

**CITY OF IRRIGON, OREGON**

**AUDIT REPORT**

**JUNE 30, 2012**

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

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

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**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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## **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, each major fund and the aggregate remaining fund information of City of Irrigon, Oregon, as of and for the year ended June 30, 2012, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Irrigon, Oregon, as of June 30, 2012, and the respective changes in financial position, where applicable cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 13, during the year ended June 30, 2012, the City changed its method of accounting from modified cash basis to accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2013, on our consideration of the City of Irrigon, Oregon's internal control over financial reporting and on our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and budgetary comparison information on pages 3 through 10 and pages 35 through 37 be present to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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 introductory section, combining and individual nonmajor fund financial statements, and other financial schedules, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor 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 introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

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

La Grande, Oregon  
January 29, 2013



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## **CITY OF IRRIGON**

*AN EQUAL OPPORTUNITY PROVIDER*

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### **Management's Discussion and Analysis**

Our discussion and analysis of City of Irrigon's financial performance provides an overview of the city's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the city's financial statements, which begin on page 10.

### **Financial Highlights**

- Net assets from governmental activities decreased \$18,818 or approximately 0.6% even though current assets increased \$19,488, capital assets decreased \$28,964 and liabilities increased \$9,342.
- Net assets from business-type activities decreased \$170,801 or approximately 2.4% due to total assets decreasing \$147,645 and liabilities increasing \$23,156.

### **Basis of Accounting**

The city has changed its method of accounting from the modified basis of accounting to accounting principles generally accepted in the United States of America. The city now applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Account Standard Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the city applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict or contradict GASB pronouncements to its business-type activities

### **Using This Annual Report**

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

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

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

## The City as a Whole

The City's total assets exceeded total liabilities by \$10,067,456 at the end of the 2011-2012 fiscal year. This is a decrease of \$189,619 or approximately 1.8% from the previous fiscal year's amount of \$10,257,075 as demonstrated in the table below comparing net assets between fiscal year 2011-2012 and fiscal year 2010-2011.

### Statement of Net Assets

<u>Assets</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Activities</u>	
	2011-2012	2010-2011	2011-2012	2010-2011	2011-2012	2010-2011
Unrestricted Cash and Cash Equivalents	\$ 257,181	\$ 238,982	\$ 306,033	\$ 332,777	\$ 563,214	\$ 571,759
Restricted Cash and Cash Equivalents	-	-	279,495	267,281	279,495	267,281
Account Receivables	16,616	15,370	101,443	95,685	118,059	111,055
Property Tax Receivables	6,715	6,672	1,014	899	7,729	7,571
Total Current Assets	280,512	261,024	687,985	696,642	968,497	957,666
Capital Assets						
Construction in Progress	-	-	179,309	-	179,309	-
Land	91,882	91,882	57,782	42,607	149,664	134,489
Infrastructure	2,512,030	2,530,567	-	-	2,512,030	2,530,567
Water System	-	-	4,739,514	4,844,900	4,739,514	4,844,900
Sewer System	-	-	7,261,761	7,441,336	7,261,761	7,441,336
Buildings	436,842	443,451	616,620	690,574	1,053,462	1,134,025
Equipment	34,288	38,106	95,104	69,661	129,392	107,767
Total Capital Assets	3,075,042	3,104,006	12,950,090	13,089,078	16,025,132	16,193,084
Total Assets	3,355,554	3,365,030	13,638,075	13,785,720	16,993,629	17,150,750
<u>Liabilities</u>						
Current Liabilities:						
Account Payables	11,018	6,648	18,017	16,245	29,035	22,893
Deferred Revenue	-	-	1,909	3,037	1,909	3,037
Customer Deposits	-	-	21,359	19,028	21,359	19,028
Accrued Compensated Absences	91,273	86,301	-	-	91,273	86,301
Accrued Interest Payable	-	-	114,489	138,518	114,489	138,518
Loans Payable within one year	-	-	128,679	103,179	128,679	103,179
Total Current Liabilities	102,291	92,949	284,453	280,007	386,744	372,956
Long-term Liabilities:						
Loans Payable after one year	-	-	6,539,429	6,520,719	6,539,429	6,520,719
Total Liabilities	102,291	92,949	6,823,882	6,800,726	6,926,173	6,893,675
<u>Net Assets</u>						
Invested in Capital Assets,						
Net of Related Debt	3,075,042	3,104,006	6,281,982	6,465,180	9,357,024	9,569,186
Restricted for Debt Service	-	-	137,695	119,453	137,695	119,453
Restricted for System Replacement	-	-	193,200	128,800	193,200	128,800
Streets and Public Works	63,057	69,349	-	-	63,057	69,349
Unrestricted	115,164	98,726	201,316	271,561	316,480	370,287
Total Net Assets	\$ 3,253,263	\$3,272,081	\$ 6,814,193	\$ 6,984,994	\$10,067,456	\$10,257,075

The City's total assets decreased \$157,121 and liabilities increased \$32,498 which resulted in the \$189,619 or approximately 1.8% decrease in net assets. Even though total assets decreased the amount of current assets have increased \$10,831 to \$968,497. Current Assets are assets that are expected to either be converted to cash or used to pay current liabilities within 12 months.

Capital assets are depreciated over their estimated useful lives using the straight line method. The total amount of the capital asset depreciation for the fiscal year was \$358,927. The city traded property that was the location of the city's previous contaminated water wells with the associated buildings that had a carrying value of \$58,028 for a 1990 Kenworth Tanker Truck valued at \$35,000, causing an additional decrease of \$23,028 in capital assets. Grant proceeds in the amount of \$19,519 were used to finish a project on First Street and Columbia Lane, construction was done on converting the city's sewer system from the old residential septic/sewer hybrid systems to the more

conventional sewer system at the cost of \$179,309 and land was purchased for \$15,175. All of these different occurrences resulted in a total decrease of \$167,952 in the city's capital assets.

## Governmental Activities

Net assets of the city's governmental activities decreased \$18,818 nearly 0.6%. The statements of activities for governmental activities will give a better understanding of how this came to be. The table below is included for reference and comparison between the current period and the previous period.

### Statement of Activities Summary Governmental Activities for the years ended June 30, 2012 and 2011

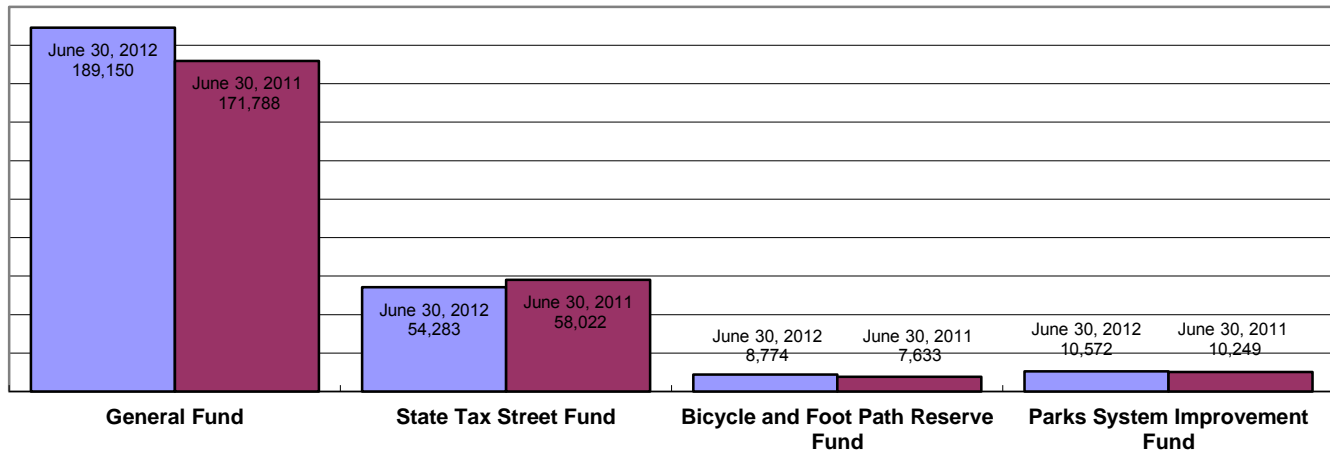
Revenues	2011-2012	2010-2011	Difference
Property Tax Collection	\$ 165,503	\$ 164,403	\$ 1,100
Franchise Fees	62,097	63,587	(1,490)
Pet Licenses	755	875	(120)
Intergovernmental	171,141	165,376	5,765
Miscellaneous	6,751	16,029	(9,278)
Grants	21,150	344,538	(323,388)
Transient Room Tax	207	297	(90)
Building Codes	1,488	1,245	243
Lease Revenue	13,200	12,000	1,200
Cemetery Contract Services	1,925	1,675	250
Interest on Investments	1,345	1,070	275
Total Revenues	445,562	771,095	(325,533)
Expenses			
General Government	316,514	300,030	16,484
Street Services	155,305	175,133	(19,828)
Total Expenditures	471,819	475,163	(3,344)
Increase (Decrease) in net assets before transfers and gain on disposal of real property	(26,257)	295,932	(322,189)
Transfers	7,439	8,200	(761)
Net Change in Net Assets	\$ (18,818)	\$ 304,132	\$ (322,950)

The City's Revenue in Governmental Activities was \$445,562 with expenditures of \$471,819 and a transfer in of \$7,439 which resulted in a decrease of net assets for Governmental activities of \$18,818. The table above is included for reference and comparison between the current period and the previous period. The city received less in grant resources than the year before. The grants received were for the completion of the Street/Sidewalk project along First Street and Columbia of \$18,699, a planning assistance grant for \$1,000, a grant from the Urban Forestry Commission of \$514 for Jason Whitbeck to receive his certificate as an Arborist and \$919 in park donations.

Expenditures for the city's Governmental Activities decreased approximately 0.7% from the previous fiscal year. General government expenditures increased 5.5%, but street service expenditures decreased 11.3%. The county road tax disbursements that the city was getting from the county are being discontinued. In the 2011-2012 fiscal year the city received \$13,929 less in county road tax than the previous year and is not expecting to receive any more in the future and as a result staff had been reducing street expenditures.

The Governmental Funds Balance Comparison Graph presented below is based on the fund financial statements on pages 12 thru 15. This graph compares the fund balances as of June 30, 2012 to the fund balances as of June 30, 2011.

## Governmental Funds Balances Comparisons



The General fund balance increased \$17,362 or approximately 10% from the previous year. The State Tax Street Fund balance decreased \$3,739 or approximately 6%. The Bicycle and Foot Path Reserve Fund balance increased \$1,141 or approximately 15%. The Park System Improvement Fund balance increased \$323 or approximately 3% from the previous year

### Business-Type Activities

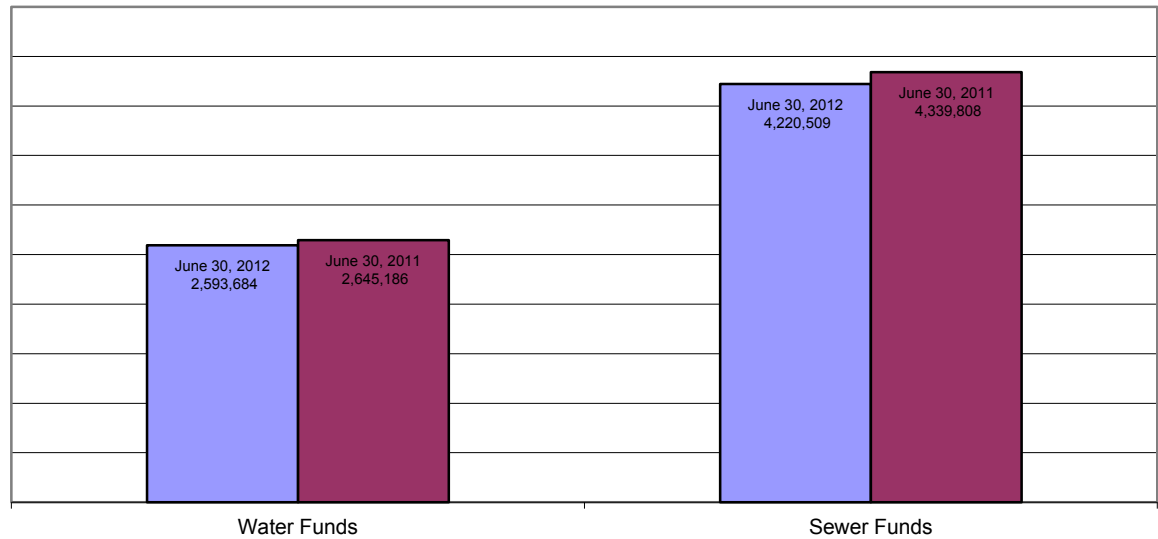
Net assets for business-type activities decreased \$170,801 approximately 2.4%. The statements of activities for the business-type activities will give a better understanding of how this came to be. The table below is included for reference and comparison between the current period and the previous period.

### Statement of Activities Summary Business Type Activities for the years ended June 30, 2012 and 2011

Revenues	2011-2012	2010-2011	Difference
Charges for Services	\$ 1,009,321	\$ 981,512	\$ 27,809
Capital Grant	-	170,075	(170,075)
Property Taxes	27,245	23,633	3,612
Miscellaneous	11,477	10,118	1,359
Interest on Investments	3,124	3,180	(56)
Total Operating Revenue	1,051,167	1,188,518	(137,351)
Expenses			
Water	476,656	436,321	40,335
Sewer	714,845	661,635	53,210
Total Expenses	1,191,501	1,097,956	93,545
Increase (decrease) in net assets before transfers and gain on disposal of real property	(140,334)	90,562	(230,896)
Loss on sale of real property	(23,028)	-	(23,028)
Transfers (out)	(7,439)	(8,200)	761
Change in Net Assets	(170,801)	82,362	(253,162)

The proprietary activity revenue for the fiscal year was \$1,051,167, expenses were \$1,191,501 and the loss on the exchange of property was \$23,028, transfers out were \$7,439 creating a decrease in net assets of \$170,801. The city has experienced a decline in revenues from the proprietary funds of \$137, 351. The reason being that in the prior period a grant of \$170,075 was received but not in the 2011-2012 fiscal year. The revenue from charges for services increased \$27,809. If the \$170,075 is removed from the prior period revenues there would be an increase of \$32,725 in proprietary activity revenue.

Proprietary Fund Balances Comparison

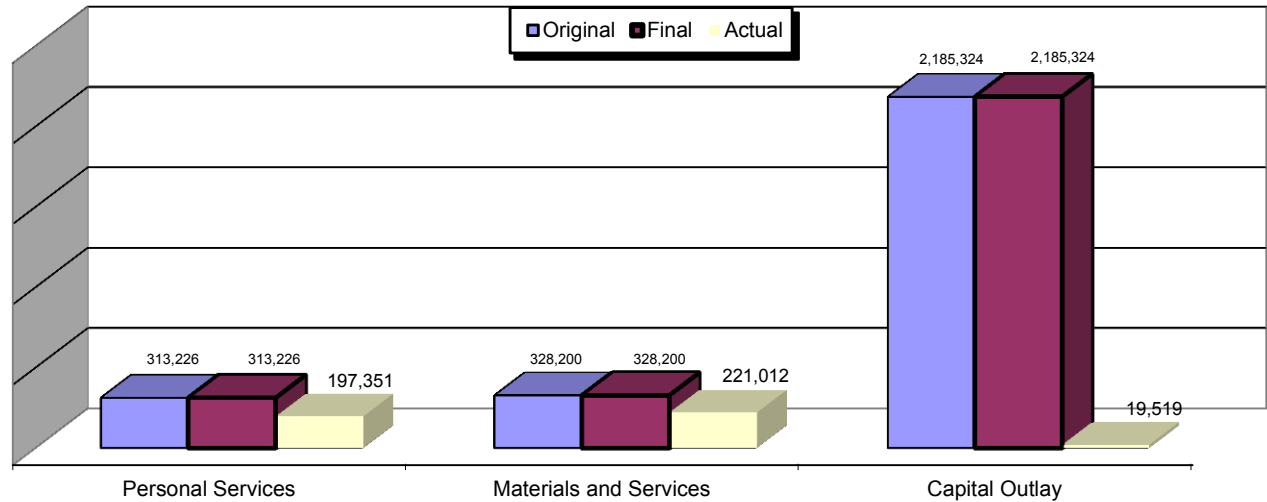


The Proprietary Funds Balance Comparison Graph presented above compares the fund balances as of June 30, 2012 to the fund balances as of June 30, 2011 for the water funds and the sewer funds. The water fund balances decreased \$51,502 from the previous year's total water fund balances. The sewer fund balances decreased \$119,299 from the previous year.

An Increase in the general obligation bond levy in 2012 is expected to produce sufficient resources to equal the city's financial demands for the proprietary funds and stop the decline in fund balances.

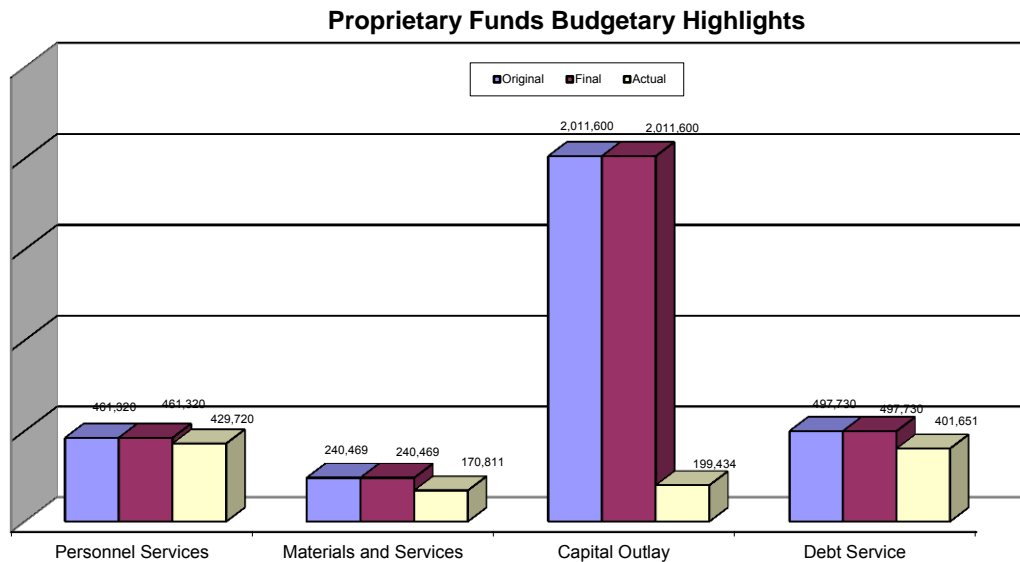
Budgetary Highlights

Governmental Funds Budgetary Highlights



The governmental funds expenditures for the fiscal year were below the appropriations approved by the city council. Personal Services expenditures were \$115,875 below budgeted amount, materials and services were \$107,188 below

budget amount and Capital Outlay was \$2,165,805 below budgeted amount. The reason why the capital outlay is so far below budget is that the local improvement district for street improvements did not get approval and the amount budgeted for the project was \$2,000,000.



The proprietary funds expenditures for the fiscal year were below the appropriations approved by the city council. Personnel Services expenditures were \$31,600 below the budgeted amount, materials and services were \$69,658 below the budget amount, Capital Outlay was \$1,812,166 below the budgeted amount and debt service was \$96,079 below the budgeted amount. The reason why the capital outlay is so far below budget is that at the time the budget was created the city was unsure of what capital outlay projects would be completed before the beginning of the fiscal year so the whole possible amount that could be needed for capital outlay was budgeted to avoid any budget violations.

### 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. For Water Bonds issued in 2009, the city is required to reserve \$11,400 annually in a depreciation reserve and \$53,000 annually in a reserve for undersize waterline replacement starting in the fiscal year ending June 30, 2010. At year end the Water Fund should have had \$203,000 in reserves but was short \$51,401. The Sewer Fund is required to increase its restriction by \$18,242 each year until the restriction reaches \$182,422. At year end the City reported \$127,695 of restricted net assets in the Sewer Fund. The sewer fund had no problem complying with this restriction.

### Approved Loan Agreement

The city has entered into a loan agreement with the Department of environmental Quality in the amount of \$1,810,000 for a new lift station and collector sewers. Of the \$1,810,000 approved, \$1,000,000 of this loan may be forgivable if all terms are met. The loan has a 2.88% interest rate and is secured by the City's net operating revenue. As of June 30, 2012, \$167,802 of loan proceeds had been drawn. Amortization of the loan will be calculated when all funds have been drawn.

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

Total Budget Authority for the 2012-2013 fiscal year is \$7,157,100. This is an increase of \$490,515 from the budget authority of \$6,666,585 from the 2011-2012 budget year.

The City's permanent governmental tax rate is \$3.6782 per \$1,000 assessed value. The voters have approved general obligation bonds for both water and sewer. This year the city is proposing to continue with a tax on property to cover necessary payments on the bonded sewer system debt of approximately \$2.03 per \$1,000 of assessed value as well as adding \$1.7653 per \$1,000 assessed value to cover necessary payment on bonded water system debt. The property tax levy of \$2.0311 per \$1,000 assessed value for debt payments for the sewer system is expected to generate approximately \$93,000. The property tax levy of \$1.7653 per \$1,000 assessed value for debt payments for the water

system is expected to generate approximately \$81,000. The permanent tax rate is expected to raise an estimated \$164,000, allowing for uncollected tax payments and discounts for early payment.

### **Requests for Information**

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



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## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF IRRIGON, OREGON**  
**Statement of Net Assets**  
**June 30, 2012**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 257,181	\$ 306,034	\$ 563,215
Taxes receivable	6,715	1,014	7,729
Accounts receivable	16,616	101,443	118,059
Restricted cash	-	279,494	279,494
Capital assets:			
Land	91,882	57,782	149,664
Construction in progress	-	179,309	179,309
Improvements	-	14,247,942	14,247,942
Buildings	470,694	664,912	1,135,606
Equipment	102,956	176,939	279,895
Infrastructure	2,635,354	-	2,635,354
Less: accumulated depreciation	(225,844)	(2,376,794)	(2,602,638)
Total capital assets	<u>3,075,042</u>	<u>12,950,090</u>	<u>16,025,132</u>
Total assets	<u>3,355,554</u>	<u>13,638,075</u>	<u>16,993,629</u>
<b>Liabilities</b>			
Accounts payable	11,018	18,017	29,035
Deferred revenue	-	1,909	1,909
Customer deposits	-	21,359	21,359
Accrued interest payable	-	114,489	114,489
Long-term obligations (Note 6):			
Due within one year	91,273	128,679	219,952
Due in more than one year	-	6,539,429	6,539,429
Total liabilities	<u>102,291</u>	<u>6,823,882</u>	<u>6,926,173</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	3,075,042	6,281,982	9,357,024
Restricted for:			
Debt service	-	137,695	137,695
System replacement	-	193,200	193,200
Streets and public works	63,057	-	63,057
Unrestricted	<u>115,164</u>	<u>201,316</u>	<u>316,480</u>
Total net assets	<u>\$ 3,253,263</u>	<u>\$ 6,814,193</u>	<u>\$ 10,067,456</u>

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

**CITY OF IRRIGON, OREGON**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2012**

Activities	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 316,514	\$ 2,243	\$ 51,216	\$ -	\$ (263,055)		\$ (263,055)
Streets and public works	155,305	1,925	121,664	18,700	(13,016)		(13,016)
Total governmental activities	471,819	4,168	172,880	18,700	(276,071)		(276,071)
Business-type activities:							
Water	476,656	445,948	-	-		\$ (30,708)	(30,708)
Sewer	714,845	563,373	-	-		(151,472)	(151,472)
Total business-type activities	1,191,501	1,009,321	-	-	-	(182,180)	(182,180)
Total primary government	<u>\$ 1,663,320</u>	<u>\$ 1,013,489</u>	<u>\$ 172,880</u>	<u>\$ 18,700</u>	<u>(276,071)</u>	<u>(182,180)</u>	<u>(458,251)</u>
<b>General Revenues</b>							
Property taxes					165,503	27,245	192,748
Franchise fees					62,097	-	62,097
Interest on investments					1,345	3,124	4,469
Miscellaneous					20,869	11,477	32,346
Loss on sale of capital assets					-	(23,028)	(23,028)
<b>Transfers</b>					<u>7,439</u>	<u>(7,439)</u>	<u>-</u>
Total general revenues and transfers					<u>257,253</u>	<u>11,379</u>	<u>268,632</u>
Change in net assets					(18,818)	(170,801)	(189,619)
Net assets - beginning					3,342,988	7,043,171	10,386,159
Prior period adjustment					<u>(70,907)</u>	<u>(58,177)</u>	<u>(129,084)</u>
Net assets - ending					<u>\$ 3,253,263</u>	<u>\$ 6,814,193</u>	<u>\$ 10,067,456</u>

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

## **FUND FINANCIAL STATEMENTS**

**CITY OF IRRIGON, OREGON**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

	<u>General Fund</u>	<u>State Street Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
<b>Assets</b>				
Cash and investments	\$ 176,332	\$ 60,238	\$ 20,611	\$ 257,181
Taxes receivable	6,715	-	-	6,715
Accounts receivable	16,311	-	305	16,616
Total assets	<u>\$ 199,358</u>	<u>\$ 60,238</u>	<u>\$ 20,916</u>	<u>\$ 280,512</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 3,493	\$ 5,955	\$ 1,570	\$ 11,018
Deferred revenue	6,715	-	-	6,715
Total liabilities	<u>10,208</u>	<u>5,955</u>	<u>1,570</u>	<u>17,733</u>
Fund Balances:				
Restricted	-	54,283	8,774	63,057
Committed	119,067	-	10,572	129,639
Unassigned	70,083	-	-	70,083
Total fund balances	<u>189,150</u>	<u>54,283</u>	<u>19,346</u>	<u>262,779</u>
Total liabilities and fund balances	<u>\$ 199,358</u>	<u>\$ 60,238</u>	<u>\$ 20,916</u>	<u>\$ 280,512</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**  
**June 30, 2012**

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**Total fund balances - governmental funds** \$ 262,779

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 as assets in the funds.

Land	91,882	
Buildings	470,694	
Equipment	102,956	
Infrastructure	2,635,354	
Less: accumulated depreciation	<u>(225,844)</u>	3,075,042

Property taxes receivable will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds. 6,715

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

Compensated absences	<u>(91,273)</u>
----------------------	-----------------

**Total net assets - governmental activities** \$ 3,253,263

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



**CITY OF IRRIGON, OREGON**  
**Statements of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2012**

	<b>General Fund</b>	<b>State Street Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
<b>Revenues</b>				
Property taxes	\$ 165,472	\$ -	\$ -	\$ 165,472
Franchise fees	62,097	-	-	62,097
Licenses and fees	2,243	-	-	2,243
Intergovernmental	50,701	140,364	515	191,580
Interest on investments	860	359	126	1,345
Miscellaneous	18,414	3,462	918	22,794
Total revenues	<u>299,787</u>	<u>144,185</u>	<u>1,559</u>	<u>445,531</u>
<b>Expenditures</b>				
Current:				
General government	227,864	-	35,195	263,059
Streets and public works	-	155,305	-	155,305
Capital outlay	-	19,519	-	19,519
Total expenditures	<u>227,864</u>	<u>174,824</u>	<u>35,195</u>	<u>437,883</u>
Excess of revenues over (under) expenditures	<u>71,923</u>	<u>(30,639)</u>	<u>(33,636)</u>	<u>7,648</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	12,439	31,000	35,100	78,539
Transfers out	(67,000)	(4,100)	-	(71,100)
Total other financing sources (uses)	<u>(54,561)</u>	<u>26,900</u>	<u>35,100</u>	<u>7,439</u>
Net change in fund balance	17,362	(3,739)	1,464	15,087
Beginning fund balance	158,726	61,716	18,540	238,982
Prior period adjustment	13,062	(3,694)	(658)	8,710
Ending fund balance	<u>\$ 189,150</u>	<u>\$ 54,283</u>	<u>\$ 19,346</u>	<u>\$ 262,779</u>

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

**CITY OF IRRIGON, OREGON**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to**  
**the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2012**

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<b>Total net change in fund balances - governmental funds</b>	<b>\$ 15,087</b>
Amounts reported for governmental <i>activities</i> in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$48,483) exceeds capital outlays and other capitalized expenditures (\$19,519) in the current year.	(28,964)
Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount.	31
In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for compensated absences are measured by the amount of financial resources used. Accrued compensated absences (increased) decreased by this amount in the current year.	<u>(4,972)</u>
<b>Change in net assets - governmental activities</b>	<b><u><u>\$ (18,818)</u></u></b>

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

**CITY OF IRRIGON, OREGON**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2012**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 23,268	\$ 282,766	\$ 306,034
Taxes receivable	-	1,014	1,014
Accounts receivable	49,150	52,293	101,443
Total current assets	<u>72,418</u>	<u>336,073</u>	<u>408,491</u>
Noncurrent assets:			
Capital assets:			
Land	46,799	10,983	57,782
Construction in progress	-	179,309	179,309
Buildings	268,493	396,419	664,912
Equipment	69,455	107,484	176,939
Improvements	5,269,272	8,978,670	14,247,942
Less: Accumulated depreciation	(581,709)	(1,795,085)	(2,376,794)
Total capital assets	<u>5,072,310</u>	<u>7,877,780</u>	<u>12,950,090</u>
Restricted cash	<u>151,799</u>	<u>127,695</u>	<u>279,494</u>
Total noncurrent assets	<u>5,224,109</u>	<u>8,005,475</u>	<u>13,229,584</u>
Total assets	<u>5,296,527</u>	<u>8,341,548</u>	<u>13,638,075</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	6,077	11,940	18,017
Customer deposits	21,359	-	21,359
Deferred revenue	1,909	-	1,909
Accrued interest payable	20,786	93,703	114,489
Current bonds and notes payable	64,763	63,916	128,679
Total current liabilities	<u>114,894</u>	<u>169,559</u>	<u>284,453</u>
Noncurrent liabilities:			
Bonds and notes payable	<u>2,587,949</u>	<u>3,951,480</u>	<u>6,539,429</u>
Total liabilities	<u>2,702,843</u>	<u>4,121,039</u>	<u>6,823,882</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	2,419,598	3,862,384	6,281,982
Restricted for:			
Debt service	10,000	127,695	137,695
System replacement	193,200	-	193,200
Unrestricted	<u>(29,114)</u>	<u>230,430</u>	<u>201,316</u>
Total net assets	<u>\$ 2,593,684</u>	<u>\$ 4,220,509</u>	<u>\$ 6,814,193</u>

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

**CITY OF IRRIGON, OREGON**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2012**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>Operating Revenues</b>			
Charges for services	\$ 445,948	\$ 563,373	\$ 1,009,321
Miscellaneous	1,205	10,272	11,477
Total operating revenues	<u>447,153</u>	<u>573,645</u>	<u>1,020,798</u>
<b>Operating Expenses</b>			
Personnel services	180,206	249,513	429,719
Materials and services	68,701	105,390	174,091
Depreciation	120,342	190,100	310,442
Total operating expenses	<u>369,249</u>	<u>545,003</u>	<u>914,252</u>
Operating income (loss)	<u>77,904</u>	<u>28,642</u>	<u>106,546</u>
<b>Nonoperating Revenues (Expenses)</b>			
Property taxes	-	27,245	27,245
Interest on investments	1,029	2,095	3,124
Interest expense	(107,407)	(169,842)	(277,249)
Loss on sale of assets	(23,028)	-	(23,028)
Total nonoperating revenues (expenses)	<u>(129,406)</u>	<u>(140,502)</u>	<u>(269,908)</u>
Income (loss) before transfers	(51,502)	(111,860)	(163,362)
Transfers in	197,500	196,900	394,400
Transfers out	<u>(197,500)</u>	<u>(204,339)</u>	<u>(401,839)</u>
Change in net assets	(51,502)	(119,299)	(170,801)
Net assets - beginning	2,626,573	4,416,598	7,043,171
Prior period adjustment	<u>18,613</u>	<u>(76,790)</u>	<u>(58,177)</u>
Total net assets - ending	<u><u>\$ 2,593,684</u></u>	<u><u>\$ 4,220,509</u></u>	<u><u>\$ 6,814,193</u></u>

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

**CITY OF IRRIGON, OREGON**  
**Statement of Cash Flows**  
**Propreitary Funds**  
**For the Fiscal Year Ended June 30, 2012**

	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total Proprietary Funds</b>
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers	\$ 440,129	\$ 562,307	\$ 1,002,436
Other miscellaneous reciepts	1,205	10,272	11,477
Payments to suppliers	(66,828)	(105,535)	(172,363)
Payments to employees	(180,206)	(249,513)	(429,719)
Net cash provided (used) by operating activities	<u>194,300</u>	<u>217,531</u>	<u>411,831</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Transfers in (out)	<u>-</u>	<u>(7,439)</u>	<u>(7,439)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and construction of capital assets	-	(179,309)	(179,309)
Loan proceeds	-	167,802	167,802
Restricted for loan covenants	(9,091)	(18,242)	(27,333)
Customer deposits during the year	2,331	-	2,331
Property taxes	-	26,231	26,231
Payments on capital debt	(170,677)	(253,249)	(423,926)
Net cash provided (used) by capital and related financing activities	<u>(177,437)</u>	<u>(256,767)</u>	<u>(434,204)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest and dividends	<u>974</u>	<u>2,095</u>	<u>3,069</u>
Net increase (decrease) in cash and investments	17,837	(44,580)	(26,743)
Beginning cash and investments	<u>5,431</u>	<u>327,346</u>	<u>332,777</u>
Ending cash and investments	<u><u>\$ 23,268</u></u>	<u><u>\$ 282,766</u></u>	<u><u>\$ 306,034</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 77,904	\$ 28,642	\$ 106,546
<i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i>			
Depreciation	120,342	190,100	310,442
(Increase) decrease in accounts receivable	(4,692)	(1,066)	(5,758)
Increase (decrease) in accounts payable	1,873	(145)	1,728
Increase (decrease) in deferred revenue	(1,127)	-	(1,127)
Net cash provided (used) by operating activities	<u><u>\$ 194,300</u></u>	<u><u>\$ 217,531</u></u>	<u><u>\$ 411,831</u></u>

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

## **NOTES TO BASIC FINANCIAL STATEMENTS**

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

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**Note 1 - Summary of Significant Accounting Policies**

**Reporting Entity**

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

**Basis of Presentation, Basis of Accounting**

**Government-Wide Financial Statements**

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

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

**Fund Financial Statements**

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

## CITY OF IRRIGON, OREGON

### Notes to Basic Financial Statements

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#### Measurement Focus and Basis of Accounting

##### Government-wide and Proprietary Fund Financial Statements

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

##### Governmental Fund Financial Statements

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

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

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

#### Assets, Liabilities and Equity

##### Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the City for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at June 30, 2012, based on market prices. The individual fund's portion of the pool's fair value is presented as cash and cash equivalents. Earnings on the pooled funds are apportioned and paid or credited to the funds monthly based on the ending balance of each participating fund.

##### Cash and Cash Equivalents

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

##### Receivables and Payables

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

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

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



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

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Property Tax Calendar

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

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

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

Capital Assets

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

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

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

Capitalized Interest

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. \$277,249 of interest was incurred, all of which was charged to expense during the fiscal year ended June 30, 2012.

Compensated Absences

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

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.
- 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.

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

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*Fund Financial Statements* - In the fund financial statements, the fund balance for governmental funds is reported in 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. The five classifications are described below.

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

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

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

Assigned - Resources that are constrained by the government's intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the Council approves which resources should be "reserved" during the adoption of the annual budget. The City Manager 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 - 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.

Fund balances by classification for the year ended June 30, 2012 were as follows:

	General Fund	State Tax Street Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Fund balances:</u>				
Restricted:				
Equipment	\$ -	\$ 54,283	\$ 8,774	\$ 63,057
Committed:				
Equipment	14,311	-	-	14,311
Compensated Absences	91,273	-	-	91,273
Park Improvement	-	-	10,572	10,572
Building Maintenance	13,483	-	-	13,483
Unassigned	70,083	-	-	70,083
Total fund balances	<u>\$ 189,150</u>	<u>\$ 54,283</u>	<u>\$ 19,346</u>	<u>\$ 262,779</u>

The amount of the primary government's net assets at June 30, 2012 that is restricted by enabling legislation totaled \$63,057.

Accounting Estimates

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

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

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**Note 2 - Compliance and Accountability**

**Finance-Related Legal and Contractual Provisions**

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

<u>Violation</u>	<u>Action Taken</u>
The City did not meet the annual reserves required by its debt covenants.	Implemented a general obligation property tax levy and increased water rates.

**Note 3 - Deposits and Investments**

Deposits and Investments are comprised of the following at June 30, 2012:

	<u>Carrying Value</u>	<u>Fair Value</u>
Deposits with financial institutions	\$ 323,784	\$ 323,784
Investments with State of Oregon Local Government Investment Pool (LGIP)	518,925	518,925
	<u>\$ 842,709</u>	<u>\$ 842,709</u>

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

Cash and cash equivalents	\$ 563,215
Restricted cash and cash equivalents	279,494
	<u>\$ 842,709</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 \$362,415 at June 30, 2012. The difference is due to transactions in process. Deposits are secured by federal deposit insurance to legal limits. The remaining amount is secured by collateral in accordance with Oregon Revised Statutes.

**Custodial Credit Risk - Deposits**

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

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

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

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**Investments**

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

**Credit Risk - Investments**

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

**Custodial Credit Risk - Investments**

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

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

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

**Concentration Risk**

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

<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>\$ 518,925</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 included in revenues are \$7,729, which are all past due and accruing interest.

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

**Note 5 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance at July 1, 2011	Increases	Decreases	Balance at June 30, 2012
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 91,882	\$ -	\$ -	\$ 91,882
Capital assets being depreciated:				
Buildings	470,694	-	-	470,694
Equipment	102,956	-	-	102,956
Infrastructure	2,615,835	19,519	-	2,635,354
Total capital assets being depreciated	3,189,485	19,519	-	3,209,004
Less: accumulated depreciation:				
Buildings	(27,243)	(6,609)	-	(33,852)
Equipment	(64,850)	(3,818)	-	(68,668)
Infrastructure	(85,268)	(38,056)	-	(123,324)
Total accumulated depreciation	(177,361)	(48,483)	-	(225,844)
Net capital assets being depreciated	3,012,124	(28,964)	-	2,983,160
Governmental Activities - net capital assets	<u>\$ 3,104,006</u>	<u>\$ (28,964)</u>	<u>\$ -</u>	<u>\$ 3,075,042</u>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 42,607	\$ 15,175	\$ -	\$ 57,782
Construction in progress	-	179,309	-	179,309
Total capital assets, not being depreciated	42,607	194,484	-	237,091
Capital assets being depreciated:				
Buildings	961,761	-	(296,849)	664,912
Equipment	141,939	35,000	-	176,939
Improvements	14,247,942	-	-	14,247,942
Total capital assets being depreciated	15,351,642	35,000	(296,849)	15,089,793
Less: accumulated depreciation:				
Buildings	(271,187)	(15,929)	238,821	(48,295)
Equipment	(72,278)	(9,556)	-	(81,834)
Improvements	(1,961,706)	(284,959)	-	(2,246,665)
Total accumulated depreciation	(2,305,171)	(310,444)	238,821	(2,376,794)
Net capital assets being depreciated	13,046,471	(275,444)	(58,028)	12,712,999
Business-Type Activities - net capital assets	<u>\$ 13,089,078</u>	<u>\$ (80,960)</u>	<u>\$ (58,028)</u>	<u>\$ 12,950,090</u>

Depreciation expense was charged to functions as follows:

<b>Governmental Activities:</b>		<b>Business-Type Activities:</b>	
General government	\$ 10,427	Water	\$ 120,343
Streets	38,056	Sewer	190,101
Total	<u>\$ 48,483</u>	Total	<u>\$ 310,444</u>

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

**Note 6 - Long-Term Obligations**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2012, are as follows:

	Payable at July 1, 2011	Additions	Deletions	Payable at June 30, 2012	Due within one year
<u>Governmental Activities:</u>					
Compensated absences	\$ 86,301	\$ 46,386	\$ (41,414)	\$ 91,273	\$ 91,273
<u>Business-Type Activities:</u>					
G.O. Sewer No. 1 - 2005	\$ 2,365,003	\$ -	\$ (30,537)	\$ 2,334,466	\$ 31,835
G.O. Sewer No. 2 - 2005	359,479	-	(4,642)	354,837	4,839
Sewer Revenue Bond 2005	567,601	-	(7,329)	560,272	7,640
Sewer Revenue Bond 2010	616,689	-	(18,670)	598,019	19,602
Water Bond 91-05	23,465	-	(5,129)	18,336	5,379
State OR Drinking Water 2009	1,024,140	-	(39,439)	984,701	40,757
G.O. Water Bond 2009	1,667,521	-	(17,846)	1,649,675	18,627
Septic Conversion Loan	-	167,802	-	167,802	-
Total business-type activities	\$ 6,623,898	\$ 167,802	\$ (123,592)	\$ 6,668,108	\$ 128,679

Governmental Activities:

**Compensated Absences**

Total	Current Portion	Long-Term Portion
\$ 91,273	\$ 91,273	\$ -

Business-Type Activities:

**G.O Sewer No. 1 - 2005**

On December 15, 2005, the City issued General Obligation Sewer Bonds in the amount of \$2,500,000 for improvements to the sewer system. The loan is payable over 40 years, including interest at 4.25%, with annual installments of \$131,050.

\$ 2,334,466      \$ 31,835      \$ 2,302,631

**G.O Sewer No. 2 - 2005**

On December 15, 2005, the City issued General Obligation Sewer Bonds in the amount of \$380,000 for improvements to the sewer system. The loan is payable over 40 years, including interest at 4.25%, with annual installments of \$19,920.

354,837      4,839      349,998

**Sewer Revenue Bond 2005**

On December 15, 2005, the City issued Sewer Revenue Bonds in the amount of \$600,000 for improvements to the sewer system. The loan is payable over 40 years, including interest at 4.25%, with annual installments of \$31,452.

560,272      7,640      552,632

**Sewer Revenue Bond 2010**

On December 1, 2010, the City issued Sewer Revenue Bonds in the amount of \$616,689 for improvements to the sewer system. The loan is payable over 21 years, including interest at 4.99%, with annual installments of \$49,443.

598,019      19,602      578,417

**Septic Conversion Loan**

During the fiscal year ended June 30, 2011, the City entered into a loan agreement with the Department of Environmental Quality in the amount of \$1,810,000 for a new lift station and collector sewers. The loan has a 2.88% interest rate and is secured by the City's net operating revenue. As of June 30, 2012, \$167,802 of loan proceeds had been drawn. Amortization of the loan will be calculated when all funds have been drawn.

167,802      -      167,802

Total - Sewer Fund

4,015,396      63,916      3,951,480

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

**Water Bond 91-05**

On February 1, 1975, the City issued General Obligation Water Bonds in the amount of \$106,000 for improvements to the water system. The loan is payable over 40 years, including interest at 5%, with semi-annual installments of \$3,115..

18,336                      5,379                      12,957

**State OR Drinking Water 2009**

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

984,701                      40,757                      943,944

**G.O. Water Bond 2009**

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

1,649,675                      18,627                      1,631,048

Total - Water Fund

2,652,712                      64,763                      2,587,949

Total Business Type Activities

6,668,108                      128,679                      6,539,429

**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
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	1,369	35	1,404	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>\$ 18,336</u>	<u>\$ 1,758</u>	<u>\$ 20,094</u>	<u>\$ 984,701</u>	<u>\$ 341,511</u>	<u>\$ 1,326,212</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
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	30,078	1,278	31,356
2047	79,876	10,924	90,800	-	-	-
2048	83,371	7,429	90,800	-	-	-
2049	86,441	3,782	90,223	-	-	-
	<u>\$ 1,649,675</u>	<u>\$ 1,709,348</u>	<u>\$ 3,359,023</u>	<u>\$ 560,272</u>	<u>\$ 508,997</u>	<u>\$ 1,069,269</u>



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

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Fiscal Year	G.O. Sewer Bond #1 2005-Issue			G.O. Sewer Bond #2 2005-Issue		
	Principal	Interest	Total	Principal	Interest	Total
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
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>\$ 2,334,466</u>	<u>\$ 2,120,828</u>	<u>\$ 4,455,294</u>	<u>\$ 354,837</u>	<u>\$ 322,341</u>	<u>\$ 677,178</u>

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

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Fiscal Year	2010 Sewer Revenue Bond		
	Principal	Interest	Total
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
2029	42,723	6,720	49,443
2030	44,855	4,588	49,443
2031	47,093	2,350	49,443
	<u>\$ 598,019</u>	<u>\$ 341,393</u>	<u>\$ 939,412</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	\$ 107,407
Sewer	169,842

**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 total restricted cash of \$151,799, or \$51,401 short of the \$203,200 required by the City's debt covenants. The Sewer Fund is required to increase its restriction by \$18,242 each year until the restriction reaches \$182,422. At year end the City reported \$127,695 of restricted net assets in the Sewer Fund.

**Note 7 - Grants**

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

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

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**Note 8 - Pension Plan**

**Plan Description**

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

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

**Funding Policy**

Members of PERS are required to contribute 6.00% of their salary covered under the plan, which is invested in the OPSRP Individual Account Program. The City is required by ORS 238.225 to contribute at an actuarially determined rate for the qualifying employees under the OPERF plan, and a general service rate for the qualifying employees under the OPSRP plan. The combined OPERF and the OPSRP rates in effect for the year ended June 30, 2012 was 11.07% and 9.65%, respectively. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

Annual Pension Cost - The City's contributions to PERS for the years ending June 30, 2010, 2011, and 2012 were \$23,266, \$23,298 and \$43,223 respectively, which equaled the required contribution for the year.

**Note 9 - Internal Transfers**

Internal transfers for the fiscal year ending June 30, 2012 consist of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Governmental Funds:</b>		
General Fund	\$ 12,439	\$ 67,000
Street Fund	31,000	4,100
Nonmajor funds	35,100	-
<b>Proprietary Funds:</b>		
Sewer Fund	-	7,439
	<u>\$ 78,539</u>	<u>\$ 78,539</u>

Transfers are primarily used to move funds from:

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

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

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**Note 10 - Other Postemployment Benefits**

**PERS Retirement Health Insurance Account**

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

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

Participating cities are contractually required to contribute to RHIA at a rate assessed each year by PERS, currently 0.59 percent of annual covered payroll. The Oregon PERS Board of Trustees sets the employer contribution rate. It is based on the annual required contribution of the combined participant employers. This is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a closed period not to exceed 30 years. The City's contributions to RHIA for the year ended June 30, 2012 are included in the PERS annual pension amount.

**Note 11 - Risk Management**

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

**Note 12 - Litigation**

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

**Note 13 - Change in Accounting Principles**

The City has changed its method of accounting from the modified cash basis of accounting to accounting principles generally accepted in the United States of America (described in Note 1). The City believes this new method of accounting will benefit the users of financial statements, both internal and external, by providing accrual information within the financial statement presentation. The effect of the change is presented in Note 14.

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

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**Note 14 - Prior Period Adjustment**

As described in Note 13, the City changed its method of accounting to accounting principles generally accepted in the United States of America. Accordingly, the beginning fund balances/net assets were restated to include revenue recorded but not yet collected (receivables) and expenditures/expenses incurred but not yet paid (payables) as of July 1, 2011. The net effect of these restatements are as follows:

<u>Governmental Funds:</u>	<u>General</u>	<u>State Street</u>	<u>Nonmajor</u>
Fund balance at July 1, 2011 - originally reported	\$ 158,726	\$ 61,716	\$ 18,540
Modified cash basis to GAAP adjustment	13,062	(3,694)	(658)
Fund balance at July 1, 2011 - restated	<u>\$ 171,788</u>	<u>\$ 58,022</u>	<u>\$ 17,882</u>
<u>Proprietary Funds:</u>	<u>Water</u>	<u>Sewer</u>	
Net assets at July 1, 2011 - originally reported	\$ 2,626,573	\$ 4,416,598	
Modified cash basis to GAAP adjustment	18,613	(76,790)	
Net assets at July 1, 2011 - restated	<u>\$ 2,645,186</u>	<u>\$ 4,339,808</u>	
<u>Government-Wide Statements:</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Net assets at July 1, 2011 - originally reported	\$ 3,342,988	\$ 7,043,171	
Modified cash basis to GAAP adjustment	(70,907)	(58,177)	
Net assets at July 1, 2011 - restated	<u>\$ 3,272,081</u>	<u>\$ 6,984,994</u>	

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>
	<b>Original</b>	<b>Final</b>	
<b>Revenues</b>			
Property taxes	\$ 167,022	\$ 167,022	\$ 165,472
Franchise fees	66,500	66,500	62,097
Licenses and fees	5,000	5,000	2,243
Intergovernmental	47,750	47,750	50,701
Interest on investments	1,490	1,490	860
Miscellaneous	42,700	42,700	18,414
Total revenues	<u>330,462</u>	<u>330,462</u>	<u>299,787</u>
<b>Expenditures</b>			
Personnel services	166,226	166,226	61,849
Materials and services	213,300	213,300	166,015
Capital outlay	17,100	17,100	-
Contingency	31,336	31,336	-
Total expenditures	<u>427,962</u>	<u>427,962</u>	<u>227,864</u>
Excess of revenues over (under) expenditures	<u>(97,500)</u>	<u>(97,500)</u>	<u>71,923</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	22,500	22,500	12,439
Transfers out	(71,400)	(71,400)	(67,000)
Total other financing sources (uses)	<u>(48,900)</u>	<u>(48,900)</u>	<u>(54,561)</u>
Net change in fund balance	(146,400)	(146,400)	17,362
Beginning fund balance	146,400	146,400	158,726
Prior period adjustment	-	-	13,062
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,150</u>

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**State Street Fund - 020**  
**For the Fiscal Year Ended June 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Intergovernmental	\$ 167,724	\$ 167,724	\$ 140,364	\$ (27,360)
Interest on investments	400	400	359	(41)
Miscellaneous	2,011,500	2,011,500	3,462	(2,008,038)
Total revenues	<u>2,179,624</u>	<u>2,179,624</u>	<u>144,185</u>	<u>(2,035,439)</u>
<b>Expenditures</b>				
Personnel services	114,500	114,500	107,848	6,652
Materials and services	62,600	62,600	47,457	15,143
Capital outlay	2,052,524	2,052,524	19,519	2,033,005
Contingency	21,000	21,000	-	21,000
Total expenditures	<u>2,250,624</u>	<u>2,250,624</u>	<u>174,824</u>	<u>2,075,800</u>
Excess of revenues over (under) expenditures	<u>(71,000)</u>	<u>(71,000)</u>	<u>(30,639)</u>	<u>40,361</u>
<b>Other Finance Sources (Uses)</b>				
Transfers in	31,000	31,000	31,000	-
Transfers out	(6,000)	(6,000)	(4,100)	1,900
Total other finance sources (uses)	<u>25,000</u>	<u>25,000</u>	<u>26,900</u>	<u>1,900</u>
Net change in fund balance	(46,000)	(46,000)	(3,739)	42,261
Beginning fund balance	46,000	46,000	61,716	15,716
Prior period adjustment	-	-	(3,694)	(3,694)
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,283</u>	<u>\$ 54,283</u>



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

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**Budgets and Budgetary Accounting**

The City budgets all funds which are subject to budget requirements of state law. The City Council legally adopts the budget by resolution before July 1. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of control (total personal services, materials and services, capital outlay, and other expenditures) is established by resolution for all funds. The City 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.

## **SUPPLEMENTARY INFORMATION**

**CITY OF IRRIGON, OREGON**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**General Funds**  
**For the Fiscal Year Ended June 30, 2012**

	10	15	17	25	
	General	Vacation &	Building	Street	
	Fund	Sick Leave	Maintenance	Equipment	
		Fund	Fund	Reserve Fund	Total
<b>Revenues</b>					
Property taxes	\$ 165,472	\$ -	\$ -	\$ -	\$ 165,472
Franchise fees	62,097	-	-	-	62,097
Licenses and fees	2,243	-	-	-	2,243
Intergovernmental	50,701	-	-	-	50,701
Interest on investments	276	446	76	62	860
Miscellaneous	18,414	-	-	-	18,414
Total revenues	<u>299,203</u>	<u>446</u>	<u>76</u>	<u>62</u>	<u>299,787</u>
<b>Expenditures</b>					
Personnel services	61,700	149	-	-	61,849
Materials and services	163,725	-	2,290	-	166,015
Total expenditures	<u>225,425</u>	<u>149</u>	<u>2,290</u>	<u>-</u>	<u>227,864</u>
Excess of revenues over (under) expenditures	<u>73,778</u>	<u>297</u>	<u>(2,214)</u>	<u>62</u>	<u>71,923</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	9,439	-	3,000	12,439
Transfers out	(67,000)	-	-	-	(67,000)
Total other financing sources (uses)	<u>(67,000)</u>	<u>9,439</u>	<u>-</u>	<u>3,000</u>	<u>(54,561)</u>
Net change in fund balance	6,778	9,736	(2,214)	3,062	17,362
Beginning fund balance	50,243	81,537	15,697	11,249	158,726
Prior period adjustment	13,062	-	-	-	13,062
Ending fund balance	<u>\$ 70,083</u>	<u>\$ 91,273</u>	<u>\$ 13,483</u>	<u>\$ 14,311</u>	<u>\$ 189,150</u>

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**General Fund - 010**  
**For the Fiscal Year Ended June 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 167,022	\$ 167,022	\$ 165,472	\$ (1,550)
Franchise fees	66,500	66,500	62,097	(4,403)
Intergovernmental	47,750	47,750	50,701	2,951
Licenses and fees	5,000	5,000	2,243	(2,757)
Interest on investments	900	900	276	(624)
Miscellaneous	42,700	42,700	18,414	(24,286)
Total revenues	<u>329,872</u>	<u>329,872</u>	<u>299,203</u>	<u>(30,669)</u>
<b>Expenditures</b>				
Personnel services	65,336	65,336	61,700	3,636
Materials and services	207,300	207,300	163,725	43,575
Capital outlay	500	500	-	500
Contingency	31,336	31,336	-	31,336
Total expenditures	<u>304,472</u>	<u>304,472</u>	<u>225,425</u>	<u>79,047</u>
Excess of revenues over (under) expenditures	25,400	25,400	73,778	48,378
<b>Other Finance Sources (Uses)</b>				
Transfers out	<u>(71,400)</u>	<u>(71,400)</u>	<u>(67,000)</u>	<u>4,400</u>
Net change in fund balance	(46,000)	(46,000)	6,778	52,778
Beginning fund balance	46,000	46,000	50,243	4,243
Prior period adjustment	<u>-</u>	<u>-</u>	<u>13,062</u>	<u>13,062</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,083</u>	<u>\$ 70,083</u>

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Vacation and Sick Leave Reserve Fund - 015**  
**For the Fiscal Year Ended June 30, 2012**

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	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Interest on investments	\$ 390	\$ 390	\$ 446	\$ 56
<b>Expenditures</b>				
Personnel services	100,890	100,890	149	100,741
Excess of revenues over (under) expenditures	(100,500)	(100,500)	297	100,797
<b>Other Finance Sources (Uses)</b>				
Transfers in	19,500	19,500	9,439	(10,061)
Net change in fund balance	(81,000)	(81,000)	9,736	90,736
Beginning fund balance	81,000	81,000	81,537	537
Ending fund balance	\$ -	\$ -	\$ 91,273	\$ 91,273

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Building Maintenance Fund - 017**  
**For the Fiscal Year Ended June 30, 2012**

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	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Interest on investments	\$ 50	\$ 50	\$ 76	\$ 26
<b>Expenditures</b>				
Materials and services	6,000	6,000	2,290	3,710
Capital outlay	5,250	5,250	-	5,250
Total expenditures	11,250	11,250	2,290	8,960
Net change in fund balance	(11,200)	(11,200)	(2,214)	8,986
Beginning fund balance	11,200	11,200	15,697	4,497
Ending fund balance	\$ -	\$ -	\$ 13,483	\$ 13,483

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Street Equipment Reseve Fund - 025**  
**For the Fiscal Year Ended June 30, 2012**

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	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Interest on investments	\$ 150	\$ 150	\$ 62	\$ (88)
<b>Expenditures</b>				
Capital outlay	11,350	11,350	-	11,350
Excess of revenues over (under) expenditures	(11,200)	(11,200)	62	11,262
<b>Other Finance Sources (Uses)</b>				
Transfers in	3,000	3,000	3,000	-
Net change in fund balance	(8,200)	(8,200)	3,062	11,262
Beginning fund balance	8,200	8,200	11,249	3,049
Ending fund balance	\$ -	\$ -	\$ 14,311	\$ 14,311

**CITY OF IRRIGON, OREGON**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2012**

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	<b>26 Bicycle &amp; Foot Path Fund</b>	<b>40 Parks System Improvement Fund</b>	<b>Total</b>
<b>Assets</b>			
Cash and investments	\$ 8,774	\$ 11,837	\$ 20,611
Accounts receivable	-	305	305
Total assets	<u>\$ 8,774</u>	<u>\$ 12,142</u>	<u>\$ 20,916</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ -	\$ 1,570	\$ 1,570
Fund Balances:			
Restricted	8,774	-	8,774
Committed	-	10,572	10,572
Total fund balances	<u>8,774</u>	<u>10,572</u>	<u>19,346</u>
Total Liabilities and fund balances	<u>\$ 8,774</u>	<u>\$ 12,142</u>	<u>\$ 20,916</u>



**CITY OF IRRIGON, OREGON**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Fiscal Year Ended June 30, 2012**

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	<b>26 Bicycle &amp; Foot Path Fund</b>	<b>40 Parks System Improvement Fund</b>	<b>Total</b>
<b>Revenues</b>			
Intergovernmental	\$ -	\$ 515	\$ 515
Interest on investments	41	85	126
Miscellaneous	-	918	918
Total revenues	<u>41</u>	<u>1,518</u>	<u>1,559</u>
<b>Expenditures</b>			
Personnel services	-	27,655	27,655
Materials and services	-	7,540	7,540
Total expenditures	<u>-</u>	<u>35,195</u>	<u>35,195</u>
Excess of revenues over (under) expenditures	41	(33,677)	(33,636)
<b>Other Financing Sources (Uses)</b>			
Transfers in	<u>1,100</u>	<u>34,000</u>	<u>35,100</u>
Net change in fund balance	1,141	323	1,464
Beginning fund balance	7,633	10,907	18,540
Prior period adjustment	<u>-</u>	<u>(658)</u>	<u>(658)</u>
Ending fund balance	<u><u>\$ 8,774</u></u>	<u><u>\$ 10,572</u></u>	<u><u>\$ 19,346</u></u>

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Bicycle & Foot Path Fund - 026**  
**For the Fiscal Year Ended June 30, 2012**

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	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Interest on investments	\$ 100	\$ 100	\$ 41	\$ (59)
<b>Expenditures</b>				
Capital outlay	10,700	10,700	-	10,700
Excess of revenues over (under) expenditures	(10,600)	(10,600)	41	10,641
<b>Other Finance Sources (Uses)</b>				
Transfers in	3,000	3,000	1,100	(1,900)
Net change in fund balance	(7,600)	(7,600)	1,141	8,741
Beginning fund balance	7,600	7,600	7,633	33
Ending fund balance	\$ -	\$ -	\$ 8,774	\$ 8,774

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Parks System Improvement Fund - 040**  
**For the Fiscal Year Ended June 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Intergovernmental	\$ 21,000	\$ 21,000	\$ 515	\$ (20,485)
Interest on investments	100	100	85	(15)
Miscellaneous	6,500	6,500	918	(5,582)
Total revenues	<u>27,600</u>	<u>27,600</u>	<u>1,518</u>	<u>(26,082)</u>
<b>Expenditures</b>				
Personnel services	32,500	32,500	27,655	4,845
Materials and services	17,300	17,300	7,540	9,760
Capital outlay	105,000	105,000	-	105,000
Total expenditures	<u>154,800</u>	<u>154,800</u>	<u>35,195</u>	<u>119,605</u>
Excess of revenues over (under) expenditures	<u>(127,200)</u>	<u>(127,200)</u>	<u>(33,677)</u>	<u>93,523</u>
<b>Other Finance Sources (Uses)</b>				
Sale of assets	85,000	85,000	-	(85,000)
Transfers in	37,900	37,900	34,000	(3,900)
Total other finance sources (uses)	<u>122,900</u>	<u>122,900</u>	<u>34,000</u>	<u>(88,900)</u>
Net change in fund balance	(4,300)	(4,300)	323	4,623
Beginning fund balance	4,300	4,300	10,907	6,607
Prior period adjustment	-	-	(658)	(658)
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,572</u>	<u>\$ 10,572</u>

**CITY OF IRRIGON, OREGON**  
**Combining Statement of Net Assets**  
**Water Funds**  
**June 30, 2012**

	60 Water Operation & Development Fund	61 Water Connection Fees Fund	65 Water Reserve Fund	67 Water Equipment Reserve Fund	68 Water Debt Service Fund	16 Water Deposit Common Trust Fund	Total
<b>Assets</b>							
Current assets:							
Cash and investments	\$ 23,268	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,268
Accounts receivable	49,150	-	-	-	-	-	49,150
Total current assets	<u>72,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,418</u>
Noncurrent assets:							
Capital assets:							
Land	46,799	-	-	-	-	-	46,799
Buildings	268,493	-	-	-	-	-	268,493
Equipment	69,455	-	-	-	-	-	69,455
Improvements	5,269,272	-	-	-	-	-	5,269,272
Less: Accumulated depreciation	(581,709)	-	-	-	-	-	(581,709)
Total capital assets	<u>5,072,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,072,310</u>
Restricted cash	15,320	973	91,781	1,525	16,862	25,338	151,799
Total noncurrent assets	<u>5,087,630</u>	<u>973</u>	<u>91,781</u>	<u>1,525</u>	<u>16,862</u>	<u>25,338</u>	<u>5,224,109</u>
Total assets	<u>5,160,048</u>	<u>973</u>	<u>91,781</u>	<u>1,525</u>	<u>16,862</u>	<u>25,338</u>	<u>5,296,527</u>
<b>Liabilities</b>							
Current liabilities:							
Customer deposits	-	-	-	-	-	21,359	21,359
Accounts payable	6,077	-	-	-	-	-	6,077
Deferred revenue	1,909	-	-	-	-	-	1,909
Accrued interest payable	-	-	-	-	20,786	-	20,786
Current bonds and notes payable	-	-	-	-	64,763	-	64,763
Total current liabilities	<u>7,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,549</u>	<u>21,359</u>	<u>114,894</u>
Noncurrent liabilities:							
Bonds and notes payable	-	-	-	-	2,587,949	-	2,587,949
Total liabilities	<u>7,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,673,498</u>	<u>21,359</u>	<u>2,702,843</u>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	5,072,310	-	-	-	(2,652,712)	-	2,419,598
Restricted for:							
Debt service	-	-	-	-	10,000	-	10,000
System replacement	36,679	973	143,182	1,525	6,862	3,979	193,200
Unrestricted	<u>43,073</u>	<u>-</u>	<u>(51,401)</u>	<u>-</u>	<u>(20,786)</u>	<u>-</u>	<u>(29,114)</u>
Total net assets	<u>\$ 5,152,062</u>	<u>\$ 973</u>	<u>\$ 91,781</u>	<u>\$ 1,525</u>	<u>\$ (2,656,636)</u>	<u>\$ 3,979</u>	<u>\$ 2,593,684</u>

**CITY OF IRRIGON, OREGON**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**  
**Water Funds**  
**For the Fiscal Year Ended June 30, 2012**

	60 Water Operations & Development Fund	61 Water Connection Fees Fund	65 Water Reserve Fund	67 Water Equipment Reserve Fund	68 Water Debt Service Fund	16 Water Deposit Common Trust Fund	Total
<b>Operating Revenues</b>							
Charges for services	\$ 445,948	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 445,948
Miscellaneous	1,205	-	-	-	-	-	1,205
Total operating revenues	447,153	-	-	-	-	-	447,153
<b>Operating Expenses</b>							
Personnel services	180,206	-	-	-	-	-	180,206
Materials and services	68,701	-	-	-	-	-	68,701
Depreciation	120,342	-	-	-	-	-	120,342
Total operating expenses	369,249	-	-	-	-	-	369,249
Operating income (loss)	77,904	-	-	-	-	-	77,904
<b>Nonoperating Revenues (Expenses)</b>							
Interest on investments	307	55	438	7	222	-	1,029
Interest expense	-	-	-	-	(107,407)	-	(107,407)
Loss on sale of assets	(23,028)	-	-	-	-	-	(23,028)
Total nonoperating revenues (expenses)	(22,721)	55	438	7	(107,185)	-	(129,406)
Income (loss) before transfers	55,183	55	438	7	(107,185)	-	(51,502)
Transfers in	-	-	11,400	100	186,000	-	197,500
Transfers out	(197,500)	-	-	-	-	-	(197,500)
Change in net assets	(142,317)	55	11,838	107	78,815	-	(51,502)
Net assets - beginning	5,238,949	16,093	79,943	1,418	(2,713,809)	3,979	2,626,573
Prior period adjustment	40,255	-	-	-	(21,642)	-	18,613
Equity transfer	15,175	(15,175)	-	-	-	-	-
Total net assets - ending	<u>\$ 5,152,062</u>	<u>\$ 973</u>	<u>\$ 91,781</u>	<u>\$ 1,525</u>	<u>\$ (2,656,636)</u>	<u>\$ 3,979</u>	<u>\$ 2,593,684</u>

**CITY OF IRRIGON, OREGON**  
**Statement of Cash Flows**  
**Water Funds**  
**For the Year Ended June 30, 2012**

	60 Water Operations & Development Fund	61 Water Connection Fees Fund	65 Water Reserve Fund	67 Water Equipment Reserve Fund	68 Water Debt Service Fund	16 Water Deposit Common Trust Fund	Total
<b>Cash Flows from Operating Activities:</b>							
Receipts from customers	\$ 440,129	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 440,129
Other miscellaneous receipts	1,205	-	-	-	-	-	1,205
Payments to suppliers	(66,828)	-	-	-	-	-	(66,828)
Payments to employees	(180,206)	-	-	-	-	-	(180,206)
Net cash provided (used) by operating activities	194,300	-	-	-	-	-	194,300
<b>Cash Flows from Noncapital Financing Activities:</b>							
Transfers in (out)	(197,500)	-	11,400	100	186,000	-	-
<b>Cash Flows from Capital and Related Financing Activities:</b>							
Restricted for loan covenants	26,127	-	(11,838)	(1,525)	(15,545)	(6,310)	(9,091)
Customer deposits during the year	-	-	-	-	-	2,331	2,331
Payments on capital debt	-	-	-	-	(170,677)	-	(170,677)
Net cash provided (used) by capital and related financing activities	26,127	-	(11,838)	(1,525)	(186,222)	(3,979)	(177,437)
<b>Cash Flows from Investing Activities:</b>							
Interest and dividends	307	-	438	7	222	-	974
Net increase (decrease) in cash and investments	23,234	-	-	(1,418)	-	(3,979)	17,837
Beginning cash and investments	34	-	-	1,418	-	3,979	5,431
Ending cash and investments	<u>\$ 23,268</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,268</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>							
Operating income (loss)	\$ 77,904	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,904
<i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i>							
Depreciation	120,342	-	-	-	-	-	120,342
(Increase) decrease in accounts receivable	(4,692)	-	-	-	-	-	(4,692)
Increase (decrease) in accounts payable	1,873	-	-	-	-	-	1,873
Increase (decrease) in deferred revenue	(1,127)	-	-	-	-	-	(1,127)
Net cash provided (used) by operating activities	<u>\$ 194,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194,300</u>

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Water Operation & Development Fund - 060**  
**For the Fiscal Year Ended June 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Charges for services	475,000	475,000	445,948	(29,052)
Interest on investments	500	500	307	(193)
Miscellaneous	2,000	2,000	1,205	(795)
Total revenues	<u>477,500</u>	<u>477,500</u>	<u>447,460</u>	<u>(30,040)</u>
<b>Expenditures</b>				
Personnel services	194,389	194,389	180,206	14,183
Materials and services	74,100	74,100	68,701	5,399
Capital outlay	10,000	10,000	-	10,000
Contingency	26,611	26,611	-	26,611
Total expenditures	<u>305,100</u>	<u>305,100</u>	<u>248,907</u>	<u>56,193</u>
Excess of revenues over (under) expenditures	172,400	172,400	198,553	26,153
<b>Other Finance Sources (Uses)</b>				
Transfers out	<u>(207,400)</u>	<u>(207,400)</u>	<u>(197,500)</u>	<u>9,900</u>
Net change in fund balance	(35,000)	(35,000)	1,053	36,053
Beginning fund balance	35,000	35,000	38,444	3,444
Prior period adjustment	<u>-</u>	<u>-</u>	<u>40,255</u>	<u>40,255</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,752</u>	<u>\$ 79,752</u>
<b><u>Adjustments to GAAP</u></b>				
Capital assets, net			<u>5,072,310</u>	
			<u>\$ 5,152,062</u>	
<b><u>Detail of Fund Balance</u></b>				
Accounts receivable			49,150	
Restricted cash			38,588	
Deferred revenue			(1,909)	
Accounts payable			<u>(6,077)</u>	
			<u>\$ 79,752</u>	

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Water Connection Fees Fund - 061**  
**For the Fiscal Year Ended June 30, 2012**

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	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Interest on investments	\$ 200	\$ 200	\$ 55	\$ (145)
Miscellaneous	5,000	5,000	-	(5,000)
Total revenues	5,200	5,200	55	(5,145)
<b>Expenditures</b>				
Capital outlay	21,300	21,300	15,175	6,125
Net change in fund balance	(16,100)	(16,100)	(15,120)	980
Beginning fund balance	16,100	16,100	16,093	(7)
Ending fund balance	\$ -	\$ -	\$ 973	\$ 973
<b><u>Detail of Fund Balance</u></b>				
Restricted cash			\$ 973	



**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Water Reserve Fund - 065**  
**For the Fiscal Year Ended June 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Interest on investments	\$ 600	\$ 600	\$ 438	\$ (162)
<b>Expenditures</b>				
Materials and services	30,000	30,000	-	30,000
Debt service	44,900	44,900	-	44,900
Capital outlay	42,000	42,000	-	42,000
Total expenditures	116,900	116,900	-	116,900
Excess of revenues over (under) expenditures	(116,300)	(116,300)	438	116,738
<b>Other Finance Sources (Uses)</b>				
Transfers in	11,400	11,400	11,400	-
Net change in fund balance	(104,900)	(104,900)	11,838	116,738
Beginning fund balance	104,900	104,900	79,943	(24,957)
Ending fund balance	\$ -	\$ -	\$ 91,781	\$ 91,781
<b><u>Detail of Fund Balance</u></b>				
Restricted cash			\$ 91,781	

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Water Equipment Reserve Fund - 067**  
**For the Fiscal Year Ended June 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Interest on investments	\$ 100	\$ 100	\$ 7	\$ (93)
<b>Expenditures</b>				
Capital outlay	4,500	4,500	-	4,500
Excess of revenues over (under) expenditures	(4,400)	(4,400)	7	4,407
<b>Other Finance Sources (Uses)</b>				
Transfers in	3,000	3,000	100	(2,900)
Net change in fund balance	(1,400)	(1,400)	107	1,507
Beginning fund balance	1,400	1,400	1,418	18
Ending fund balance	\$ -	\$ -	\$ 1,525	\$ 1,525
<b><u>Detail of Fund Balance</u></b>				
Restricted cash			\$ 1,525	

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual - Modified Cash Basis**  
**Water Debt Service Fund - 068**  
**For the Fiscal Year Ended June 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Interest on investments	\$ 500	\$ 500	\$ 222	\$ (278)
<b>Expenditures</b>				
Debt service	170,677	170,677	170,677	-
Excess of revenues over (under) expenditures	(170,177)	(170,177)	(170,455)	(278)
<b>Other Finance Sources (Uses)</b>				
Transfers in	186,000	186,000	186,000	-
Net change in fund balance	15,823	15,823	15,545	(278)
Beginning fund balance	1,200	1,200	1,317	117
Ending fund balance	<u>\$ 17,023</u>	<u>\$ 17,023</u>	<u>\$ 16,862</u>	<u>\$ (161)</u>
<b><u>Adjustments to GAAP</u></b>				
Accrued interest payable			(20,786)	
Bonds payable			(2,652,712)	
			<u>\$ (2,656,636)</u>	
<b><u>Detail of Fund Balance</u></b>				
Restricted cash			<u>\$ 16,862</u>	

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Water Deposit Common Trust Fund - 016**  
**For the Fiscal Year Ended June 30, 2012**

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	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Miscellaneous	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)
<b>Expenditures</b>				
Materials and services	35,000	35,000	-	35,000
Net change in fund balance	(25,000)	(25,000)	-	25,000
Beginning fund balance	25,000	25,000	3,979	(21,021)
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,979</u>	<u>\$ 3,979</u>
<b><u>Detail of Fund Balance</u></b>				
Customer Deposits			\$ (21,359)	
Restricted cash			25,338	
			<u>\$ 3,979</u>	

**CITY OF IRRIGON, OREGON**  
**Combining Statement of Net Assets**  
**Sewer Funds**  
**June 30, 2012**

	<b>70 Sewer Operation &amp; Development Fund</b>	<b>71 Sewer Connections Fees Fund</b>	<b>75 Sewer Reserve Fund</b>	<b>76 Sewer Equipment Reserve Fund</b>	<b>78 Sewer Debt Service Fund</b>	<b>Total</b>
<b>Assets</b>						
Current assets:						
Cash and investments	\$ 76,468	\$ 29,600	\$ 53,720	\$ 73,780	\$ 49,198	\$ 282,766
Taxes receivable	-	-	-	-	1,014	1,014
Accounts receivable	52,293	-	-	-	-	52,293
Total current assets	<u>128,761</u>	<u>29,600</u>	<u>53,720</u>	<u>73,780</u>	<u>50,212</u>	<u>336,073</u>
Noncurrent assets:						
Capital assets:						
Land	10,983	-	-	-	-	10,983
Construction in progress	179,309	-	-	-	-	179,309
Buildings	396,419	-	-	-	-	396,419
Equipment	107,484	-	-	-	-	107,484
Improvements	8,978,670	-	-	-	-	8,978,670
Less: Accumulated depreciation	(1,795,085)	-	-	-	-	(1,795,085)
Total capital assets	<u>7,877,780</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,877,780</u>
Restricted cash	-	-	-	-	127,695	127,695
Total noncurrent assets	<u>7,877,780</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,695</u>	<u>8,005,475</u>
Total assets	<u>8,006,541</u>	<u>29,600</u>	<u>53,720</u>	<u>73,780</u>	<u>177,907</u>	<u>8,341,548</u>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	11,940	-	-	-	-	11,940
Accrued interest payable	-	-	-	-	93,703	93,703
Current bonds and notes payable	-	-	-	-	63,916	63,916
Total current liabilities	<u>11,940</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,619</u>	<u>169,559</u>
Noncurrent liabilities:						
Bonds and notes payable	<u>167,802</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,783,678</u>	<u>3,951,480</u>
Total liabilities	<u>179,742</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,941,297</u>	<u>4,121,039</u>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	7,709,978	-	-	-	(3,847,594)	3,862,384
Restricted for:						
Debt service	-	-	-	-	127,695	127,695
Unrestricted	<u>116,821</u>	<u>29,600</u>	<u>53,720</u>	<u>73,780</u>	<u>(43,491)</u>	<u>230,430</u>
Total net assets	<u>\$ 7,826,799</u>	<u>\$ 29,600</u>	<u>\$ 53,720</u>	<u>\$ 73,780</u>	<u>\$ (3,763,390)</u>	<u>\$ 4,220,509</u>

**CITY OF IRRIGON, OREGON**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**  
**Sewer Funds**  
**For the Fiscal Year Ended June 30, 2012**

	<b>70 Sewer Operation &amp; Development Fund</b>	<b>71 Sewer Connections Fees Fund</b>	<b>75 Sewer Reserve Fund</b>	<b>76 Sewer Equipment Reserve Fund</b>	<b>78 Sewer Debt Service Fund</b>	<b>Total</b>
<b>Operating Revenues</b>						
Charges for services	\$ 558,121	\$ 5,252	\$ -	\$ -	\$ -	\$ 563,373
Miscellaneous	10,272	-	-	-	-	10,272
Total operating revenues	<u>568,393</u>	<u>5,252</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>573,645</u>
<b>Operating Expenses</b>						
Personnel services	249,513	-	-	-	-	249,513
Materials and services	97,975	-	7,415	-	-	105,390
Depreciation	190,100	-	-	-	-	190,100
Total operating expenses	<u>537,588</u>	<u>-</u>	<u>7,415</u>	<u>-</u>	<u>-</u>	<u>545,003</u>
Operating income (loss)	<u>30,805</u>	<u>5,252</u>	<u>(7,415)</u>	<u>-</u>	<u>-</u>	<u>28,642</u>
<b>Nonoperating Revenues (Expenses)</b>						
Property taxes	-	-	-	-	27,245	27,245
Interest on investments	360	142	254	370	969	2,095
Interest expense	-	-	-	-	(169,842)	(169,842)
Total nonoperating revenues (expenses)	<u>360</u>	<u>142</u>	<u>254</u>	<u>370</u>	<u>(141,628)</u>	<u>(140,502)</u>
Income (loss) before transfers	31,165	5,394	(7,161)	370	(141,628)	(111,860)
Transfers in	-	-	21,600	6,300	169,000	196,900
Transfers out	<u>(204,339)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(204,339)</u>
Change in net assets	(173,174)	5,394	14,439	6,670	27,372	(119,299)
Net assets - beginning	7,960,831	24,206	39,281	67,110	(3,674,830)	4,416,598
Prior period adjustment	<u>39,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(115,932)</u>	<u>(76,790)</u>
Total net assets - ending	<u>\$ 7,826,799</u>	<u>\$ 29,600</u>	<u>\$ 53,720</u>	<u>\$ 73,780</u>	<u>\$ (3,763,390)</u>	<u>\$ 4,220,509</u>

**CITY OF IRRIGON, OREGON**  
**Statement of Cash Flows**  
**Sewer Funds**  
**For the Year Ended June 30, 2012**

	<b>70 Sewer Operation &amp; Development Fund</b>	<b>71 Sewer Connections Fees Fund</b>	<b>75 Sewer Reserve Fund</b>	<b>76 Sewer Equipment Reserve Fund</b>	<b>78 Sewer Debt Service Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities:</b>						
Receipts from customers	\$ 557,055	\$ 5,252	\$ -	\$ -	\$ -	\$ 562,307
Other miscellaneous receipts	10,272	-	-	-	-	10,272
Payments to suppliers	(98,120)	-	(7,415)	-	-	(105,535)
Payments to employees	(249,513)	-	-	-	-	(249,513)
Net cash provided (used) by operating activities	<u>219,694</u>	<u>5,252</u>	<u>(7,415)</u>	<u>-</u>	<u>-</u>	<u>217,531</u>
<b>Cash Flows from Noncapital Financing Activities:</b>						
Transfers in (out)	(204,339)	-	21,600	6,300	169,000	(7,439)
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Acquisition and construction of capital assets	(179,309)	-	-	-	-	(179,309)
Loan proceeds	167,802	-	-	-	-	167,802
Restricted for loan covenants	-	-	-	-	(18,242)	(18,242)
Property taxes	-	-	-	-	26,231	26,231
Payments on capital debt	-	-	-	-	(253,249)	(253,249)
Net cash provided (used) by capital and related financing activities	<u>(11,507)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(245,260)</u>	<u>(256,767)</u>
<b>Cash Flows from Investing Activities:</b>						
Interest and dividends	360	142	254	370	969	2,095
Net increase (decrease) in cash and investments	4,208	5,394	14,439	6,670	(75,291)	(44,580)
Beginning cash and investments	72,260	24,206	39,281	67,110	124,489	327,346
Ending cash and investments	<u>\$ 76,468</u>	<u>\$ 29,600</u>	<u>\$ 53,720</u>	<u>\$ 73,780</u>	<u>\$ 49,198</u>	<u>\$ 282,766</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 30,805	\$ 5,252	\$ (7,415)	\$ -	\$ -	\$ 28,642
<i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i>						
Depreciation	190,100	-	-	-	-	190,100
(Increase) decrease in accounts receivable	(1,066)	-	-	-	-	(1,066)
Increase (decrease) in accounts payable	(145)	-	-	-	-	(145)
Net cash provided (used) by operating activities	<u>\$ 219,694</u>	<u>\$ 5,252</u>	<u>\$ (7,415)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 217,531</u>

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Sewer Operation & Development Fund - 070**  
**For the Fiscal Year Ended June 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Charges for services	564,000	564,000	558,121	(5,879)
Interest on investments	1,000	1,000	360	(640)
Miscellaneous	25,000	25,000	10,272	(14,728)
Total revenues	590,000	590,000	568,753	(21,247)
<b>Expenditures</b>				
Personnel services	266,931	266,931	249,513	17,418
Materials and services	105,500	105,500	94,700	10,800
Capital outlay	1,821,000	1,821,000	182,584	1,638,416
Contingency	40,000	40,000	-	40,000
Total expenditures	2,233,431	2,233,431	526,797	1,706,634
Excess of revenues over (under) expenditures	(1,643,431)	(1,643,431)	41,956	1,685,387
<b>Other Finance Sources (Uses)</b>				
Proceeds from long-term debt	1,810,000	1,810,000	167,802	(1,642,198)
Transfers out	(224,969)	(224,969)	(204,339)	20,630
Total other finance sources (uses)	1,585,031	1,585,031	(36,537)	(1,621,568)
Net change in fund balance	(58,400)	(58,400)	5,419	63,819
Beginning fund balance	58,400	58,400	72,260	13,860
Prior period adjustment	-	-	39,142	39,142
Ending fund balance	\$ -	\$ -	116,821	\$ 116,821
<b>Adjustments to GAAP</b>				
Capital assets, net			7,877,780	
Bonds and notes payable			(167,802)	
			<u>\$ 7,826,799</u>	
<b>Detail of Fund Balance</b>				
Cash and investments			\$ 76,468	
Accounts receivable			52,293	
Accounts payable			(11,940)	
			<u>\$ 116,821</u>	



**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Sewer Connection Fees Fund - 071**  
**For the Fiscal Year Ended June 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Charges for services	\$ 10,000	\$ 10,000	\$ 5,252	\$ (4,748)
Interest on investments	300	300	142	(158)
Total revenues	<u>10,300</u>	<u>10,300</u>	<u>5,394</u>	<u>(4,906)</u>
<b>Expenditures</b>				
Capital outlay	<u>34,500</u>	<u>34,500</u>	<u>-</u>	<u>34,500</u>
Net change in fund balance	(24,200)	(24,200)	5,394	29,594
Beginning fund balance	<u>24,200</u>	<u>24,200</u>	<u>24,206</u>	<u>6</u>
Ending fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,600</u>	<u>\$ 29,600</u>
<b><u>Detail of Fund Balance</u></b>				
Cash and investments			<u>\$ 29,600</u>	

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Sewer Reserve Fund - 075**  
**For the Fiscal Year Ended June 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Interest on investments	\$ 600	\$ 600	\$ 254	\$ (346)
<b>Expenditures</b>				
Materials and services	30,869	30,869	7,415	23,454
Debt service	28,000	28,000	-	28,000
Total expenditures	58,869	58,869	7,415	51,454
Excess of revenues over (under) expenditures	(58,269)	(58,269)	(7,161)	51,108
<b>Other Finance Sources (Uses)</b>				
Transfers in	24,969	24,969	21,600	(3,369)
Net change in fund balance	(33,300)	(33,300)	14,439	47,739
Beginning fund balance	33,300	33,300	39,281	5,981
Ending fund balance	\$ -	\$ -	\$ 53,720	\$ 53,720
<b><u>Detail of Fund Balance</u></b>				
Cash and investments			\$ 53,720	

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Sewer Equipment Reserve Fund - 076**  
**For the Fiscal Year Ended June 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Interest on investments	\$ 500	\$ 500	\$ 370	\$ (130)
<b>Expenditures</b>				
Capital outlay	78,300	78,300	-	78,300
Excess of revenues over (under) expenditures	(77,800)	(77,800)	370	78,170
<b>Other Finance Sources (Uses)</b>				
Transfers in	10,000	10,000	6,300	(3,700)
Net change in fund balance	(67,800)	(67,800)	6,670	74,470
Beginning fund balance	67,800	67,800	67,110	(690)
Ending fund balance	\$ -	\$ -	\$ 73,780	\$ 73,780
<b><u>Detail of Fund Balance</u></b>				
Cash and investments			\$ 73,780	

**CITY OF IRRIGON, OREGON**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Sewer Debt Service Fund - 078**  
**For the Fiscal Year Ended June 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues</b>				
Property taxes	\$ 27,500	\$ 27,500	\$ 27,245	\$ (255)
Interest on investments	1,000	1,000	969	(31)
Total revenues	<u>28,500</u>	<u>28,500</u>	<u>28,214</u>	<u>(286)</u>
<b>Expenditures</b>				
Debt service	<u>254,153</u>	<u>254,153</u>	<u>253,249</u>	<u>904</u>
Total expenditures	<u>254,153</u>	<u>254,153</u>	<u>253,249</u>	<u>904</u>
Excess of revenues over (under) expenditures	(225,653)	(225,653)	(225,035)	618
<b>Other Finance Sources (Uses)</b>				
Transfers in	<u>180,000</u>	<u>180,000</u>	<u>169,000</u>	<u>(11,000)</u>
Net change in fund balance	(45,653)	(45,653)	(56,035)	(10,382)
Beginning fund balance	<u>233,000</u>	<u>233,000</u>	<u>233,942</u>	<u>942</u>
Ending fund balance	<u>\$ 187,347</u>	<u>\$ 187,347</u>	<u>177,907</u>	<u>\$ (9,440)</u>
<b>Adjustments to GAAP</b>				
Accrued interest payable			(93,703)	
Bonds and notes payable			<u>(3,847,594)</u>	
			<u>\$ (3,763,390)</u>	
<b>Detail of Fund Balance</b>				
Cash and investments			\$ 49,198	
Restricted cash			127,695	
Taxes receivable			<u>1,014</u>	
			<u>\$ 177,907</u>	

**CITY OF IRRIGON, OREGON**  
**Comparative Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2012**

	<b>Water System</b>		<b>Sewer System</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 23,268	\$ 5,431	\$ 282,765	\$ 327,346
Taxes receivable	-	-	1,014	-
Accounts receivable	49,150	-	52,293	-
Total current assets	<u>72,418</u>	<u>5,431</u>	<u>336,072</u>	<u>327,346</u>
Noncurrent assets:				
Capital assets:				
Land	46,799	31,624	10,983	10,983
Construction in progress	-	-	179,309	-
Buildings	268,493	565,342	396,419	396,419
Equipment	69,455	34,455	107,484	107,484
Improvements	5,269,272	5,269,272	8,978,670	8,978,670
Less: Accumulated depreciation	(581,709)	(700,187)	(1,795,085)	(1,604,984)
Total capital assets	<u>5,072,310</u>	<u>5,200,506</u>	<u>7,877,780</u>	<u>7,888,572</u>
Restricted cash	<u>151,799</u>	<u>157,828</u>	<u>127,696</u>	<u>109,453</u>
Total noncurrent assets	<u>5,224,109</u>	<u>5,358,334</u>	<u>8,005,476</u>	<u>7,998,025</u>
Total assets	<u>5,296,527</u>	<u>5,363,765</u>	<u>8,341,548</u>	<u>8,325,371</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	6,077	-	11,940	-
Customer deposits	21,359	22,065	-	-
Deferred revenue	1,909	-	-	-
Accrued interest payable	20,786	-	93,703	-
Current bonds and notes payable	<u>64,763</u>	<u>62,404</u>	<u>63,916</u>	<u>40,775</u>
Total current liabilities	<u>114,894</u>	<u>84,469</u>	<u>169,559</u>	<u>40,775</u>
Noncurrent liabilities:				
Bonds and notes payable	<u>2,587,949</u>	<u>2,652,722</u>	<u>3,951,480</u>	<u>3,867,997</u>
Total liabilities	<u>2,702,843</u>	<u>2,737,191</u>	<u>4,121,039</u>	<u>3,908,772</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	2,419,598	2,485,380	3,862,384	3,979,800
Restricted for:				
Debt service	10,000	10,000	127,695	109,453
System replacement	193,200	128,800	-	-
Unrestricted	<u>(29,114)</u>	<u>2,394</u>	<u>230,430</u>	<u>327,346</u>
Total net assets	<u>\$ 2,593,684</u>	<u>\$ 2,626,574</u>	<u>\$ 4,220,509</u>	<u>\$ 4,416,599</u>

**CITY OF IRRIGON, OREGON**  
**Comparative Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2012**

	<b>Water System</b>		<b>Sewer System</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
<b>Operating Revenues</b>				
Charges for services	\$ 445,948	\$ 339,543	\$ 563,373	\$ 548,125
Miscellaneous	1,205	5,238	10,272	4,880
Total operating revenues	<u>447,153</u>	<u>344,781</u>	<u>573,645</u>	<u>553,005</u>
<b>Operating Expenses</b>				
Personnel services	180,206	161,074	249,513	224,180
Materials and services	68,701	62,187	105,390	92,413
Depreciation	120,342	105,106	190,100	203,491
Total operating expenses	<u>369,249</u>	<u>328,367</u>	<u>545,003</u>	<u>520,084</u>
Operating income (loss)	<u>77,904</u>	<u>16,414</u>	<u>28,642</u>	<u>32,921</u>
<b>Nonoperating Revenues (Expenses)</b>				
Property taxes	-	-	27,245	-
Interest on investments	1,029	1,111	2,095	2,069
Grant income	-	170,075	-	23,172
Interest expense	(107,407)	(107,954)	(169,842)	(141,551)
Loss on sale of assets	(23,028)	-	-	-
Total nonoperating revenues (expenses)	<u>(129,406)</u>	<u>63,232</u>	<u>(140,502)</u>	<u>(116,310)</u>
Income (loss) before transfers	<u>(51,502)</u>	<u>79,646</u>	<u>(111,860)</u>	<u>(83,389)</u>
Transfers in	197,500	-	196,900	-
Transfers out	<u>(197,500)</u>	<u>-</u>	<u>(204,339)</u>	<u>(8,200)</u>
Change in net assets	<u>(51,502)</u>	<u>79,646</u>	<u>(119,299)</u>	<u>(91,589)</u>
Net assets - beginning	2,626,573	2,546,928	4,416,598	4,508,188
Prior period adjustment	<u>18,613</u>	<u>-</u>	<u>(76,790)</u>	<u>-</u>
Total net assets - ending	<u>\$ 2,593,684</u>	<u>\$ 2,626,574</u>	<u>\$ 4,220,509</u>	<u>\$ 4,416,599</u>

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## **OTHER FINANCIAL SCHEDULES**



**CITY OF IRRIGON, OREGON**  
**Schedule of Property Tax Transactions**  
**For the Fiscal Year Ended June 30, 2012**

<b>Tax Year</b>	<b>Uncollected Taxes July 1, 2011</b>	<b>Current Tax Levy</b>	<b>Less: Collections 2011-2012</b>	<b>Adjustments &amp; Discounts</b>	<b>Uncollected Taxes June 30, 2012</b>
2011-12	\$ -	\$ 196,898	\$ 187,583	\$ (5,555)	\$ 3,760
2010-11	3,721	-	1,823	(29)	1,869
2009-10	1,978	-	806	(19)	1,153
2008-09	1,283	-	505	(26)	752
2007-08	421	-	327	(18)	76
2006-07	79	-	21	(12)	46
2005-06	54	-	10	(1)	43
Prior	36	-	6	-	30
	<u>\$ 7,572</u>	<u>\$ 196,898</u>	<u>\$ 191,081</u>	<u>\$ (5,660)</u>	<u>\$ 7,729</u>

**Reconciliation with City Recorder's books:**

	<b>Total</b>	<b>General Fund</b>	<b>Sewer Fund</b>
Tax collections (shown above)	\$ 191,081	\$ 164,103	\$ 26,978
Interest and miscellaneous fees	<u>1,636</u>	<u>1,369</u>	<u>267</u>
Total tax revenues per fund financial statements	<u>\$ 192,717</u>	<u>\$ 165,472</u>	<u>\$ 27,245</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, 2012, and have issued our report thereon dated January 29, 2013. 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 of the City of Irrigon and federal awarding agencies and pass-through entities and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these specified parties.

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

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

La Grande, Oregon  
January 29, 2013

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, each major fund, and the aggregate remaining fund information of City of Irrigon as of and for the year ended June 30, 2012, which collectively comprise City of Irrigon's basic financial statements and have issued our report thereon dated January 29, 2013. 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**

Management of City of Irrigon, Oregon, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Irrigon, Oregon'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, Oregon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Irrigon, Oregon'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.

**2012-1: 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 accounting principles generally accepted in the United States of America. We do believe the City has staff with the ability to understand, review, and take responsibility for the financial statements 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, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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  
Certified Public Accountants

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

La Grande, Oregon  
January 29, 2013