

CITY OF IRRIGON, OREGON

AUDIT REPORT

JUNE 30, 2011

CITY OF IRRIGON, OREGON
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INTRODUCTORY SECTION

CITY OF IRRIGON, OREGON
City Officials

Mayor

Term Expires

David Burns	December 31, 2012	Irrigon, Oregon
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Council Members

Term Expires

Kenneth Matlack	December 31, 2012	Irrigon, Oregon
Michelle Hagen	December 31, 2014	Irrigon, Oregon
Elleanor Partridge	December 31, 2012	Irrigon, Oregon
Kathy Simonis	December 31, 2014	Irrigon, Oregon
Laura Clark	December 31, 2012	Irrigon, Oregon
Joe Theisen (Mayor Pro-Tem)	December 31, 2014	Irrigon, Oregon

Recorder-Administrator

Jerry Breazeale		Irrigon, Oregon
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City Attorney

William J. Kuhn	269A Main Street	Heppner, Oregon
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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

FINANCIAL SECTION

SEYDEL, LEWIS, POE, MOELLER & GUNDERSON, LLC

CERTIFIED PUBLIC ACCOUNTANTS

1121 ADAMS AVENUE • P.O. BOX 1024

LA GRANDE, OREGON 97850-1024

Independent Auditor's Report

Mayor and City Council
City of Irrigon, Oregon

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Irrigon, Oregon's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the City of Irrigon, Oregon, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, the business-type activities, and each major fund of the City of Irrigon, Oregon, as of June 30, 2011, and the respective changes in financial position - modified cash basis and, where applicable cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

As described in Note 1, during the year ended June 30, 2011, the City adopted the provision of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated **December 21, 2011**, 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* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Irrigon, Oregon's financial statements as a whole. The management's discussion and analysis, budgetary comparison information, introductory section, combining and individual fund financial statements, and other financial schedules, are presented for purposes of additional analysis and are not a required part of the financial statements. The budgetary comparison information and combining and individual fund financial statements and other financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and

reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The management's discussion and analysis and introductory section have 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.

SEYDEL, LEWIS, POE, MOELLER
& GUNDERSON, LLC

La Grande, Oregon
December 21, 2011

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF IRRIGON, OREGON
Statement of Net Assets - Modified Cash Basis
June 30, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash on hand	\$ 100	\$ -	\$ 100
Cash and cash equivalents	238,882	332,777	571,659
Restricted cash and cash equivalents	-	267,281	267,281
Capital assets not being depreciated:			
Land	91,882	42,607	134,489
Capital assets being depreciated:			
Improvements	-	12,286,236	12,286,236
Buildings	443,451	690,574	1,134,025
Equipment	38,106	69,661	107,767
Infrastructure	2,530,567	-	2,530,567
Total capital assets	<u>3,104,006</u>	<u>13,089,078</u>	<u>16,193,084</u>
Total assets	<u>3,342,988</u>	<u>13,689,136</u>	<u>17,032,124</u>
Liabilities			
Current liabilities:			
Portion due or payable within one year:			
Loans payable	-	103,179	103,179
Customer deposits	-	22,065	22,065
Total current liabilities	<u>-</u>	<u>125,244</u>	<u>125,244</u>
Long-term liabilities:			
Portion due or payable after one year:			
Loans payable	-	6,520,719	6,520,719
Total liabilities	<u>-</u>	<u>6,645,963</u>	<u>6,645,963</u>
Net Assets			
Invested in capital assets, net of related debt	3,104,006	6,465,180	9,569,186
Restricted for:			
Debt service	-	119,453	119,453
System replacement	-	106,000	106,000
Operation & maintenance	-	22,800	22,800
Street projects	69,349	-	69,349
Unrestricted	<u>169,633</u>	<u>329,740</u>	<u>499,373</u>
Total net assets	<u>\$ 3,342,988</u>	<u>\$ 7,043,173</u>	<u>\$ 10,386,161</u>

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

CITY OF IRRIGON, OREGON
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2011

Activities	Program Revenues			
	Expenses	Fees, Fines & Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 300,030	\$ 14,920	\$ -	\$ 344,538
Streets	175,133	-	-	-
Total governmental activities	<u>475,163</u>	<u>14,920</u>	<u>-</u>	<u>344,538</u>
Business-Type Activities:				
Water	436,321	344,781	-	170,075
Sewer	661,635	553,005	-	-
Total business-type activities	<u>1,097,956</u>	<u>897,786</u>	<u>-</u>	<u>170,075</u>
Total Government	<u>\$ 1,573,119</u>	<u>\$ 912,706</u>	<u>\$ -</u>	<u>\$ 514,613</u>

General Revenues:

Property Taxes
Other Intergovernmental Revenue
Franchise fees
Transient Room Tax
Interest & Investment Earnings
Miscellaneous
Transfers
Total General Revenues

Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 59,428	\$ -	\$ 59,428
(175,133)	-	(175,133)
(115,705)	-	(115,705)
-	78,535	78,535
-	(108,630)	(108,630)
-	(30,095)	(30,095)
(115,705)	(30,095)	(145,800)
166,046	23,172	189,218
167,051	-	167,051
63,587	-	63,587
297	-	297
1,070	3,180	4,250
15,229	-	15,229
8,200	(8,200)	-
421,480	18,152	439,632
305,775	(11,943)	293,832
3,037,213	7,055,116	10,092,329
<u>\$ 3,342,988</u>	<u>\$ 7,043,173</u>	<u>\$ 10,386,161</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 - Modified Cash Basis
Governmental Funds
June 30, 2011

	General Fund	State Tax Street Fund	Bicycle and Foot Path Reserve Fund	Parks System Improvement Funds	Total Governmental Funds
Assets					
Cash on hand	\$ 100	\$ -	\$ -	\$ -	\$ 100
Deposits and investments	158,626	61,716	7,633	10,907	238,882
Cash and cash equivalents	<u>158,726</u>	<u>61,716</u>	<u>7,633</u>	<u>10,907</u>	<u>238,982</u>
Total assets	<u>\$ 158,726</u>	<u>\$ 61,716</u>	<u>\$ 7,633</u>	<u>\$ 10,907</u>	<u>\$ 238,982</u>
Liabilities and Fund Balances					
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Restricted	-	61,716	7,633	-	69,349
Committed	108,483	-	-	10,907	119,390
Unrestricted	<u>50,243</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,243</u>
Total fund balance	<u>158,726</u>	<u>61,716</u>	<u>7,633</u>	<u>10,907</u>	<u>238,982</u>
Total liabilities and fund balances	<u>\$ 158,726</u>	<u>\$ 61,716</u>	<u>\$ 7,633</u>	<u>\$ 10,907</u>	<u>\$ 238,982</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 Assets - Modified Cash Basis
June 30, 2011

Total fund balances - governmental funds	\$ 238,982
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Amounts reported for governmental *activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	91,882	
Buildings	443,451	
Equipment	38,106	
Infrastructure	<u>2,530,567</u>	<u>3,104,006</u>

Total net assets - governmental activities	<u><u>\$ 3,342,988</u></u>
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(The accompanying notes are an integral part of these financial statements)

CITY OF IRRIGON, OREGON
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - Modified Cash Basis
For the Fiscal Year Ended June 30, 2011

	General Fund	State Tax Street Fund	Bicycle and Foot Path Reserve Fund	Parks System Improvement Funds	Total Governmental Funds
Revenues					
Property tax collection	\$ 166,046	\$ -	\$ -	\$ -	\$ 166,046
Franchise fees	63,587	-	-	-	63,587
Licenses and permits	875	-	-	-	875
Intergovernmental	39,683	127,368	-	-	167,051
Miscellaneous	4,130	684	-	10,415	15,229
Grants	200	151,298	-	193,040	344,538
Transient room tax	297	-	-	-	297
Building codes	1,245	-	-	-	1,245
Lease revenue	12,000	-	-	-	12,000
Charges for services	-	-	-	800	800
Interest on investments	817	192	20	41	1,070
Total revenues	<u>288,880</u>	<u>279,542</u>	<u>20</u>	<u>204,296</u>	<u>772,738</u>
Expenditures					
Current:					
Administrative services	220,190	-	-	32,561	252,751
Street services	-	283,443	-	-	283,443
Reserve funds	29,076	-	-	-	29,076
Capital Outlay	487	-	-	76,555	77,042
Total expenditures	<u>249,753</u>	<u>283,443</u>	<u>-</u>	<u>109,116</u>	<u>642,312</u>
Excess of revenues over (under) expenditures	<u>39,127</u>	<u>(3,901)</u>	<u>20</u>	<u>95,180</u>	<u>130,426</u>
Other Financing Sources (Uses)					
Transfers in	20,200	40,000	5,000	45,000	110,200
Transfers out	<u>(94,000)</u>	<u>(8,000)</u>	<u>-</u>	<u>-</u>	<u>(102,000)</u>
Total other financing sources (uses)	<u>(73,800)</u>	<u>32,000</u>	<u>5,000</u>	<u>45,000</u>	<u>8,200</u>
Net change in fund balances	(34,673)	28,099	5,020	140,180	138,626
Fund balances - beginning	<u>193,399</u>	<u>33,617</u>	<u>2,613</u>	<u>(129,273)</u>	<u>100,356</u>
Fund balances - ending	<u>\$ 158,726</u>	<u>\$ 61,716</u>	<u>\$ 7,633</u>	<u>\$ 10,907</u>	<u>\$ 238,982</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 - Modified Cash Basis
For the Fiscal Year Ended June 30, 2011

Total net change in fund balances - governmental funds	\$ 138,626
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Amounts reported for governmental *activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$257,640) exceeded depreciation (\$48,808) in the current period.

167,149

Change in net assets - governmental activities	\$ 305,775
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(The accompanying notes are an integral part of these financial statements)

CITY OF IRRIGON, OREGON
Statement of Net Assets - Modified Cash Basis
Proprietary Funds
June 30, 2011

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 5,431	\$ 327,346	\$ 332,777
Restricted cash and cash equivalents	157,828	109,453	267,281
Noncurrent assets:			
Capital assets:			
Land	31,624	10,983	42,607
Buildings	317,631	372,943	690,574
Improvements	4,844,900	7,441,336	12,286,236
Equipment	6,351	63,310	69,661
Total capital assets	<u>5,200,506</u>	<u>7,888,572</u>	<u>13,089,078</u>
Total assets	<u>5,363,765</u>	<u>8,325,371</u>	<u>13,689,136</u>
Liabilities			
Current liabilities:			
Portion due or payable within one year:			
Loans payable	62,404	40,775	103,179
Customer deposits	22,065	-	22,065
Total current liabilities	<u>84,469</u>	<u>40,775</u>	<u>125,244</u>
Long-term liabilities:			
Portion due or payable after one year:			
Loans payable	2,652,722	3,867,997	6,520,719
Total liabilities	<u>2,737,191</u>	<u>3,908,772</u>	<u>6,645,963</u>
Net Assets			
Invested in capital assets, net of related debt	2,485,380	3,979,800	6,465,180
Restricted for:			
Debt service	10,000	109,453	119,453
System replacement	106,000	-	106,000
Operation & maintenance	22,800	-	22,800
Unrestricted	<u>2,394</u>	<u>327,346</u>	<u>329,740</u>
Total net assets	<u>\$ 2,626,574</u>	<u>\$ 4,416,599</u>	<u>\$ 7,043,173</u>

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

CITY OF IRRIGON, OREGON
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds - Modified Cash Basis
For the Fiscal Year Ended June 30, 2011

	Water Fund	Sewer Fund	Total Proprietary Funds
Operating Revenues			
Charges for services	\$ 339,543	\$ 548,125	\$ 887,668
Miscellaneous	5,238	4,880	10,118
Total operating revenues	<u>344,781</u>	<u>553,005</u>	<u>897,786</u>
Operating Expenses			
Personal services	161,074	224,180	385,254
Utilities	16,164	17,206	33,370
Engineering, testing, and sludge removal	1,742	13,682	15,424
Office supplies, telephone, legal, travel	25,666	31,924	57,590
Supplies and repairs	16,710	29,601	46,311
Miscellaneous	1,905	-	1,905
Depreciation expense	105,106	203,491	308,597
Total operating expenses	<u>328,367</u>	<u>520,084</u>	<u>848,451</u>
Income (loss) from operations	<u>16,414</u>	<u>32,921</u>	<u>49,335</u>
Non-Operating Income (Expenses)			
Interest earned	1,111	2,069	3,180
Property taxes	-	23,172	23,172
Grant income	170,075	-	170,075
Interest expense	(107,954)	(141,551)	(249,505)
Total non-operating income (expenses)	<u>63,232</u>	<u>(116,310)</u>	<u>(53,078)</u>
Income (loss) before transfers	<u>79,646</u>	<u>(83,389)</u>	<u>(3,743)</u>
Transfers (out)	<u>-</u>	<u>(8,200)</u>	<u>(8,200)</u>
Change in net assets	79,646	(91,589)	(11,943)
Net assets - beginning	<u>2,546,928</u>	<u>4,508,188</u>	<u>7,055,116</u>
Net assets - ending	<u><u>\$ 2,626,574</u></u>	<u><u>\$ 4,416,599</u></u>	<u><u>\$ 7,043,173</u></u>

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

CITY OF IRRIGON, OREGON
Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Fiscal Year Ended June 30, 2011

	Water Fund	Sewer Fund	Total Proprietary Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 344,781	\$ 553,005	\$ 897,786
Payments to suppliers	(62,187)	(92,413)	(154,600)
Payments to employees	(161,074)	(224,180)	(385,254)
Net cash provided (used) by operating activities	<u>121,520</u>	<u>236,412</u>	<u>357,932</u>
Cash Flows from Noncapital Financing Activities			
Grant income	170,075	-	170,075
Transfers in (out)	-	(8,200)	(8,200)
Net cash provided (used) by noncapital financing activities	<u>170,075</u>	<u>(8,200)</u>	<u>161,875</u>
Cash Flows from Capital and Related Financing Activities			
Assets purchased	(149,953)	(149,569)	(299,522)
Loan proceeds	-	108,895	108,895
Customer deposit during year	(4,518)	-	(4,518)
Property taxes	-	23,172	23,172
Restricted cash for debt covenants	(157,828)	(109,453)	(267,281)
Principal paid on capital debt	(62,722)	(40,871)	(103,593)
Interest paid on capital debt	(107,954)	(141,551)	(249,505)
Net cash provided (used) by capital and Related financing activities	<u>(482,975)</u>	<u>(309,377)</u>	<u>(792,352)</u>
Cash Flows from Investing Activities			
Interest income	<u>1,111</u>	<u>2,069</u>	<u>3,180</u>
Net increase in cash and cash equivalents	(190,269)	(79,096)	(269,365)
Beginning cash and cash equivalents	<u>195,700</u>	<u>406,442</u>	<u>602,142</u>
Ending cash and cash equivalents	<u>\$ 5,431</u>	<u>\$ 327,346</u>	<u>\$ 332,777</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 16,414	\$ 32,921	\$ 49,335
Adjustments to reconcile operating income to net Cash provided (used) by operating activities:			
Depreciation expense	<u>105,106</u>	<u>203,491</u>	<u>308,597</u>
Net cash provided (used) by operating activities	<u>\$ 121,520</u>	<u>\$ 236,412</u>	<u>\$ 357,932</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 Administrator who serves at the pleasure of the City Council. The City is legally and financially independent of other state and local government units, has the power to levy taxes, is responsible for its debts, and is entitled to any surpluses.

As discussed in Note 1 - Basis of Accounting, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The City has implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the City as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The City presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of the category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The major funds of the financial reporting entity are described below:

Governmental Funds:

General Fund - The general fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

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

Bicycle and Foot Path Reserve Fund - This fund accounts for federal and state funds used to purchase and construct sidewalks, bicycle paths, and other improvements.

CITY OF IRRIGON, OREGON

Notes to Basic Financial Statements

Parks System Improvement Fund - The Parks Fund accounts for donations, special grants, and other monies required to be spent on park improvements and maintenance.

Proprietary Funds:

Enterprise Funds - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise funds that are reported as major 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

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Their balance sheets include only cash and investments as assets and no liabilities. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All cash and investments and capital assets are reported as assets, and only long-term debt is reported as liabilities. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

Assets, Liabilities and Equity

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents.

Investments

Investments classified in the financial statements consist entirely of investments with the State of Oregon Local Government Investment Pool (LGIP). Investments are stated at fair value.

Capital Assets

The City's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements - In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since July 1, 2003 are recorded at cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 is used for assets that have an initial useful life extending beyond a single reporting period. The range of estimated useful lives by type of asset is as follows:

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

Fund Financial Statements - In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-Term Debt

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

Equity Classification

Government-Wide Statements - Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - 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.

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

- b. Restricted net assets - Consists of net 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 assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

Fund Balances

Fund Financial Statements - Governmental fund equity is classified as fund balance as described below. Proprietary fund equity is classified the same as in the government-wide statements

In the fund financial statements, the fund balance for governmental funds is reported in the classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Prior to GASB 54, *Fund Balance Reporting and Governmental Type Definitions*, fund balances were reported as unreserved or reserved. The standard has created five different categories as described below.

Fund balance is reported as nonspendable when the 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.

Fund balance is reported as restricted when the 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.

Fund balance is reported as committed when the City Council passes an ordinance that places specific constraints on how the resources may be used. The City Council can modify or rescind the ordinance at any time through passage of additional ordinance.

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

Unassigned fund balance is 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.

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

Fund balances by classification for the year ended June 30, 2011 were as follows:

	General Fund	State Tax Street Fund	Bicycle & Footpath Reserve Fund	Park System Improvement Fund	Total Government- al Funds
<u>Fund balances:</u>					
Restricted:					
State Tax Street	\$ -	\$ 61,716	\$ 7,633	\$ -	\$ 69,349
Committed:					
Equipment	11,249	-	-	-	11,249
Compensated Absense	81,537	-	-	-	81,537
Park Improvement	-	-	-	10,907	10,907
Building Maintenance	15,697	-	-	-	15,697
Unassigned	50,243	-	-	-	50,243
Total fund balances	<u>\$ 158,726</u>	<u>\$ 61,716</u>	<u>\$ 7,633</u>	<u>\$ 10,907</u>	<u>\$ 238,982</u>

The amount of the primary government's net assets at June 30, 2011 that is restricted by enabling legislation totaled \$69,349.

Revenues, Expenditures and Expenses

Revenues - In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Operating Revenue and Expenses - Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements - Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund Loans - Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund Services - Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund Reimbursements - Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund Transfers - Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

Government-Wide Financial Statements - Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal Balances - Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal Activities - Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers in the Statement of Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property 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 are collected.

Compensated Absences

The City has policies in place that allow employees to accrue vacation and sick time leave. In accordance with the modified cash basis, the City recognizes the expenditure when the accrued time is taken.

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 actions taken to address such violations.

<u>Violation</u>	<u>Action Taken</u>
None	None

Note 3 - Deposits and Investments

Deposits and Investments are comprised of the following at June 30, 2011:

	<u>Carrying Value</u>	<u>Fair Value</u>
Deposits with financial institutions	\$ 322,629	\$ 322,629
Investments with State of Oregon Local Government Investment Pool (LGIP)	516,311	516,311
	<u>\$ 838,940</u>	<u>\$ 838,940</u>

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

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

Cash and cash equivalents	\$ 571,659
Restricted cash and cash equivalents	<u>267,281</u>
Total Cash and cash equivalents	<u><u>\$ 838,940</u></u>

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

Investments, including amounts held in pooled cash and investments are stated at fair value, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Fair value is determined at the quoted market price, if available; otherwise, the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Pool (LGIP) are stated at fair value.

Deposits

Deposits with financial institutions are comprised of bank demand deposits. The total bank balance per the bank statements was \$341,233 at June 30, 2011. The difference is due to transactions in process. Deposits are secured by federal deposit insurance to legal limits. The remaining amount should be 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.

The financial institutions that the City utilizes participate in the FDIC Transaction Account Guarantee Program which provides, among other things, that all non-interest bearing transaction activity accounts are fully insured regardless of balance through December 31, 2013. All other accounts including interest-bearing deposits are insured up to \$250,000.

Investments

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

Credit Risk - Investments

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

Custodial Credit Risk - Investments

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

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

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 insurer. The City has concentrations in the following investments: Local Government Pool. These investments are 100% of the City's total investments.

<u>Investment Type</u>	<u>Maturities</u>	<u>Concentration% of Portfolio</u>	<u>Actual Amount</u>
Local Government Investment Pool	Avg 6-18 months	100%	<u>\$ 516,311</u>

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 not included in revenues are \$7,571, which are all past due and accruing interest.

Since the City reports its financial information on the modified cash basis, taxes receivable have not been included on the Statement of Net Assets - Modified Cash Basis.

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance at July 1, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2011</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 91,882	\$ -	\$ -	\$ 91,882
Construction in progress	<u>1,527,718</u>	<u>-</u>	<u>(1,527,718)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>1,619,600</u>	<u>-</u>	<u>(1,527,718)</u>	<u>91,882</u>

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

Capital assets being depreciated:

Buildings	470,694	-	-	470,694
Equipment	102,956	-	-	102,956
Infrastructure	872,764	1,743,071	-	2,615,835
Total capital assets being depreciated	1,446,414	1,743,071	-	3,189,485

Less: accumulated depreciation:

Buildings	(20,635)	(6,608)	-	(27,243)
Equipment	(61,032)	(3,818)	-	(64,850)
Infrastructure	(47,491)	(37,777)	-	(85,268)
Total accumulated depreciation	(129,158)	(48,203)	-	(177,361)
Net capital assets being depreciated	1,317,256	1,694,868	-	3,012,124

Governmental Activities -
net capital assets

\$ 2,936,856	\$ 1,694,868	\$ (1,527,718)	\$ 3,104,006
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Business-Type Activities:

Capital assets not being depreciated:

Land	\$ 42,607	\$ -	\$ -	\$ 42,607
Construction in progress	4,777,453	-	(4,777,453)	-
Total capital assets, not being depreciated	4,820,060	-	(4,777,453)	42,607

Capital assets being depreciated:

Buildings	961,761	-	-	961,761
Equipment	141,939	-	-	141,939
Improvements	9,164,108	5,083,834	-	14,247,942
Total capital assets being depreciated	10,267,808	5,083,834	-	15,351,642

Less: accumulated depreciation:

Buildings	(255,258)	(15,929)	-	(271,187)
Equipment	(66,222)	(6,056)	-	(72,278)
Improvements	(1,676,747)	(284,959)	-	(1,961,706)
Total accumulated depreciation	(1,998,227)	(306,944)	-	(2,305,171)
Net capital assets being depreciated	8,269,581	4,776,890	-	13,046,471

Business-Type Activities -
net capital assets

\$ 13,089,641	\$ 4,776,890	\$ (4,777,453)	\$ 13,089,078
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Depreciation expense was charged to functions as follows:

Governmental Activities:

General government	\$ 17,716
Streets	30,488
Total	\$ 48,204

Business-Type Activities:

Water	\$ 116,843
Sewer	190,101
Total	\$ 306,944

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

Note 6 - Short-Term Debt

At June 30, 2011, the City had the following short-term debt:

July 1, 2010	Additions	Deletions	June 30, 2011
\$ -	\$ -	\$ -	\$ -

Note 7 - Long-Term Obligations

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2011, are as follows:

	Payable at July 1, 2010	Additions	Deletions	Payable at June 30, 2011
Business-Type Activities:				
Bond 91-05 - Water Bond	\$ 31,229	\$ -	\$ (7,764)	\$ 23,465
G.O. Sewer Bond No. 1 - 2005	2,394,295	-	(29,292)	2,365,003
G.O. Sewer Bond No. 2 - 2005	363,932	-	(4,453)	359,479
Sewer Revenue Bond 2005	574,727	-	(7,126)	567,601
State OR Drinking Water 2009	1,062,000	-	(37,860)	1,024,140
G.O. Water Bond 2009	1,684,619	-	(17,098)	1,667,521
Sewer Revenue Bond 2010	507,794	108,895	-	616,689
	<u>\$ 6,618,596</u>	<u>\$ 108,895</u>	<u>\$ (103,593)</u>	<u>\$ 6,623,898</u>

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

Fiscal Year	Water Bond 91-05			State of Oregon Water Bond		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 5,119	\$ 1,111	\$ 6,230	\$ 39,439	\$ 34,206	\$ 73,645
2013	5,379	851	6,230	40,757	32,889	73,646
2014	5,651	579	6,230	42,118	31,528	73,646
2015	5,937	293	6,230	43,525	30,121	73,646
2016	1,379	35	1,414	44,978	28,667	73,645
2017	-	-	-	46,481	27,165	73,646
2018	-	-	-	48,033	25,613	73,646
2019	-	-	-	49,638	24,008	73,646
2020	-	-	-	51,295	22,350	73,645
2021	-	-	-	53,009	20,637	73,646
2022	-	-	-	54,779	18,867	73,646
2023	-	-	-	56,609	17,037	73,646
2024	-	-	-	58,500	15,146	73,646
2025	-	-	-	60,453	13,192	73,645
2026	-	-	-	62,473	11,173	73,646
2027	-	-	-	64,559	9,087	73,646
2028	-	-	-	66,715	6,930	73,645
2029	-	-	-	68,944	4,702	73,646
2030	-	-	-	71,835	2,399	74,234
	<u>\$ 23,465</u>	<u>\$ 2,869</u>	<u>\$ 26,334</u>	<u>\$ 1,024,140</u>	<u>\$ 375,717</u>	<u>\$ 1,399,857</u>

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

Fiscal Year	G. O. Water Bond '09			Sewer Revenue Bond 2006-Issue		
	Principal	Interest	Total	Principal	Interest	Total
2012	17,846	72,954	90,800	7,329	24,123	31,452
2013	18,627	72,173	90,800	7,640	23,812	31,452
2014	19,442	71,358	90,800	7,965	23,487	31,452
2015	20,292	70,508	90,800	8,304	23,148	31,452
2016	21,180	69,620	90,800	8,657	22,795	31,452
2017	22,107	68,693	90,800	9,024	22,427	31,451
2018	23,074	67,726	90,800	9,408	22,044	31,452
2019	24,083	66,717	90,800	9,808	21,644	31,452
2020	25,137	65,663	90,800	10,225	21,227	31,452
2021	26,237	64,563	90,800	10,659	20,793	31,452
2022	27,384	63,416	90,800	11,112	20,340	31,452
2023	28,583	62,217	90,800	11,585	19,867	31,452
2024	29,833	60,967	90,800	12,077	19,375	31,452
2025	31,138	59,662	90,800	12,590	18,862	31,452
2026	32,501	58,299	90,800	13,125	18,327	31,452
2027	33,922	56,878	90,800	13,683	17,769	31,452
2028	35,407	55,393	90,800	14,265	17,187	31,452
2029	36,956	53,844	90,800	14,871	16,581	31,452
2030	38,572	52,228	90,800	15,503	15,949	31,452
2031	40,260	50,540	90,800	16,162	15,290	31,452
2032	42,021	48,779	90,800	16,849	14,603	31,452
2033	43,860	46,940	90,800	17,565	13,887	31,452
2034	45,779	45,021	90,800	18,311	13,141	31,452
2035	47,781	43,019	90,800	19,089	12,363	31,452
2036	49,872	40,928	90,800	19,901	11,551	31,452
2037	52,054	38,746	90,800	20,746	10,706	31,452
2038	54,331	36,469	90,800	21,628	9,824	31,452
2039	56,708	34,092	90,800	22,547	8,905	31,452
2040	59,189	31,611	90,800	23,505	7,946	31,451
2041	61,779	29,021	90,800	24,505	6,947	31,452
2042	64,481	26,319	90,800	25,546	5,906	31,452
2043	67,302	23,498	90,800	26,632	4,820	31,452
2044	70,247	20,553	90,800	27,764	3,688	31,452
2045	73,320	17,480	90,800	28,943	2,508	31,451
2046	76,528	14,272	90,800	30,174	1,278	31,452
2047	79,876	10,924	90,800	-	-	-
2048	83,371	7,429	90,800	-	-	-
2049	86,441	3,782	90,223	-	-	-
	<u>\$ 1,667,521</u>	<u>\$ 1,782,302</u>	<u>\$ 3,449,823</u>	<u>\$ 567,697</u>	<u>\$ 533,120</u>	<u>\$ 1,100,817</u>

Fiscal Year	G.O. Sewer Bond #1 2005-Issue			G.O. Sewer Bond #2 2005-Issue		
	Principal	Interest	Total	Principal	Interest	Total
2012	30,537	100,513	131,050	4,642	15,278	19,920
2013	31,835	99,215	131,050	4,839	15,081	19,920
2014	33,188	97,862	131,050	5,045	14,875	19,920
2015	34,599	96,451	131,050	5,260	14,660	19,920
2016	36,069	94,981	131,050	5,483	14,437	19,920
2017	37,602	93,448	131,050	5,716	14,204	19,920

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

2018	39,200	91,850	131,050	5,959	13,961	19,920
2019	40,866	90,184	131,050	6,212	13,708	19,920
2020	42,603	88,447	131,050	6,476	13,444	19,920
2021	44,414	86,636	131,050	6,752	13,168	19,920
2022	46,301	84,749	131,050	7,039	12,881	19,920
2023	48,269	82,781	131,050	7,338	12,582	19,920
2024	50,320	80,730	131,050	7,650	12,270	19,920
2025	52,459	78,591	131,050	7,975	11,945	19,920
2026	54,689	76,361	131,050	8,314	11,606	19,920
2027	57,013	74,037	131,050	8,667	11,253	19,920
2028	59,436	71,614	131,050	9,035	10,885	19,920
2029	61,962	69,088	131,050	9,419	10,501	19,920
2030	64,595	66,455	131,050	9,820	10,100	19,920
2031	67,341	63,709	131,050	10,237	9,683	19,920
2032	70,203	60,847	131,050	10,672	9,248	19,920
2033	73,186	57,864	131,050	11,125	8,795	19,920
2034	76,297	54,753	131,050	11,598	8,322	19,920
2035	79,539	51,511	131,050	12,091	7,829	19,920
2036	82,920	48,130	131,050	12,605	7,315	19,920
2037	86,444	44,606	131,050	13,141	6,779	19,920
2038	90,118	40,932	131,050	13,699	6,221	19,920
2039	93,948	37,102	131,050	14,282	5,638	19,920
2040	97,940	33,110	131,050	14,889	5,031	19,920
2041	102,103	28,947	131,050	15,521	4,399	19,920
2042	106,442	24,608	131,050	16,181	3,739	19,920
2043	110,966	20,084	131,050	16,868	3,051	19,919
2044	115,682	15,368	131,050	17,586	2,335	19,921
2045	120,599	10,451	131,050	18,333	1,587	19,920
2046	125,318	5,326	130,644	19,010	808	19,818
	<u>\$ 2,365,003</u>	<u>\$ 2,221,341</u>	<u>\$ 4,586,344</u>	<u>\$ 359,479</u>	<u>\$ 337,619</u>	<u>\$ 697,098</u>

2010 Sewer Revenue Bond

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	18,670	53,057	71,727
2013	19,602	29,841	49,443
2014	20,580	28,863	49,443
2015	21,607	27,836	49,443
2016	22,685	26,758	49,443
2017	23,817	25,626	49,443
2018	25,005	24,437	49,442
2019	26,253	23,190	49,443
2020	27,563	21,880	49,443
2021	28,938	20,504	49,442
2022	30,382	19,060	49,442
2023	31,899	17,544	49,443
2024	33,490	15,952	49,442
2025	35,161	14,281	49,442
2026	36,916	12,527	49,443
2027	38,758	10,685	49,443
2028	40,692	8,751	49,443

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

2029	42,723	6,720	49,443
2030	44,855	4,588	49,443
2031	47,093	2,350	49,443
	<u>\$ 616,689</u>	<u>\$ 394,450</u>	<u>\$ 1,011,139</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	\$ 107,954
Sewer	141,551

Debt Covenants - The Water Fund and Sewer Fund are required by the Rural Utilities Services (RUS) to restrict money for the purpose of paying the cost of repairing or replacing any damage to the facility which may be caused by any unforeseen catastrophe, and for the purpose of making payments of principal and interest on the bonds if no other funds are available. The Water Fund has restricted the full amount required by RUS of \$10,000 for Bond 91-05. For Water Bonds issued in 2009, the City is required to reserve \$11,400 annually in a depreciation reserve and \$53,000 annually in a reserve for undersize waterline replacement starting in the fiscal year ending June 30, 2010. At year end the Water Fund had a total restriction of \$138,800. The Sewer Fund is required to increase its restriction by \$18,242.20 each year until the restriction reaches \$182,422. At year end the City reported \$109,453 of restricted net assets in the Sewer Fund.

Note 8 - 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, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Note 9 - Pension Plan

Plan Description

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

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

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

Funding Policy

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The City is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate for the qualifying employees under the OPSRP plan. The combined OPERF and the OPSRP rates in effect for the year ended June 30, 2010 was 6.09% and 6.84%, respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost - The City's contributions to PERS for the years ending June 30, 2009, 2010, and 2011 were \$33,955, \$23,266 and \$23,298, respectively, which equaled the required contribution for the year.

Note 10 - Internal Transfers

Internal transfers for the fiscal year ending June 30, 2011 consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 20,200	\$ 94,000
Street Fund	40,000	8,000
Bicycle & Footpath Reserve Fund	5,000	
Parks Fund	45,000	-
Business-Type Funds:		
Sewer Fund	-	8,200
	<u>\$ 110,200</u>	<u>\$ 110,200</u>

Transfers are primarily used to move funds from:

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

Note 11 - Other Postemployment Benefits

PERS Retirement Health Insurance Account

Plan Description: The City contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. PHIA 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.

CITY OF IRRIGON, OREGON
Notes to Basic Financial Statements

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

Fiscal Year <u>Ended</u>	RHIA <u>Contributions</u>
6/30/09	\$ 1,204
6/30/10	\$ 935
6/30/11	\$ 981

Note 12 - 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 13 - 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 14 - Commitments

During the fiscal year the City entered into a loan agreement with the Department of Environmental Quality in the amount of \$1,810,000 for a new lift station and collector sewers. The loan has a 2.88% interest rate and is secured by the City's net operating revenue. As of June 30, 2011, the project was still in its initial planning phase and the City had not drawn any of the loan proceeds. The project is anticipated to begin during the fiscal year ended June 30, 2012.

SUPPLEMENTARY INFORMATION

CITY OF IRRIGON, OREGON
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
General Funds - Modified Cash Basis
For the Fiscal Year Ended June 30, 2011

	General Fund	Street Equipment Reserve Fund	Building Maintenance Reserve Fund	Vacation & Sick Leave Reserve Fund	Totals
Revenues					
Property tax collection	\$ 166,046	\$ -	\$ -	\$ -	\$ 166,046
Franchise fees	63,587	-	-	-	63,587
Licenses and permits	875	-	-	-	875
Intergovernmental	39,683	-	-	-	39,683
Miscellaneous	4,130	-	-	-	4,130
Grants	200	-	-	-	200
Transient room tax	297	-	-	-	297
Building codes	1,245	-	-	-	1,245
Lease revenue	12,000	-	-	-	12,000
Interest on investments	326	47	68	376	817
Total revenues	<u>288,389</u>	<u>47</u>	<u>68</u>	<u>376</u>	<u>288,880</u>
Expenditures					
Personal services	56,077	-	-	24,355	80,432
Materials & services	164,113	-	4,721	-	168,834
Capital outlay	-	487	-	-	487
Total expenditures	<u>220,190</u>	<u>487</u>	<u>4,721</u>	<u>24,355</u>	<u>249,753</u>
Excess of revenues over (under) expenditures	<u>68,199</u>	<u>(440)</u>	<u>(4,653)</u>	<u>(23,979)</u>	<u>39,127</u>
Other Financing Sources (Uses):					
Operating transfers in	-	3,000	4,500	12,700	20,200
Operating transfers out	<u>(94,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(94,000)</u>
Total other financing sources (uses)	<u>(94,000)</u>	<u>3,000</u>	<u>4,500</u>	<u>12,700</u>	<u>(73,800)</u>
Net change in fund balance	<u>(25,801)</u>	<u>2,560</u>	<u>(153)</u>	<u>(11,279)</u>	<u>(34,673)</u>
Fund balance - beginning	<u>76,044</u>	<u>8,689</u>	<u>15,850</u>	<u>92,816</u>	<u>193,399</u>
Fund balance - ending	<u>\$ 50,243</u>	<u>\$ 11,249</u>	<u>\$ 15,697</u>	<u>\$ 81,537</u>	<u>\$ 158,726</u>

CITY OF IRRIGON, OREGON
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Modified Cash Basis
General Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues			
Tax collections:			
Current tax levy	\$ 152,000	\$ 152,000	\$ 161,610
Delinquent tax collections	5,000	5,000	4,436
Total tax revenues	<u>157,000</u>	<u>157,000</u>	<u>166,046</u>
Other revenues:			
Franchise fees	75,700	75,700	63,587
Intergovernmental:			
Liquor tax	23,000	23,000	24,049
Cigarette tax	3,000	3,000	2,801
Revenue sharing	13,500	13,500	12,833
Transient room tax	1,200	1,200	297
Grants	13,250	13,250	200
Pet licenses	1,000	1,000	875
Miscellaneous	8,000	8,000	4,130
Interest	1,000	1,000	326
Building codes	5,000	5,000	1,245
Lease revenue	12,000	12,000	12,000
Total other revenues	<u>156,650</u>	<u>156,650</u>	<u>122,343</u>
Total revenues	<u>313,650</u>	<u>313,650</u>	<u>288,389</u>
Expenditures			
General government:			
Personal services	61,900	61,900	56,077
Materials and services	199,750	184,750	164,113
Capital outlay	3,000	3,000	-
Contingency	28,000	28,000	-
Total expenditures	<u>292,650</u>	<u>277,650</u>	<u>220,190</u>
Excess of revenues over (under) expenditures	21,000	36,000	68,199
Other Financing Sources (Uses)			
Transfer out	<u>(84,000)</u>	<u>(99,000)</u>	<u>(94,000)</u>
Net change in fund balance	(63,000)	(63,000)	(25,801)
Fund balance - beginning	<u>63,000</u>	<u>63,000</u>	<u>76,044</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,243</u>

CITY OF IRRIGON, OREGON
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - Modified Cash Basis
Street Equipment Reserve Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues			
Interest earned	\$ 100	\$ 100	\$ 47
Expenditures			
Capital outlay	9,400	9,400	487
Excess of revenues over (under) expenditures	(9,300)	(9,300)	(440)
Other Financing Sources (Uses)			
Transfers in	3,000	3,000	3,000
Net change in fund balance	(6,300)	(6,300)	2,560
Fund balance - beginning	6,300	6,300	8,689
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,249</u>

CITY OF IRRIGON, OREGON
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - Modified Cash Basis
Building Maintenance Reserve Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues			
Interest earned	\$ 200	\$ 200	\$ 68
Expenditures			
Capital outlay	20,300	20,300	4,721
Excess of revenues over (under) expenditures	(20,100)	(20,100)	(4,653)
Other Financing Sources (Uses)			
Transfers in	5,000	5,000	4,500
Net change in fund balance	(15,100)	(15,100)	(153)
Fund balance - beginning	15,100	15,100	15,850
Fund balance - ending	\$ -	\$ -	\$ 15,697

CITY OF IRRIGON, OREGON
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - Modified Cash Basis
Vacation and Sick Leave Reserve Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues			
Interest	\$ 750	\$ 750	\$ 376
Expenditures			
Vacation & sick leave	112,050	112,050	24,355
Excess of revenues over (under) expenditures	(111,300)	(111,300)	(23,979)
Other Financing Sources (Uses)			
Transfers in	20,700	20,700	12,700
Net change in fund balance	(90,600)	(90,600)	(11,279)
Fund balance - beginning	90,600	90,600	92,816
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,537</u>

CITY OF IRRIGON, OREGON
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - Modified Cash Basis
State Tax Street Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Department of Transportation	\$ 85,000	\$ 85,000	\$ 89,623
County Road Tax	37,000	37,000	36,070
Cemetery maintenance contract	4,000	4,000	1,675
Grant revenue	60,000	60,000	151,298
LID street improvements	2,000,000	2,000,000	-
Interest earned	500	500	192
Miscellaneous	8,500	8,500	684
Total revenues	<u>2,195,000</u>	<u>2,195,000</u>	<u>279,542</u>
Expenditures			
Personal services	107,900	107,900	95,262
Materials & services	71,600	71,600	49,383
Capital outlay	2,070,000	2,070,000	138,798
Contingency	20,000	20,000	-
Total expenditures	<u>2,269,500</u>	<u>2,269,500</u>	<u>283,443</u>
Excess of revenues over (under) expenditures	<u>(74,500)</u>	<u>(74,500)</u>	<u>(3,901)</u>
Other Financing Sources (Uses)			
Transfers in	44,000	44,000	40,000
Transfers (out)	(8,000)	(8,000)	(8,000)
Total other financing sources (uses)	<u>36,000</u>	<u>36,000</u>	<u>32,000</u>
Net change in fund balance	(38,500)	(38,500)	28,099
Fund balance - beginning	<u>38,500</u>	<u>38,500</u>	<u>33,617</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,716</u>

CITY OF IRRIGON, OREGON
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - Modified Cash Basis
Bicycle and Foot Path Reserve Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues			
Interest earned	\$ 100	\$ 100	\$ 20
Expenditures			
Capital outlay	7,800	7,800	-
Excess of revenues over (under) expenditures	(7,700)	(7,700)	20
Other Financing Sources (Uses)			
Transfers in	5,000	5,000	5,000
Net change in fund balance	(2,700)	(2,700)	5,020
Fund balance - beginning	2,700	2,700	2,613
Fund balance - ending	\$ -	\$ -	\$ 7,633

CITY OF IRRIGON, OREGON
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - Modified Cash Basis
Parks System Improvement Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Grant revenue	\$ 197,422	\$ 197,422	\$ 193,040
Donation revenue	47,000	32,000	10,415
Sale of land	85,000	85,000	-
Interest on investments	200	200	41
Miscellaneous	-	-	300
Use revenue & fees	5,000	5,000	500
Total revenues	<u>334,622</u>	<u>319,622</u>	<u>204,296</u>
Expenditures			
Personnel services	29,000	29,000	25,803
Materials & services	16,700	16,700	6,758
Capital outlay	335,122	335,122	76,555
Total expenditures	<u>380,822</u>	<u>380,822</u>	<u>109,116</u>
Excess of revenues over (under) expenditures	(46,200)	(61,200)	95,180
Other Financing Sources (Uses)			
Transfers in (out)	<u>30,000</u>	<u>45,000</u>	<u>45,000</u>
Net change in fund balance	(16,200)	(16,200)	140,180
Fund balance - beginning	<u>16,200</u>	<u>16,200</u>	<u>(129,273)</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,907</u>

CITY OF IRRIGON, OREGON
Combining Statement of Net Assets - Modified Cash Basis
Water Funds - Proprietary Fund
June 30, 2011

	Water Operating Fund	Water Debt Service Fund	Water Reserve Fund	Water Deposit Trust Fund
Assets				
Current assets:				
Deposits and investments	\$ 34	\$ -	\$ -	\$ 3,979
Noncurrent assets:				
Restricted cash & cash equivalents	41,447	1,317	79,943	19,028
Capital assets:				
Land	31,624	-	-	-
Buildings	317,631	-	-	-
Improvements	4,844,900	-	-	-
Equipment	6,351	-	-	-
Total capital assets	5,200,506	-	-	-
Total noncurrent assets	5,241,953	1,317	79,943	19,028
Total assets	5,241,987	1,317	79,943	23,007
Liabilities				
Current liabilities:				
Bonds payable	-	62,404	-	-
Customer deposits	3,037	-	-	19,028
Long-term liabilities:				
Bonds payable	-	2,652,722	-	-
Total liabilities	3,037	2,715,126	-	19,028
Net Assets				
Restricted for:				
Debt service	-	10,000	-	-
System replacement	-	-	106,000	-
Operation & maintenance	-	-	22,800	-
Unrestricted	5,238,950	(2,723,809)	(48,857)	3,979
Total net assets	\$ 5,238,950	\$ (2,713,809)	\$ 79,943	\$ 3,979

Water Equipment Reserve Fund	Water System Development Charges Fund	Total Water Funds
<u>\$ 1,418</u>	<u>\$ -</u>	<u>\$ 5,431</u>
	16,093	157,828
-	-	31,624
-	-	317,631
-	-	4,844,900
-	-	6,351
<u>-</u>	<u>-</u>	<u>5,200,506</u>
<u>-</u>	<u>16,093</u>	<u>5,358,334</u>
<u>1,418</u>	<u>16,093</u>	<u>5,363,765</u>
-	-	62,404
-	-	22,065
-	-	2,652,722
<u>-</u>	<u>-</u>	<u>2,737,191</u>
-	-	10,000
-	-	106,000
-	-	22,800
<u>1,418</u>	<u>16,093</u>	<u>2,487,774</u>
<u><u>\$ 1,418</u></u>	<u><u>\$ 16,093</u></u>	<u><u>\$ 2,626,574</u></u>

CITY OF IRRIGON, OREGON
Combining Statement of Revenues, Expenses and Changes
in Net Assets - Modified Cash Basis
Water Funds - Proprietary Fund
For the Fiscal Year Ended June 30, 2011

	Water Operating Fund	Water Debt Service Fund	Water Reserve Fund	Water Deposit Trust Fund
Operating Revenues				
Charges for services	\$ 337,597	\$ -	\$ -	\$ -
Miscellaneous income	5,238	-	-	-
Total operating revenues	<u>342,835</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Expenses				
Personal services	161,074	-	-	-
Electric and heating	16,164	-	-	-
Office supplies, telephone, legal, travel	25,666	-	-	-
Supplies and repairs	16,027	-	-	-
Engineering, testing, & sludge removal	1,742	-	-	-
Miscellaneous	-	-	-	1,905
Depreciation expense	105,106	-	-	-
Total operating expenses	<u>325,779</u>	<u>-</u>	<u>-</u>	<u>1,905</u>
Net operating income (loss)	<u>17,056</u>	<u>-</u>	<u>-</u>	<u>(1,905)</u>
Non-Operating income (Expenses)				
Interest earned	292	154	523	57
Grant revenue	170,075	-	-	-
Interest expense	-	(107,954)	-	-
Total non-operating income (expenses)	<u>170,367</u>	<u>(107,800)</u>	<u>523</u>	<u>57</u>
Net income (loss) before operating transfers	187,423	(107,800)	523	(1,848)
Operating transfers in (out)	<u>(135,000)</u>	<u>160,000</u>	<u>(25,000)</u>	<u>-</u>
Change in net assets	52,423	52,200	(24,477)	(1,848)
Total nets assets - beginning	<u>5,186,527</u>	<u>(2,766,009)</u>	<u>104,420</u>	<u>5,827</u>
Total net assets - ending	<u>\$ 5,238,950</u>	<u>\$ (2,713,809)</u>	<u>\$ 79,943</u>	<u>\$ 3,979</u>

Water Equipment Reserve Fund	Water System Development Charges Fund	Total Water Funds
<u>\$ -</u>	<u>\$ 1,946</u>	<u>\$ 339,543</u>
<u>-</u>	<u>-</u>	<u>5,238</u>
<u>-</u>	<u>1,946</u>	<u>344,781</u>
-	-	161,074
-	-	16,164
-	-	25,666
683	-	16,710
-	-	1,742
-	-	1,905
-	-	105,106
<u>683</u>	<u>-</u>	<u>328,367</u>
<u>(683)</u>	<u>1,946</u>	<u>16,414</u>
10	75	1,111
-	-	170,075
-	-	(107,954)
<u>10</u>	<u>75</u>	<u>63,232</u>
(673)	2,021	79,646
-	-	-
(673)	2,021	79,646
2,091	14,072	2,546,928
<u>\$ 1,418</u>	<u>\$ 16,093</u>	<u>\$ 2,626,574</u>

CITY OF IRRIGON, OREGON
Combining Statement of Cash Flows - Modified Cash Basis
Water Funds - Proprietary Fund
For the Fiscal Year Ended June 30, 2011

	Water Operating Fund	Water Debt Service Fund	Water Reserve Fund	Water Deposit Trust Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 342,835	\$ -	\$ -	\$ -
Payments to suppliers	(59,599)	-	-	(1,905)
Payments to employees	(161,074)	-	-	-
Net cash provided (used) by operating activities	<u>122,162</u>	<u>-</u>	<u>-</u>	<u>(1,905)</u>
Cash Flows from Noncapital Financing Activities				
Grant income	170,075	-	-	-
Transfers in (out)	(135,000)	160,000	(25,000)	-
Net cash provided (used) by noncapital Financing activities	<u>35,075</u>	<u>160,000</u>	<u>(25,000)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities				
Principal paid on capital debt	-	(62,722)	-	-
Interest paid on capital debt	-	(107,954)	-	-
Purchases of capital assets	(149,953)	-	-	-
Restricted cash for debt covenants	(41,447)	(1,317)	(79,943)	(19,028)
Customer deposit during year	-	-	-	(4,518)
Net cash provided (used) by capital and Related financing activities	<u>(191,400)</u>	<u>(171,993)</u>	<u>(79,943)</u>	<u>(23,546)</u>
Cash Flows from Investing Activities				
Interest income	<u>292</u>	<u>154</u>	<u>523</u>	<u>57</u>
Net increase in cash and cash equivalents	(33,871)	(11,839)	(104,420)	(25,394)
Beginning cash and cash equivalents	33,905	11,839	104,420	29,373
Ending cash and cash equivalents	<u>\$ 34</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,979</u>
Reconciliation of operating income (loss) to net Cash provided (used) by operating activities:				
Operating income (loss)	\$ 17,056	\$ -	\$ -	\$ (1,905)
Adjustments to reconcile operating income to net cash Provided (used) by operating activities:				
Depreciation expense	<u>105,106</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>\$ 122,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,905)</u>

<u>Water Equipment Reserve Fund</u>	<u>Water System Development Charges Fund</u>	<u>Total Water Funds</u>
\$ -	\$ 1,946	\$ 344,781
(683)	-	(62,187)
-	-	(161,074)
<u>(683)</u>	<u>1,946</u>	<u>121,520</u>
-	-	170,075
-	-	-
<u>-</u>	<u>-</u>	<u>170,075</u>
-	-	(62,722)
-	-	(107,954)
-	-	(149,953)
-	(16,093)	(157,828)
-	-	(4,518)
<u>-</u>	<u>(16,093)</u>	<u>(482,975)</u>
<u>10</u>	<u>75</u>	<u>1,111</u>
(673)	(14,072)	(190,269)
2,091	14,072	195,700
<u>\$ 1,418</u>	<u>\$ -</u>	<u>\$ 5,431</u>
\$ (683)	\$ 1,946	\$ 16,414
-	-	105,106
<u>\$ (683)</u>	<u>\$ 1,946</u>	<u>\$ 121,520</u>

CITY OF IRRIGON, OREGON
Combining Statement of Net Assets - Modified Cash Basis
Sewer Funds - Proprietary Fund
June 30, 2011

	<u>Sewer Operating Fund</u>	<u>Sewer Reserve Fund</u>	<u>Sewer Equipment Reserve Fund</u>	<u>Sewer Debt Service Fund</u>
Assets				
Current assets:				
Deposits and investments	\$ 72,260	\$ 39,281	\$ 67,110	\$ 124,489
Noncurrent assets:				
Restricted cash	-	-	-	109,453
Capital assets:				
Land	10,983	-	-	-
Buildings	372,943	-	-	-
Improvements	7,441,336	-	-	-
Equipment	63,310	-	-	-
Total capital assets	<u>7,888,572</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total noncurrent assets	<u>7,888,572</u>	<u>-</u>	<u>-</u>	<u>109,453</u>
Total assets	<u>7,960,832</u>	<u>39,281</u>	<u>67,110</u>	<u>233,942</u>
Liabilities				
Bonds Payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,908,772</u>
Net Assets				
Restricted for Debt service	-	-	-	109,453
Unrestricted	<u>7,960,832</u>	<u>39,281</u>	<u>67,110</u>	<u>(3,784,283)</u>
Total net assets	<u>\$ 7,960,832</u>	<u>\$ 39,281</u>	<u>\$ 67,110</u>	<u>\$ (3,674,830)</u>

Sewer Beautification Fund	Sewer System Development Charges Fund	Total Sewer Fund
<u>\$ -</u>	<u>\$ 24,206</u>	<u>\$ 327,346</u>
-	-	109,453
-	-	10,983
-	-	372,943
-	-	7,441,336
-	-	63,310
<u>-</u>	<u>-</u>	<u>7,888,572</u>
<u>-</u>	<u>-</u>	<u>7,998,025</u>
<u>-</u>	<u>24,206</u>	<u>8,325,371</u>
 - <u>-</u>	 - <u>-</u>	 3,908,772 <u>-</u>
-	-	109,453
<u>-</u>	<u>24,206</u>	<u>4,307,146</u>
<u><u>\$ -</u></u>	<u><u>\$ 24,206</u></u>	<u><u>\$ 4,416,599</u></u>

CITY OF IRRIGON, OREGON
Combining Statement of Revenues, Expenses and Changes
in Net Assets - Modified Cash Basis
Sewer Funds - Proprietary Fund
For the Fiscal Year Ended June 30, 2011

	Sewer Operating Fund	Sewer Reserve Fund	Sewer Equipment Reserve Fund	Sewer Debt Service Fund
Operating Revenues				
Charges for services	\$ 548,125	\$ -	\$ -	\$ -
Miscellaneous	4,880	-	-	-
Total operating revenues	<u>553,005</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Expenses				
Personal services	224,180	-	-	-
Electric and heating	17,206	-	-	-
Engineering, testing, and sludge remov	13,682	-	-	-
Office supplies, telephone, legal, travel	31,924	-	-	-
Supplies and repairs	28,095	-	1,506	-
Depreciation expense	203,491	-	-	-
Total operating expenses	<u>518,578</u>	<u>-</u>	<u>1,506</u>	<u>-</u>
Net operating income (loss)	<u>34,427</u>	<u>-</u>	<u>(1,506)</u>	<u>-</u>
Non-Operating income (Expenses)				
Interest earned	437	225	348	935
Property taxes	-	-	-	23,172
Interest expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(141,551)</u>
Total non-operating income (expenses)	<u>437</u>	<u>225</u>	<u>348</u>	<u>(117,444)</u>
Net income (loss) before operating transfers	34,864	225	(1,158)	(117,444)
Operating transfers in (out)	<u>(231,688)</u>	<u>-</u>	<u>-</u>	<u>224,500</u>
Change in net assets	(196,824)	225	(1,158)	107,056
Total nets assets - beginning	8,032,503	55,314	68,268	(3,672,991)
Equity transfer	<u>125,153</u>	<u>(16,258)</u>	<u>-</u>	<u>(108,895)</u>
Total net assets - ending	<u>\$ 7,960,832</u>	<u>\$ 39,281</u>	<u>\$ 67,110</u>	<u>\$ (3,674,830)</u>

Sewer Beautification Fund	Sewer System Development Charges Fund	Total Sewer Fund
\$ -	\$ -	\$ 548,125
-	-	4,880
-	-	553,005
-	-	224,180
-	-	17,206
-	-	13,682
-	-	31,924
-	-	29,601
-	-	203,491
-	-	520,084
-	-	32,921
-	124	2,069
-	-	23,172
-	-	(141,551)
-	124	(116,310)
-	124	(83,389)
(1,012)	-	(8,200)
(1,012)	124	(91,589)
1,012	24,082	4,508,188
-	-	-
\$ -	\$ 24,206	\$ 4,416,599

CITY OF IRRIGON, OREGON
Combining Statement of Cash Flows - Modified Cash Basis
Sewer Funds - Proprietary Funds
For the Fiscal Year Ended June 30, 2011

	Sewer Operating Fund	Sewer Reserve Fund	Sewer Equipment Reserve Fund	Sewer Debt Service Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 553,005	\$ -	\$ -	\$ -
Payments to suppliers	(90,907)	-	(1,506)	-
Payments to employees	(224,180)	-	-	-
Net cash provided (used) by operating activities	237,918	-	(1,506)	-
Cash Flows from Noncapital Financing Activities				
Transfers in (out)	(231,688)	-	-	224,500
Cash Flows from Capital and Related Financing Activities				
Principal paid on capital debt	-	-	-	(40,871)
Interest paid on capital debt	-	-	-	(141,551)
Property taxes	-	-	-	23,172
Loan proceeds received	108,895	-	-	-
Restricted cash for loan covenants	-	-	-	(109,453)
Purchases of capital assets	(133,311)	(16,258)	-	-
Net cash provided (used) by capital and Related financing activities	(24,416)	(16,258)	-	(268,703)
Cash Flows from Investing Activities				
Interest income	437	225	348	935
Net increase in cash and cash equivalents	(17,749)	(16,033)	(1,158)	(43,268)
Beginning cash and cash equivalents	90,009	55,314	68,268	167,757
Ending cash and cash equivalents	\$ 72,260	\$ 39,281	\$ 67,110	\$ 124,489
Reconciliation of operating income (loss) to net Cash provided (used) by operating activities:				
Operating income (loss)	\$ 34,427	\$ -	\$ (1,506)	\$ -
Adjustments to reconcile operating income to net cash Provided (used) by operating activities:				
Depreciation expense	203,491	-	-	-
Net cash provided (used) by operating activities	\$ 237,918	\$ -	\$ (1,506)	\$ -

Sewer Beautification Fund	Sewer System Development Charges Fund	Total Sewer Fund
\$ -	\$ -	\$ 553,005
-	-	(92,413)
-	-	(224,180)
-	-	236,412
(1,012)	-	(8,200)
-	-	(40,871)
-	-	(141,551)
-	-	23,172
-	-	108,895
-	-	(109,453)
-	-	(149,569)
-	-	(309,377)
-	124	2,069
(1,012)	124	(79,096)
1,012	24,082	406,442
<u>\$ -</u>	<u>\$ 24,206</u>	<u>\$ 327,346</u>
\$ -	\$ -	\$ 32,921
-	-	203,491
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 236,412</u>

CITY OF IRRIGON, OREGON
Comparative Statement of Net Assets
Proprietary Funds - Modified Cash Basis
June 30, 2011

	Water System		Sewer System	
	2011	2010	2011	2010
Assets				
Current assets:				
Cash and cash equivalents	\$ 5,431	\$ 103,813	\$ 327,346	\$ 315,231
Restricted cash and cash equivalents	157,828	93,428	109,453	91,211
Noncurrent assets:				
Capital assets:				
Land	31,624	31,624	10,983	10,983
Buildings	317,631	328,172	372,943	378,331
Improvements	4,844,900	524,811	7,441,336	6,962,550
Equipment	6,351	7,268	63,310	68,449
Construction in progress		4,255,272	-	522,181
Total assets	<u>5,363,765</u>	<u>5,344,388</u>	<u>8,325,371</u>	<u>8,348,936</u>
Liabilities				
Current liabilities:				
Customer deposits	22,065	19,612	-	-
Loans payable	62,404	58,410	40,775	40,775
Total current liabilities	<u>84,469</u>	<u>78,022</u>	<u>40,775</u>	<u>40,775</u>
Long-term liabilities:				
Loans payable	<u>2,652,722</u>	<u>2,719,438</u>	<u>3,867,997</u>	<u>3,799,973</u>
Total liabilities	<u>2,737,191</u>	<u>2,797,460</u>	<u>3,908,772</u>	<u>3,840,748</u>
Net Assets				
Invested in capital assets net of debt	2,485,380	2,369,299	3,979,800	4,101,746
Restricted for debt service	10,000	28,486	109,453	91,211
Unrestricted	<u>131,194</u>	<u>149,143</u>	<u>327,346</u>	<u>315,231</u>
Total net assets	<u>\$ 2,626,574</u>	<u>\$ 2,546,928</u>	<u>\$ 4,416,599</u>	<u>\$ 4,508,188</u>

CITY OF IRRIGON, OREGON
Comparative Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds - Modified Cash Basis
For the Fiscal Year Ended June 30, 2011

	Water System Fund		Sewer System Fund	
	2011	2010	2011	2010
Operating Revenues				
Charges for services	\$ 339,543	\$ 379,625	\$ 548,125	\$ 556,552
Miscellaneous	5,238	9,761	4,880	28,930
Total operating revenues	<u>344,781</u>	<u>389,386</u>	<u>553,005</u>	<u>585,482</u>
Operating Expenses				
Personal services	161,074	169,897	224,180	218,518
Electric & heating	16,164	17,213	17,206	16,676
Engineering, testing, and sludge removal	1,742	-	13,682	16,409
Office supplies, telephone, legal, travel	25,666	19,826	31,924	28,360
Supplies & repairs	16,710	32,414	29,601	41,624
Miscellaneous	1,905	17,910	-	-
Depreciation expense	105,106	5,500	203,491	197,470
Total operating expenses	<u>328,367</u>	<u>262,760</u>	<u>520,084</u>	<u>519,057</u>
Non-Operating income (Expenses)				
Interest earned	1,111	1,783	2,069	2,565
Property taxes	-	-	23,172	22,240
Grant income	170,075	515,524	-	-
Interest expense	(107,954)	(121,030)	(141,551)	(143,309)
Total non-operating income (expenses)	<u>63,232</u>	<u>396,277</u>	<u>(116,310)</u>	<u>(118,504)</u>
Operating transfers in (out)	<u>-</u>	<u>(6,500)</u>	<u>(8,200)</u>	<u>(7,000)</u>
Change in net assets	79,646	516,403	(91,589)	(59,079)
Beginning net assets	<u>2,546,928</u>	<u>2,030,525</u>	<u>4,508,188</u>	<u>4,567,267</u>
Ending net assets	<u>\$ 2,626,574</u>	<u>\$ 2,546,928</u>	<u>\$ 4,416,599</u>	<u>\$ 4,508,188</u>

CITY OF IRRIGON, OREGON
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - Modified Cash Basis
Water Operation and Development Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues			
Water sales and service charges	\$ 405,000	\$ 405,000	\$ 337,597
Water service connections	10,000	10,000	-
Miscellaneous income	3,000	3,000	5,238
Interest earned	600	600	292
Water system upgrade grants	-	-	170,075
Grants	208,544	208,544	-
Total revenues	<u>627,144</u>	<u>627,144</u>	<u>513,202</u>
Expenditures			
Personal services	187,600	187,600	161,074
Materials and services	84,800	59,800	59,599
Capital outlay	211,544	211,544	158,515
Contingency	35,000	35,000	-
Total expenditures	<u>518,944</u>	<u>493,944</u>	<u>379,188</u>
Excess of revenues over (under) expenditures	108,200	133,200	134,014
Transfer (out)	<u>(135,500)</u>	<u>(160,500)</u>	<u>(135,000)</u>
Net change in fund balance	(27,300)	(27,300)	(986)
Fund balance - beginning	<u>27,300</u>	<u>27,300</u>	<u>39,430</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,444</u>

CITY OF IRRIGON, OREGON
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - Modified Cash Basis
Sewer Operation and Development Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Sewer sales	\$ 550,000	\$ 550,000	\$ 548,125
Sewer service connections	10,000	10,000	-
Miscellaneous income	45,000	45,000	4,880
Outside city limits surcharge	12,000	12,000	-
Property taxes	1,300	1,300	-
OECDD Sewer Project	200,000	200,000	108,895
Interest earned	2,000	2,000	437
Total revenues	<u>820,300</u>	<u>820,300</u>	<u>662,337</u>
Expenditures			
Personal services	256,700	256,700	224,180
Materials and services	99,563	114,563	90,907
Capital outlay	219,000	219,000	133,311
Contingency	40,000	25,000	-
Total expenditures	<u>615,263</u>	<u>615,263</u>	<u>448,398</u>
Excess of revenues over (under) expenditures	205,037	205,037	213,939
Transfer in	1,063	1,063	1,012
Transfer out	<u>(244,700)</u>	<u>(244,700)</u>	<u>(232,700)</u>
Net change in fund balance	(38,600)	(38,600)	(17,749)
Fund balance - beginning	<u>38,600</u>	<u>38,600</u>	<u>90,009</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,260</u>

CITY OF IRRIGON, OREGON
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - Modified Cash Basis
Water Debt Service Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues			
Interest	\$ 500	\$ 500	\$ 154
Expenditures			
Principal payments	58,607	61,551	62,722
Interest payments	109,127	109,127	107,954
Total expenditures	167,734	170,678	170,676
Excess of revenues over (under) expenditures	(167,234)	(170,178)	(170,522)
Transfer in (out)	110,000	160,000	160,000
Net change in fund balance	(57,234)	(10,178)	(10,522)
Fund balance - beginning	71,900	24,844	11,839
Fund balance - ending	\$ 14,666	\$ 14,666	\$ 1,317

CITY OF IRRIGON, OREGON
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - Modified Cash Basis
Water Reserve Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues			
Interest	\$ 800	\$ 800	\$ 523
Expenditures			
Bond payments/emergency repairs	55,600	55,600	-
Short lived asset water res. repairs	20,000	20,000	-
Capital outlay	42,000	17,000	-
Total expenditures	117,600	92,600	-
Excess of revenues over (under) expenditures	(116,800)	(91,800)	523
Transfer in	13,000	13,000	-
Transfer (out)	-	(25,000)	(25,000)
Net change in fund balance	(103,800)	(103,800)	(24,477)
Fund balance - beginning	103,800	103,800	104,420
Fund balance - ending	\$ -	\$ -	\$ 79,943

CITY OF IRRIGON, OREGON
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - Modified Cash Basis
Water Deposit Trust Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues			
Customer deposits	\$ 9,000	\$ 9,000	\$ -
Interest on investments	500	500	57
Total revenues	<u>9,500</u>	<u>9,500</u>	<u>57</u>
Expenditures			
Customer refunds	<u>43,200</u>	<u>43,200</u>	<u>1,905</u>
Net change in fund balance	(33,700)	(33,700)	(1,848)
Fund balance - beginning	<u>33,700</u>	<u>33,700</u>	<u>5,827</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,979</u>

CITY OF IRRIGON, OREGON
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - Modified Cash Basis
Water Equipment Reserve Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues			
Interest on investments	\$ 100	\$ 100	\$ 10
Expenditures			
Capital outlay	7,208	7,208	683
Excess of revenues over (under) expenditures	(7,108)	(7,108)	(673)
Transfer in	5,000	5,000	-
Net change in fund balance	(2,108)	(2,108)	(673)
Fund balance - beginning	2,108	2,108	2,091
Fund balance - ending	\$ -	\$ -	\$ 1,418

CITY OF IRRIGON, OREGON
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - Modified Cash Basis
Water System Development Charges Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues			
Interest on investments	\$ 400	\$ 400	\$ 75
System development charges	7,000	7,000	1,946
Total revenues	7,400	7,400	2,021
Expenditures	21,500	21,500	-
Net change in fund balance	(14,100)	(14,100)	2,021
Fund balance - beginning	14,100	14,100	14,072
Fund balance - ending	\$ -	\$ -	\$ 16,093

CITY OF IRRIGON, OREGON
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - Modified Cash Basis
Sewer Reserve Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues			
Interest earned	\$ 500	\$ 500	\$ 225
Expenditures			
Capital outlay	55,736	55,736	16,258
Net change in fund balance	(55,236)	(55,236)	(16,033)
Fund balance - beginning	55,236	55,236	55,314
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,281</u>

CITY OF IRRIGON, OREGON
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - Modified Cash Basis
Sewer Equipment Reserve Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues			
Interest on investments	\$ 500	\$ 500	\$ 348
Expenditures			
Capital outlay	68,700	68,700	1,506
Net change in fund balance	(68,200)	(68,200)	(1,158)
Fund balance - beginning	68,200	68,200	68,268
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,110</u>

CITY OF IRRIGON, OREGON
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - Modified Cash Basis
Sewer Debt Service Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual
	Original	Final	Amounts
Revenues			
Sewer Tax	\$ 23,560	\$ 23,560	\$ 23,172
Interest on investments	1,500	1,500	935
Total revenues	<u>25,060</u>	<u>25,060</u>	<u>24,107</u>
Expenditures			
Bond principal payments	59,508	59,508	40,871
Bond interest payments	<u>198,951</u>	<u>198,951</u>	<u>141,551</u>
Total expenditures	<u>258,459</u>	<u>258,459</u>	<u>182,422</u>
Excess of revenues over (under) expenditures	(233,399)	(233,399)	(158,315)
Transfer in	<u>236,500</u>	<u>236,500</u>	<u>224,500</u>
Net change in fund balance	3,101	3,101	66,185
Fund balance - beginning	<u>168,470</u>	<u>168,470</u>	<u>167,757</u>
Fund balance - ending	<u>\$ 171,571</u>	<u>\$ 171,571</u>	<u>\$ 233,942</u>

CITY OF IRRIGON, OREGON
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - Modified Cash Basis
Sewer Beautification Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues	\$ -	\$ -	\$ -
Expenditures	-	-	-
Excess of Revenues over (Under) Expenditures	-	-	-
Transfer in	1,063	1,063	1,012
Net change in fund balance	(1,063)	(1,063)	(1,012)
Fund balance - beginning	1,063	1,063	1,012
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF IRRIGON, OREGON
Schedule of Revenues, Expenditures and Changes in Fund
Balance - Budget and Actual - Modified Cash Basis
Sewer System Development Charges Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues			
Interest on investments	\$ 400	\$ 400	\$ 124
System development charges	10,000	10,000	-
Total revenues	10,400	10,400	124
Expenditures			
Capital outlay	34,600	34,600	-
Net change in fund balance	(24,200)	(24,200)	124
Fund balance - beginning	24,200	24,200	24,082
Fund balance - ending	\$ -	\$ -	\$ 24,206

CITY OF IRRIGON, OREGON
Notes to 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 does budget 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, however, 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.

Proprietary Fund Budgets

The State of Oregon Budget Law requires that all funds be budgeted. For budget purposes, capital expenditures and debt payments are recorded as expenditures and debt proceeds are recognized as revenues. For budget purposes depreciation expense is not recognized. The following funds have these types of differences and a reconciliation of Modified Cash Basis Fund Equity to Budgetary Basis Fund Equity is as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>
Budgetary Basis Equity	\$ 435,147	\$ 142,846
Capital Assets	7,888,572	5,200,506
Bonds Payable	<u>(3,908,772)</u>	<u>(2,715,126)</u>
Modified Cash Basis Equity	<u><u>\$ 4,414,947</u></u>	<u><u>\$ 2,628,226</u></u>

OTHER FINANCIAL SCHEDULES

CITY OF IRRIGON, OREGON
Statement of Actual Expenditures Compared with
Appropriations - All Funds
For the Fiscal Year Ended June 30, 2011

	<u>Appropriations</u>	<u>Budgetary Transfers</u>	<u>Adjusted Appropriations</u>	<u>Actual</u>	<u>Over (Under) Appropriations</u>
<u>General Fund:</u>					
Personal services	\$ 61,900	\$ -	\$ 61,900	\$ 56,077	\$ (5,823)
Materials & services	199,750	(15,000)	184,750	164,113	(20,637)
Capital outlay	3,000	-	3,000	-	(3,000)
Transfers	84,000	15,000	99,000	94,000	(5,000)
Contingency	28,000	-	28,000	-	(28,000)
Total general fund	<u>376,650</u>	<u>-</u>	<u>376,650</u>	<u>314,190</u>	<u>(62,460)</u>
<u>Street Fund:</u>					
Personal services	107,900	-	107,900	95,262	(12,638)
Materials & services	71,600	-	71,600	49,383	(22,217)
Capital outlay	2,070,000	-	2,070,000	138,798	(1,931,202)
Contingency	20,000	-	20,000	-	(20,000)
Transfer to other funds	8,000	-	8,000	8,000	-
Total street fund	<u>2,277,500</u>	<u>-</u>	<u>2,277,500</u>	<u>291,443</u>	<u>(1,986,057)</u>
<u>Street Equipit Reserve Fund:</u>					
Capital outlay	<u>9,400</u>	<u>-</u>	<u>9,400</u>	<u>487</u>	<u>(8,913)</u>
<u>Bicycle and Foot Path Reserve Fund:</u>					
Capital outlay	<u>7,800</u>	<u>-</u>	<u>7,800</u>	<u>-</u>	<u>(7,800)</u>
<u>Water Operating Fund:</u>					
Personal services	187,600	-	187,600	161,074	(26,526)
Materials & services	84,800	(25,000)	59,800	59,599	(201)
Capital outlay	211,544	-	211,544	158,515	(53,029)
Operating contingencies	35,000	-	35,000	-	(35,000)
Transfer to other funds	135,500	25,000	160,500	135,000	(25,500)
Total water fund	<u>654,444</u>	<u>-</u>	<u>654,444</u>	<u>514,188</u>	<u>(140,256)</u>
<u>Sewer Operating Fund:</u>					
Personal services	256,700	-	256,700	224,180	(32,520)
Materials & services	99,563	-	99,563	90,907	(8,656)
Capital outlay	219,000	-	219,000	133,311	(85,689)
Operating contingencies	40,000	-	40,000	-	(40,000)
Transfer to other funds	244,700	-	244,700	232,700	(12,000)
Total sewer fund	<u>859,963</u>	<u>-</u>	<u>859,963</u>	<u>681,098</u>	<u>(178,865)</u>
<u>Parks System Improvement Fund:</u>					
Personal services	29,000	-	29,000	25,803	(3,197)
Materials & services	16,700	-	16,700	6,758	(9,942)
Capital outlay	335,122	-	335,122	76,555	(258,567)
Total parks system improvement fund	<u>380,822</u>	<u>-</u>	<u>380,822</u>	<u>109,116</u>	<u>(271,706)</u>

(continued on next page)

CITY OF IRRIGON, OREGON
Statement of Actual Expenditures Compared with
Appropriations - All Funds
For the Fiscal Year Ended June 30, 2011

	<u>Appropriations</u>	<u>Budgetary Transfers</u>	<u>Adjusted Appropriations</u>	<u>Actual</u>	<u>Over (Under) Appropriations</u>
<u>Water Debt Service Fund:</u>					
Debt service	167,734	2,944	170,678	170,676	(2)
<u>Water SDC Fund:</u>					
Capital outlay	21,500	-	21,500	-	(21,500)
<u>Sewer Beautification Reserve:</u>					
Materials & services	1,063	-	1,063	1,012	(51)
<u>Sewer Reserve Fund:</u>					
Capital outlay	55,736	-	55,736	16,258	(39,478)
<u>Sewer Equipment Reserve Fund:</u>					
Capital outlay	68,700	-	68,700	1,506	(67,194)
<u>Sewer Debt Fund:</u>					
Debt service	258,459	-	258,459	182,422	(76,037)
<u>Vacation and Sick Leave Reserve Fund:</u>					
Personal services	112,050	-	112,050	24,355	(87,695)
<u>Water Reserve Fund:</u>					
Capital outlay	117,600	(25,000)	92,600	-	(92,600)
Transfers	-	25,000	25,000	25,000	-
Total Water Res. Fund	117,600	-	117,600	25,000	(92,600)
<u>Water deposit trust fund:</u>					
Customer refunds	43,200	-	43,200	1,905	(41,295)
<u>Water equipment reserve:</u>					
Capital outlay	7,208	-	7,208	683	(6,525)
<u>Sewer SDC fund:</u>					
Capital outlay	34,600	-	34,600	-	(34,600)
<u>Building Maintenance Reserve Fund:</u>					
Capital outlay	20,300	-	20,300	4,721	(15,579)
Total all funds	<u>\$ 5,474,729</u>	<u>\$ 2,944</u>	<u>\$ 5,477,673</u>	<u>\$ 2,339,060</u>	<u>\$ (3,138,613)</u>

CITY OF IRRIGON, OREGON
Statement of Tax Transactions and Uncollected Taxes
For the Fiscal Year Ended June 30, 2011

Tax Roll	Balance July 1, 2010	Current Tax Levy	Adjustments	Collections	Balance June 30, 2011
2001-02	\$ 8	\$ -	\$ -	\$ 5	\$ 3
2002-03	9	-	-	-	9
2003-04	11	-	-	-	11
2004-05	22	-	-	12	10
2005-06	77	-	-	21	56
2006-07	468	-	-	389	79
2007-08	1,053	-	-	632	421
2008-09	2,361	-	-	1,078	1,283
2009-10	3,855	-	(82)	1,795	1,978
2010-11	-	191,835	(281)	187,833	3,721
	<u>\$ 7,864</u>	<u>\$ 191,835</u>	<u>\$ (363)</u>	<u>\$ 191,765</u>	<u>\$ 7,571</u>

Reconciliation with City Treasurer's Books:

	Total	General Fund	Sewer Fund
2010-11 Current Tax Collections as Shown Above	\$ 187,833	\$ 164,211	\$ 23,622
Less: discounts & adjustments	(3,051)	(2,601)	(450)
Cash received on current tax rolls	184,782	161,610	23,172
Add:			
Delinquent tax collections	4,436	4,436	-
Interest	818	758	60
Total tax revenues	<u>\$ 190,036</u>	<u>\$ 166,804</u>	<u>\$ 23,232</u>

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

SEYDEL, LEWIS, POE, MOELLER & GUNDERSON, LLC

CERTIFIED PUBLIC ACCOUNTANTS

1121 ADAMS AVENUE • P.O. BOX 1024

LA GRANDE, OREGON 97850-1024

**Independent Auditor's Report
Required by Oregon State Regulations**

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

We have audited the basic financial statements of the City of Irrigon of and for the year ended June 30, 2011, and have issued our report thereon dated **December 21, 2011**. 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

As part of obtaining reasonable assurance about whether the City of Irrigon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

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

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

OAR 162-10-0230 Internal Control

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 of Irrigon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Irrigon's internal control over financial reporting.

This report is intended solely for the information and use of the management, the audit committee, City Council and federal awarding agencies and pass-through entities 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.

SEYDEL, LEWIS, POE, MOELLER
& GUNDERSON, LLC

La Grande, Oregon
December 21, 2011

SEYDEL, LEWIS, POE, MOELLER & GUNDERSON, LLC

CERTIFIED PUBLIC ACCOUNTANTS

1121 ADAMS AVENUE • P.O. BOX 1024

LA GRANDE, OREGON 97850-1024

**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 the financial statements of the governmental activities, the business-type activities, and each major fund, of City of Irrigon as of and for the year ended June 30, 2011, which collectively comprise City of Irrigon's basic financial statements and have issued our report thereon dated **December 21, 2011**. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Irrigon's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Irrigon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Irrigon's internal control over financial reporting.

Our consideration over internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below, we identified a certain deficiency in internal control over financial reporting 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.

2011-1: 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 the financial statements, including note disclosures, contain all of the elements required to comply with the modified cash basis of accounting. We do believe the City has staff with the ability to understand, review, and take responsibility for the financial statements required to comply with independence standards outlined under both *Government Auditing Standards* and *AICPA 101-3*. However, our assistance in drafting the financial statements described above does produce a material weakness in the City's internal control system as defined by SAS 115.

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 (SAS) 115, *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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 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*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

SEYDEL, LEWIS, POE, MOELLER
& GUNDERSON, LLC

La Grande, Oregon
December 21, 2011