

**OREGON AUDITS DIVISION
SUMMARY OF REVENUES AND EXPENDITURES**

Print Form

Name of Municipal Corporation

Address STREET / PO BOX

CITY STATE ZIP

Period Covered by Audit/Review Report From To

Total Revenues and/or Receipts - (Government-wide + Fiduciary Funds)	\$	<input type="text" value="942,560"/>
Less:		
Revenues of Component Units included in report of primary government		<input type="text"/>
Taxes, assessments and other collections to be distributed to other governmental units		<input type="text"/>
Net Revenues and/or Receipts	\$	<input type="text" value="942,560"/>

Total Expenditures and/or Disbursements - (Government-wide + Fiduciary Funds)	<input type="text" value="259,606"/>
Less:	
Expenditures of Component Units included in report of primary government	<input type="text"/>
Turnovers to other municipal corporations:	<input type="text"/>
Taxes and Assessments	<input type="text"/>
Other Distributions	<input type="text"/>
Net Expenditures and/or Disbursements	\$ <input type="text" value="259,606"/>

The above information is based upon the revenues and expenditures/expenses for government-wide and fiduciary activities of the municipal corporation on the basis of accounting used in the audited or reviewed financial statements.

Auditor/Firm Signature (type if submitting electronically)

PLEASE ENCLOSE PAYMENT WITH SUMMARY

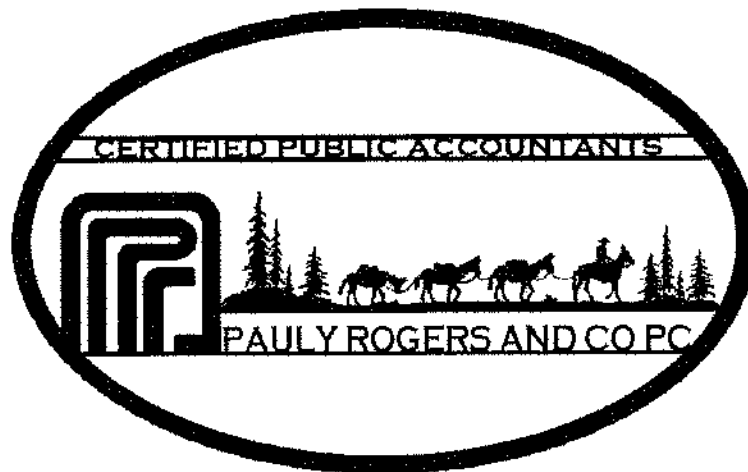
Over	Not Over	Fee	ORS 297.485 (1)
\$ 0	\$ 50,000	\$ 20	... The filing fee shall be determined by the total expenditures made by the municipal corporation for any and all purposes during the calendar or fiscal year audited, <u>except</u> that expenditures for principal of bonded debt, principal of short-term loans, principal of warrants redeemed which were issued during prior audit periods, transfers or loans between funds and turnovers of taxes or other trust moneys to other municipal corporations shall not be included in the total expenditures upon which the amount of the fee is based. <i>(Net Expenditures and/or Disbursements)</i>
50,000	150,000	40	
150,000	500,000	150	
500,000	1,000,000	200	
1,000,000	5,000,000	250	
5,000,000	10,000,000	300	
10,000,000	50,000,000	350	
50,000,000		400	

Within 30 days after delivering the audit report to the municipal corporation, one copy of this summary must be filed with the Secretary of State, Division of Audits, Salem, Oregon 97310, and one copy must be delivered to the municipal corporation.

CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013



12700 SW 72nd Ave.
Tigard, OR 97223

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

FOR THE YEAR ENDED JUNE 30, 2013

ANNUAL FINANCIAL REPORT

CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON

CITY COUNCIL

TERM EXPIRES

Bill Currier, Mayor

December 31, 2012

Curt Hubele

December 31, 2012

Charline King

December 31, 2014

Nicole Real

December 31, 2012

Ron Mercer

December 31, 2014

All council members receive mail at the address listed below.

ADMINISTRATION

Drew Foster, City Administrator

City of Adair Village
6030 William R. Carr Road
Adair Village, Oregon 97330

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

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CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON

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PAULY, ROGERS, AND CO., P.C.
12700 SW 72nd Ave. Tigard, OR 97223
(503) 620-2632 (503) 684-7523 FAX
www.paulyrogersandcocpas.com

January 15, 2016

To the Honorable Mayor and
Members of the City Council
City of Adair Village, Oregon

INDEPENDENT AUDITORS' REPORT

Report on the Basic Financial Statements

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 the City of Adair Village (the City), as of and for the year ended June 30, 2013, and the related notes to the basic financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these basic 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 the 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the basic 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 Adair Village, as of June 30, 2013, and the respective

changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules presented as required supplementary information, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The listing of council members containing their term expiration dates, located before the table of contents, 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.

Reports on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2016 on our consideration of the internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering internal control over financial reporting and compliance.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated January 15, 2016, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

**ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.**

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

BASIC FINANCIAL STATEMENTS

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

**STATEMENT OF NET ASSETS
June 30, 2013**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 134,159	\$ 379,908	\$ 514,067
Receivables:			
Accounts	22,505	98,082	120,587
Taxes	6,233	-	6,233
Capital Assets:			
Land	132,757	79,557	212,314
Other Capital Assets, Net of Accumulated Depreciation	<u>1,361,629</u>	<u>2,365,490</u>	<u>3,727,119</u>
Total Assets	<u><u>\$ 1,657,283</u></u>	<u><u>\$ 2,923,037</u></u>	<u><u>\$ 4,580,320</u></u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 19,228	\$ 25,505	\$ 44,733
Payroll Liabilities	6,541	20,032	26,573
Accrued Compensated Absences	1,086	6,781	7,867
Accrued Interest	-	5,060	5,060
Long Term Debt Due Within One Year	-	39,411	39,411
Noncurrent Liabilities:			
Long Term Debt Due in More than One Year	<u>-</u>	<u>307,955</u>	<u>307,955</u>
Total Liabilities	<u>26,855</u>	<u>404,744</u>	<u>431,599</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	1,494,386	2,097,681	3,592,067
Restricted for:			
Streets	61,977	-	61,977
Systems Development	-	198,229	198,229
Unrestricted	<u>74,065</u>	<u>222,383</u>	<u>296,448</u>
Total Net Assets	<u><u>\$ 1,630,428</u></u>	<u><u>\$ 2,518,293</u></u>	<u><u>\$ 4,148,721</u></u>

See accompanying notes to the basic financial statements.

CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary Government			
Governmental Activities			
General Government	\$ 179,932	\$ 107,274	\$ -
Public Safety	75,476	-	-
Street Maintenance and Construction	31,051	-	-
Culture and Recreation	17,944	-	2,000
Facilities Acquisition Expense	1,476	-	-
Unallocated Interest Expense	936	-	-
Total Governmental Activities	<u>306,815</u>	<u>107,274</u>	<u>2,000</u>
Business -Type Activities			
Water	533,669	465,072	-
Wastewater	262,896	176,988	-
Other Business-Type Funds	11,776	17,909	-
Total Business - Type Activities	<u>808,341</u>	<u>659,969</u>	<u>-</u>
Total Primary Government	<u>\$ 1,115,156</u>	<u>\$ 767,243</u>	<u>\$ 2,000</u>

See accompanying notes to the basic financial statements.

Net Revenue (Expenses) and
Changes in Net Assets

Net Revenue (Expenses)	Governmental Activities	Business-Type Activities	Total
\$ (72,658)	\$ (72,658)	\$ -	\$ (72,658)
(75,476)	(75,476)	-	(75,476)
(31,051)	(31,051)	-	(31,051)
(15,944)	(15,944)	-	(15,944)
(1,476)	(1,476)	-	(1,476)
(936)	(936)	-	(936)
<u>(197,541)</u>	<u>(197,541)</u>	<u>-</u>	<u>(197,541)</u>
(68,597)	-	(68,597)	(68,597)
(85,908)	-	(85,908)	(85,908)
6,133	-	6,133	6,133
<u>(148,372)</u>	<u>-</u>	<u>(148,372)</u>	<u>(148,372)</u>
<u>\$ (345,913)</u>	<u>(197,541)</u>	<u>(148,372)</u>	<u>(345,913)</u>
General Revenues:			
Property Taxes	94,339	-	94,339
Highway Taxes	46,095	-	46,095
Intergovernmental	19,171	-	19,171
Earnings on Investments	2,804	-	2,804
Miscellaneous	9,151	57,860	67,011
Total General Revenues	<u>171,560</u>	<u>57,860</u>	<u>229,420</u>
Change in Net Assets	(25,981)	(90,512)	(116,493)
Beginning Net Assets	<u>1,656,409</u>	<u>2,608,805</u>	<u>4,265,214</u>
Ending Net Assets	<u>\$ 1,630,428</u>	<u>\$ 2,518,293</u>	<u>\$ 4,148,721</u>

See accompanying notes to the basic financial statements.

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

**COMBINED BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013**

	<u>GENERAL</u>	<u>STREET FUND</u>	<u>TOTAL</u>
ASSETS:			
Cash and Investments	\$ 74,459	\$ 59,700	\$ 134,159
Receivables:			
Accounts	18,448	4,057	22,505
Taxes	<u>6,233</u>	<u>-</u>	<u>6,233</u>
Total Assets	<u>\$ 99,140</u>	<u>\$ 63,757</u>	<u>\$ 162,897</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 18,404	\$ 824	\$ 19,228
Payroll Liabilities	<u>5,585</u>	<u>956</u>	<u>6,541</u>
Total Liabilities	<u>23,989</u>	<u>1,780</u>	<u>25,769</u>
Deferred Inflows of Resources:			
Unavailable Property Tax Revenue	<u>5,537</u>	<u>-</u>	<u>5,537</u>
Total Deferred Inflows of Resources	<u>5,537</u>	<u>-</u>	<u>5,537</u>
Fund Balance:			
Restricted for:			
Streets	-	61,977	61,977
Unassigned	<u>69,614</u>	<u>-</u>	<u>69,614</u>
Total Fund Balance	<u>69,614</u>	<u>61,977</u>	<u>131,591</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 99,140</u>	<u>\$ 63,757</u>	<u>\$ 162,897</u>

See accompanying notes to the basic financial statements.

CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS

June 30, 2013

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

Fund Balances \$ 131,591

The cost of capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as an expenditure in governmental funds. The statement of net assets includes those capital assets among the assets of the City as a whole.

Net Capital Assets 1,494,386

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

Accrued Compensated Absences (1,086)

Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds

Unavailable Property Tax Revenues 5,537

Total Net Assets \$ 1,630,428

See accompanying notes to the basic financial statements.

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

**COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2013

	GENERAL FUND	STREET FUND	TOTAL
REVENUES:			
Property Taxes	\$ 92,827	\$ -	\$ 92,827
Highway Taxes	-	46,095	46,095
Franchise Fees	34,974	-	34,974
Intergovernmental	19,171	-	19,171
Grants	2,000	-	2,000
Property Leases/Rents	67,866	-	67,866
Permits and Fees	4,434	-	4,434
Interest Income	2,804	-	2,804
Miscellaneous	8,341	810	9,151
	<u>232,417</u>	<u>46,905</u>	<u>279,322</u>
Total Revenues			
EXPENDITURES:			
Current:			
Personal Services	83,197	12,727	95,924
Materials and Services	144,639	13,154	157,793
Capital Outlay	738	738	1,476
Debt Service	15,221	-	15,221
	<u>243,795</u>	<u>26,619</u>	<u>270,414</u>
Total Expenditures			
Net Change in Fund Balance	(11,378)	20,286	8,908
Fund Balance - Beginning of Year	<u>80,992</u>	<u>41,691</u>	<u>122,683</u>
Fund Balance - End of Year	<u>\$ 69,614</u>	<u>\$ 61,977</u>	<u>\$ 131,591</u>

See accompanying notes to the basic financial statements.

CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - TO
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013**

Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

Net Change in Fund Balance \$ 8,908

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

Depreciation Expense, Net (52,466)

Repayment of long-term debt is an expenditure in the governmental funds, however repayment reduces long-term liabilities in the statement of net assets.

Capital Lease Principal Payments	\$ 14,093	
Change in Accrued Interest	192	
Change in Accrued Compensated Absences	<u>1,780</u>	
		16,065

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Unavailable Property Tax Revenues \$ 1,512

Change in Net Assets \$ (25,981)

See accompanying notes to the basic financial statements.

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

**COMBINED STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2013**

	WATER FUND	WASTEWATER FUND	SYSTEMS DEVELOPMENT FUND	NONMAJOR PROPRIETARY FUNDS	TOTAL
ASSETS:					
Current Assets:					
Cash and Investments	\$ 165,443	\$ -	\$ 181,811	\$ 32,654	\$ 379,908
Accounts Receivable, Net	46,895	49,459	-	1,728	98,082
Due From Other Funds	109,200	-	-	-	109,200
Total Current Assets	<u>321,538</u>	<u>49,459</u>	<u>181,811</u>	<u>34,382</u>	<u>587,190</u>
Noncurrent Assets:					
Land	77,086	2,471	-	-	79,557
Other Capital Assets, Net	1,063,018	1,294,344	-	8,128	2,365,490
Total Noncurrent Assets	<u>1,140,104</u>	<u>1,296,815</u>	<u>-</u>	<u>8,128</u>	<u>2,445,047</u>
Total Assets	<u>\$ 1,461,642</u>	<u>\$ 1,346,274</u>	<u>\$ 181,811</u>	<u>\$ 42,510</u>	<u>\$ 3,032,237</u>
LIABILITIES AND NET ASSETS:					
Current Liabilities:					
Accounts Payable	\$ 16,137	\$ 9,368	\$ -	\$ -	\$ 25,505
Payroll Liabilities	11,660	7,679	-	693	20,032
Accrued Interest Payable	2,273	2,787	-	-	5,060
Due To Other Funds	-	109,200	-	-	109,200
Compensated Absences	3,958	2,475	-	348	6,781
Bonds Payable, Due Within One Year	24,411	15,000	-	-	39,411
Total Current Liabilities	<u>58,439</u>	<u>146,509</u>	<u>-</u>	<u>1,041</u>	<u>205,989</u>
Long Term Liabilities:					
Note Payable, Due in More Than One Year	-	100,614	-	-	100,614
Bonds Payable, Due in More Than One Year	128,558	78,783	-	-	207,341
Total Long Term Liabilities	<u>128,558</u>	<u>179,397</u>	<u>-</u>	<u>-</u>	<u>307,955</u>
Total Liabilities	<u>186,997</u>	<u>325,906</u>	<u>-</u>	<u>1,041</u>	<u>513,944</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	987,135	1,102,418	-	8,128	2,097,681
Restricted For Capital Projects	-	-	181,811	16,418	198,229
Unrestricted	287,510	(82,050)	-	16,923	222,383
Total Net Assets	<u>1,274,645</u>	<u>1,020,368</u>	<u>181,811</u>	<u>41,469</u>	<u>2,518,293</u>
Total Liabilities and Net Assets	<u>\$ 1,461,642</u>	<u>\$ 1,346,274</u>	<u>\$ 181,811</u>	<u>\$ 42,510</u>	<u>\$ 3,032,237</u>

See accompanying notes to the basic financial statements.

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013**

	WATER FUND	WASTEWATER FUND	SYSTEMS DEVELOPMENT FUND	NONMAJOR PROPRIETARY FUNDS	TOTAL
OPERATING REVENUES					
Charges for Services	\$ 460,392	\$ 176,988	\$ -	\$ 17,909	\$ 655,289
Deposits for New Service	4,680	-	-	-	4,680
Miscellaneous Revenues	4,864	52,591	-	405	57,860
Total Revenues	469,936	229,579	-	18,314	717,829
OPERATING EXPENSES					
Personal Services	153,357	101,494	-	8,858	263,709
Materials and Services	169,371	84,749	-	2,598	256,718
Capital Outlay	154,233	4,430	-	-	158,663
Depreciation	47,300	64,867	-	320	112,487
Total Expenses	524,261	255,540	-	11,776	791,577
Operating Income	(54,325)	(25,961)	-	6,538	(73,748)
NON OPERATING REVENUES (EXPENSES)					
Interest Expense	(9,408)	(7,356)	-	-	(16,764)
Total Non-Operating Revenues (Expenses)	(9,408)	(7,356)	-	-	(16,764)
Change in Net Assets	(63,733)	(33,317)	-	6,538	(90,512)
Beginning Net Assets	1,338,378	1,053,685	181,811	34,931	2,608,805
Ending Net Assets	<u>\$ 1,274,645</u>	<u>\$ 1,020,368</u>	<u>\$ 181,811</u>	<u>\$ 41,469</u>	<u>\$ 2,518,293</u>

See accompanying notes to the basic financial statements.

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

**COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2013**

	WATER FUND	WASTEWATER FUND	SYSTEMS DEVELOPMENT FUND	NONMAJOR PROPRIETARY FUNDS	TOTAL
Cash Flows From Operating Activities:					
Cash Received From Customers	\$ 451,334	\$ 176,307	\$ -	\$ 18,099	\$ 645,740
Cash Payments To Suppliers	(319,057)	(88,327)	-	(2,629)	(410,013)
Cash Payments To Employees	(155,151)	(104,564)	-	(8,670)	(268,385)
Other Receipts	4,864	52,591	-	-	57,455
Net Cash From Operations	(18,010)	36,007	-	6,800	24,797
Cash Flows From Non-Capital Financing Activities:					
Transfers to (from) Other Funds	46,834	(46,834)	-	-	-
Net Cash (Used) By Non-Capital Financing Activities	46,834	(46,834)	-	-	-
Cash Flows From Capital and Related Financing Activities:					
Proceeds from Long-Term Debt	-	32,198	-	-	32,198
Payment of Principal of Bonds, Contracts Payable	(23,882)	(14,696)	-	-	(38,578)
Payment of Interest on Long-Term Debt	(9,775)	(6,675)	-	-	(16,450)
Net Cash (Used) By Capital and Related Financing Activities	(33,657)	10,827	-	-	(22,830)
Net Increase In Cash and Investments	(4,833)	-	-	6,800	1,967
Balances - Beginning of Year	170,276	-	181,811	9,436	361,523
Balances - End of Year	<u>\$ 165,443</u>	<u>\$ -</u>	<u>\$ 181,811</u>	<u>\$ 16,236</u>	<u>\$ 363,490</u>
Reconciliation of Cash Flows From Operating Activities to Operating Income					
Operating Income	\$ (54,325)	\$ (25,961)	\$ -	\$ 6,538	\$ (73,748)
Adjustments					
Depreciation/Amortization	47,300	64,867	-	320	112,487
(Increase), Decrease in Accounts Receivable	(13,738)	(681)	-	(215)	(14,634)
(Increase), Decrease in Prepaid Expenses	-	1,798	-	-	1,798
Increase, (Decrease) in Accounts Payable	4,547	(946)	-	(31)	3,570
Increase, (Decrease) in Compensated Absences	885	403	-	163	1,451
Increase, (Decrease) in Payroll Liabilities	(2,679)	(3,473)	-	25	(6,127)
Net Cash From Operations	<u>\$ (18,010)</u>	<u>\$ 36,007</u>	<u>\$ -</u>	<u>\$ 6,800</u>	<u>\$ 24,797</u>

See accompanying notes to the basic financial statements.

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in conformity with accounting principles generally accepted in the United State of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies are described below.

THE FINANCIAL REPORTING ENTITY

The City of Adair Village is a municipal corporation, incorporated in 1976 under the authority of Oregon Revised Statutes Section 221, and operates with a five member elected City Council comprised of the mayor and four council members. The City Council appoints the City Administrator, who is responsible for the day to day management of the City. The City operates water and wastewater systems and maintains city streets and parks.

Accounting principles generally accepted in the United States of America require that these financial statements present the City (the primary government) and all component units, if any. Component units, as defined by the Governmental Accounting Standards Board (GASB) Statement No. 39, are separate organizations that are included in the reporting entity because of the significance of their operational or financial relationships with the City. There are no component units.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The effect of inter-fund activity has been removed from these statements.

The statement of activities reports the activities by function. The major functions are general government, police services, and water/sewer services. The statement of activities demonstrates the degree to which the direct expenses of a given function (i.e., general government, public safety, streets, etc.) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. Remaining proprietary funds are reported in aggregate as non-major funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available (susceptible to accrual). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Also, inventory is expensed when purchased, capital outlay is expensed rather than capitalized, and depreciation on capital assets is not recorded.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

There are two *major governmental* funds:

General Fund – This is the primary operating fund. It accounts for all financial operations except those required to be accounted for in another fund. The principal revenue sources are property taxes, franchise fees, state shared revenue, charges for services and interest on investments. Primary expenditures are for general government, police protection and culture and recreation.

Street Fund – This fund accounts for the construction or reconstruction of streets and sidewalks. These costs are paid primarily from moneys received pursuant to the State of Oregon Gas Tax Apportionment.

There are three major proprietary funds:

Water Fund - This fund accounts for the revenues and expenses of the water utility. The primary revenue source is fees for services.

Wastewater Fund - This fund accounts for the revenues and expenses of the wastewater utility. The primary revenue source is fees for services.

Systems Development (SDC) Fund – This fund accounts for the system development charges which are assessed for new construction. SDC fees are the main revenue source.

There are two non-major proprietary funds:

Storm Drain Fund – This fund accounts for revenues and expenses of the storm drain utility. The primary revenue source is fees for services.

Reserve Fund – This fund accounts for capital outlay expenditures for the water plant. The primary revenue source is transfers from other funds.

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, policy is to use restricted resources first, then unrestricted resources as they are needed.

BUDGETS

A budget is prepared for all funds in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon Local Budget Law. The budgets for all funds are adopted on a basis consistent with generally accepted accounting principles except that property taxes received more than 60 days after year-end are not considered budgetary resources in the funds, inventory is expensed when purchased, debt is recorded as an expenditure when paid, capital outlay is recorded as an expenditure rather than capitalized, and depreciation is not recorded on capital assets.

The budget process begins early in each fiscal year with the establishment of the Budget Committee. Recommendations are developed through late winter with the Budget Committee approving the budget in early spring. Public notices of the budget hearing are published generally in early spring with a public hearing being held approximately three weeks later. The Council may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is then adopted, appropriations are made and the tax levy declared no later than June 30th.

Expenditure budgets are appropriated at the following levels for each fund.

LEVEL OF CONTROL

Personal Services	Inter-fund Transactions
Materials and Services	Debt Service
Capital Outlay	Operating Contingency

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETS (CONTINUED)

Expenditures cannot legally exceed the above appropriation levels except in the case of grants which could not be estimated at the time of budget adoption. All annual appropriations lapse at fiscal year end. Management may amend line items in the budget without Council approval as long as appropriation levels (the legal level of control) are not changed. Supplemental appropriations may occur if the City Council approves them due to a need which exists which was not determined at the time the budget was adopted.

Budget amounts shown in the basic financial statements reflect the original budget amount and final budget amounts, which include several appropriation transfers. Expenses of the various funds were within authorized appropriations for the year ended June 30, 2013, except for the General Fund: Materials and Services over expended by \$10,029 and Debt Service over expended by \$15,221; Street Fund: Personal Services over expended by \$1,380; Water Fund: Personal Services over expended by \$19,823; Wastewater Fund: Personal Services over expended by \$11,078 and Debt Service over expended by \$477; and the Storm Drain Fund: Personal Services over expended \$1,154.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Deposits and Investments

The cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition, and cash and investments in the State Local Government Investment Pool. Investments, including equity in pooled cash and investments, are stated at fair value.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/ from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Uncollected property taxes are shown in the combined balance sheet. Uncollected taxes are deemed by management to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. Property taxes collected within approximately 60 days of the fiscal year-end are recognized as revenue. The remaining balance of taxes receivable is recorded as deferred revenue because it is not deemed by management to be available to finance operations of the current period.

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

Receivables and Payables (Continued)

Receivables of the enterprise funds are recognized as revenue when earned, including services provided but not billed. Receivables in enterprise funds are deemed by management to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectibles has been established.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset, are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings and Improvements	30-50 years
Infrastructure	20-50 years
Equipment	7-10 years

Supply Inventories

Inventories are expensed as purchased. Inventories are not recorded as an asset because they are considered by management to be immaterial at year end.

Compensated Absences

Accumulated vested compensated absences are accrued in the government-wide and enterprise fund financial statements as earned by the employees. Sick pay, which does not vest, is recorded when leave is taken. A liability for vacation pay is not accrued in the governmental funds because it is not expected that vacation pay will be liquidated with expendable available resources.

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

Deferred Revenue

On the fund financial statements, deferred revenue arises when resources do not satisfy both the measurable and available criteria for recognition in the current year, for example, if property taxes are received more than 60 days after year-end. In subsequent periods, when recognition criteria are met, the liability for deferred revenue is removed and revenue is recognized. Also, the City owns several properties that are leased out to third parties. If the lessee prepays their rent, the amount of rent that is prepaid at year end is deferred and recognized in the subsequent year.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then. There were no deferred outflows at year end.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows consisted of unavailable property taxes.

Long-term Obligations

In the government-wide financial statements and proprietary fund types fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance/Net assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Net assets comprise the various net earnings from operations, non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three categories.

Net investment in capital assets – consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

Restricted – consists of external constraints placed on net asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – consists of all other net assets that are not included in the other categories previously mentioned.

Fund Balance

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are non-spendable, restricted, committed, assigned, and unassigned.

- Non-spendable fund balance represents amounts that are not in a spendable form. The non-spendable fund balance represents inventories and prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. The authority to classify portions of ending fund balances as assigned is granted to the City Administrator.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

The following order of spending regarding fund balance categories is as follows: restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

There were no non-spendable, committed, or assigned fund balances at June 30, 2013.

Cash Flow Statements

For purposes of the statement of cash flows, enterprise funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalent. Accordingly, all investments are considered to be cash equivalents.

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (CONTINUED)

Property Tax Calendar

Property taxes attach as an enforceable lien on July 1 for real property and personal property. Taxes are levied as of July 1 and payable in three installments on November 15, February 15, and May 15. Real property taxes unpaid on May 16 are considered delinquent. Uncollected taxes, including delinquent amounts, are deemed by management to be substantially collectible or recoverable through liens. Therefore, no allowance for uncollectibles has been established.

2. CASH AND INVESTMENTS

A cash pool is maintained that is available for use by all funds. Each portion of this pool is reported on the balance sheet as Cash and Investments.

Cash and Investments at June 30, 2013 (recorded at cost) consisted of:

Cash on hand	\$ 100
Deposits with financial institutions	44,567
Oregon State Treasurer's Local Government Investment Pool	<u>469,401</u>
Total	<u>\$ 514,068</u>

Cash and Investments are reflected in the government-wide Statement of Net Assets as follows:

Governmental activities	\$ 134,159
Business-type activities	<u>379,908</u>
Total cash and investments	<u>\$ 514,067</u>

Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the deposits may not be returned. There is no formal deposit policy for custodial credit risk. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited in an approved depository as identified by the Treasury. For the fiscal year ended June 30, 2013, the bank balance was \$48,477. All of the bank balance was covered by Federal Depository Insurance.

Investments

The investment policy is to follow the State statutes governing cash management. Oregon Revised Statutes authorize investing in obligations of the U.S. Treasury, U.S. government agencies and instrumentalities, bankers' acceptances guaranteed by an Oregon financial institution, repurchase agreements, State of Oregon Treasury Local Government Investment Pool, various interest bearing bonds of Oregon municipalities, certificates of deposit, and certain commercial paper among other investments.

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

There is participation in the Oregon State Treasurer's Local Government Investment Pool (LGIP or Pool), an open-ended, no-load diversified portfolio created under ORS 294.805 to 294.895. The Pool is not registered with the U.S. Securities and Exchange Commission as an investment company and is not rated. The State's investment policies are governed by the Oregon Revised Statutes and the Oregon Investment Council. The State Treasurer is the investment officer for the Pool and is responsible for all funds in the Pool. These funds must be invested and managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board (OSTFB), which establishes diversification percentages and specifies the types and maturities of investments. The Oregon Audits Division of the Secretary of State's Office audits the Pool annually. A copy of the State's Comprehensive Annual Financial Report may be obtained at the Oregon State Treasury, 350 Winter St. NE, Salem, Oregon 97310-0840.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

As of June 30, 2013 there were the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3 - 17</u>	<u>18 - 59</u>
State Treasurer's Investment Pool	\$ 469,401	\$ 469,401	\$ -	\$ -
Total	\$ 469,401	\$ 469,401	\$ -	\$ -

Interest Rate Risk

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. The City manages exposure to declines in fair values by limiting the weighted average maturity of the investment portfolio to levels required by State statute.

Credit Risk

The Oregon Revised Statutes do not limit investments as to credit rating for securities purchased from U.S. Government Agencies. The investments in U.S. Government Agencies were rated AAA by Standard & Poor's and AAA by Moody's Investor Service. The State Pool is unrated.

Oregon Revised Statutes require banker's acceptances to be guaranteed by and carried on the books of a qualified financial institution, eligible for discount by Federal Reserve System, and issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organizations. There are no investments in banker's acceptances.

Concentration of Credit Risk

At June 30, 2013, 100% of total investments were in the Oregon State Treasury's Local Government Investment Pool. State statutes do not limit the percentage of investment in the Pool.

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2013 is as follows:

Description	GOVERNMENTAL ACTIVITIES CAPITAL ASSETS			
	June 30, 2012	Additions	(Deletions)	June 30, 2013
Land	\$ 132,757	\$ -	\$ -	\$ 132,757
Total Non-Depreciable Capital Assets	132,757	-	-	132,757
Buildings and Improvements	765,459	-	-	765,459
Equipment	92,911	-	-	92,911
Streets	1,075,533	-	-	1,075,533
Park Improvements	86,717	-	-	86,717
Total Depreciable Capital Assets	2,020,620	-	-	2,020,620
Less Accumulated Depreciation				
Buildings and Improvements	101,323	15,309	-	116,632
Equipment	52,201	10,400	-	62,601
Streets	418,800	21,920	-	440,720
Park Improvements	34,201	4,837	-	39,038
Less Accumulated Depreciation	606,525	52,466	-	658,991
Net Depreciable Capital Assets	1,414,095			1,361,629
Net Capital Assets	<u>\$ 1,546,852</u>			<u>\$ 1,494,386</u>

Depreciation expense for governmental activities is charged to functions as follows:

General Government	\$ 31,007
Public Safety	13,012
Streets	5,352
Culture and Recreation	<u>3,095</u>
Total	<u>\$ 52,466</u>

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

3. CAPITAL ASSETS (CONTINUED)

Capital asset activity for business-type activities for the year ended June 30, 2013 is as follows:

Description	BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS			
	June 30, 2012	Additions	(Deletions)	June 30, 2013
Land	\$ 79,557	\$ -	\$ -	\$ 79,557
Total Non-Depreciable Capital Assets	<u>79,557</u>	<u>-</u>	<u>-</u>	<u>79,557</u>
Buildings	745,029	-	-	745,029
Water and Sewer System	3,744,953	-	-	3,744,953
Machinery and Equipment	464,091	-	-	464,091
Total Depreciable Capital Assets	4,954,073	-	-	4,954,073
Less Accumulated Depreciation				
Buildings	612,288	3,279	-	615,567
Systems	1,470,261	93,763	-	1,564,024
Equipment	393,547	15,445	-	408,992
Less Accumulated Depreciation	<u>2,476,096</u>	<u>112,487</u>	<u>-</u>	<u>2,588,583</u>
Net Depreciable Capital Assets	<u>2,477,977</u>			<u>2,365,490</u>
Net Capital Assets	<u>\$ 2,557,534</u>			<u>\$ 2,445,047</u>

Depreciation expense for business-type activities is charged to functions as follows:

Water	\$ 47,300
Wastewater	64,867
Storm Drainage	<u>320</u>
Total	<u>\$ 112,487</u>

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

4. LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2013 were as follows:

	Interest Rates	Beginning Balance	Increase	Decrease	Ending Balance	Due within One Year
<i>Governmental Activities:</i>						
Capital Leases:						
Police Vehicle Lease	8.00%	\$ 14,093	\$ -	\$ 14,093	\$ -	\$ -
Compensated absences		<u>2,866</u>	<u>1,086</u>	<u>2,866</u>	<u>1,086</u>	<u>1,086</u>
Total governmental activities		<u>\$ 16,959</u>	<u>\$ 1,086</u>	<u>\$ 16,959</u>	<u>\$ 1,086</u>	<u>\$ 1,086</u>
<i>Business-type Activities:</i>						
Compensated absences		\$ 5,330	\$ 6,781	\$ 5,330	\$ 6,781	\$ 6,781
Notes payable:						
DEQ Note		68,415	32,198	-	100,614	-
Bonds payable:						
1980 Water Bonds	5%	33,900	-	4,291	29,609	4,411
1997 Water Bonds	4.5-5.75%	145,000	-	20,000	125,000	20,000
Bond Discount		(2,049)	-	(409)	(1,640)	-
1997 Wastewater Bonds	4.5-5.75%	110,000	-	15,000	95,000	15,000
Bond Discount		<u>(1,521)</u>	<u>-</u>	<u>(304)</u>	<u>(1,217)</u>	<u>-</u>
Total business-type activities		<u>\$ 359,075</u>	<u>\$ 38,979</u>	<u>\$ 43,908</u>	<u>\$ 354,147</u>	<u>\$ 46,192</u>

Capital Lease

On April 24, 2009, two police vehicles were acquired, totaling \$65,633, through a capital lease. The lease calls for annual payments of \$15,221, which includes interest at 8%. The lease was be fully paid in 2013.

Bonds Payable

On June 10, 1980, revenue water bonds were issued, (series 1980) in the amount of \$100,000. Proceeds from this bond issue were used to fund construction of a water distribution system. This issue calls for varying principal and interest annual repayments, which includes interest at 5.00 percent. The unobligated net revenue of the Water Fund is pledged to the payment of principal and interest. Although this bond is exchangeable upon ninety (90) days notice, no action has been taken to call any portion of the outstanding bond as of June 30, 2013.

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

4. LONG-TERM OBLIGATIONS (CONTINUED)

Annual debt service requirements to maturity for this bond issue are as follows:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2013-2014	\$ 9,423	\$ 8,417	\$ 1,006
2014-2015	9,423	8,843	580
2015-2016	<u>8,760</u>	<u>8,627</u>	<u>133</u>
Totals	<u>\$ 27,606</u>	<u>\$ 25,887</u>	<u>\$ 1,719</u>

On October 7, 1997, revenue water bonds were issued, (series 1997) in the amount of \$345,000. Proceeds from this bond issue were used to fund improvements to the Water Plant. This issue calls for varying principal and interest annual repayments, which includes interest that varies between 4.50 percent to 5.75 percent, depending on the maturity date of the bond. The bonds were sold at a discount of \$8,189 and mature over a twenty-year period. The unobligated net revenue of the Water Fund is pledged to the payment of principal and interest.

Annual debt service requirements to maturity for this bond issue are as follows:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2013-2014	\$ 26,613	\$ 20,000	\$ 6,613
2014-2015	30,319	25,000	5,319
2015-2016	28,881	25,000	3,881
2016-2017	27,443	25,000	2,443
2017-2018	<u>30,863</u>	<u>30,000</u>	<u>863</u>
Totals	<u>\$ 144,119</u>	<u>\$ 125,000</u>	<u>\$ 19,119</u>

On October 7, 1997, revenue wastewater bonds were issued, (series 1997) in the amount of \$255,000. Proceeds from this bond issue were used to fund improvements to the Wastewater Plant. This issue calls for varying principal and interest annual repayments, which includes interest that varies between 4.50 percent to 5.75 percent, depending on the maturity date of the bond. The bonds were sold at a discount of \$6,081 and mature over a twenty-year period. The unobligated net revenue of the Wastewater Fund is pledged to the payment of principal and interest.

Annual debt service requirements to maturity for this bond issue are as follows:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2013-2014	\$ 20,031	\$ 15,000	\$ 5,031
2014-2015	24,025	20,000	4,025
2015-2016	22,875	20,000	2,875
2016-2017	21,725	20,000	1,725
2017-2018	<u>20,575</u>	<u>20,000</u>	<u>575</u>
Totals	<u>\$ 109,231</u>	<u>\$ 95,000</u>	<u>\$ 14,231</u>

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

4. LONG-TERM OBLIGATIONS (CONTINUED)

Note Payable

On February 16, 2012, a loan agreement was entered into with the Oregon Department of Environmental Quality, Clean Water State Revolving Fund for improvements to the wastewater treatment facility. The loan is in the amount of \$180,000, payable at an interest rate of 1.04%. Repayment of the loan is scheduled to begin September 1, 2014 after all disbursements have been made. The City grants DEQ a security interest in and irrevocably pledges its net operating revenues to secure repayment of the loan.

Annual debt service requirements to maturity for this loan are as follows:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015-2016	\$ 41,048	\$ 39,482	\$ 1,566
2016-2017	41,048	39,894	1,154
2017-2018	41,048	40,310	738
2018-2019	41,044	40,726	318
Totals	<u>\$ 164,188</u>	<u>\$ 160,412</u>	<u>\$ 3,776</u>

5. REVENUE BOND RESERVE FUNDS

The 1997 Water and Wastewater Revenue Bonds agreements require the establishment of fund reserve accounts. The reserve accounts for both the Water and Wastewater Funds are to be used to make the bond payments in the event that revenue from user fees is insufficient. As of June 30, 2013, the reserve requirements of the 1997 Water and Wastewater Revenue Bonds were not met by cash in the Reserve Fund.

6. PENSION PLAN

Contributions are made to the State of Oregon Public Employees Retirement system (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Oregon Revised Statutes 238 assigns the authority to establish and amend benefits provisions to the PERS Board of Trustees and the State Legislature.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan ("OPSRP") is effective for all new employees hired on or after August 29, 2003. The new plan consists of a defined benefit program (the "Pension Program") and a defined contribution portion (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. 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 and a factor that varies based on type of service (general versus police or fire).

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. 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. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

6. PENSION PLAN (CONTINUED)

PERS is administered under Oregon Revised Statutes Chapter 238 and Chapter 238A by the Public Employees Retirement Board. Participation by most political subdivisions is optional but irrevocable if elected. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report can be obtained by writing to PERS, P.O. Box 23700, Tigard, OR 97281-3700 or by calling 1-503-598-7377.

Members of PERS are required to contribute 6% of their salary covered under the plan. The City is required by ORS 238.225 to contribute at an actuarially determined rate. The rate effective July 1, 2011 is 14.79% of salary covered under the plan for Tier 1 and Tier 2 (PERS) employees and 11.99% for employees covered under the Oregon Public Services Retirement Plan (OPSRP). The City pays the employee 6% contribution for the City Administrator. The PERS Board has statutory authority to revise employer contributions as necessary to ensure the promised benefits will be funded on a sound basis. Contributions to the plan for the years ending June 30, 2013, 2012, and 2011 were \$28,849, \$28,511, and \$32,999, respectively.

7. INTERFUND BALANCES AND TRANSFERS

Details of the inter-fund receivables and payables are as follows:

Due from other funds:	
Water Fund	<u>\$ 109,200</u>
Due to other funds:	
Wastewater Fund	<u>\$ 109,200</u>

Inter-fund transfers are made to finance operations between funds.

8. DEFERRED COMPENSATION PLAN

Employees are offered a deferred compensation plan created in accordance with Internal Revenue Code Section 457. An employee may enter into an agreement to defer a portion of their compensation, subject to certain limitations provided by law, by means of payroll deduction. Contributions to the plan and earnings thereon are deferred until the employee is separated from service.

Money accumulated under the deferred compensation plan has been deposited with Variable Annuity Life Insurance Company (VALIC). Monies held by VALIC are placed in various investments at the discretion of the employee. These investments are uninsured and unregistered securities held by VALIC or their agents, but not in the City's name.

9. PROPERTY TAX LIMITATIONS

The State of Oregon has set a constitutional limit on property taxes for schools and nonschool government operations. The limitation provides that property taxes for nonschool operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

NOTES TO BASIC FINANCIAL STATEMENTS

9. PROPERTY TAX LIMITATIONS (CONTINUED)

An additional limit reduces the amount of operating property tax revenues available. This reduction was accomplished by rolling property values for 1997-98 back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The Constitution also sets restrictive voter approval requirements for most tax and many fee increases and new bond issues.

10. RISK MANAGEMENT

There is exposure to various risks: loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The League of Oregon Cities joined together with the Association of Oregon Cities to form City County Insurance Services (CCIS), a public entity risk pool currently operating as a common risk management and insurance program for approximately 265 municipal corporations and associated entities in the State of Oregon. CCIS is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$2 million for each insured event. Insurance is carried through CCIS to help mitigate these risks, and commercial insurance is carried for other risks of loss, including workers' compensation. Settled claims have not exceeded insurance coverage in any of the last three fiscal years.

11. DEFICIT FUND BALANCE

At June 30, 2013, the Wastewater Fund had a negative budgetary ending fund balance of \$76,788. The deficit fund balance will be remedied in the next fiscal year through transfers from the General Fund.

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

REQUIRED SUPPLEMENTARY DATA

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013**

	<u>GENERAL FUND</u>			
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:				
Property Taxes:				
Current year	\$ 88,000	\$ 88,000	\$ 91,378	\$ 3,378
Prior years	2,000	2,000	1,449	(551)
Franchise Fees	42,000	42,000	34,974	(7,026)
Intergovernmental:				
State revenue sharing	6,500	6,500	6,742	242
Liquor tax	10,000	10,000	11,232	1,232
Cigarette tax	1,200	1,200	1,197	(3)
Park Grant	2,500	2,500	2,000	(500)
Other Public Safety Grants	1,000	1,000	-	(1,000)
Building/Property Lease	68,940	68,940	67,866	(1,074)
Building and Electrical Permits	9,000	9,000	2,986	(6,014)
Planning Fees	2,000	2,000	-	(2,000)
Ordinances and Court Fines	4,800	4,800	1,448	(3,352)
Other Fees and Fines	1,080	1,080	4,950	3,870
Refunds	2,500	2,500	769	(1,731)
Interest Income	2,400	2,400	2,804	404
Miscellaneous	1,000	1,000	2,622	1,622
Total Revenue	<u>244,920</u>	<u>244,920</u>	<u>232,417</u>	<u>(12,503)</u>
EXPENDITURES:				
Personal Services	94,801	94,801 (1)	83,197	11,604
Materials and Services	134,610	134,610 (1)	144,639	(10,029)
Capital Outlay	15,221	15,221 (1)	738	14,483
Debt Service	-	- (1)	15,221	(15,221)
Contingency	55,288	55,288	-	55,288
Total Expenditures	<u>299,920</u>	<u>299,920</u>	<u>243,795</u>	<u>56,125</u>
Net Change in Fund Balance	(55,000)	(55,000)	(11,378)	43,622
Beginning Fund Balance	55,000	55,000	80,992	25,992
Ending Fund Balance	<u>\$ -</u>	<u>\$ - (1)</u>	<u>\$ 69,614</u>	<u>\$ 69,614</u>

(1) Appropriation Level

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013**

STREET FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:				
State Highway Tax	\$ 40,000	\$ 40,000	\$ 46,095	\$ 6,095
Miscellaneous	100	100	810	710
Total Revenues	40,100	40,100	46,905	6,805
EXPENDITURES:				
Personal Services	11,347	11,347 (1)	12,727	(1,380)
Materials and Services	22,900	22,900 (1)	13,154	9,746
Capital Outlay	30,000	30,000 (1)	738	29,262
Contingency	12,000	12,000 (1)	-	12,000
Total Expenditures	76,247	76,247	26,619	49,628
Excess of Revenues Over, (Under) Expenditures	(36,147)	(36,147)	20,286	56,433
Beginning Fund Balance	40,587	40,587	41,691	1,104
Ending Fund Balance	\$ 4,440	\$ 4,440	\$ 61,977	\$ 57,537

(1) Appropriation Level

CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON

SUPPLEMENTARY DATA

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013**

WATER FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:				
Charges for Services				
Water service fees	\$ 400,000	\$ 400,000	\$ 455,212	\$ 55,212
Connection fees	1,000	1,000	5,180	4,180
Refunds	100	100	-	(100)
Deposits for new service	-	-	4,680	4,680
Miscellaneous	100	100	4,864	4,764
	<u>401,200</u>	<u>401,200</u>	<u>469,936</u>	<u>68,736</u>
EXPENDITURES:				
Personal Services	132,649	132,649 (1)	152,472	(19,823)
Materials and Services	272,430	272,430 (1)	169,371	103,059
Capital Outlay	160,000	160,000 (1)	154,233	5,767
Debt Service	34,313	34,313 (1)	33,657	656
	<u>599,392</u>	<u>599,392</u>	<u>509,733</u>	<u>89,659</u>
Excess of Revenues Over, (Under) Expenditures	(198,192)	(198,192)	(39,797)	158,395
Beginning Fund Balance	<u>348,400</u>	<u>348,400</u>	<u>333,538</u>	<u>(14,862)</u>
Ending Fund Balance	<u>\$ 150,208</u>	<u>\$ 150,208 (1)</u>	<u>293,741</u>	<u>\$ 143,533</u>
Reconciliation to Net Assets:				
Capital Assets, Net of depreciation			\$ 1,140,104	
Bonds Payable, Net of discounts			(152,969)	
Accrued Interest on Long-Term Debt			(2,273)	
Accrued Vacation			(3,958)	
			<u>1,274,645</u>	
Total Net Assets			<u>\$ 1,274,645</u>	

(1) Appropriation Level

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013**

<u>WASTEWATER FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:				
Charges for Services				
Sewer User Fees	\$ 190,000	\$ 190,000	\$ 177,013	\$ (12,987)
Connection fees	-	-	(25)	(25)
Refunds	100	100	-	(100)
Property lease	550	550	565	15
Project Partnerships	-	-	50,000	50,000
Miscellaneous	250	250	2,026	1,776
	<u>190,900</u>	<u>190,900</u>	<u>229,579</u>	<u>38,679</u>
EXPENDITURES:				
Personal Services	90,013	90,013	(1) 101,091	(11,078)
Materials and Services	122,200	122,200	(1) 84,749	37,451
Capital Outlay	12,000	12,000	(1) 4,430	7,570
Debt Service	20,894	20,894	(1) 21,371	(477)
	<u>245,107</u>	<u>245,107</u>	<u>211,641</u>	<u>33,466</u>
Excess of Revenues Over, (Under) Expenditures	(54,207)	(54,207)	17,938	72,145
OTHER FINANCING SOURCES (USES):				
Oregon DEQ Loan	-	-	32,198	32,198
	<u>-</u>	<u>-</u>	<u>32,198</u>	<u>32,198</u>
Net Change in Fund Balance	(54,207)	(54,207)	50,136	104,343
Beginning Fund Balance	60,000	60,000	(126,924)	(186,924)
Ending Fund Balance	<u>\$ 5,793</u>	<u>\$ 5,793</u>	<u>(76,788)</u>	<u>\$ (82,581)</u>
Reconciliation to Net Assets:				
Capital Assets, Net of Depreciation			\$ 1,296,815	
Bonds Payable, Net of Discount			(93,783)	
Note Payable			(100,614)	
Accrued Interest on Long-Term Debt			(2,787)	
Accrued Vacation			(2,475)	
			<u>1,020,368</u>	
Total Net Assets			<u>\$ 1,020,368</u>	

(1) Appropriation Level

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013**

SYSTEMS DEVELOPMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:				
Charges for Services	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Total Revenues	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Beginning Fund Balance	176,316	176,316	181,811	5,495
Ending Fund Balance	\$ 176,316	\$ 176,316	(1) \$ 181,811	\$ 5,495

(1) Appropriation Level

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

**COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS**

June 30, 2013

	STORM DRAIN	RESERVE	TOTAL
ASSETS:			
Current Assets:			
Cash and Investments	\$ 16,236	\$ 16,418	\$ 32,654
Accounts Receivable, Net	1,728	-	1,728
Total Current Assets	17,964	16,418	34,382
Noncurrent Assets:			
Capital Assets, Net of Accumulated			
Depreciation	8,128	-	8,128
Total Noncurrent Assets	8,128	-	8,128
Total Assets	\$ 26,092	\$ 16,418	\$ 42,510
LIABILITIES AND NET ASSETS:			
Current Liabilities:			
Payroll Liabilities	\$ 693	\$ -	\$ 693
Accrued Vacation	348	-	348
Total Liabilities	1,041	-	1,041
Net Assets			
Invested in capital assets, net of related debt	8,128	-	8,128
Restricted for Capital Projects	-	16,418	16,418
Unrestricted	16,923	-	16,923
Total Net Assets	25,051	16,418	41,469
Total Liabilities and Net Assets	\$ 26,092	\$ 16,418	\$ 42,510

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2013**

	<u>STORM DRAIN</u>	<u>RESERVE</u>	<u>TOTAL</u>
OPERATING REVENUES			
Charges for Services	\$ 17,909	\$ -	\$ 17,909
Miscellaneous	405	-	405
Total Operating Revenues	<u>18,314</u>	<u>-</u>	<u>18,314</u>
OPERATING EXPENSES			
Personal Services	8,858	-	8,858
Materials and Services	2,598	-	2,598
Depreciation	320	-	320
Total Operating Expenses	<u>11,776</u>	<u>-</u>	<u>11,776</u>
Operating Income	6,538	-	6,538
Beginning Net Assets	<u>18,513</u>	<u>16,418</u>	<u>34,931</u>
Ending Net Assets	<u>\$ 25,051</u>	<u>\$ 16,418</u>	<u>\$ 41,469</u>

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

**COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2013**

	<u>STORM DRAIN</u>	<u>RESERVE</u>	<u>TOTAL</u>
Cash Flows From Operating Activities:			
Cash Received From Customers	\$ 18,099	\$ -	\$ 18,099
Cash Payments To Suppliers	(2,629)	-	(2,629)
Cash Payment to Employees	(8,670)	-	(8,670)
	6,800	-	6,800
Net Cash From Operations	6,800	-	6,800
Net Increase In Cash and Investments	6,800	-	6,800
Balances - Beginning of Year	9,436	-	9,436
Balances - End of Year	\$ 16,236	\$ -	\$ 16,236
Cash and Cash Equivalents - End of Year			
Cash and Investments	\$ 16,236	\$ -	\$ 16,236
Due from (to) other funds	-	-	-
	\$ 16,236	\$ -	\$ 16,236
Reconciliation of Cash Flows From Operating Activities to Operating Income			
Operating Income	\$ 6,538	\$ -	\$ 6,538
Adjustments			
Depreciation/Amortization	320	-	320
(Increase), Decrease in Accounts Receivable	(215)	-	(215)
Increase, (Decrease) in Accounts Payable	(31)	-	(31)
Increase, (Decrease) in Accrued Vacation	163	-	163
Increase, (Decrease) in Payroll Liabilities	25	-	25
	6,800	-	6,800
Net Cash From Operations	\$ 6,800	\$ -	\$ 6,800

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2013**

<u>STORM DRAIN FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:				
Charges for Service	\$ 16,500	\$ 16,500	\$ 17,909	\$ 1,409
Miscellaneous	-	-	405	405
Total Revenues	<u>16,500</u>	<u>16,500</u>	<u>18,314</u>	<u>1,814</u>
EXPENDITURES:				
Personal Services	7,541	7,541 (1)	8,695	(1,154)
Materials and Services	14,000	14,000 (1)	2,598	11,402
Contingency	2,850	2,850 (1)	-	2,850
Total Expenditures	<u>24,391</u>	<u>24,391</u>	<u>11,293</u>	<u>13,098</u>
Net Change in Fund Balance	(7,891)	(7,891)	7,021	14,912
Beginning Fund Balance	<u>12,000</u>	<u>12,000</u>	<u>10,250</u>	<u>(1,750)</u>
Ending Fund Balance	<u>\$ 4,109</u>	<u>\$ 4,109</u>	17,271	<u>\$ 13,162</u>
Reconciliation to Net Assets:				
Capital Assets, Net of Depreciation			8,128	
Accrued Vacation			<u>(348)</u>	
Total Net Assets			<u>\$ 25,051</u>	

(1) Appropriation Level

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2013**

RESERVE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:				
Interest Income	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Beginning Fund Balance	15,440	15,440	16,418	978
Ending Fund Balance	<u>\$ 15,440</u>	<u>\$ 15,440 (1)</u>	<u>\$ 16,418</u>	<u>\$ 978</u>

(1) Appropriation Level

CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON

OTHER INFORMATION

CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2013

TAX YEAR	IMPOSED LEVY OR BALANCE UNCOLLECTED AT 7/1/12	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/13
Current:						
2012-13	\$ 112,107,887	\$ 2,787,669	\$ (337,880)	\$ 40,951	\$ 106,169,166	\$ 2,854,123
Prior Years:						
2011-12	2,522,924	-	(167,650)	77,402	868,990	1,563,686
2010-11	939,919	-	(155,607)	79,991	276,957	587,346
2009-10	517,988	-	(102,755)	92,544	208,691	299,086
2008-09	212,031	-	(3,961)	60,370	164,393	104,047
2007-08	59,860	-	(1,504)	15,756	33,985	40,127
Prior	196,284	-	(7,976)	32,245	48,083	172,470
Total Prior	4,449,006	-	(439,453)	358,308	1,601,099	2,766,762
Total All Funds	<u>\$ 116,556,893</u>	<u>\$ 2,787,669</u>	<u>\$ (777,333)</u>	<u>\$ 399,259</u>	<u>\$ 107,770,265</u>	<u>\$ 5,620,885</u>

RECONCILIATION TO REVENUE:

	ALL FUNDS
Cash Collections by County Treasurer Above	\$ 107,770,265
Accrual of Receivables:	
June 30, 2013	-
June 30, 2012	-
Taxes in Lieu	-
Total Revenue	<u>\$ 107,770,265</u>

**CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON**

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS



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January 15, 2016

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Adair Village as of and for the year ended June 30, 2013, and have issued our report thereon dated January 15, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of 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.**
- **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).**

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

1. We found no evidence of quotes being obtained for two purchases over \$10,000.
2. Rate changes to be enacted with Resolution 2012 were inconsistently applied to varying accounts. 2011 Sewer rates being applied to Adair RFD and 2011 Sewer and Storm Drain rates applied for Santiam Christian.
3. Expenditures exceeded appropriations as indicated on page 20.
4. Changes to the budget appropriations exceeded 10% in the Reserve Fund and a special hearing of the Board to discuss the budget was not advertised to the public as required by ORS 294.480(4).

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the internal controls 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in our management letter dated January 15, 2016.

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

**ROY R. ROGERS, CPA
PAULY, ROGERS AND CO., P.C.**