800	\$ 48,056	\$ (1,744)
Intergovernmental	161,000	161,000	123,046	(37,954)
Interest on investments	400	400	1,413	1,013
Other income	1,500	1,500	2,433	933
Total revenues	<u>212,700</u>	<u>212,700</u>	<u>174,948</u>	<u>(37,752)</u>
Expenditures				
Personnel services	168,800	168,800	124,332	44,468
Materials and services	77,100	77,100	65,738	11,362
Capital outlay	50,000	50,000	-	50,000
Total expenditures	<u>295,900</u>	<u>295,900</u>	<u>190,070</u>	<u>105,830</u>
Excess of revenues over (under) expenditures	<u>(83,200)</u>	<u>(83,200)</u>	<u>(15,122)</u>	<u>68,078</u>
Other Finance Sources (Uses)				
Transfers in	79,000	79,000	79,000	-
Transfers out	(1,200)	(1,200)	(1,221)	(21)
Total other finance sources (uses)	<u>77,800</u>	<u>77,800</u>	<u>77,779</u>	<u>(21)</u>
Net change in fund balance	(5,400)	(5,400)	62,657	68,057
Beginning fund balance	<u>20,000</u>	<u>20,000</u>	<u>50,865</u>	<u>30,865</u>
Ending fund balance	<u>\$ 14,600</u>	<u>\$ 14,600</u>	<u>\$ 113,522</u>	<u>\$ 98,922</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
2018	0.00502766%	\$ 677,730	\$ 467,911	145%
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
2018	\$ 72,307	\$ 72,307	\$ -	\$ 467,911	15%
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

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.

Appropriations

The City has complied with legal requirements relating to the preparation, adoption and execution of the annual budget for the year ended June 30, 2018, except the City did not comply with ORS 294.456(6). Expenditures exceeded budgeted appropriations for the year ended June 30, 2018, as stated in the Notes to Basic Financial Statements, Note 2: Compliance and Accountability.

Factors that Significantly Affect Trends in the Amounts Reported

There has been no change in benefit terms in recent years. A change in benefit terms would require action at the state legislative level. The size or composition of the population covered continues to include employees of state and local governments, school districts, and participating special districts. The actuarial assumptions are unchanged from the prior year. However, the assumed discount rate was lowered from 7.5% to 7.2% as of January 1, 2018. As presented by the sensitivity analyses in the Notes to Basic Financial Statements, a decrease in the assumed discount rate increases the pension and OPEB liabilities and increases the corresponding contribution rates.

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, 2018

	10	11	
	General	Governmental	
	Fund	Reserve	Total
	Fund	Fund	
Revenues			
Property taxes	\$ 190,823	\$ -	\$ 190,823
Licenses and fees	58,772	3,000	61,772
Intergovernmental	60,064	45,028	105,092
Charges for services	72,654	-	72,654
Miscellaneous:			
Franchise fees	70,643	-	70,643
Interest on investments	2,901	4,283	7,184
Other income	27,960	-	27,960
Total revenues	<u>483,817</u>	<u>52,311</u>	<u>536,128</u>
Expenditures			
Current:			
Personnel services	88,878	3,953	92,831
Materials and services	174,406	32,137	206,543
Capital outlay	-	6,304	6,304
Total expenditures	<u>263,284</u>	<u>42,394</u>	<u>305,678</u>
Excess of revenues over (under) expenditures	<u>220,533</u>	<u>9,917</u>	<u>230,450</u>
Other Financing Sources (Uses)			
Transfers in	-	61,021	61,021
Transfers out	<u>(130,800)</u>	<u>-</u>	<u>(130,800)</u>
Total other financing sources (uses)	<u>(130,800)</u>	<u>61,021</u>	<u>(69,779)</u>
Net change in fund balance	89,733	70,938	160,671
Beginning fund balance	<u>162,665</u>	<u>226,577</u>	<u>389,242</u>
Ending fund balance	<u>\$ 252,398</u>	<u>\$ 297,515</u>	<u>\$ 549,913</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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 190,100	\$ 190,100	\$ 190,823	\$ 723
Franchise fees	108,500	108,500	70,643	(37,857)
Intergovernmental	54,900	54,900	60,064	5,164
Charges for services	-	40,600	72,654	32,054
Licenses and fees	57,900	57,900	58,772	872
Interest on investments	1,000	1,000	2,901	1,901
Other income	56,300	56,300	27,960	(28,340)
Total revenues	<u>468,700</u>	<u>509,300</u>	<u>483,817</u>	<u>(25,483)</u>
Expenditures				
Personnel services	116,000	116,000	88,878	27,122
Materials and services	186,900	227,500	174,406	53,094
Capital outlay	19,000	19,000	-	19,000
Contingency	46,000	46,000	-	46,000
Total expenditures	<u>367,900</u>	<u>408,500</u>	<u>263,284</u>	<u>145,216</u>
Excess of revenues over (under) expenditures	100,800	100,800	220,533	119,733
Other Finance Sources (Uses)				
Transfers out	<u>(130,800)</u>	<u>(130,800)</u>	<u>(130,800)</u>	<u>-</u>
Net change in fund balance	(30,000)	(30,000)	89,733	119,733
Beginning fund balance	<u>100,000</u>	<u>100,000</u>	<u>162,665</u>	<u>62,665</u>
Ending fund balance	<u><u>\$ 70,000</u></u>	<u><u>\$ 70,000</u></u>	<u><u>\$ 252,398</u></u>	<u><u>\$ 182,398</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest on investments	\$ 2,000	\$ 2,000	\$ 4,283	\$ 2,283
Licenses and fees	2,000	2,000	3,000	1,000
Intergovernmental	-	45,028	45,028	-
Total revenues	<u>4,000</u>	<u>49,028</u>	<u>52,311</u>	<u>3,283</u>
Expenditures				
Personnel services	111,500	111,500	3,953	107,547
Materials and services	20,200	65,228	32,137	33,091
Capital outlay	160,200	160,200	6,304	153,896
Total expenditures	<u>291,900</u>	<u>336,928</u>	<u>42,394</u>	<u>294,534</u>
Excess of revenues over (under) expenditures	(287,900)	(287,900)	9,917	297,817
Other Finance Sources (Uses)				
Transfers in	<u>60,900</u>	<u>60,900</u>	<u>61,021</u>	<u>121</u>
Net change in fund balance	(227,000)	(227,000)	70,938	297,938
Beginning fund balance	<u>227,000</u>	<u>227,000</u>	<u>226,577</u>	<u>(423)</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 297,515</u>	<u>\$ 297,515</u>

CITY OF IRRIGON, OREGON
Combining Statement of Net Position
Water Funds
June 30, 2018

	60 Water Operation & Development Fund	62 Water Reserve Fund	68 Water Debt Service Fund	69 Water Bond Debt Service Fund	Total
Assets					
Current assets:					
Cash and investments	\$ 107,236	\$ 487,328	\$ 50,645	\$ 14,415	\$ 659,624
Taxes receivable	-	-	-	4,497	4,497
Accounts receivable	40,737	-	22,112	-	62,849
Prepaid expense	3,000	-	-	-	3,000
Due from other funds	-	18,564	-	-	18,564
Total current assets	<u>150,973</u>	<u>505,892</u>	<u>72,757</u>	<u>18,912</u>	<u>748,534</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	(1,280,392)	-	-	-	(1,280,392)
Total capital assets	<u>4,544,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,544,280</u>
Advances to other funds	-	74,564	-	-	74,564
Restricted cash	49,147	-	-	-	49,147
Total noncurrent assets	<u>4,593,427</u>	<u>74,564</u>	<u>-</u>	<u>-</u>	<u>4,667,991</u>
Total assets	<u>4,744,400</u>	<u>580,456</u>	<u>72,757</u>	<u>18,912</u>	<u>5,416,525</u>
Deferred Outflows of Resources					
Pension deferred outflows of resources	75,832	-	-	-	75,832
OPEB deferred outflows of resources	1,093	-	-	-	1,093
Total deferred outflows of resources	<u>76,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,925</u>
Liabilities					
Current liabilities:					
Customer deposits	49,147	-	-	-	49,147
Accounts payable	11,877	-	-	-	11,877
Accrued payroll	4,446	-	-	-	4,446
Unearned revenue	4,618	-	-	-	4,618
Accrued interest payable	-	-	595	1,554	2,149
Current bond premium, net	-	-	10,111	11,765	21,876
Current bonds and notes payable	-	-	44,520	41,547	86,067
Total current liabilities	<u>70,088</u>	<u>-</u>	<u>55,226</u>	<u>54,866</u>	<u>180,180</u>
Noncurrent liabilities:					
Bond premium, net	-	-	56,079	97,621	153,700
Bonds and notes payable	-	-	634,410	1,352,166	1,986,576
Pension liability	212,800	-	-	-	212,800
OPEB liability	14,606	-	-	-	14,606
Total noncurrent liabilities	<u>227,406</u>	<u>-</u>	<u>690,489</u>	<u>1,449,787</u>	<u>2,367,682</u>
Total liabilities	<u>297,494</u>	<u>-</u>	<u>745,715</u>	<u>1,504,653</u>	<u>2,547,862</u>
Deferred Inflows of Resources					
Pension deferred inflows of resources	10,878	-	-	-	10,878
OPEB deferred inflows of resources	895	-	-	-	895
Total deferred inflows of resources	<u>11,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,773</u>
Net Position					
Net investment in capital assets	4,544,280	-	(745,120)	(1,503,099)	2,296,061
Restricted for:					
Prepaid expenses	3,000	-	-	-	3,000
Unrestricted	(35,222)	580,456	72,162	17,358	634,754
Total net position	<u>\$ 4,512,058</u>	<u>\$ 580,456</u>	<u>\$ (672,958)</u>	<u>\$ (1,485,741)</u>	<u>\$ 2,933,815</u>

CITY OF IRRIGON, OREGON
Combining Statement of Revenues, Expenses, and Changes in Net Position
Water Funds
For the Fiscal Year Ended June 30, 2018

	60 Water Operations & Development Fund	62 Water Reserve Fund	68 Water Debt Service Fund	69 Water Bond Debt Service Fund	Total
Operating Revenues					
Charges for services	\$ 394,336	\$ 11,676	\$ 142,431	\$ -	\$ 548,443
Other income	1,903	-	-	-	1,903
Total operating revenues	<u>396,239</u>	<u>11,676</u>	<u>142,431</u>	<u>-</u>	<u>550,346</u>
Operating Expenses					
Personnel services	255,397	-	-	-	255,397
Materials and services	105,908	24,924	-	-	130,832
Depreciation	116,723	-	-	-	116,723
Total operating expenses	<u>478,028</u>	<u>24,924</u>	<u>-</u>	<u>-</u>	<u>502,952</u>
Operating income (loss)	<u>(81,789)</u>	<u>(13,248)</u>	<u>142,431</u>	<u>-</u>	<u>47,394</u>
Nonoperating Revenues (Expenses)					
Property taxes	-	-	-	86,620	86,620
Interest on investments	2,341	6,663	839	375	10,218
Interest expense	-	-	(14,411)	(37,412)	(51,823)
Total nonoperating revenues (expenses)	<u>2,341</u>	<u>6,663</u>	<u>(13,572)</u>	<u>49,583</u>	<u>45,015</u>
Income (loss) before transfers	(79,448)	(6,585)	128,859	49,583	92,409
Transfers in	-	94,000	-	5,100	99,100
Transfers out	<u>(34,000)</u>	<u>-</u>	<u>(69,100)</u>	<u>-</u>	<u>(103,100)</u>
Change in net position	(113,448)	87,415	59,759	54,683	88,409
Net position - beginning	4,639,768	493,041	(732,717)	(1,540,424)	2,859,668
Prior period adjustment	<u>(14,262)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,262)</u>
Total net position - ending	<u>\$ 4,512,058</u>	<u>\$ 580,456</u>	<u>\$ (672,958)</u>	<u>\$ (1,485,741)</u>	<u>\$ 2,933,815</u>

CITY OF IRRIGON, OREGON
Statement of Cash Flows
Water Funds
For the Year Ended June 30, 2018

	60 Water Operations & Development Fund	62 Water Reserve Fund	68 Water Debt Service Fund	69 Water Bond Debt Service Fund	Total
Cash Flows from Operating Activities:					
Receipts from customers	\$ 391,803	\$ 11,676	\$ 141,989	\$ -	\$ 545,468
Other miscellaneous receipts	1,903	-	-	-	1,903
Payments to suppliers	(109,129)	(28,739)	-	-	(137,868)
Payments to employees	(245,045)	-	-	-	(245,045)
Net cash provided (used) by operating activities	<u>39,532</u>	<u>(17,063)</u>	<u>141,989</u>	<u>-</u>	<u>164,458</u>
Cash Flows from Noncapital Financing Activities:					
Property taxes	-	-	-	85,235	85,235
Transfers in (out)	(34,000)	94,000	(69,100)	5,100	(4,000)
Net cash provided (used) by noncapital financing activities	<u>(34,000)</u>	<u>94,000</u>	<u>(69,100)</u>	<u>90,335</u>	<u>81,235</u>
Cash Flows from Capital and Related Financing Activities:					
Restricted for loan covenants	(5,300)	-	-	-	(5,300)
Interfund loans	-	18,486	-	-	18,486
Customer deposits during the year	5,300	-	-	-	5,300
Payments on capital debt	-	-	(67,747)	(91,639)	(159,386)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>18,486</u>	<u>(67,747)</u>	<u>(91,639)</u>	<u>(140,900)</u>
Cash Flows from Investing Activities:					
Interest and dividends	2,341	6,663	839	375	10,218
Net increase (decrease) in cash and investments	7,873	102,086	5,981	(929)	115,011
Beginning cash and investments	99,363	385,242	44,664	15,344	544,613
Ending cash and investments	<u>\$ 107,236</u>	<u>\$ 487,328</u>	<u>\$ 50,645</u>	<u>\$ 14,415</u>	<u>\$ 659,624</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (81,789)	\$ (13,248)	\$ 142,431	\$ -	\$ 47,394
<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	(1,030)	-	(442)	-	(1,472)
(Increase) decrease in prepaid expense	(3,000)	-	-	-	(3,000)
Increase (decrease) in accounts payable	(221)	(3,815)	-	-	(4,036)
Increase (decrease) in accrued payroll	231	-	-	-	231
Increase (decrease) in unearned revenue	(1,503)	-	-	-	(1,503)
Increase (decrease) in pension liability	(55,267)	-	-	-	(55,267)
Increase (decrease) in OPEB liability	(373)	-	-	-	(373)
(Increase) decrease in deferred outflows	58,053	-	-	-	58,053
Increase (decrease) in deferred inflows	7,708	-	-	-	7,708
Net cash provided (used) by operating activities	<u>\$ 39,532</u>	<u>\$ (17,063)</u>	<u>\$ 141,989</u>	<u>\$ -</u>	<u>\$ 164,458</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 425,575	\$ 425,575	\$ 394,336	\$ (31,239)
Interest on investments	1,000	1,000	2,341	1,341
Other income	1,500	1,500	1,903	403
Total revenues	<u>428,075</u>	<u>428,075</u>	<u>398,580</u>	<u>(29,495)</u>
Expenditures				
Personnel services	290,900	290,900	245,276	45,624
Materials and services	127,600	127,600	105,908	21,692
Capital outlay	5,575	5,575	-	5,575
Total expenditures	<u>424,075</u>	<u>424,075</u>	<u>351,184</u>	<u>72,891</u>
Excess of revenues over (under) expenditures	4,000	4,000	47,396	43,396
Other Finance Sources (Uses)				
Transfers out	<u>(34,000)</u>	<u>(34,000)</u>	<u>(34,000)</u>	<u>-</u>
Net change in fund balance	(30,000)	(30,000)	13,396	43,396
Beginning fund balance	<u>110,000</u>	<u>110,000</u>	<u>116,636</u>	<u>6,636</u>
Ending fund balance	<u>\$ 80,000</u>	<u>\$ 80,000</u>	130,032	<u>\$ 50,032</u>
<u>Adjustments to GAAP</u>				
Capital assets, net			4,544,280	
Pension deferred outflow			75,832	
Pension liability			(212,800)	
Pension deferred inflow			(10,878)	
OPEB deferred outflow			1,093	
OPEB liability			(14,606)	
OPEB deferred inflow			(895)	
			<u>\$ 4,512,058</u>	
<u>Detail of Fund Balance</u>				
Cash and investments			\$ 107,236	
Restricted cash			49,147	
Accounts receivable			40,737	
Prepaid expense			3,000	
Customer deposits			(49,147)	
Unearned revenue			(4,618)	
Accounts payable			(11,877)	
Accrued payroll			(4,446)	
			<u>\$ 130,032</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest on investments	\$ 3,600	\$ 3,600	\$ 6,663	\$ 3,063
Charges for services	9,730	9,730	11,676	1,946
Total revenues	<u>13,330</u>	<u>13,330</u>	<u>18,339</u>	<u>5,009</u>
Expenditures				
Materials and services	72,500	72,500	24,924	47,576
Capital outlay	405,230	405,230	-	405,230
Total expenditures	<u>477,730</u>	<u>477,730</u>	<u>24,924</u>	<u>452,806</u>
Excess of revenues over (under) expenditures	(464,400)	(464,400)	(6,585)	457,815
Other Finance Sources (Uses)				
Transfers in	94,400	94,400	94,000	(400)
Net change in fund balance	(370,000)	(370,000)	87,415	457,415
Beginning fund balance	370,000	370,000	493,041	123,041
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 580,456</u>	<u>\$ 580,456</u>

Detail of Fund Balance

Cash and investments	\$ 487,328
Due from other funds	18,564
Advances to other funds	74,564
	<u>\$ 580,456</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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Interest on investments	\$ 300	\$ 300	\$ 839	\$ 539
Charges for services	155,000	155,000	142,431	(12,569)
Total revenues	155,300	155,300	143,270	(12,030)
Expenditures				
Debt service	67,794	67,794	67,735	59
Excess of revenues over (under) expenditures	87,506	87,506	75,535	(11,971)
Other Finance Sources (Uses)				
Transfers out	(69,800)	(69,800)	(69,100)	700
Net change in fund balance	17,706	17,706	6,435	(11,271)
Beginning fund balance	64,000	64,000	65,727	1,727
Ending fund balance	\$ 81,706	\$ 81,706	72,162	\$ (9,544)
<u>Adjustments to GAAP</u>				
Bonds payable			(678,930)	
Bond premium, net			(66,190)	
			\$ (672,958)	
<u>Detail of Fund Balance</u>				
Cash and investments			\$ 50,645	
Accounts receivable			22,112	
Accrued interest payable			(595)	
			\$ 72,162	

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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 85,500	\$ 85,500	\$ 86,620	\$ 1,120
Interest on investments	300	300	375	75
Total revenues	<u>85,800</u>	<u>85,800</u>	<u>86,995</u>	<u>1,195</u>
Expenditures				
Debt service	<u>91,647</u>	<u>91,647</u>	<u>91,628</u>	<u>19</u>
Excess of revenues over (under) expenditures	(5,847)	(5,847)	(4,633)	1,214
Other Finance Sources (Uses)				
Transfers in	<u>5,400</u>	<u>5,400</u>	<u>5,100</u>	<u>(300)</u>
Net change in fund balance	(447)	(447)	467	914
Beginning fund balance	<u>17,100</u>	<u>17,100</u>	<u>16,891</u>	<u>(209)</u>
Ending fund balance	<u>\$ 16,653</u>	<u>\$ 16,653</u>	17,358	<u>\$ 705</u>
<u>Adjustments to GAAP</u>				
			(1,393,713)	
			<u>(109,386)</u>	
			<u>\$ (1,485,741)</u>	
<u>Detail of Fund Balance</u>				
			\$ 14,415	
			4,497	
			<u>(1,554)</u>	
			<u>\$ 17,358</u>	

CITY OF IRRIGON, OREGON
Combining Statement of Net Position
Sewer Funds
June 30, 2018

	70 Sewer Operation & Development Fund	72 Sewer Reserve Fund	78 Sewer Debt Service Fund	79 Sewer Bond Debt Service Fund	Total
Assets					
Current assets:					
Cash and investments	\$ 93,562	\$ 270,974	\$ 64,322	\$ 162,349	\$ 591,207
Taxes receivable	-	-	-	7,186	7,186
Accounts receivable	57,875	-	27,695	-	85,570
Total current assets	<u>151,437</u>	<u>270,974</u>	<u>92,017</u>	<u>169,535</u>	<u>683,963</u>
Noncurrent assets:					
Capital assets:					
Land	21,442	-	-	-	21,442
Construction in progress	2,448	-	-	-	2,448
Buildings	396,419	-	-	-	396,419
Equipment	135,684	-	-	-	135,684
Improvements	11,587,481	-	-	-	11,587,481
Less: Accumulated depreciation	(3,156,952)	-	-	-	(3,156,952)
Total capital assets	<u>8,986,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,986,522</u>
Restricted cash	-	-	18,282	-	18,282
Total noncurrent assets	<u>8,986,522</u>	<u>-</u>	<u>18,282</u>	<u>-</u>	<u>9,004,804</u>
Total assets	<u>9,137,959</u>	<u>270,974</u>	<u>110,299</u>	<u>169,535</u>	<u>9,688,767</u>
Deferred Outflows of Resources					
Pension deferred outflows of resources	99,539	-	-	-	99,539
OPEB deferred outflows of resources	1,437	-	-	-	1,437
Total deferred outflows of resources	<u>100,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,976</u>
Liabilities					
Current liabilities:					
Accounts payable	19,812	792	-	-	20,604
Accrued payroll	5,545	-	-	-	5,545
Accrued interest payable	-	-	10,700	2,560	13,260
Due to other funds	-	-	18,564	-	18,564
Current bond premium, net	-	-	12,601	19,378	31,979
Current bonds and notes payable	-	-	92,487	68,453	160,940
Total current liabilities	<u>25,357</u>	<u>792</u>	<u>134,352</u>	<u>90,391</u>	<u>250,892</u>
Noncurrent liabilities:					
Advances from other funds	-	-	74,564	-	74,564
Bond premium, net	-	-	69,883	160,793	230,676
Bonds and notes payable	-	-	1,887,308	2,227,834	4,115,142
Pension liability	279,327	-	-	-	279,327
OPEB liability	19,172	-	-	-	19,172
Total noncurrent liabilities	<u>298,499</u>	<u>-</u>	<u>2,031,755</u>	<u>2,388,627</u>	<u>4,718,881</u>
Total liabilities	<u>323,856</u>	<u>792</u>	<u>2,166,107</u>	<u>2,479,018</u>	<u>4,969,773</u>
Deferred Inflows of Resources					
Pension deferred inflows of resources	14,279	-	-	-	14,279
OPEB deferred inflows of resources	1,174	-	-	-	1,174
Total deferred outflows of resources	<u>15,453</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,453</u>
Net Position					
Net investment in capital assets	8,986,522	-	(2,062,279)	(2,476,458)	4,447,785
Restricted for:					
Debt service	-	-	18,282	-	18,282
Unrestricted	(86,896)	270,182	(11,811)	166,975	338,450
Total net position	<u>\$ 8,899,626</u>	<u>\$ 270,182</u>	<u>\$ (2,055,808)</u>	<u>\$ (2,309,483)</u>	<u>\$ 4,804,517</u>

CITY OF IRRIGON, OREGON
Combining Statement of Revenues, Expenses, and Changes in Net Position
Sewer Funds
For the Fiscal Year Ended June 30, 2018

	70 Sewer Operation & Development Fund	72 Sewer Reserve Fund	78 Sewer Debt Service Fund	79 Sewer Bond Debt Service Fund	Total
Operating Revenues					
Charges for services	\$ 505,988	\$ 15,756	\$ 184,292	\$ -	\$ 706,036
Other income	1,634	-	-	-	1,634
Total operating revenues	<u>507,622</u>	<u>15,756</u>	<u>184,292</u>	<u>-</u>	<u>707,670</u>
Operating Expenses					
Personnel services	363,620	-	-	-	363,620
Materials and services	185,926	47,718	-	-	233,644
Capital outlay	2,448	-	-	-	2,448
Depreciation	242,855	-	-	-	242,855
Total operating expenses	<u>794,849</u>	<u>47,718</u>	<u>-</u>	<u>-</u>	<u>842,567</u>
Operating income (loss)	<u>(287,227)</u>	<u>(31,962)</u>	<u>184,292</u>	<u>-</u>	<u>(134,897)</u>
Nonoperating Revenues (Expenses)					
Property taxes	-	-	-	137,718	137,718
Interest on investments	1,630	3,782	1,281	2,624	9,317
Interest expense	-	-	(48,573)	(61,644)	(110,217)
Total nonoperating revenues (expenses)	<u>1,630</u>	<u>3,782</u>	<u>(47,292)</u>	<u>78,698</u>	<u>36,818</u>
Income (loss) before transfers	<u>(285,597)</u>	<u>(28,180)</u>	<u>137,000</u>	<u>78,698</u>	<u>(98,079)</u>
Transfers in	-	65,200	-	15,798	80,998
Transfers out	<u>(69,200)</u>	<u>-</u>	<u>(15,798)</u>	<u>-</u>	<u>(84,998)</u>
Change in net position	<u>(354,797)</u>	<u>37,020</u>	<u>121,202</u>	<u>94,496</u>	<u>(102,079)</u>
Net position - beginning	9,273,143	233,162	(2,177,010)	(2,403,979)	4,925,316
Prior period adjustment	<u>(18,720)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,720)</u>
Total net position - ending	<u>\$ 8,899,626</u>	<u>\$ 270,182</u>	<u>\$ (2,055,808)</u>	<u>\$ (2,309,483)</u>	<u>\$ 4,804,517</u>

CITY OF IRRIGON, OREGON
Statement of Cash Flows
Sewer Funds
For the Year Ended June 30, 2018

	70 Sewer Operation & Development Fund	72 Sewer Reserve Fund	78 Sewer Debt Service Fund	79 Sewer Bond Debt Service Fund	Total
Cash Flows from Operating Activities:					
Receipts from customers	\$ 505,308	\$ 15,756	\$ 184,023	\$ -	\$ 705,087
Other miscellaneous receipts	1,634	-	-	-	1,634
Payments (to) from suppliers	(196,799)	(46,926)	-	-	(243,725)
Payments to employees	(314,996)	-	-	-	(314,996)
Net cash provided (used) by operating activities	<u>(4,853)</u>	<u>(31,170)</u>	<u>184,023</u>	<u>-</u>	<u>148,000</u>
Cash Flows from Noncapital Financing Activities:					
Property taxes	-	-	-	135,394	135,394
Transfers in (out)	(69,200)	65,200	(15,798)	15,798	(4,000)
Net cash provided (used) by noncapital financing activities	<u>(69,200)</u>	<u>65,200</u>	<u>(15,798)</u>	<u>151,192</u>	<u>131,394</u>
Cash Flows from Capital and Related Financing Activities:					
Interfund loans	-	-	(18,486)	-	(18,486)
Acquisition of capital assets	(2,448)	-	-	-	(2,448)
Payments on capital debt	-	-	(152,094)	(150,983)	(303,077)
Net cash provided (used) by capital and related financing activities	<u>(2,448)</u>	<u>-</u>	<u>(170,580)</u>	<u>(150,983)</u>	<u>(324,011)</u>
Cash Flows from Investing Activities:					
Interest and dividends	1,630	3,782	1,281	2,624	9,317
Net increase (decrease) in cash and investments	(74,871)	37,812	(1,074)	2,833	(35,300)
Beginning cash and investments	168,433	233,162	65,396	159,516	626,507
Ending cash and investments	<u>\$ 93,562</u>	<u>\$ 270,974</u>	<u>\$ 64,322</u>	<u>\$ 162,349</u>	<u>\$ 591,207</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (287,227)	\$ (31,962)	\$ 184,292	\$ -	\$ (134,897)
<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	(680)	-	(269)	-	(949)
Increase (decrease) in accounts payable	(8,425)	792	-	-	(7,633)
Increase (decrease) in accrued payroll	243	-	-	-	243
Increase (decrease) in pension liability	(21,033)	-	-	-	(21,033)
Increase (decrease) in OPEB liability	(490)	-	-	-	(490)
(Increase) decrease in deferred outflows	59,273	-	-	-	59,273
Increase (decrease) in deferred inflows	10,631	-	-	-	10,631
Net cash provided (used) by operating activities	<u>\$ (4,853)</u>	<u>\$ (31,170)</u>	<u>\$ 184,023</u>	<u>\$ -</u>	<u>\$ 148,000</u>

CITY OF IRRIGON, OREGON
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Sewer Operation & Development Fund - 070
For the Fiscal Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 509,000	\$ 509,000	\$ 505,988	\$ (3,012)
Interest on investments	1,100	1,100	1,630	530
Grant income	3,500,000	3,500,000	-	(3,500,000)
Other income	11,200	11,200	1,634	(9,566)
Total revenues	<u>4,021,300</u>	<u>4,021,300</u>	<u>509,252</u>	<u>(3,512,048)</u>
Expenditures				
Personnel services	343,700	343,700	315,239	28,461
Materials and services	249,400	249,400	188,374	61,026
Capital outlay	3,509,000	3,509,000	2,448	3,506,552
Total expenditures	<u>4,102,100</u>	<u>4,102,100</u>	<u>506,061</u>	<u>3,596,039</u>
Excess of revenues over (under) expenditures	(80,800)	(80,800)	3,191	83,991
Other Finance Sources (Uses)				
Transfers out	(69,200)	(69,200)	(69,200)	-
Net change in fund balance	(150,000)	(150,000)	(66,009)	83,991
Beginning fund balance	<u>190,000</u>	<u>190,000</u>	<u>192,089</u>	<u>2,089</u>
Ending fund balance	<u>\$ 40,000</u>	<u>\$ 40,000</u>	126,080	<u>\$ 86,080</u>
<u>Adjustments to GAAP</u>				
Capital assets, net			8,986,522	
Pension deferred outflow			99,539	
Pension liability			(279,327)	
Pension deferred inflow			(14,279)	
OPEB deferred outflow			1,437	
OPEB liability			(19,172)	
OPEB deferred inflow			(1,174)	
			<u>\$ 8,899,626</u>	
<u>Detail of Fund Balance</u>				
Cash and investments			\$ 93,562	
Accounts receivable			57,875	
Accounts payable			(19,812)	
Accrued payroll			(5,545)	
			<u>\$ 126,080</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Charges for services	\$ 13,100	\$ 13,100	\$ 15,756	\$ 2,656
Interest on investments	3,000	3,000	3,782	782
Total revenues	<u>16,100</u>	<u>16,100</u>	<u>19,538</u>	<u>3,438</u>
Expenditures				
Materials and services	89,500	89,500	47,718	41,782
Capital outlay	215,000	215,000	-	215,000
Total expenditures	<u>304,500</u>	<u>304,500</u>	<u>47,718</u>	<u>256,782</u>
Excess of revenues over (under) expenditures	(288,400)	(288,400)	(28,180)	260,220
Other Finance Sources (Uses)				
Transfers in	<u>65,200</u>	<u>65,200</u>	<u>65,200</u>	<u>-</u>
Net change in fund balance	(223,200)	(223,200)	37,020	260,220
Beginning fund balance	<u>223,200</u>	<u>223,200</u>	<u>233,162</u>	<u>9,962</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,182</u>	<u>\$ 270,182</u>
<u>Detail of Fund Balance</u>				
			\$ 270,974	
			(792)	
			<u>\$ 270,182</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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Interest on investments	\$ 600	\$ 600	\$ 1,281	\$ 681
Charges for services	187,000	187,000	184,292	(2,708)
Total revenues	187,600	187,600	185,573	(2,027)
Expenditures				
Debt service	170,582	170,582	169,639	943
Excess of revenues over (under) expenditures	17,018	17,018	15,934	(1,084)
Other Finance Sources (Uses)				
Transfers out	(15,800)	(15,800)	(15,798)	2
Net change in fund balance	1,218	1,218	136	(1,082)
Beginning fund balance	90,400	90,400	99,463	9,063
Ending fund balance	\$ 91,618	\$ 91,618	99,599	\$ 7,981
Adjustments to GAAP				
			(1,979,795)	
			(82,484)	
			(18,564)	
			(74,564)	
			\$ (2,055,808)	
Detail of Fund Balance				
			\$ 64,322	
			18,282	
			27,695	
			(10,700)	
			\$ 99,599	

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 136,000	\$ 136,000	\$ 137,718	\$ 1,718
Interest on investments	1,400	1,400	2,624	1,224
Total revenues	137,400	137,400	140,342	2,942
Expenditures				
Debt service	150,984	150,984	150,964	20
Excess of revenues over (under) expenditures	(13,584)	(13,584)	(10,622)	2,962
Other Finance Sources (Uses)				
Transfers in	15,800	15,800	15,798	(2)
Net change in fund balance	2,216	2,216	5,176	2,960
Beginning fund balance	145,000	145,000	161,799	16,799
Ending fund balance	\$ 147,216	\$ 147,216	166,975	\$ 19,759
Adjustments to GAAP				
			(2,296,287)	
			(180,171)	
			\$ (2,309,483)	
Detail of Fund Balance				
			\$ 162,349	
			7,186	
			(2,560)	
			\$ 166,975	

CITY OF IRRIGON, OREGON
Comparative Statement of Net Position
Proprietary Funds
June 30, 2018

	Water System		Sewer System	
	2018	2017	2018	2017
Assets				
Current assets:				
Cash and investments	\$ 659,624	\$ 544,613	\$ 591,207	\$ 626,507
Taxes receivable	4,497	3,112	7,186	4,862
Accounts receivable	62,849	61,377	85,570	84,621
Prepaid expense	3,000	-	-	-
Due from other funds	18,564	18,525	-	-
Total current assets	<u>748,534</u>	<u>627,627</u>	<u>683,963</u>	<u>715,990</u>
Noncurrent assets:				
Capital assets:				
Land	46,799	46,799	21,442	21,442
Construction in progress	-	-	2,448	-
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>(1,280,392)</u>	<u>(1,163,669)</u>	<u>(3,156,952)</u>	<u>(2,914,097)</u>
Total capital assets	4,544,280	4,661,003	8,986,522	9,226,929
Restricted cash	49,147	43,847	18,282	18,282
Advances to other funds	74,564	93,089	-	-
Total noncurrent assets	<u>4,667,991</u>	<u>4,797,939</u>	<u>9,004,804</u>	<u>9,245,211</u>
Total assets	<u>5,416,525</u>	<u>5,425,566</u>	<u>9,688,767</u>	<u>9,961,201</u>
Deferred Outflows of Resources				
Pension deferred outflows	75,832	134,261	99,539	159,307
OPEB deferred outflows	1,093	-	1,437	-
Total deferred outflows of resources	<u>76,925</u>	<u>134,261</u>	<u>100,976</u>	<u>159,307</u>
Liabilities				
Current liabilities:				
Accounts payable	11,877	15,913	20,604	28,237
Accrued payroll	4,446	4,215	5,545	5,302
Customer deposits	49,147	43,847	-	-
Unearned revenue	4,618	6,121	-	-
Accrued interest payable	2,149	2,172	13,260	14,212
Due to other funds	-	-	18,564	18,525
Current bond premium, net	21,876	23,699	31,979	34,613
Current bonds and notes payable	<u>86,067</u>	<u>83,841</u>	<u>160,940</u>	<u>157,295</u>
Total current liabilities	<u>180,180</u>	<u>179,808</u>	<u>250,892</u>	<u>258,184</u>
Noncurrent liabilities:				
Advances from other funds	-	-	74,564	93,089
Bond premium, net	153,700	175,576	230,676	262,655
Bonds and notes payable	1,986,576	2,072,643	4,115,142	4,276,082
Pension liability	212,800	268,067	279,327	300,360
OPEB liability	14,606	-	19,172	-
Total noncurrent liabilities	<u>2,367,682</u>	<u>2,516,286</u>	<u>4,718,881</u>	<u>4,932,186</u>
Total liabilities	<u>2,547,862</u>	<u>2,696,094</u>	<u>4,969,773</u>	<u>5,190,370</u>
Deferred Inflows of Resources				
Pension deferred inflows	10,878	4,065	14,279	4,822
OPEB deferred inflows	895	-	1,174	-
Total deferred inflows of resources	<u>11,773</u>	<u>4,065</u>	<u>15,453</u>	<u>4,822</u>
Net Position				
Net investment in capital assets	2,296,061	2,305,244	4,447,785	4,496,284
Restricted for:				
Debt service	-	-	18,282	18,282
Prepaid expenses	3,000	-	-	-
Unrestricted	<u>634,754</u>	<u>554,424</u>	<u>338,450</u>	<u>410,750</u>
Total net position	<u>\$ 2,933,815</u>	<u>\$ 2,859,668</u>	<u>\$ 4,804,517</u>	<u>\$ 4,925,316</u>

CITY OF IRRIGON, OREGON
Comparative Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	<u>Water System</u>		<u>Sewer System</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Operating Revenues				
Charges for services	\$ 548,443	\$ 532,749	\$ 706,036	\$ 691,317
Grant income	-	-	-	20,000
Other income	1,903	1,370	1,634	2,793
Total operating revenues	<u>550,346</u>	<u>534,119</u>	<u>707,670</u>	<u>714,110</u>
Operating Expenses				
Personnel services	255,397	274,413	363,620	321,167
Materials and services	130,832	130,814	233,644	243,861
Capital outlay	-	-	2,448	-
Depreciation	116,723	116,723	242,855	242,855
Total operating expenses	<u>502,952</u>	<u>521,950</u>	<u>842,567</u>	<u>807,883</u>
Operating income (loss)	<u>47,394</u>	<u>12,169</u>	<u>(134,897)</u>	<u>(93,773)</u>
Nonoperating Revenues (Expenses)				
Property taxes	86,620	87,626	137,718	145,610
Interest on investments	10,218	5,827	9,317	6,027
Interest expense	(51,823)	(70,606)	(110,217)	(140,968)
Debt issuance costs	-	(40,252)	-	(60,323)
Total nonoperating revenues (expenses)	<u>45,015</u>	<u>(17,405)</u>	<u>36,818</u>	<u>(49,654)</u>
Income (loss) before transfers	92,409	(5,236)	(98,079)	(143,427)
Transfers in	99,100	95,800	80,998	201,800
Transfers out	<u>(103,100)</u>	<u>(99,800)</u>	<u>(84,998)</u>	<u>(205,800)</u>
Change in net position	88,409	(9,236)	(102,079)	(147,427)
Net position - beginning	2,859,668	2,868,904	4,925,316	5,072,743
Prior period adjustment	<u>(14,262)</u>	<u>-</u>	<u>(18,720)</u>	<u>-</u>
Total net position - ending	<u><u>\$ 2,933,815</u></u>	<u><u>\$ 2,859,668</u></u>	<u><u>\$ 4,804,517</u></u>	<u><u>\$ 4,925,316</u></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, 2018, and have issued our report thereon dated November 27, 2018. 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 except as follows:

1. The City did not comply with governing body adopted budget and making appropriations requirements as stated in ORS 294.456(6). Expenditures exceeded budgeted appropriations for the year ended June 30, 2018, as follows:

Fund	Over Expenditure
12 Irrigon Improvements - Capital outlay	\$ 44,342
20 State Street Fund - Transfers out	21

OAR 162-10-0230 Internal Control

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 over financial reporting.

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 November 27, 2018, 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
November 27, 2018

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, 2018, 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 November 27, 2018.

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.

2018-1: 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
Chelsea A. Herron, CPA
Owner/Member

La Grande, Oregon
November 27, 2018