

# **CITY OF ADAIR VILLAGE, OREGON**

## ***FINANCIAL REPORT***

***for the year ended June 30, 2021***





# CITY OF ADAIR VILLAGE, OREGON

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## **CITY OF ADAIR VILLAGE, OREGON**

### **CITY COUNCIL**

Bill Currier, Mayor

Dawson Officer

Bret Ray

Alan Rowe

Vacant

### **TERM EXPIRES**

December 31, 2022

December 31, 2022

December 31, 2022

December 31, 2024

December 31, 2024

All council members receive mail at the address listed below.

### **ADMINISTRATIVE**

Pat Hare, City Administrator

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

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## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and City Council  
City of Adair Village, Oregon

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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 Adair Village, Oregon, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise City of Adair Village, Oregon's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 City of Adair Village, Oregon, as of June 30, 2021, 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Adair Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

City of Adair Village, Oregon's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Adair Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may

involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 City of Adair Village's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Adair Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and schedule of revenues, expenditures and changes in fund balance – budget and actual, as listed in the table of contents under required supplementary information, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis, the schedule of the proportionate share of the net pension liability, schedule of contributions, schedule of the changes in the total OPEB liability and related ratios – CIS plan, schedule of the proportionate share of the net OPEB liability – RHIA, schedule of contributions – RHIA, and schedule of revenues, expenditures and changes in fund balance – budget and actual, as listed in the table of contents under 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The schedule of revenues, expenditures and changes in fund balance – budget and actual, as listed in the table of contents under required supplementary information, are the responsibility of management and were 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, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Adair Village, Oregon's basic financial statements. The accompanying supplementary information, as listed in the table of contents including the major proprietary fund financial statements and the combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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.

### **Reports on Other Legal and Regulatory Requirements**

#### **Other Reporting Required by Oregon Minimum Standards**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 1, 2021, on our consideration of City of Adair Village, Oregon's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.



For Merina+Co  
Tualatin, Oregon  
December 1, 2021

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6030 William R. Carr Ave.

Adair Village, OR 97330

541-745-5507

## **CITY OF ADAIR VILLAGE MANAGEMENT DISCUSSION AND ANALYSIS** *For the year ended June 30, 2021*

Our discussion and analysis of the City of Adair Village's financial position provides an overview of the City's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the City's basic financial statements.

### **FINANCIAL HIGHLIGHTS**

The City's net position increased \$2,752,075, or 30.98 percent, as a result of this year's:

- Net position of our governmental activities increased by \$795,453 or 29.91 percent.
- Net position of our business-type activities increased by \$1,956,622 or 31.43 percent.
- The total cost of all the City's programs in 2021 was \$1,586,268; in 2020 this cost was \$1,332,844.

The primary reason for this large increase in net position was due to infrastructure assets built by property developers and then turned over to the City in fiscal year 2020-2021. The amount of these assets added \$700,000 to governmental activities' net position and \$630,000 to business-type activities' net position. Development in the City also added more than \$1 million in system development (impact fees) revenue.

As the City has continued to work under an emergency order declaring a state of emergency due to the global pandemic related to COVID-19, City Hall has only allowed limited access to the public. The City is in a rural area of Oregon and did not suffer the devastating impacts that more urban areas of the state suffered due to the emergency order, and federal and state assistance has offset those impacts.

### **CITY'S ACTIVITIES HIGHLIGHTS**

#### **General Fund**

In the General Fund, planning and building permit revenue and related expenses were down from the prior year as developers built out lots that had permits from the prior fiscal year. As the additional population and value of real estate is added to the state and county rolls, state shared revenues, such as liquor taxes, and property taxes have increased.

Last year the City purchased a piece of property in the City's downtown area. The property is currently residential rental property, so the City is seeing additional rental revenue. Long-term plans involve redeveloping that property as part of the City's downtown improvement plan. The General Fund borrowed the money from the Water and SDC Funds to purchase the property. Because of internal financing, the General Fund has to record the liability due to the other funds, but, as a governmental fund, does not record the corresponding capital asset. This led to the General Fund reporting a negative fund balance of \$(169,979). Repayment of the debt in future years will liquidate this negative balance.

#### **Street Fund**

Highway tax revenue in the Street Fund was up more than 40 percent from the prior year due to population growth in the City. Expenditures were about the same as the prior year so

the fund balance increased by about 18 percent.

### **Water and Wastewater Utilities**

Revenue in the water utility grew only slightly in fiscal year 2020-2021, while wastewater revenue grew by about 27 percent. Water revenue is dependent on usage, and there are also a fixed number of customers outside of the City that pay for water services, so that revenue does not reflect population growth as directly as wastewater does.

Infrastructure assets built by property developers and turned over to the City added \$230,000 to the Water Fund's net position.

Construction of major improvements to the City's wastewater treatment plant and related facilities continued in fiscal year 2020-2021. Infrastructure assets built by property developers and turned over to the City added \$300,000 to the Wastewater Fund's net position.

### **Governmental Fund Balances**

Fund balance in the General Fund increased 18.42 percent, mostly due to larger population and higher real estate values fueling state shared revenues and property taxes. Intergovernmental revenues were also up as the City received state and federal stimulus money.

Revenues in the General Fund were up about 48 percent overall. This was primarily due to a 33 percent increase in property taxes as newly developed property was added to the tax rolls.

As noted above, highway tax revenue in the Street Fund was up more than 40 percent as the City's population increased faster than the rest of the State of Oregon. Highway taxes are distributed based on population.

## **CITY COUNCIL GOALS**

Preparing for the fiscal year ending in 2021, the City Council focused on funding for major projects and identifying immediate needs. Many of the Council goals are on-going. Through the budgetary process the council and staff focused on the year ending June 30, 2021 with these objectives:

### **Administration**

#### **Develop policies that will increase efficiencies and protect the City**

Objective: Adopt policies to enhance fiscal responsibility

Objective: Completing audits in a timely manner

Objective: Gain experience in Caselle

### **Public Works**

#### **Upgrade City's Utilities and Prepare for Growth**

Objective: Replace old water infrastructure

Objective: Monitor/Track water loss

Objective: System maintenance plans

Objective: Upgrade streets and sidewalks

Objective: Stay within DEQ compliance

Objective: Funding for water plant

Objective: Complete new wastewater facility

### **Industrial Site**

#### **Redevelop Industrial Site to Expand Local Employment Opportunities**

- Objective: Industrial site economic planning
- Objective: Engage DEQ for mitigation
- Objective: Start cleanup process

### **Downtown Development**

#### **Develop a Downtown with Commercial/Retail Opportunities**

- Objective: Restoration of barracks interior
- Objective: Public use of barracks
- Objective: Downtown district planning
- Objective: Complete parks and perpetuity application

### **Public Safety**

#### **Provide Stable and Consistent Services**

- Objective: Update emergency plan
- Objective: Renew Contract with Benton County

### **Community Development**

#### **Improve City's Amenities and Appearance and Outside Perception**

- Objective: Facilitate residential growth
- Objective: Trails and connectivity
- Objective: Correct economic demographics
- Objective: Better event coordination
- Objective: Zip code specific to Adair Village
- Objective: Frontage road closure
- Objective: Improve city appearance

## **USING THIS ANNUAL REPORT**

This annual report consists of a set of financial statements. The Statement of Net Position and the Statement of Activities provide information concerning the activities of the City as a whole and present a view of the monetary standing of the City for the fiscal year end date of June 30, 2021. Fund financial statements provide information on both governmental and proprietary, or business-type funds (Storm Drain, Wastewater, Water, System Development Charges and Reserve). A review of these statements will provide information on the City's revenues, expenditures, capital assets and liabilities and ultimately compare where we were financially when the year started and where we are at the end of the fiscal year.

### **Reporting the City as a Whole**

The Statement of Net Position and the Statement of Activities provide the background information to determine how the City's financial situation has changed since the previous year. These statements use "accrual-based accounting," which is similar to accounting procedures used in the private sector. Accrual-based accounting records the City's assets and liabilities according to when they were due, not when they were actually paid or received.

These statements report the City's "net position" and how it changed. This allows one to determine the City's fiscal health, or financial position. Net position represents the difference between what the City owes and what the City owns. Increase or decrease in net position, taken in conjunction with the actual activities undertaken by the City, determine whether the City's financial health is increasing or decreasing. Actual "activities" include any changes to the City's property tax base through an increase in population and any additions, improvements, or deterioration to the City's capital assets (buildings, land, and equipment).

The financial statements divide the City's activities into two areas:

- **Governmental Activities** - The General Fund and the Street Fund are the primary areas here. Governmental activities include revenues from other governments, property taxes, leases, franchise fees, and grants. It includes a wide variety of expenses, including contracts for service, utilities, supplies, and general administrative costs. These funds are reported using modified accrual accounting and breaks expenses into basic services-streets, public safety, parks, and general government and planning.
- **Business-type (proprietary) Activities** - Water, Wastewater, Systems Development, Storm Drain, and Reserve Funds are included here. Most revenues come as fee charges for services that the City delivers to our citizens and customers. Expenses include everything needed to provide those services - personal services, materials and services, and capital outlay.

## THE CITY'S SITUATION AT THE END OF THE FISCAL YEAR

Table 1 below shows the City's net position by Governmental and Business-type Activities and provides a comparison to last year's net position. Overall, the City's net position increased from \$8,883,473 to \$11,635,548 this year. This increase was primarily due to developer contributions of infrastructure assets.

**Table 1**  
**Net Position**

|                                  | Governmental Activities |                     | Business-Type Activities |                     | Total                |                     |
|----------------------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|---------------------|
|                                  | 2021                    | 2020                | 2021                     | 2020                | 2021                 | 2020                |
| Current and other assets         | \$ 731,733              | \$ 544,287          | \$ 3,731,674             | \$ 2,814,218        | \$ 4,463,407         | \$ 3,358,505        |
| Capital and long-term assets     | 3,678,838               | 3,061,444           | 7,247,125                | 6,356,906           | 10,925,963           | 9,418,350           |
|                                  | <u>4,410,571</u>        | <u>3,605,731</u>    | <u>10,978,799</u>        | <u>9,171,124</u>    | <u>15,389,370</u>    | <u>12,776,855</u>   |
| Deferred outflows                |                         |                     |                          |                     |                      |                     |
| related to pensions              | 72,784                  | 45,187              | 135,886                  | 133,788             | 208,670              | 178,975             |
| related to OPEB                  | 1,064                   | 219                 | 2,894                    | 649                 | 3,958                | 868                 |
|                                  | <u>73,848</u>           | <u>45,406</u>       | <u>138,780</u>           | <u>134,437</u>      | <u>212,628</u>       | <u>179,843</u>      |
| Current liabilities              | 792,892                 | 811,557             | 208,321                  | 327,657             | 1,001,213            | 1,139,214           |
| Non-current liabilities          | 222,150                 | 161,180             | 2,700,232                | 2,696,305           | 2,922,382            | 2,857,485           |
|                                  | <u>1,015,042</u>        | <u>972,737</u>      | <u>2,908,553</u>         | <u>3,023,962</u>    | <u>3,923,595</u>     | <u>3,996,699</u>    |
| Deferred inflows                 |                         |                     |                          |                     |                      |                     |
| related to pensions              | 14,491                  | 18,972              | 27,056                   | 56,176              | 41,547               | 75,148              |
| related to OPEB                  | 353                     | 248                 | 955                      | 1,030               | 1,308                | 1,278               |
|                                  | <u>14,844</u>           | <u>19,220</u>       | <u>28,011</u>            | <u>57,206</u>       | <u>42,855</u>        | <u>76,426</u>       |
| Net position:                    |                         |                     |                          |                     |                      |                     |
| Net investment in capital assets | 2,904,414               | 2,237,004           | 4,784,513                | 3,903,971           | 7,688,927            | 6,140,975           |
| Restricted for:                  |                         |                     |                          |                     |                      |                     |
| Streets                          | 130,879                 | 110,520             | -                        | -                   | 130,879              | 110,520             |
| System development               | -                       | -                   | 2,695,645                | 1,586,960           | 2,695,645            | 1,586,960           |
| Unrestricted                     | 419,240                 | 311,556             | 700,857                  | 733,462             | 1,120,097            | 1,045,018           |
| Total net position               | <u>\$ 3,454,533</u>     | <u>\$ 2,659,080</u> | <u>\$ 8,181,015</u>      | <u>\$ 6,224,393</u> | <u>\$ 11,635,548</u> | <u>\$ 8,883,473</u> |

Net position increased 30.98 percent. Unrestricted net position – the portion of that area used to

finance day-to-day operation without outside restraints, such as debt covenants, legislation, or other legal requirements – increased 7.18 percent overall.

Table 2 below shows the Change in Revenues and Expenses by Governmental and Business-type Activities and provides a comparison to last year's net position.

**Table 2**  
**Change in Net Position**

|                                     | Governmental Activities |              | Business-Type Activities |              | Total         |              |
|-------------------------------------|-------------------------|--------------|--------------------------|--------------|---------------|--------------|
|                                     | 2021                    | 2020         | 2021                     | 2020         | 2021          | 2020         |
| Revenues:                           |                         |              |                          |              |               |              |
| Program revenues:                   |                         |              |                          |              |               |              |
| Charges for services                | \$ 7,659                | \$ 94,867    | \$ 1,063,710             | \$ 953,742   | \$ 1,071,369  | \$ 1,048,609 |
| Grants and contributions            | 802,822                 | 1,006,500    | 1,730,181                | 2,864,148    | 2,533,003     | 3,870,648    |
| General revenues:                   |                         |              |                          |              |               |              |
| Property taxes                      | 183,111                 | 139,847      | -                        | -            | 183,111       | 139,847      |
| Highway fund allocation             | 86,229                  | 60,842       | -                        | -            | 86,229        | 60,842       |
| Intergovernmental                   | 172,477                 | 65,174       | -                        | -            | 172,477       | 65,174       |
| Franchise fees                      | 76,825                  | 51,466       | -                        | -            | 76,825        | 51,466       |
| Earnings on investments             | 19,223                  | 29,320       | 18,375                   | -            | 37,598        | 29,320       |
| Rents and leases                    | 157,376                 | 105,363      | -                        | -            | 157,376       | 105,363      |
| Miscellaneous                       | 10,121                  | 2,062        | 10,234                   | 1,980        | 20,355        | 4,042        |
| TOTAL REVENUES                      | 1,515,843               | 1,555,441    | 2,822,500                | 3,819,870    | 4,338,343     | 5,375,311    |
| Program expenses:                   |                         |              |                          |              |               |              |
| Governmental activities:            |                         |              |                          |              |               |              |
| General government                  | 505,609                 | 320,089      | -                        | -            | 505,609       | 320,089      |
| Public safety                       | 43,477                  | 39,878       | -                        | -            | 43,477        | 39,878       |
| Street maintenance                  | 118,791                 | 85,156       | -                        | -            | 118,791       | 85,156       |
| Culture & recreation                | 41,591                  | 19,137       | -                        | -            | 41,591        | 19,137       |
| Interest on long-term debt          | 20,718                  | 3,113        | -                        | -            | 20,718        | 3,113        |
| Proprietary activities:             |                         |              |                          |              |               |              |
| Water                               | -                       | -            | 588,886                  | 588,956      | 588,886       | 588,956      |
| Wastewater                          | -                       | -            | 239,807                  | 248,801      | 239,807       | 248,801      |
| Other business-type activities      | -                       | -            | 27,389                   | 27,714       | 27,389        | 27,714       |
| TOTAL EXPENSES                      | 730,186                 | 467,373      | 856,082                  | 865,471      | 1,586,268     | 1,332,844    |
| Transfers                           | 9,796                   | (5,200)      | (9,796)                  | 5,200        | -             | -            |
| Increase (decrease) in net position | 795,453                 | 1,082,868    | 1,956,622                | 2,959,599    | 2,752,075     | 4,042,467    |
| Net position - beginning            | 2,659,080               | 1,576,212    | 6,224,393                | 3,264,794    | 8,883,473     | 4,841,006    |
| Net position - ending               | \$ 3,454,533            | \$ 2,659,080 | \$ 8,181,015             | \$ 6,224,393 | \$ 11,635,548 | \$ 8,883,473 |

The City's total revenues decreased by more than \$1 million primarily due to developer contributions being lower in fiscal year 2020-2021 compared to fiscal year 2019-2020; revenues other than developer contributions increased about 20 percent, mostly due to population growth. Total expenses increased by \$253,424 and net position increased by \$2,752,075. Specifics on these changes can be found under "City's Activity Highlights" above.

## GENERAL BUDGETARY HIGHLIGHTS

- The City Council adopted a conservative fiscal year 2020-2021 budget. Due to spending at a level that was even more conservative than budgeted and revenues coming significantly higher than budget, the fund balance of the General Fund ended the year \$368,923 higher than was budgeted. The primary reason for the increase was the

additional revenue due to population increase and decreased spending as the Covid-19 pandemic continued to reduce services provided by the City.

Areas of legal appropriations are Administration, Parks, Public Safety, Non-departmental, transfers, debt service and contingencies.

### CAPITAL ASSETS

At June 30, 2021, the City had \$10,925,963 invested in land, buildings and improvements, streets and equipment. This represents an increase (net of depreciation) of \$1,511,516, primarily due to developer contributions of infrastructure assets and construction of wastewater facilities. Additional information on capital assets is available in Note 2.

**Table 3**  
**Capital Assets at Year-end**  
**Net of Depreciation**

|                                | Governmental Activities |                     | Business-Type Activities |                     | Total                |                     |
|--------------------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|---------------------|
|                                | 2021                    | 2020                | 2021                     | 2020                | 2021                 | 2020                |
| Land & const. in progress      | \$ 587,159              | \$ 587,159          | \$ 385,322               | \$ 272,275          | \$ 972,481           | \$ 859,434          |
| Building & improvements        | 1,171,115               | 1,171,115           | 838,054                  | 838,054             | 2,009,169            | 2,009,169           |
| Water and sewer system         | -                       | -                   | 9,025,024                | 8,088,588           | 9,025,024            | 8,088,588           |
| Streets                        | 2,774,979               | 2,074,979           | -                        | -                   | 2,774,979            | 2,074,979           |
| Park improvements              | 93,505                  | 93,505              | -                        | -                   | 93,505               | 93,505              |
| Equipment                      | 23,854                  | 13,810              | 684,980                  | 669,570             | 708,834              | 683,380             |
| Less: accumulated depreciation | (971,774)               | (880,109)           | (3,686,255)              | (3,514,499)         | (4,658,029)          | (4,394,608)         |
|                                | <u>\$ 3,678,838</u>     | <u>\$ 3,060,459</u> | <u>\$ 7,247,125</u>      | <u>\$ 6,353,988</u> | <u>\$ 10,925,963</u> | <u>\$ 9,414,447</u> |

### DEBT OUTSTANDING

As of year-end the City had total debt outstanding of \$2,516,545; all of the debt is notes payable. Governmental activities debt decreased as no new debt was added and the existing debt was decreased through scheduled debt payments. Business-type activities debt increased as the City continued drawing down the Infrastructure Finance Authority loan for improvements to the wastewater treatment plant and related facilities. Additional information on long-term debt is available in Note 3.

**Table 3**  
**Long-term Debt at Year-end**

|                     | Governmental Activities |                  | Business-Type Activities |                     | Total               |                     |
|---------------------|-------------------------|------------------|--------------------------|---------------------|---------------------|---------------------|
|                     | 2021                    | 2020             | 2021                     | 2020                | 2021                | 2020                |
| Notes payable:      |                         |                  |                          |                     |                     |                     |
| US Bank             | \$ 53,933               | \$ 73,455        | \$ -                     | \$ -                | \$ 53,933           | \$ 73,455           |
| DEQ note            | -                       | -                | 78,118                   | 100,000             | 78,118              | 100,000             |
| IFA Water Loan      | -                       | -                | 2,183,530                | 2,232,902           | 2,183,530           | 2,232,902           |
| IFA Wastewater Loan | -                       | -                | 200,964                  | 117,115             | 200,964             | 117,115             |
|                     | <u>\$ 53,933</u>        | <u>\$ 73,455</u> | <u>\$ 2,462,612</u>      | <u>\$ 2,450,017</u> | <u>\$ 2,516,545</u> | <u>\$ 2,523,472</u> |

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Budget Committee (five City Council members and five citizen members) considered a wide range of factors when establishing the budget for the fiscal year ending June 30, 2022. Estimates



were made for a range of revenues, including property taxes, shared state revenues, grants, franchise fees, leases, and charges for utility service. No staff changes are anticipated, but cost-of-living and step increases were budgeted for existing staff. This will keep overall personnel costs affordable. The Budget Committee took a conservative approach to the budget given the unknowns surrounding COVID-19.

Utility rates are reviewed on a regular basis. No increases were planned for fiscal year 2021-2022.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Adair Village's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to:

**City of Adair Village  
City Administrator  
6030 NE William R Carr Avenue  
Adair Village, OR 97330**

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# CITY OF ADAIR VILLAGE, OREGON

## BASIC FINANCIAL STATEMENTS

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**CITY OF ADAIR VILLAGE, OREGON**  
**STATEMENT OF NET POSITION**  
*June 30, 2021*

|  | Governmental<br>Activities | Business-Type<br>Activities | Total                |
|--|----------------------------|-----------------------------|----------------------|
| <b>ASSETS</b>  |                            |                             |                      |
| Cash and investments                                   | \$ 693,921                 | \$ 2,841,970                | \$ 3,535,891         |
| Receivables:   |                            |                             |                      |
| Accounts   | 34,156                     | 169,213                     | 203,369              |
| Taxes  | 3,656                      | -                           | 3,656                |
| Capital assets:  |                            |                             |                      |
| Land and construction in progress                      | 587,159                    | 385,322                     | 972,481              |
| Other capital assets (net of accumulated depreciation) | 3,091,679                  | 6,861,803                   | 9,953,482            |
| <b>Total Assets</b>                                    | <b>4,410,571</b>           | <b>10,258,308</b>           | <b>14,668,879</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                  |                            |                             |                      |
| Deferred outflows related to pensions                  | 72,784                     | 135,886                     | 208,670              |
| Deferred outflows related to OPEB                      | 1,064                      | 2,894                       | 3,958                |
| <b>Total Deferred Outflows of Resources</b>            | <b>73,848</b>              | <b>138,780</b>              | <b>212,628</b>       |
| <b>LIABILITIES</b>                                     |                            |                             |                      |
| Current liabilities:                                   |                            |                             |                      |
| Accounts payable                                       | 37,520                     | 30,515                      | 68,035               |
| Payroll liabilities                                    | 9,799                      | 20,579                      | 30,378               |
| Due to other funds                                     | 720,491                    | (720,491)                   | -                    |
| Accrued compensated absences                           | 3,702                      | 9,542                       | 13,244               |
| Accrued interest                                       | 1,073                      | 29,831                      | 30,904               |
| Long-term debt due within one year                     | 20,307                     | 117,854                     | 138,161              |
| Noncurrent liabilities                                 |                            |                             |                      |
| Net pension liability                                  | 185,359                    | 346,048                     | 531,407              |
| Transition liability                                   | 1,500                      | 4,900                       | 6,400                |
| Net OPEB liability                                     | 1,665                      | 4,526                       | 6,191                |
| Long-term debt due in more than one year               | 33,626                     | 2,344,758                   | 2,378,384            |
| <b>Total Liabilities</b>                               | <b>1,015,042</b>           | <b>2,188,062</b>            | <b>3,203,104</b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                   |                            |                             |                      |
| Deferred inflows related to pensions                   | 14,491                     | 27,056                      | 41,547               |
| Deferred inflows related to OPEB                       | 353                        | 955                         | 1,308                |
| <b>Total Deferred Inflows of Resources</b>             | <b>14,844</b>              | <b>28,011</b>               | <b>42,855</b>        |
| <b>NET POSITION</b>                                    |                            |                             |                      |
| Net investment in capital assets                       | 2,904,414                  | 4,784,513                   | 7,688,927            |
| Restricted for:  |                            |                             |                      |
| Streets  | 130,879                    | -                           | 130,879              |
| Capital projects                                       | -                          | 2,695,645                   | 2,695,645            |
| Unrestricted   | 419,240                    | 700,857                     | 1,120,097            |
| <b>Total Net Position</b>                              | <b>\$ 3,454,533</b>        | <b>\$ 8,181,015</b>         | <b>\$ 11,635,548</b> |

The accompanying notes are an integral part of the basic financial statements.

**CITY OF ADAIR VILLAGE, OREGON**  
**STATEMENT OF ACTIVITIES**  
*for the year ended June 30, 2021*

| Functions/Programs                  | Program Revenues |                      |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |                          |              |
|-------------------------------------|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|--------------|
|                                     | Expenses         | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities                           | Business-type Activities | Total        |
|                                     |                  |                      |                                    |                                  |   |                          |              |
| GOVERNMENTAL ACTIVITIES             |                  |                      |                                    |                                  |   |                          |              |
| General government                  | \$ 505,609       | \$ 7,659             | \$ 102,822                         | \$ -                             | \$ (395,128)                                      | \$ -                     | \$ (395,128) |
| Public safety                       | 43,477           | -                    | -                                  | -                                | (43,477)  | -                        | (43,477)     |
| Street maintenance and construction | 118,791          | -                    | -                                  | 700,000                          | 581,209   | -                        | 581,209      |
| Culture and recreation              | 41,591           | -                    | -                                  | -                                | (41,591)  | -                        | (41,591)     |
| Interest on long-term debt          | 20,718           | -                    | -                                  | -                                | (20,718)  | -                        | (20,718)     |
| Total governmental activities       | 730,186          | 7,659                | 102,822                            | 700,000                          | 80,295  | -                        | 80,295       |
| BUSINESS-TYPE ACTIVITIES            |                  |                      |                                    |                                  |   |                          |              |
| Water                               | 588,886          | 670,748              | 230,000                            | -                                | -   | 311,862                  | 311,862      |
| Wastewater                          | 239,807          | 357,128              | 300,000                            | -                                | -   | 417,321                  | 417,321      |
| System development charges          | -                | -                    | 1,100,181                          | -                                | -   | 1,100,181                | 1,100,181    |
| Other business-type activities      | 27,389           | 35,834               | 100,000                            | -                                | -   | 108,445                  | 108,445      |
| Total business-type activities      | 856,082          | 1,063,710            | 1,730,181                          | -                                | -   | 1,937,809                | 1,937,809    |
| Total Primary Government            | \$ 1,586,268     | \$ 1,071,369         | \$ 1,833,003                       | \$ 700,000                       | 80,295  | 1,937,809                | 2,018,104    |

General revenues:

|   |                     |                     |                      |
|---|---------------------|---------------------|----------------------|
| Property taxes, levied for general purposes                 | 183,111             | -                   | 183,111              |
| Highway taxes   | 86,229              | -                   | 86,229               |
| Intergovernmental revenues                                  | 172,477             | -                   | 172,477              |
| Franchise fees  | 76,825              | -                   | 76,825               |
| Interest earnings   | 19,223              | 18,375              | 37,598               |
| Rents and leases  | 157,376             | -                   | 157,376              |
| Miscellaneous   | 10,121              | 10,234              | 20,355               |
| <b>Total general revenues</b>                               | <b>705,362</b>      | <b>28,609</b>       | <b>733,971</b>       |
| Transfers between Governmental and Business-type Activities | 9,796               | (9,796)             | -                    |
| Change in net position                                      | 795,453             | 1,956,622           | 2,752,075            |
| <b>Net position--beginning</b>                              | <b>2,659,080</b>    | <b>6,224,393</b>    | <b>8,883,473</b>     |
| <b>Net position--ending</b>                                 | <b>\$ 3,454,533</b> | <b>\$ 8,181,015</b> | <b>\$ 11,635,548</b> |

The accompanying notes are an integral part of the basic financial statements.

**CITY OF ADAIR VILLAGE, OREGON**  
**GOVERNMENTAL FUNDS - BALANCE SHEET**  
*June 30, 2021*

|   | General<br>Fund   | Street<br>Fund    | Total<br>Gov. Funds |
|---|-------------------|-------------------|---------------------|
| <b>ASSETS</b>   |                   |                   |                     |
| Cash and investments  | \$ 568,268        | \$ 125,653        | \$ 693,921          |
| Receivables   |                   |                   |                     |
| Accounts  | 25,390            | 8,766             | 34,156              |
| Taxes   | 3,656             | -                 | 3,656               |
| <b>Total Assets</b>   | <b>\$ 597,314</b> | <b>\$ 134,419</b> | <b>\$ 731,733</b>   |
| <b>LIABILITIES</b>  |                   |                   |                     |
| Accounts payable  | \$ 35,305         | \$ 2,215          | \$ 37,520           |
| Payroll liabilities   | 8,474             | 1,325             | 9,799               |
| Due to other funds  | 720,491           | -                 | 720,491             |
| <b>Total Liabilities</b>  | <b>764,270</b>    | <b>3,540</b>      | <b>767,810</b>      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                   |                   |                     |
| Unavailable property tax revenue  | 3,023             | -                 | 3,023               |
| <b>Total Deferred Inflows of Resources</b>  | <b>3,023</b>      | <b>-</b>          | <b>3,023</b>        |
| <b>FUND BALANCES</b>  |                   |                   |                     |
| <b>Restricted for:</b>  |                   |                   |                     |
| Street maintenance and improvements   | -                 | 130,879           | 130,879             |
| <b>Unassigned:</b>  |                   |                   |                     |
|   | (169,979)         | -                 | (169,979)           |
| <b>Total Fund Balances</b>  | <b>(169,979)</b>  | <b>130,879</b>    | <b>(39,100)</b>     |
| <b>Total Liabilities, Deferred Inflows and Fund Balances</b>  | <b>\$ 597,314</b> | <b>\$ 134,419</b> | <b>\$ 731,733</b>   |
| <b>Fund balance</b>   |                   |                   | <b>\$ (39,100)</b>  |
| Amounts reported for governmental activities in the Statement of Net Position are different because:  |                   |                   |                     |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$971,774. |                   |                   | 3,678,838           |
| Other long-term assets are not available to pay for current-period expenditures and, therefore are unavailable in the funds:  |                   |                   |                     |
| Property taxes earned but not available   |                   |                   | 3,023               |
| Deferred outflows of resources  |                   |                   | 73,848              |
| Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.   |                   |                   | (3,702)             |
| Interest accrued on long-term debt  |                   |                   | (1,073)             |
| Long-term liabilities - not reported in the funds:  |                   |                   |                     |
| Deferred inflows of resources   |                   |                   | (14,844)            |
| Long-term debt  |                   |                   | (53,933)            |
| OPEB liability  |                   |                   | (1,665)             |
| Transition liability  |                   |                   | (1,500)             |
| Net pension liability   |                   |                   | (185,359)           |
| <b>Net Position of Governmental Activities</b>  |                   |                   | <b>\$ 3,454,533</b> |

The accompanying notes are an integral part of the basic financial statements.

**CITY OF ADAIR VILLAGE, OREGON**  
**GOVERNMENTAL FUNDS -**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
*for the year ended June 30, 2021*

|  | General<br>Fund     | Street<br>Fund    | Total<br>Gov. Funds |
|--|---------------------|-------------------|---------------------|
| <b>REVENUES</b>  |                     |                   |                     |
| Property taxes   | \$ 183,825          | \$ -              | \$ 183,825          |
| Highway taxes  | -                   | 86,229            | 86,229              |
| Franchise fees   | 76,825              | -                 | 76,825              |
| Intergovernmental revenues                                       | 172,477             | -                 | 172,477             |
| Property leases/rents  | 157,376             | -                 | 157,376             |
| Permits and fees   | 7,659               | -                 | 7,659               |
| SDC administration   | 52,822              | -                 | 52,822              |
| COVID-19 Reimbursements  | 50,000              | -                 | 50,000              |
| Interest earnings  | 19,223              | -                 | 19,223              |
| Miscellaneous  | 10,121              | -                 | 10,121              |
| <b>Total Revenues</b>  | <b>730,328</b>      | <b>86,229</b>     | <b>816,557</b>      |
| <b>EXPENDITURES</b>  |                     |                   |                     |
| Current operating:   |                     |                   |                     |
| Administration   | 139,134             | -                 | 139,134             |
| Parks  | 31,311              | -                 | 31,311              |
| Public safety  | 41,031              | -                 | 41,031              |
| Non-departmental   | 299,605             | -                 | 299,605             |
| Street maintenance & operations                                  | -                   | 65,670            | 65,670              |
| Debt service:  |                     |                   |                     |
| Principal  | 18,768              | -                 | 18,768              |
| Interest   | 21,861              | -                 | 21,861              |
| <b>Total Expenditures</b>  | <b>551,710</b>      | <b>65,670</b>     | <b>617,380</b>      |
| <b>Excess (deficiency) of revenues over (under) expenditures</b> | <b>178,618</b>      | <b>20,559</b>     | <b>199,177</b>      |
| <b>OTHER FINANCING SOURCES (USES)</b>                            |                     |                   |                     |
| Transfers in   | 14,996              | -                 | 14,996              |
| Transfers out  | (5,000)             | (200)             | (5,200)             |
| <b>Total other financing sources (uses)</b>                      | <b>9,996</b>        | <b>(200)</b>      | <b>9,796</b>        |
| Net change in fund balances                                      | 188,614             | 20,359            | 208,973             |
| <b>Fund Balances - beginning of the year</b>                     | <b>(358,593)</b>    | <b>110,520</b>    | <b>(248,073)</b>    |
| <b>Fund Balances - end of year</b>                               | <b>\$ (169,979)</b> | <b>\$ 130,879</b> | <b>\$ (39,100)</b>  |

The accompanying notes are an integral part of the basic financial statements.



**CITY OF ADAIR VILLAGE, OREGON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
*for the year ended June 30, 2021*

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|  |                   |
|--|-------------------|
| <b>Net change in fund balances--total governmental funds</b>                                       | <b>\$ 208,973</b> |
| Amounts reported for governmental activities in the Statement of Activities are different because: |                   |
| Governmental funds expense capital assets when purchased,  |                   |
| governmental activities report depreciation expense:   |                   |
| Current year depreciation  | (91,665)          |
| Purchases reported as expenditures on the fund statements  | 10,044            |
| Developer contribution of assets   | 700,000           |
| Revenues in the Statement of Activities that do not  |                   |
| provide current financial resources are not reported   |                   |
| as revenues in the funds.  |                   |
| Property taxes   | (714)             |
| Long-term debt payments are treated as expenditures in governmental                                |                   |
| funds, but are treated as decreases in long-   |                   |
| term liabilities on the Statement of Net Position.   |                   |
| Principal payments   | 19,522            |
| Compensated absences   | (1,753)           |
| Interest expense   | 389               |
| Change in pension transition liability   | 419               |
| Change in OPEB expense   | (604)             |
| Change in pension expense  | (49,158)          |
| <b>Change in Net Position of Governmental Activities</b>   | <b>\$ 795,453</b> |

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The accompanying notes are an integral part of the basic financial statements.

CITY OF ADAIR VILLAGE, OREGON  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 June 30, 2021

|  | Water               | Wastewater          | Systems<br>Development | Nonmajor<br>Proprietary<br>Funds | Totals              |
|--|---------------------|---------------------|------------------------|----------------------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |                        |                                  |                     |
| Current assets:  |                     |                     |                        |                                  |                     |
| Cash and investments                                   | \$ 563,454          | \$ 139,312          | \$ 2,010,952           | \$ 128,252                       | \$ 2,841,970        |
| Accounts receivable, net                               | 113,911             | 50,106              | -                      | 5,196                            | 169,213             |
| Due from other funds                                   | 144,098             | -                   | 576,393                | -                                | 720,491             |
| <b>Total current assets</b>                            | <b>821,463</b>      | <b>189,418</b>      | <b>2,587,345</b>       | <b>133,448</b>                   | <b>3,731,674</b>    |
| Noncurrent assets:                                     |                     |                     |                        |                                  |                     |
| Capital assets:  |                     |                     |                        |                                  |                     |
| Land and construction in process                       | 77,086              | 308,236             | -                      | -                                | 385,322             |
| Other capital assets (net of accumulated depreciation) | 4,251,777           | 2,260,160           | -                      | 349,866                          | 6,861,803           |
| <b>Total noncurrent assets</b>                         | <b>4,328,863</b>    | <b>2,568,396</b>    | <b>-</b>               | <b>349,866</b>                   | <b>7,247,125</b>    |
| <b>Total Assets</b>                                    | <b>5,150,326</b>    | <b>2,757,814</b>    | <b>2,587,345</b>       | <b>483,314</b>                   | <b>10,978,799</b>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                  |                     |                     |                        |                                  |                     |
| Deferred outflows of resources - pensions              | 91,821              | 36,697              | -                      | 7,368                            | 135,886             |
| Deferred outflows of resources - OPEB                  | 1,911               | 819                 | -                      | 164                              | 2,894               |
| <b>Total deferred outflows of resources</b>            | <b>93,732</b>       | <b>37,516</b>       | <b>-</b>               | <b>7,532</b>                     | <b>138,780</b>      |
| <b>LIABILITIES</b>                                     |                     |                     |                        |                                  |                     |
| Current liabilities:                                   |                     |                     |                        |                                  |                     |
| Accounts payable                                       | 24,249              | 6,266               | -                      | -                                | 30,515              |
| Payroll liabilities                                    | 13,634              | 5,902               | -                      | 1,043                            | 20,579              |
| Accrued interest payable                               | 25,340              | 4,491               | -                      | -                                | 29,831              |
| Accrued compensated absences                           | 6,338               | 2,705               | -                      | 499                              | 9,542               |
| Current portion of long-term debt                      | 95,779              | 22,075              | -                      | -                                | 117,854             |
| <b>Total current liabilities</b>                       | <b>165,340</b>      | <b>41,439</b>       | <b>-</b>               | <b>1,542</b>                     | <b>208,321</b>      |
| Noncurrent liabilities:                                |                     |                     |                        |                                  |                     |
| Note payable - long-term portion                       | 2,087,751           | 257,007             | -                      | -                                | 2,344,758           |
| Net OPEB liability                                     | 2,988               | 1,282               | -                      | 256                              | 4,526               |
| Net pension liability                                  | 233,835             | 93,450              | -                      | 18,763                           | 346,048             |
| Pension transition liability                           | 3,104               | 1,467               | -                      | 329                              | 4,900               |
| <b>Total noncurrent liabilities</b>                    | <b>2,327,678</b>    | <b>353,206</b>      | <b>-</b>               | <b>19,348</b>                    | <b>2,700,232</b>    |
| <b>Total Liabilities</b>                               | <b>2,493,018</b>    | <b>394,645</b>      | <b>-</b>               | <b>20,890</b>                    | <b>2,908,553</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                   |                     |                     |                        |                                  |                     |
| Deferred inflows related to:                           |                     |                     |                        |                                  |                     |
| Pension  | 18,282              | 7,307               | -                      | 1,467                            | 27,056              |
| OPEB   | 631                 | 270                 | -                      | 54                               | 955                 |
| <b>Total Deferred Inflows of Resources</b>             | <b>18,913</b>       | <b>7,577</b>        | <b>-</b>               | <b>1,521</b>                     | <b>28,011</b>       |
| <b>NET POSITION</b>                                    |                     |                     |                        |                                  |                     |
| Net investment in capital assets                       | 2,145,333           | 2,289,314           | -                      | 349,866                          | 4,784,513           |
| Restricted for capital projects                        | -                   | -                   | 2,587,345              | 108,300                          | 2,695,645           |
| Unrestricted   | 586,794             | 103,794             | -                      | 10,269                           | 700,857             |
| <b>Total Net Position</b>                              | <b>\$ 2,732,127</b> | <b>\$ 2,393,108</b> | <b>\$ 2,587,345</b>    | <b>\$ 468,435</b>                | <b>\$ 8,181,015</b> |

The accompanying notes are an integral part of the basic financial statements.

**CITY OF ADAIR VILLAGE, OREGON**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
*for the year ended June 30, 2021*

|   | Water               | Wastewater          | Systems<br>Development | Nonmajor<br>Proprietary<br>Funds | Totals              |
|---|---------------------|---------------------|------------------------|----------------------------------|---------------------|
| <b>OPERATING REVENUES</b>                     |                     |                     |                        |                                  |                     |
| Charges for services                          | \$ 670,748          | \$ 327,128          | \$ -                   | \$ 35,834                        | \$ 1,033,710        |
| Intergovernmental                             | -                   | 30,000              | -                      | -                                | 30,000              |
| Miscellaneous                                 | 10,234              | -                   | -                      | -                                | 10,234              |
| <b>Total operating revenues</b>               | <b>680,982</b>      | <b>357,128</b>      | <b>-</b>               | <b>35,834</b>                    | <b>1,073,944</b>    |
| <b>OPERATING EXPENSES</b>                     |                     |                     |                        |                                  |                     |
| Personnel services                            | 264,253             | 103,865             | -                      | 20,693                           | 388,811             |
| Materials and services                        | 157,648             | 69,986              | -                      | -                                | 227,634             |
| Depreciation                                  | 122,128             | 60,877              | -                      | 6,696                            | 189,701             |
| <b>Total operating expenses</b>               | <b>544,029</b>      | <b>234,728</b>      | <b>-</b>               | <b>27,389</b>                    | <b>806,146</b>      |
| <b>Operating income (loss)</b>                | <b>136,953</b>      | <b>122,400</b>      | <b>-</b>               | <b>8,445</b>                     | <b>267,798</b>      |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>      |                     |                     |                        |                                  |                     |
| Interest income                               | 3,675               | -                   | 14,700                 | -                                | 18,375              |
| Interest expense                              | (44,857)            | (5,079)             | -                      | -                                | (49,936)            |
| System development revenue                    | -                   | -                   | 1,100,181              | -                                | 1,100,181           |
| <b>Total non-operating revenue</b>            | <b>(41,182)</b>     | <b>(5,079)</b>      | <b>1,114,881</b>       | <b>-</b>                         | <b>1,068,620</b>    |
| <b>Net income (loss) before contributions</b> | <b>95,771</b>       | <b>117,321</b>      | <b>1,114,881</b>       | <b>8,445</b>                     | <b>1,336,418</b>    |
| <b>CONTRIBUTIONS</b>                          |                     |                     |                        |                                  |                     |
| Developer contributions                       | 230,000             | 300,000             | -                      | 100,000                          | 630,000             |
| Transfers in                                  | -                   | -                   | -                      | 8,800                            | 8,800               |
| Transfers out                                 | (3,200)             | (400)               | -                      | (14,996)                         | (18,596)            |
| <b>Total contributions</b>                    | <b>226,800</b>      | <b>299,600</b>      | <b>-</b>               | <b>93,804</b>                    | <b>620,204</b>      |
| <b>Change in net position</b>                 | <b>322,571</b>      | <b>416,921</b>      | <b>1,114,881</b>       | <b>102,249</b>                   | <b>1,956,622</b>    |
| Net position--beginning                       | 2,409,556           | 1,976,187           | 1,472,464              | 366,186                          | 6,224,393           |
| <b>Net position--end of year</b>              | <b>\$ 2,732,127</b> | <b>\$ 2,393,108</b> | <b>\$ 2,587,345</b>    | <b>\$ 468,435</b>                | <b>\$ 8,181,015</b> |

The accompanying notes are an integral part of the basic financial statements.

CITY OF ADAIR VILLAGE, OREGON  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
*for the year ended June 30, 2021*

|   | Water             | Wastewater        | Systems<br>Development | Nonmajor<br>Proprietary<br>Funds | Totals              |
|---|-------------------|-------------------|------------------------|----------------------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                   |                   |                        |                                  |                     |
| Receipts from customers   | \$ 661,694        | \$ 316,188        | \$ -                   | \$ 35,024                        | \$ 1,012,906        |
| Payments to suppliers   | (165,026)         | (185,390)         | -                      | (2,996)                          | (353,412)           |
| Payments to employees   | (251,208)         | (108,508)         | -                      | (20,404)                         | (380,120)           |
| Other receipts  | 16,136            | 30,000            | 23,607                 | -                                | 69,743              |
| <b>Net cash provided (used) by operating activities</b>                                       | <b>261,596</b>    | <b>52,290</b>     | <b>23,607</b>          | <b>11,624</b>                    | <b>349,117</b>      |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |                   |                   |                        |                                  |                     |
| Transfers to other funds  | (3,200)           | (400)             | -                      | (14,996)                         | (18,596)            |
| Proceeds from other funds   | -                 | -                 | -                      | 8,800                            | 8,800               |
| <b>Net cash provided (used) by capital and related financing activities</b>                   | <b>(3,200)</b>    | <b>(400)</b>      | <b>-</b>               | <b>(6,196)</b>                   | <b>(9,796)</b>      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                               |                   |                   |                        |                                  |                     |
| System development revenue  | -                 | -                 | 1,100,181              | -                                | 1,100,181           |
| Payment of principal on long-term debt  | (49,372)          | (21,882)          | -                      | -                                | (71,254)            |
| Payment of interest on long-term debt   | (89,641)          | (832)             | -                      | -                                | (90,473)            |
| Issuance of long-term debt  | -                 | 200,964           | -                      | -                                | 200,964             |
| Acquisition of capital assets   | (261,717)         | (191,121)         | -                      | -                                | (452,838)           |
| <b>Net cash provided (used) by capital and related financing activities</b>                   | <b>(400,730)</b>  | <b>(12,871)</b>   | <b>1,100,181</b>       | <b>-</b>                         | <b>686,580</b>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                   |                   |                        |                                  |                     |
| Interest earnings   | 3,675             | -                 | 14,700                 | -                                | 18,375              |
| <b>Net cash provided by investing activities</b>  | <b>3,675</b>      | <b>-</b>          | <b>14,700</b>          | <b>-</b>                         | <b>18,375</b>       |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                   | <b>(138,659)</b>  | <b>39,019</b>     | <b>1,138,488</b>       | <b>5,428</b>                     | <b>1,044,276</b>    |
| <b>Cash and investments--beginning of the year</b>  | <b>702,113</b>    | <b>100,293</b>    | <b>872,464</b>         | <b>122,824</b>                   | <b>1,797,694</b>    |
| <b>Cash and investments--end of the year</b>  | <b>\$ 563,454</b> | <b>\$ 139,312</b> | <b>\$ 2,010,952</b>    | <b>\$ 128,252</b>                | <b>\$ 2,841,970</b> |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b> |                   |                   |                        |                                  |                     |
| Operating income (loss)   | \$ 136,953        | \$ 122,400        | \$ -                   | \$ 8,445                         | \$ 267,798          |
| Adjustments to reconcile operating income to net cash provided by operating activities:       |                   |                   |                        |                                  |                     |
| <b>Cash flows reported in other categories:</b>   |                   |                   |                        |                                  |                     |
| Depreciation expense  | 122,128           | 60,877            | -                      | 6,696                            | 189,701             |
| <b>Change in assets and liabilities:</b>  |                   |                   |                        |                                  |                     |
| Receivables   | (3,152)           | (10,940)          | 23,607                 | (810)                            | 8,705               |
| Prepaid expenses  | 1,000             | -                 | -                      | -                                | 1,000               |
| Accounts payable and accrued liabilities  | (10,373)          | (116,747)         | -                      | (585)                            | (127,705)           |
| Accrued compensated absences  | 1,724             | 542               | -                      | 40                               | 2,306               |
| OPEB-related expenses   | 1,046             | 425               | -                      | 78                               | 1,549               |
| Pension-related expenses  | 12,270            | (4,267)           | -                      | (2,240)                          | 5,763               |
| <b>Net cash provided (used) by operating activities</b>                                       | <b>\$ 261,596</b> | <b>\$ 52,290</b>  | <b>\$ 23,607</b>       | <b>\$ 11,624</b>                 | <b>\$ 349,117</b>   |
| <b>Supplemental Schedule of Noncash Activities</b>  |                   |                   |                        |                                  |                     |
| Capital and Related Financing Activities:   |                   |                   |                        |                                  |                     |
| Contributed water, wastewater, and storm drain  | \$ 230,000        | \$ 300,000        | \$ -                   | \$ 100,000                       | \$ 630,000          |

The accompanying notes are an integral part of the basic financial statements.

## **CITY OF ADAIR VILLAGE**

### **NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States 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 (the City) 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 basic 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. 61, are separate organizations that are included in the City's 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 position and the statement of activities) report information on all 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, public safety, street maintenance and construction, culture and recreation, 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, and recreation) 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

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

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.

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, pension costs, 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.

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Reserve Fund - This fund accounts for capital outlay expenditures. The primary revenue source is transfers from other funds.

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. Reconciliations for the differences between the budgetary basis of accounting and GAAP are presented on the budgetary schedules when differences exist.

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:

#### **Appropriation Level**

|                         |                       |
|-------------------------|-----------------------|
| Department              | Debt Service          |
| Capital Outlay          | Operating Contingency |
| Inter-fund Transactions |                       |

After budget approval, the City Council may approve supplemental budgets if an occurrence, condition, or need exists which had not been ascertained at the time the budget was adopted. Management may not amend budget appropriations without Council approval.

Budget amounts shown in the basic financial statements reflect the original budget amount and final budget amount. Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2021.

#### **Estimates**

The preparation of basic 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

## **CITY OF ADAIR VILLAGE**

### **NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021**

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 (LGIP). Investments, including equity in pooled cash and investments, are stated at fair value. Investments in the LGIP are stated at share value, which approximates fair value, and is the value at which the shares can be withdrawn.

##### **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 "due to/from other funds". In the Statement of Net Position balances between governmental activities and business-type activities are shown on the same line under liabilities. The activity that is the lender reports a "negative" liability.

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 unavailable revenue because it is not deemed by management to be available to finance operations of the current period.

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 uncollectible 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 one year. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition 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 annual maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.



## **CITY OF ADAIR VILLAGE**

### **NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021**

Major outlays for capital assets and improvements are capitalized as construction in progress during construction.

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

|                           |             |
|---------------------------|-------------|
| Building 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.

#### **Unavailable Revenue**

On the fund financial statements, unavailable 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 unavailable 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 net 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.

In addition to liabilities, the statement of net 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.

## **CITY OF ADAIR VILLAGE**

### **NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021**

#### **Pensions**

For purposes of measuring the net pension (asset) liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

#### **Other Postemployment Benefits (OPEB)**

OPERS: For the purposes of measuring the net OPEB liability/asset, deferred outflows of resources and deferred inflows of resources to OPEB, and OPEB expense, information about the fiduciary net position of the OPERS and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, OPERS recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value.

The City's Health Insurance continuation plan (CIS): For the purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources to OPEB, and OPEB expense, the City has relied on actuarial reports. The City allows retired employees to purchase health insurance at the same rates as active employees. The related expense is recognized as the City pays health insurance premiums.

#### **Long-term Obligations**

In the government-wide financial statements and proprietary fund type 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 position.

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 Position**

In the fund financial statements, the fund balance for governmental funds is reported in a hierarchy of classifications 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 City reports fund balances in the following categories:

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

**CITY OF ADAIR VILLAGE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

Committed for amounts are constraints created when the City Council passes an ordinance or council resolution, a formal action made by the entity's highest level of decision-making authority. The City Council can modify or rescind the ordinance or resolution at any time through passage of an additional ordinance or resolution.

Assigned for resources that are constrained by the government's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. The City Council has given the City Administrator the power to assign fund balances.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that is not assigned, committed, or restricted. This classification is also used to report any deficit fund balance amounts in other governmental funds. At year end the City's only fund balance deficit was in the General Fund.

On the government-wide Statement of Net Position and the proprietary funds' Statement of Net Position, net position is segregated into restricted and unrestricted balances. Restrictions are limitations on how the net position may be used. Restrictions may be placed on net position by an external party that provided the resources, by enabling legislation, or by the nature of the asset.

The Net Investment in Capital Assets component of net position represents total capital assets less accumulated depreciation less debt directly related to capital assets. This amount is reported on the Statement of Net Position and in the financial statements for proprietary fund types.

**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.

**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 uncollectible has been established.

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

#### 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, 2021 (recorded at cost) consisted of:

|                                      |                     |
|--------------------------------------|---------------------|
| Cash on hand                         | \$ 100              |
| Deposits with financial institutions | 547,690             |
| LGIP                                 | 2,988,101           |
|                                      | <u>\$ 3,535,891</u> |

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

|                          |                     |
|--------------------------|---------------------|
| Governmental activities  | \$ 693,921          |
| Business-type activities | 2,841,970           |
|                          | <u>\$ 3,535,891</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, 2021, the bank balance was \$517,561. Of this amount, \$250,000 was covered by Federal Depository Insurance and the remaining \$267,561 was collateralized in accordance with ORS 295.

#### **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 (LGIP), various interest-bearing bonds of Oregon municipalities, certificates of deposit, and certain commercial paper among other investments.

There is participation in the LGIP, an open-ended, no-load diversified portfolio created under ORS 294.805 to 294.895. The LGIP 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 Annual

## **CITY OF ADAIR VILLAGE**

### **NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021**

Comprehensive Financial Report may be obtained at the Oregon State Treasury, 350 Winter St. NE, Salem, Oregon 97310-0840. Value of pool shares approximates fair value. At year end the City's only investment was in the LGIP.

#### **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, 2021, 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**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**3. CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended June 30, 2021 is as follows:

| <b>Governmental Activities</b>            | <b>Beginning<br/>Balance</b> | <b>Additions</b>  | <b>Ending<br/>Balance</b> |
|---|------------------------------|-------------------|---------------------------|
| <b>Capital Assets, non-depreciable:</b>   |                              |                   |                           |
| Land                                      | \$ 587,159                   | \$ -              | \$ 587,159                |
| Total capital assets, non-depreciable     | 587,159                      | -                 | 587,159                   |
| <b>Capital assets, depreciable:</b>       |                              |                   |                           |
| Buildings and improvements                | 1,171,115                    | -                 | 1,171,115                 |
| Equipment                                 | 13,810                       | 10,044            | 23,854                    |
| Streets                                   | 2,074,979                    | 700,000           | 2,774,979                 |
| Park improvements                         | 93,505                       | -                 | 93,505                    |
| Total capital assets, depreciable         | 3,353,409                    | 710,044           | 4,063,453                 |
| <b>Total</b>                              | <b>3,940,568</b>             | <b>710,044</b>    | <b>4,650,612</b>          |
| <b>Less accumulated depreciation for:</b> |                              |                   |                           |
| Buildings and improvements                | (228,140)                    | (40,336)          | (268,476)                 |
| Equipment                                 | (276)                        | (914)             | (1,190)                   |
| Streets                                   | (593,641)                    | (46,850)          | (640,491)                 |
| Park improvements                         | (58,052)                     | (3,565)           | (61,617)                  |
| Total accumulated depreciation            | (880,109)                    | (91,665)          | (971,774)                 |
| <b>Net depreciable capital assets</b>     | <b>2,473,300</b>             | <b>618,379</b>    | <b>3,091,679</b>          |
| <b>Net capital assets</b>                 | <b>\$ 3,060,459</b>          | <b>\$ 618,379</b> | <b>\$ 3,678,838</b>       |

Depreciation expense was allocated as follows:

| <b>Governmental activities:</b>                      | <b>Depreciation</b> |
|--|---------------------|
| General government                                   | \$ 44,815           |
| Streets  | 46,850              |
| Total depreciation expense - governmental activities | <u>\$ 91,665</u>    |

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

Capital asset activity for business-type activities for the year ended June 30, 2021 is as follows:

| <b>Business-type activities</b>           | <b>Beginning<br/>Balance</b> | <b>Additions</b>  | <b>Deletions</b> | <b>Transfers</b> | <b>Ending<br/>Balance</b> |
|---|------------------------------|-------------------|------------------|------------------|---------------------------|
| <b>Capital Assets, non-depreciable:</b>   |                              |                   |                  |                  |                           |
| Land                                      | \$ 77,086                    | \$ -              | \$ -             | \$ -             | \$ 77,086                 |
| Construction in Progress                  | 195,189                      | 351,297           | -                | (238,250)        | 308,236                   |
| Total capital assets, non-depreciable     | <u>272,275</u>               | <u>351,297</u>    | <u>-</u>         | <u>(238,250)</u> | <u>385,322</u>            |
| <b>Capital assets, depreciable:</b>       |                              |                   |                  |                  |                           |
| Buildings and improvements                | 838,054                      | -                 | -                | -                | 838,054                   |
| Water, Wastewater, and Stormdrain systems | 8,088,588                    | 698,186           | -                | 238,250          | 9,025,024                 |
| Machinery and equipment                   | 669,570                      | 33,355            | (17,945)         | -                | 684,980                   |
| Total capital assets, depreciable         | <u>9,596,212</u>             | <u>731,541</u>    | <u>(17,945)</u>  | <u>238,250</u>   | <u>10,548,058</u>         |
| Total                                     | <u>9,868,487</u>             | <u>1,082,838</u>  | <u>(17,945)</u>  | <u>-</u>         | <u>10,933,380</u>         |
| <b>Less accumulated depreciation for:</b> |                              |                   |                  |                  |                           |
| Buildings and improvements                | (641,961)                    | (5,604)           | -                | -                | (647,565)                 |
| Water, Wastewater, and Stormdrain systems | (2,325,871)                  | (161,060)         | -                | -                | (2,486,931)               |
| Machinery and equipment                   | (546,667)                    | (23,037)          | 17,945           | -                | (551,759)                 |
| Total accumulated depreciation            | <u>(3,514,499)</u>           | <u>(189,701)</u>  | <u>17,945</u>    | <u>-</u>         | <u>(3,686,255)</u>        |
| Net depreciable capital assets            | <u>6,081,713</u>             | <u>541,840</u>    | <u>-</u>         | <u>238,250</u>   | <u>6,861,803</u>          |
| <b>Net capital assets</b>                 | <u>\$ 6,353,988</u>          | <u>\$ 893,137</u> | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ 7,247,125</u>       |

Depreciation expense was allocated as follows:

|   |                   |
|---|-------------------|
| <b>Business-type activities:</b>                      |                   |
| Water   | \$ 122,128        |
| Sewer   | 60,877            |
| Stormwater  | <u>6,696</u>      |
| Total depreciation expense - business-type activities | <u>\$ 189,701</u> |

# CITY OF ADAIR VILLAGE

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

### 4. LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2021 were as follows:

|                                  | Interest<br>Rates | Beginning<br>Balance | Increase         | Decrease           | Ending<br>Balance   | Due within<br>One year |
|----------------------------------|-------------------|----------------------|------------------|--------------------|---------------------|------------------------|
| <i>Governmental activities:</i>  |                   |                      |                  |                    |                     |                        |
| Compensated absences             |                   | \$ 1,950             | \$ 6,613         | \$ (4,861)         | \$ 3,702            | \$ 3,702               |
| Note payable                     | 3.98%             | 73,455               | -                | (19,522)           | 53,933              | 20,307                 |
| Pension-related debt             |                   | 1,919                | -                | (419)              | 1,500               | -                      |
| Total governmental activities    |                   | <u>\$ 77,324</u>     | <u>\$ 6,613</u>  | <u>\$ (24,802)</u> | <u>\$ 59,135</u>    | <u>\$ 24,009</u>       |
| <i>Business-type activities:</i> |                   |                      |                  |                    |                     |                        |
| Compensated absences             |                   | \$ 7,236             | \$ 16,112        | \$ (13,806)        | \$ 9,542            | \$ 9,542               |
| Notes payable:                   |                   |                      |                  |                    |                     |                        |
| DEQ Wastewater note              | 0.88%             | 100,000              | -                | (21,882)           | 78,118              | 22,075                 |
| IFA Water loan                   | 1.98%             | 2,232,902            | -                | (49,372)           | 2,183,530           | 95,779                 |
| IFA Wastewater loan              | 2.47%             | 117,115              | 83,849           | -                  | 200,964             | -                      |
| Pension-related debt             |                   | 5,683                | -                | (783)              | 4,900               | -                      |
| Total business-type activities   |                   | <u>\$ 2,462,936</u>  | <u>\$ 99,961</u> | <u>\$ (85,843)</u> | <u>\$ 2,477,054</u> | <u>\$ 127,396</u>      |

### Notes Payable

On June 29, 2015, the City entered into a loan agreement with the DEQ to continue planning improvements to the wastewater treatment facility. The loan is in the amount of \$100,000, payable at an interest rate of 0.88%. The City grants DEQ a security interest in and irrevocably pledges its net operating revenues to secure repayment of the loan. The City drew down the last of the loan by June 30, 2020 and began the five-year repayment schedule in the 2020-2021 fiscal year.

|           | Principal        |
|-----------|------------------|
| 2021-2022 | \$ 22,075        |
| 2022-2023 | 22,269           |
| 2023-2024 | 22,466           |
| 2024-2025 | 11,308           |
| Total     | <u>\$ 78,118</u> |

In March 2016, the State of Oregon Infrastructure Finance Authority (IFA) awarded the City a \$2.8 million loan to replace its existing water storage facility at Voss Hill Reservoir and perform some additional water system upgrades. The Voss Hill Reservoir project was completed by June 30, 2018. Approximately \$515,000 of loan was forgivable, and that portion was forgiven during fiscal year 2018. The interest rate on the remaining balance is 1.98% per annum. Repayment began in the 2020-2021 fiscal year.

|           | Principal           |
|-----------|---------------------|
| 2021-2022 | \$ 95,779           |
| 2022-2023 | 97,675              |
| 2023-2024 | 99,609              |
| 2024-2025 | 101,582             |
| 2025-2026 | 103,593             |
| 2026-2031 | 549,556             |
| 2031-2036 | 606,159             |
| 2036-2040 | 529,577             |
| Total     | <u>\$ 2,183,530</u> |



## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

In June 2021, the IFA awarded the City a \$2.5 million loan to make improvements to its existing wastewater treatment plant and related facilities. The project is expected to be completed in the 2021-2022 fiscal year. The interest rate is 2.47% per annum. As of June 30, 2021, the outstanding amount was \$200,964. Repayment is expected to begin in the 2022-2023 fiscal year.

In March 2018 the City entered into a loan agreement with US Bank for \$100,000 to be used to fund a remodel of a Camp Adair barracks. The loan will be repaid over five years from general revenues. The interest rate is 3.98 percent with the following debt service schedule:

|           | Principal        |
|-----------|------------------|
| 2021-2022 | \$ 20,307        |
| 2022-2023 | 21,123           |
| 2023-2024 | 12,503           |
| Total     | <u>\$ 53,933</u> |

#### Pension Related Debt

In 2001 the City became a member of OPERS Local Government Rate Pool (LGRP). Pooling allows separate employers to be part of one group for the purpose of determining employer pension costs and contribution rates. Subsequent to the City joining the LGRP, the Oregon legislature merged the LGRP with the State/Community College Pool, forming the State and Local Government Rate Pool (SLGRP). In 2001, the City elected to become a member of the SLGRP.

Upon joining the LGRP in 2001, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP and is reduced by contributions and increased by interest charges at an assumed interest rate, originally 8%, which was reduced to 7.75% in 2013 and to 7.5% in 2015. The transition liability is amortized over twenty-five years, ending in December 2027.

| Balance       |            | Balance       |
|---------------|------------|---------------|
| June 30, 2020 | Decrease   | June 30, 2021 |
| \$ 7,602      | \$ (1,202) | \$ 6,400      |

#### Interfund Receivables and Payables

Interfund loan transactions between funds are recorded as "due to" and "due from" other funds. Interfund loans represent financing from the Water and SDC Funds to the General Fund for purchase of property. Repayment of these transactions occurs in years subsequent to year-end.

At June 30, 2021, the General Fund owed the Water Fund \$144,098 and the SDC Fund \$576,393. Interest is 2.45% per annum.

# CITY OF ADAIR VILLAGE

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

Repayment is expected to occur as follows:

| <b>Year Ending<br/>June 30,</b> | <b>General Fund<br/>Due to</b> | <b>Water Fund<br/>Due from</b> | <b>SDC Fund Due<br/>from</b> |
|---------------------------------|--------------------------------|--------------------------------|------------------------------|
| 2022                            | \$ (30,231)                    | \$ 6,046                       | \$ 24,185                    |
| 2023                            | (30,972)                       | 6,194                          | 24,778                       |
| 2024                            | (31,731)                       | 6,346                          | 25,385                       |
| 2025                            | (32,508)                       | 6,502                          | 26,006                       |
| 2026                            | (33,305)                       | 6,661                          | 26,644                       |
| 2027-2031                       | (179,170)                      | 35,834                         | 143,336                      |
| 2032-2036                       | (202,220)                      | 40,444                         | 161,776                      |
| 2037-2040                       | (180,354)                      | 36,071                         | 144,283                      |
|                                 | <u>\$ (720,491)</u>            | <u>\$ 144,098</u>              | <u>\$ 576,393</u>            |

### 5. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The other postemployment benefits (OPEB) for the City combines two separate plans. The City provides an implicit rate subsidy for a retiree post-employment healthcare plan, which is administered by Citycounty Insurance Services (CIS) Trust, and a contribution to the State of Oregon's PERS cost-sharing multiple-employer defined benefit plan.

#### 1. **Post-Employment Healthcare Plan (CIS)**

##### **Plan Description & Benefits Provided:**

The City has a Post-Employment Healthcare Plan option available for retirees. It is a substantive postemployment benefits plan offered under Oregon Revised Statutes (ORS) 243. ORS 243.303 requires the City provide retirees and their dependents with an opportunity to participate in group health and dental insurance from the date of retirement to age 65, and the rate would be calculated using claims experience from retirees and active employees for health plan rating purposes. Providing the same rate to retirees as provided to current employees constitutes an implicit rate subsidy for OPEB. This single-employer "plan" is not a stand-alone plan and therefore does not issue its own financial statements.

##### **Employees covered by benefit terms:**

At July 1, 2020, the City had four general service employees covered by the benefit terms.

##### **OPEB Liability:**

The City's total Post-Employment Healthcare Plan OPEB liability as of June 30, 2021 is \$6,191.

Actuarial assumptions and other inputs: The total OPEB liability was determined by an actuarial valuation, as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date.

The discount rate was based on a 20-year general obligation bond yield published by The Bond Buyer.

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

Healthy Mortality rates used were based on the tables as detailed below:

| <u>Employee Class</u>  | <u>Mortality Tables</u>   |
|------------------------|---|
| All eligible employees | Pub-2010 General and Safety Employee and Healthy Retiree tables, sex distinct for members and dependents, with a one-year setback for male general service employees and female |

**Changes in Total OPEB Liability:**

|  | <u>Total OPEB<br/>Liability</u> |
|--|---------------------------------|
| BALANCE, June 30, 2020                         | \$ 4,781                        |
| Changes for the year:                          |                                 |
| Service cost                                   | 836                             |
| Interest on total OPEB liability               | 197                             |
| Effect of economic/demographic rains or losses | 1,292                           |
| Changes in assumptions or other inputs         | <u>(915)</u>                    |
| Net changes                                    | <u>1,410</u>                    |
| BALANCE, June 30, 2021                         | <u>\$ 6,191</u>                 |

*Sensitivity of the total OPEB liability to changes in the discount rate:*

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

|                      | <u>1%<br/>Decrease</u> | <u>Current<br/>Discount<br/>Rate</u> | <u>1%<br/>Increase</u> |
|----------------------|------------------------|--------------------------------------|------------------------|
| Total OPEB Liability | \$ 6,746               | \$ 6,191                             | \$ 5,660               |

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates:*

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current health care trend rates:

# CITY OF ADAIR VILLAGE

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

|                      | 1%<br>Decrease | Current<br>Trend<br>Rate | 1%<br>Increase |
|----------------------|----------------|--------------------------|----------------|
| Total OPEB Liability | \$ 5,255       | \$ 6,191                 | \$ 7,302       |

### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

- For the year ended June 30, 2021, the City recognized an OPEB expense of \$958. At June 30, 2021, the City reported deferred inflows of resources related to OPEB from the following source:

|  | Outflows of<br>Resources | Inflows of<br>Resources |
|--|--------------------------|-------------------------|
| Differences between actual and expected experience | \$ 1,739                 | \$ -                    |
| Changes of assumptions or inputs                   | 160                      | (1,269)                 |
|  | <u>\$ 1,899</u>          | <u>\$ (1,269)</u>       |

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended June 30: | Annual Recognition: |
|---------------------|---------------------|
| 2022                | \$ 78               |
| 2023                | 78                  |
| 2024                | 78                  |
| 2025                | 78                  |
| 2026                | 78                  |
| Thereafter          | 240                 |
|                     | <u>\$ 630</u>       |

### 2. Oregon Public Employees' Retirement Systems (OPERS) Retirement Health Insurance Account (RHIA)

**Plan Description** - The City contributes to the OPERS 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. ORS 238.420 established this trust fund and authorizes the Oregon Legislature to establish and amend the benefit provisions. PERS issues a publicly available financial report that includes financial statements and required supplementary information which can be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, telephone (503) 598-7377, or by URL <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

**Benefits Provided** – RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible employees. 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

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

the RHIA established by the City, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. The plan has been closed to new entrants since January 1, 2004.

**Contributions** – 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. Participating cities are contractually required to contribute to RHIA at a rate assessed each year by PERS.

The City's contractually required contribution rate for fiscal year 2019-20, was 0.50 percent of covered payroll for Tier 1 and Tier 2 members and 0.43 percent for OPSRP members of covered payroll. The required contribution is actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year. The City did not make any payments to the plan for fiscal year 2019-20. Employees are not required to contribute to the OPEB plan.

#### **OPEB Assets, Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:**

Because the City no longer has employees eligible for participating in RHIA, OPERS has reduced the City's liability to \$0. At June 30, 2021, the City reported an asset of \$0 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation date as of December 31, 2018. The City's proportionate share of the RHIA net OPEB asset has been determined based on the City's contributions to the RHIA program (as reported by PERS) during the Measurement Period ending on the corresponding Measurement Date. The City's proportionate share at the measurement dates of June 30, 2020 and June 30, 2019 was 0.0% and 0.00201956%, respectively.

For the year ended June 30, 2021, the City recognized an OPEB expense of \$1,042. At June 30, 2021, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

|                               | Outflows of<br>Resources | Inflows of<br>Resources |
|-------------------------------|--------------------------|-------------------------|
| Change in proportionate share | \$ 2,059                 | \$ (39)                 |

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended June 30: | Annual Recognition: |
|---------------------|---------------------|
| 2022                | \$ 1,049            |
| 2023                | 971                 |
|                     | <u>\$ 2,020</u>     |

**Actuarial Methods & Assumptions** – The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial methods and assumptions:

# CITY OF ADAIR VILLAGE

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

|                            |  |
|----------------------------|--|
| Valuation Date             | December 31, 2018  |
| Measurement Date           | June 30, 2020  |
| Actuarial Cost Method      | Entry Age Normal   |
| Experience Study           | 2018, published July 24, 2019  |
| Actuarial Assumptions:     |  |
| Inflation Rate             | 2.50 percent   |
| Discount Rate              | 7.20 percent   |
| Projected Salary Increases | 3.50 percent overall payroll growth  |
| Mortality                  | <b>Healthy retirees and beneficiaries:</b> Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. <b>Active members:</b> Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. <b>Disabled retirees:</b> Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. |

**Discount rate** – The discount rate used to measure the total OPEB liability at June 30, 2020 was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA plan's fiduciary net position was projected to be available to make all projected future benefit payment of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the RHIA plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Depletion Date Projection** – GASB 75 generally requires that a blended discount rate be used to measure the Total OPEB Liability. The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses.

### Assumed Asset Allocation:

| Asset Class/Strategy  | Assumed Asset Allocation |            |               |
|-----------------------|--------------------------|------------|---------------|
|                       | Low Range                | High Range | Target        |
| Debt Securities       | 15.0%                    | 25.0%      | 20.0%         |
| Public Equity         | 27.5%                    | 37.5%      | 32.5%         |
| Real Estate           | 9.5%                     | 15.5%      | 12.5%         |
| Private Equity        | 14.0%                    | 21.0%      | 17.5%         |
| Alternative Portfolio | 7.5%                     | 17.5%      | 15.0%         |
| Opportunity Portfolio | 0.0%                     | 3.0%       | 0.0%          |
| Risk Parity           | 0.0%                     | 2.5%       | 2.5%          |
| Total                 |                          |            | <u>100.0%</u> |

# CITY OF ADAIR VILLAGE

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

**Long-Term Expected Rate of Return** – To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

| Asset Class                       | Target Allocation | Compounded<br>Annual Return<br>(Geometric) |
|-----------------------------------|-------------------|--|
| Core Fixed Income                 | 9.60%             | 4.07%                                      |
| Short-Term Bonds                  | 9.60%             | 3.68%                                      |
| Bank/Leveraged Loans              | 3.60%             | 5.19%                                      |
| High Yield Bonds                  | 1.20%             | 5.74%                                      |
| Large Cap US Equities             | 16.17%            | 6.30%                                      |
| Small Cap US Equities             | 1.35%             | 6.68%                                      |
| Micro Cap US Equities             | 1.35%             | 6.79%                                      |
| Developed Foreign Equities        | 13.48%            | 6.91%                                      |
| Emerging Foreign Equities         | 4.24%             | 7.69%                                      |
| Non-US Small Cap Equities         | 1.93%             | 7.25%                                      |
| Private Equity                    | 17.50%            | 8.33%                                      |
| Real Estate (Property)            | 10.00%            | 5.55%                                      |
| Real Estate (REITS)               | 2.50%             | 6.69%                                      |
| Hedge Fund of Funds - Diversified | 1.50%             | 4.06%                                      |
| Hedge Fund - Event Driven         | 0.38%             | 5.59%                                      |
| Timber                            | 1.13%             | 5.61%                                      |
| Farmland                          | 1.13%             | 6.12%                                      |
| Infrastructure                    | 2.25%             | 6.67%                                      |
| Commodities                       | 1.13%             | 3.79%                                      |
| Assumed Inflation - Mean          |                   | 2.50%                                      |

### OPEB plan fiduciary net position:

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

### Aggregate Net OPEB Liability/Asset, Pension Expense, & Net Deferred Outflow/Inflow of Resourced Related to OPEB:

The tables below present the aggregate balance of the City's net OPEB liability/(asset), OPEB expense, and net deferred inflows and outflows as of June 30, 2021:

# CITY OF ADAIR VILLAGE

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

|                                      | Outflows of<br>Resources | Inflows of<br>Resources | Liability       | OPEB<br>Expense |
|--------------------------------------|--------------------------|-------------------------|-----------------|-----------------|
| Postemployment Healthcare Plan (CIS) | \$ 1,899                 | \$ (1,269)              | \$ 6,191        | \$ 1,410        |
| RHIA                                 | 2,059                    | (39)                    | -               | 1,042           |
| Total                                | <u>\$ 3,958</u>          | <u>\$ (1,308)</u>       | <u>\$ 6,191</u> | <u>\$ 2,452</u> |

### 6. PENSION PLAN

#### Plan Description

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. Employees hired prior to that date belong to the Tier One/Tier Two Retirement Benefit Program. 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.

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.

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, 2019 is 26.57% of salary covered under the plan for Tier 1 and Tier 2 (PERS) employees and 19.08% 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. Employer contribution rates for the period were based on the December 31, 2017 actuarial valuation.



## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

#### Benefits Provided

##### Tier One/Tier Two Retirement Benefit

The PERS retirement allowance is payable monthly for life. The benefit may be selected from 13 retirement options, including survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 50. Tier one general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of eligible service. Tier two members are eligible for full benefits at age 60.

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions with interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met: (1) member was employed by a OPERS employer at the at the time of death; (2) member died within 120 days after termination of OPERS-covered employment; (3) member died as a result of injury sustained while employed in a OPERS-covered job; or (4) member was on an official leave of absence from a OPERS-covered job at the time of death.

A member with ten or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining monthly benefit.

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law the cap on the cost-of-living changes in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefits and 0.15 percent on annual benefits above \$60,000.

##### ORS 238A OPSRP Defined Benefit Plan Benefits

This portion of the defined benefit pension plan of OPERS provides benefits to members hired on or after August 29, 2003. Benefits under this portion of OPSRP provide a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age.

For police and fire members, 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 52 with 25 years of

## **CITY OF ADAIR VILLAGE**

### **NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021**

retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

For general service members, 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65 or age 58 with 30 years of retirement credit.

Members become vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

A member who has accrued ten or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the cost-of-living changes in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

#### **Contributions**

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the OPERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Contributions to the plan for the years ending June 30, 2021 and 2020 were \$58,087 and \$51,577, respectively. A eight-year Schedule of Contributions can be found in the Required Supplementary Information, which immediately follows these notes.

#### **Pension Assets, Liabilities, Expense, and Deferred Outflows and Inflows of Resources**

At June 30, 2021 the City reported liabilities of \$531,407 for its proportionate share of the plan pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The proportionate share was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members of the cost sharing pool, actuarially determined. At June 30, 2021 and 2020, the City's proportion was 0.00243503 and 0.00238418 percent respectively.

# CITY OF ADAIR VILLAGE

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

For the year ended June 30, 2021, the City recognized pension expense of \$111,633. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <b>Description</b>  | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| Differences between expected and actual experience                                  | \$ 23,388                                     | \$ -                                     |
| Changes of assumptions  | 28,519  | 999                                      |
| Net difference between projected and actual earnings on investments                 | 62,487  | -  |
| Changes in proportion   | 35,589  | 29,106                                   |
| Differences between employer contributions and proportionate share of contributions | 600   | 11,442                                   |
| Contributions subsequent to the MD  | 58,087  | -  |
| <b>Total</b>  | <b>\$ 208,670</b>                             | <b>\$ 41,547</b>                         |

Deferred outflows of resources related to pensions of \$58,087 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ending June 30, 2022. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense/(income) as follows:

| <b>Year ended June 30,</b> |                   |
|----------------------------|-------------------|
| 2021                       | \$ 14,199         |
| 2022                       | 36,209            |
| 2023                       | 35,402            |
| 2024                       | 22,692            |
| 2025                       | 534               |
|                            | <u>\$ 109,036</u> |

The employer contribution rates effective July 1, 2019 through June 30, 2021 were set using the entry age normal actuarial cost method.

For the ORS 238 Tier One/Tier Two component of the OPERS defined benefit plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over twenty years.

For the ORS 238A OPSRP Pension Program component of the OPERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an actuarially determined amount for funding a disability benefit component, and (3) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over sixteen years.

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

#### Actuarial Methods and Assumptions

- Valuation Date December 31, 2018
- Measurement Date June 30, 2020
- Experience Study Report 2018, published July 24, 2019
- Actuarial cost method Entry Age Normal
- Actuarial assumptions
  - Inflation rate 2.50 percent
  - Investment rate of return 7.20 percent
  - Discount rate 7.20 percent
  - Projected salary increases 3.50 percent
  - Cost of living adjustments (COLA) Blend of 2.00% COLA and graded COLA (1.25%/0/15%) in accordance with Moro decision; blended based on service
- Mortality
  - Healthy retirees and beneficiaries:  
Pub-2010 Healthy Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.
  - Active members:  
Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.
  - Disabled retirees:  
Pub-2010 Disabled Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2018 Experience Study which reviewed experience for the four-year period ending on December 31, 2018.

The discount rate used to measure the total pension liability was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the defined benefit pension plan was applied to all periods of projected benefit payments to determine the total pension liability.

# CITY OF ADAIR VILLAGE

## NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021

The following represents the City's proportionate share of the pension asset calculated using the discount rate of 7.20 percent, as well as what the City's share of the net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

|   | 1% Decrease<br>(6.20%) | Discount Rate<br>(7.20%) | 1% Increase<br>(8.20%) |
|---|------------------------|--------------------------|------------------------|
| City's proportionate share of the net pension liability (asset) | \$ 789,096             | \$ 531,407               | \$ 315,323             |

The long term expected rate of return is based on a consistent set of underlying assumptions for each asset class and includes adjustment for the inflation assumption. These assumptions are not based on historical return, but instead are based on a forward-looking capital market economic model. To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class                     | Target Allocation | Compounded<br>Annual Return<br>(Geometric) |
|---------------------------------|-------------------|--|
| Core Fixed Income               | 9.60%             | 4.07%                                      |
| Short-Term Bonds                | 9.60%             | 3.68%                                      |
| Bank/Leveraged Loans            | 3.60%             | 5.19%                                      |
| High Yield Bonds                | 1.20%             | 5.74%                                      |
| Large/Mid Cap US Equities       | 16.17%            | 6.30%                                      |
| Small Cap US Equities           | 1.35%             | 6.68%                                      |
| Micro Cap US Equities           | 1.35%             | 6.79%                                      |
| Developed Foreign Equities      | 13.48%            | 6.91%                                      |
| Emerging Market Equities        | 4.24%             | 7.69%                                      |
| Non-US Small Cap Equities       | 1.93%             | 7.25%                                      |
| Private Equities                | 17.50%            | 8.33%                                      |
| Real Estate (Property)          | 10.00%            | 5.55%                                      |
| Real Estate (REITS)             | 2.50%             | 6.69%                                      |
| Hedge Fund of Funds-Diversified | 1.50%             | 4.06%                                      |
| Hedge Fund-Event-driven         | 0.38%             | 5.59%                                      |
| Timber                          | 1.13%             | 5.61%                                      |
| Farmland                        | 1.13%             | 6.12%                                      |
| Infrastructure                  | 2.25%             | 6.67%                                      |
| Commodities                     | 1.13%             | 3.79%                                      |
| Total                           | 100.00%           |  |
| Assumed Inflation - Mean        |                   | 2.50%                                      |

## **CITY OF ADAIR VILLAGE**

### **NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2021**

At June 30, 2021, the City's payable to OPERS for defined benefit contributions was approximately \$7,618. This amount represents legally required contributions to the plan for services incurred in the current fiscal year.

#### **7. 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.

#### **8. PROPERTY TAX LIMITATIONS**

The voters of the State of Oregon set a constitutional limit on property taxes for schools and non-school government operations. The limitation provides that property taxes for non-school 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.

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.

#### **9. 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 Citycounty Insurance Services (CIS), 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. CIS 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 CIS 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.

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021**

**10. NEGATIVE FUND BALANCE**

In October 2019, the City Council elected to move forward with buying a piece of property in the City's downtown area. The City internally funded the purchase by borrowing from the Water Fund and the SDC Fund. The General Fund has a negative fund balance of \$(169,979) due to reporting the "due to" liability on its balance sheet. This negative fund balance will be liquidated in future years as the liability is paid back.

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CITY OF ADAIR VILLAGE, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

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**CITY OF ADAIR VILLAGE, OREGON**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
**for the last eight fiscal years\***

| <b>Measurement Date</b> | <b>Proportion of the net pension liability/(asset)**</b> | <b>Proportionate share of the net pension liability (asset)**</b> | <b>Covered payroll</b> | <b>Proportionate share of the net pension liability (asset) as a percentage of its covered payroll</b> | <b>Plan fiduciary net position as a percentage of the total pension liability</b> |
|-------------------------|--|---|------------------------|--|---|
| 2020                    | 0.00243503%  | \$ 531,407  | \$ 269,034             | 197.52%  | 75.80%  |
| 2019                    | 0.00238418%  | 412,406   | 247,755                | 166.46%  | 80.20%  |
| 2018                    | 0.00220129%  | 333,466   | 231,747                | 143.89%  | 82.10%  |
| 2017                    | 0.00187443%  | 252,674   | 210,725                | 119.91%  | 83.10%  |
| 2016                    | 0.00329581%  | 494,778   | 190,519                | 259.70%  | 80.50%  |
| 2015                    | 0.00270964%  | 155,573   | 240,959                | 64.56%   | 91.90%  |
| 2014                    | 0.00395830%  | (89,723)  | 241,844                | -37.10%  | 103.60%   |
| 2013                    | 0.00395830%  | 201,998   | 234,073                | 86.30%   | 91.97%  |

**CITY OF ADAIR VILLAGE, OREGON**  
**Schedule of Contributions**  
**for the last eight fiscal years\***

| <b>Year ended June 30,</b> | <b>Statutorily required contribution**</b> | <b>Contributions in relation to the statutorily required contribution**</b> | <b>Contribution deficiency (excess)</b> | <b>Covered payroll</b> | <b>Contributions as a percent of covered payroll</b> |
|----------------------------|--|---|---|------------------------|--|
| 2021                       | \$ 58,087                                  | \$ 58,087   | \$ -                                    | \$ 335,102             | 17.33%   |
| 2020                       | 51,577                                     | 51,577  | -                                       | 269,034                | 19.17%   |
| 2019                       | 33,193                                     | 33,193  | -                                       | 247,755                | 13.40%   |
| 2018                       | 21,612                                     | 21,612  | -                                       | 231,747                | 9.33%  |
| 2017                       | 21,225                                     | 21,225  | -                                       | 210,725                | 10.07%   |
| 2016                       | 20,646                                     | 20,646  | -                                       | 190,519                | 10.84%   |
| 2015                       | 30,740                                     | 30,740  | -                                       | 240,959                | 12.76%   |
| 2014                       | 31,402                                     | 31,402  | -                                       | 241,844                | 12.98%   |

\*This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

\*\*The actuarial information for each fiscal year was provided by the actuary for Oregon Public Employees Retirement System

**CITY OF ADAIR VILLAGE, OREGON**  
**Schedule of the Changes in the Total OPEB Liability and Related Ratios - CIS Plan**  
**for the last four fiscal years\***

| <b>Year ended June 30,</b> | <b>Beginning Total OPEB Liability</b> | <b>Service Cost</b> | <b>Interest on Total OPEB Liability</b> | <b>Effect of Economic/ Demographic Changes or Inputs</b> | <b>Effect of Assumptions Changes or Inputs</b> | <b>Ending Total OPEB Liability</b> | <b>Covered Payroll</b> | <b>Liability as a percent of covered payroll</b> |
|----------------------------|---------------------------------------|---------------------|---|--|--|------------------------------------|------------------------|--|
| 2021                       | \$ 4,781                              | \$ 836              | \$ 197                                  | \$ 1,292   | \$ (915)                                       | \$ 6,191                           | \$335,102              | 1.8475%  |
| 2020                       | 3,656                                 | 754                 | 171                                     | -  | 200  | 4,781                              | 269,034                | 1.7771%  |
| 2019                       | 2,313                                 | 845                 | 113                                     | 862  | (477)  | 3,656                              | 247,755                | 1.4757%  |
| 2018                       | 1,594                                 | 882                 | 71                                      | -  | (234)  | 2,313                              | 231,747                | 0.9981%  |

\*This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

\*\*The actuarial information for each fiscal year was provided by Milliman. The City does not currently have any retirees on its health plan.

**CITY OF ADAIR VILLAGE, OREGON**  
**Schedule of the Proportionate Share of the Net OPEB Liability - RHIA Plan**  
**for the last five fiscal years\***

| <b>Measurement Date</b> | <b>Proportion of the net OPEB liability/(asset)**</b> | <b>Proportionate share of the net OPEB liability (asset)**</b> | <b>Covered payroll</b> | <b>Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll</b> | <b>Plan fiduciary net position as a percentage of the total OPEB liability</b> |
|-------------------------|---|--|------------------------|---|--|
| 2020                    | 0.00000000%   | \$ -   | \$ -                   | 0.00%   | 150.10%  |
| 2019                    | 0.00201956%   | (3,903)  | 247,755                | -1.58%  | 144.40%  |
| 2018                    | 0.00189192%   | (2,112)  | 231,747                | -0.91%  | 124.00%  |
| 2017                    | 0.00177983%   | (734)  | 210,725                | -0.35%  | 108.90%  |
| 2016                    | 0.00175901%   | 483  | 190,519                | 0.25%   | 94.20%   |

**CITY OF ADAIR VILLAGE, OREGON**  
**Schedule of Contributions - RHIA Plan**  
**for the last five fiscal years\***

| <b>Year ended June 30,</b> | <b>Statutorily required contribution**</b> | <b>Contributions in relation to the statutorily required contribution**</b> | <b>Contribution deficiency (excess)</b> | <b>Covered payroll</b> | <b>Contributions as a percent of covered payroll</b> |
|----------------------------|--|---|---|------------------------|--|
| 2021                       | \$ -                                       | \$ -  | \$ -                                    | \$ -                   | 0.00%  |
| 2020                       | -  | -   | -                                       | 269,034                | 0.00%  |
| 2019                       | 1,001                                      | 1,001   | -                                       | 247,755                | 0.40%  |
| 2018                       | 916  | 916   | -                                       | 231,747                | 0.40%  |
| 2017                       | 876  | 876   | -                                       | 210,725                | 0.42%  |

\*This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

\*\*The actuarial information for each fiscal year was provided by the actuary for Oregon Public Employees Retirement System

**CITY OF ADAIR VILLAGE, OREGON**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET**  
**AND ACTUAL**  
*for the year ended June 30, 2021*

|  | Original<br>Budget | Final<br>Budget  | Actual<br>Amounts | Variance<br>with final<br>budget |
|--|--------------------|------------------|-------------------|----------------------------------|
| <b>REVENUES</b>                              |                    |                  |                   |                                  |
| Property taxes                               | \$ 142,500         | \$ 142,500       | \$ 183,825        | \$ 41,325                        |
| Franchise fees                               | 50,000             | 50,000           | 76,825            | 26,825                           |
| Intergovernmental:                           |                    |                  |                   |                                  |
| State revenue sharing                        | 9,500              | 9,500            | 11,308            | 1,808                            |
| Liquor and marijuana tax                     | 16,500             | 16,500           | 24,833            | 8,333                            |
| Cigarette tax                                | 1,100              | 1,100            | 985               | (115)                            |
| Tangent contract                             | 119,100            | 119,100          | 130,351           | 11,251                           |
| Transient lodging tax                        | -                  | -                | 5,000             | 5,000                            |
| Building/property lease                      | 109,020            | 109,020          | 120,364           | 11,344                           |
| Residential rental income                    | 21,600             | 21,600           | 37,012            | 15,412                           |
| Planning fees                                | 10,000             | 10,000           | 7,659             | (2,341)                          |
| Ordinances and court fines                   | 1,500              | 1,500            | -                 | (1,500)                          |
| SDC Administration                           | -                  | -                | 52,822            | 52,822                           |
| Refunds                                      | 200                | 200              | 6,861             | 6,661                            |
| COVID-19 reimbursements                      | -                  | 50,000           | 50,000            | -                                |
| Interest income                              | 12,000             | 12,000           | 19,223            | 7,223                            |
| Miscellaneous                                | 4,000              | 4,000            | 3,260             | (740)                            |
| <b>Total revenues</b>                        | <b>497,020</b>     | <b>547,020</b>   | <b>730,328</b>    | <b>183,308</b>                   |
| <b>EXPENDITURES</b>                          |                    |                  |                   |                                  |
| Administration                               | 194,230            | 194,230          | 139,134           | 55,096                           |
| Parks  | 59,860             | 59,860           | 31,311            | 28,549                           |
| Public safety                                | 45,282             | 45,282           | 41,031            | 4,251                            |
| Non-departmental                             | 142,824            | 323,324          | 299,605           | 23,719                           |
| Debt service                                 | 22,254             | 22,254           | 22,254            | -                                |
| Contingency                                  | 74,000             | 74,000           | -                 | 74,000                           |
| <b>Total expenditures</b>                    | <b>538,450</b>     | <b>718,950</b>   | <b>533,335</b>    | <b>185,615</b>                   |
| <b>Change in fund balance</b>                |                    |                  |                   |                                  |
| <b>before other financing sources (uses)</b> | <b>(41,430)</b>    | <b>(171,930)</b> | <b>196,993</b>    | <b>368,923</b>                   |
| <b>Other financing sources (uses)</b>        |                    |                  |                   |                                  |
| Transfer in                                  | 14,996             | 14,996           | 14,996            | -                                |
| Transfer out                                 | (52,884)           | (52,884)         | (52,884)          | -                                |
| <b>Total other financing sources (uses)</b>  | <b>(37,888)</b>    | <b>(37,888)</b>  | <b>(37,888)</b>   | <b>-</b>                         |
| Reserve for future expenditure               | (70,682)           | (70,682)         | -                 | 70,682                           |
| <b>Change in fund balance</b>                | <b>(150,000)</b>   | <b>(280,500)</b> | <b>159,105</b>    | <b>439,605</b>                   |
| <b>Fund balance - beginning of the year</b>  | <b>150,000</b>     | <b>280,500</b>   | <b>391,407</b>    | <b>110,907</b>                   |
| <b>Fund balance - end of the year</b>        | <b>\$ -</b>        | <b>\$ -</b>      | <b>550,512</b>    | <b>\$ 550,512</b>                |

Reconciliation of budgetary fund balance to GAAP basis fund balance:

|                                |                     |
|--------------------------------|---------------------|
| Interfund loan                 | (720,491)           |
| Total fund balance, GAAP basis | <u>\$ (169,979)</u> |

**CITY OF ADAIR VILLAGE, OREGON**  
**STREET FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
*for the year ended June 30, 2021*

|   | <b>Original<br/>Budget</b> | <b>Final<br/>Budget</b> | <b>Actual<br/>Amounts</b> | <b>Variance<br/>with final<br/>budget</b> |
|---|----------------------------|-------------------------|---------------------------|---|
| <b>REVENUES</b>   |                            |                         |                           |   |
| State gas tax   | \$ 60,000                  | \$ 70,000               | \$ 86,229                 | \$ 16,229                                 |
| Miscellaneous   | 200                        | 200                     | -                         | (200)                                     |
| <b>Total revenues</b>   | <b>60,200</b>              | <b>70,200</b>           | <b>86,229</b>             | <b>16,029</b>                             |
| <b>EXPENDITURES</b>   |                            |                         |                           |   |
| Street maintenance & operations   | 49,647                     | 73,247                  | 65,670                    | 7,577                                     |
| Contingency   | 8,600                      | -                       | -                         | -   |
| <b>Total expenditures</b>   | <b>58,247</b>              | <b>73,247</b>           | <b>65,670</b>             | <b>7,577</b>                              |
| <b>Change in fund balance<br/>before other financing sources (uses)</b> | <b>1,953</b>               | <b>(3,047)</b>          | <b>20,559</b>             | <b>23,606</b>                             |
| <b>Other financing (uses)</b>   |                            |                         |                           |   |
| Transfer out  | (200)                      | (200)                   | (200)                     | -   |
| <b>Total other financing sources (uses)</b>                             | <b>(200)</b>               | <b>(200)</b>            | <b>(200)</b>              | <b>-</b>                                  |
| Reserve for future expenditure  | (106,753)                  | (106,753)               | -                         | 106,753                                   |
| <b>Change in fund balance</b>   | <b>(105,000)</b>           | <b>(110,000)</b>        | <b>20,359</b>             | <b>130,359</b>                            |
| <b>Fund balance - beginning of the year</b>                             | <b>105,000</b>             | <b>110,000</b>          | <b>110,520</b>            | <b>520</b>                                |
| <b>Fund balance - end of the year</b>                                   | <b>\$ -</b>                | <b>\$ -</b>             | <b>\$ 130,879</b>         | <b>\$ 130,879</b>                         |

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CITY OF ADAIR VILLAGE, OREGON

SUPPLEMENTARY INFORMATION

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**CITY OF ADAIR VILLAGE, OREGON**  
**WATER FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND**  
**ACTUAL**  
*for the year ended June 30, 2021*

|  | Original<br>Budget | Final<br>Budget    | Actual<br>Amounts | Variance<br>with final<br>budget |
|--|--------------------|--------------------|-------------------|----------------------------------|
| <b>REVENUES</b>                              |                    |                    |                   |                                  |
| Charges for services                         | \$ 588,000         | \$ 588,000         | \$ 670,748        | \$ 82,748                        |
| FEMA grant                                   | -                  | 86,500             | -                 | (86,500)                         |
| Miscellaneous                                | 1,500              | 1,500              | 10,234            | 8,734                            |
| <b>Total revenues</b>                        | <b>589,500</b>     | <b>676,000</b>     | <b>680,982</b>    | <b>4,982</b>                     |
| <b>EXPENDITURES</b>                          |                    |                    |                   |                                  |
| Water operations                             | 480,324            | 487,824            | 406,861           | 80,963                           |
| Capital outlay                               | 200,000            | 1,016,500          | 261,717           | 754,783                          |
| Debt service                                 | 125,000            | 140,000            | 139,013           | 987                              |
| Contingency                                  | 100,000            | 85,000             | -                 | 85,000                           |
| <b>Total expenditures</b>                    | <b>905,324</b>     | <b>1,729,324</b>   | <b>807,591</b>    | <b>921,733</b>                   |
| <b>Change in fund balance</b>                |                    |                    |                   |                                  |
| <b>before other financing sources (uses)</b> | <b>(315,824)</b>   | <b>(1,053,324)</b> | <b>(126,609)</b>  | <b>926,715</b>                   |
| <b>OTHER FINANCING SOURCES (USES)</b>        |                    |                    |                   |                                  |
| Long-term financing                          | -                  | 680,000            | -                 | (680,000)                        |
| Transfers in                                 | 9,577              | 9,577              | 9,577             | -                                |
| Transfers out                                | (3,200)            | (3,200)            | (3,200)           | -                                |
| <b>Total other financing sources (uses)</b>  | <b>6,377</b>       | <b>686,377</b>     | <b>6,377</b>      | <b>(680,000)</b>                 |
| Reserve for future expenditure               | (370,553)          | (370,553)          | -                 | 370,553                          |
| <b>Change in fund balance</b>                | <b>(680,000)</b>   | <b>(737,500)</b>   | <b>(120,232)</b>  | <b>246,715</b>                   |
| <b>Fund balance - beginning of the year</b>  | <b>680,000</b>     | <b>737,500</b>     | <b>759,714</b>    | <b>22,214</b>                    |
| <b>Fund balance - end of the year</b>        | <b>\$ -</b>        | <b>\$ -</b>        | <b>639,482</b>    | <b>\$ 268,929</b>                |

|  |                     |
|--|---------------------|
| Capital assets, net of depreciation      | 4,328,863           |
| Interfund loan                           | 144,098             |
| Accrued compensated absences             | (6,338)             |
| Net pension liability                    | (233,835)           |
| Deferred outflows of resources - pension | 91,821              |
| Deferred outflows of resources - OPEB    | 1,911               |
| Accrued interest                         | (25,340)            |
| Net OPEB liability                       | (2,988)             |
| Long-term debt                           | (2,183,530)         |
| Transition liability                     | (3,104)             |
| Deferred inflows of resources - pension  | (18,282)            |
| Deferred inflows of resources - OPEB     | (631)               |
| <b>Total net position</b>                | <b>\$ 2,732,127</b> |

**CITY OF ADAIR VILLAGE, OREGON**  
**WASTEWATER FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND**  
**ACTUAL**  
*for the year ended June 30, 2021*

|   | Original<br>Budget | Final<br>Budget    | Actual<br>Amounts | Variance<br>with final<br>budget |
|---|--------------------|--------------------|-------------------|----------------------------------|
| <b>REVENUES</b>   |                    |                    |                   |                                  |
| Charges for services  | \$ 285,600         | \$ 285,600         | \$ 327,128        | \$ 41,528                        |
| Tangent contract  | 30,000             | 30,000             | 30,000            | -                                |
| Miscellaneous   | 1,000              | 1,000              | -                 | (1,000)                          |
| <b>Total revenues</b>   | <b>316,600</b>     | <b>316,600</b>     | <b>357,128</b>    | <b>40,528</b>                    |
| <b>EXPENDITURES</b>   |                    |                    |                   |                                  |
| Wastewater operations   | 223,334            | 230,834            | 177,006           | 53,828                           |
| Capital outlay  | -                  | 2,500,000          | 191,266           | 2,308,734                        |
| Debt service  | 30,000             | 30,000             | 22,714            | 7,286                            |
| Contingency   | 38,000             | 38,000             | -                 | 38,000                           |
| <b>Total expenditures</b>   | <b>291,334</b>     | <b>2,798,834</b>   | <b>390,986</b>    | <b>2,407,848</b>                 |
| <b>Change in fund balance<br/>before other financing sources (uses)</b> | <b>25,266</b>      | <b>(2,482,234)</b> | <b>(33,858)</b>   | <b>2,448,376</b>                 |
| <b>OTHER FINANCING SOURCES (USES)</b>                                   |                    |                    |                   |                                  |
| Long-term financing   | -                  | 2,500,000          | 83,849            | (2,416,151)                      |
| Transfer out  | (400)              | (400)              | (400)             | -                                |
| <b>Total other financing sources (uses)</b>                             | <b>(400)</b>       | <b>2,499,600</b>   | <b>83,449</b>     | <b>(2,416,151)</b>               |
| Reserve for future expenditure  | (34,866)           | (34,866)           | -                 | 34,866                           |
| <b>Change in fund balance</b>   | <b>(10,000)</b>    | <b>(17,500)</b>    | <b>49,591</b>     | <b>32,225</b>                    |
| <b>Fund balance - beginning of the year</b>                             | <b>10,000</b>      | <b>17,500</b>      | <b>127,659</b>    | <b>110,159</b>                   |
| <b>Fund balance - end of the year</b>                                   | <b>\$ -</b>        | <b>\$ -</b>        | <b>177,250</b>    | <b>\$ 142,384</b>                |

|  |                     |
|--|---------------------|
| Capital assets, net of depreciation      | 2,568,396           |
| Accrued compensated absences             | (2,705)             |
| Net pension liability                    | (93,450)            |
| Deferred outflows of resources - pension | 36,697              |
| Deferred outflows of resources - OPEB    | 819                 |
| Accrued interest                         | (4,491)             |
| Long-term debt                           | (279,082)           |
| Net OPEB liability                       | (1,282)             |
| Transition liability                     | (1,467)             |
| Deferred inflows of resources - pension  | (7,307)             |
| Deferred inflows of resources - OPEB     | (270)               |
| <b>Total net position</b>                | <b>\$ 2,393,108</b> |

**CITY OF ADAIR VILLAGE, OREGON**  
**SYSTEMS DEVELOPMENT FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND**  
**ACTUAL**  
*for the year ended June 30, 2021*

|   | Original<br>Budget | Final<br>Budget  | Actual<br>Amounts | Variance<br>with final<br>budget |
|---|--------------------|------------------|-------------------|----------------------------------|
| <b>REVENUES</b>                             |                    |                  |                   |                                  |
| Charges for services                        | \$ 59,538          | \$ 59,538        | \$ 1,100,181      | \$ 1,040,643                     |
| <b>Total revenues</b>                       | <b>59,538</b>      | <b>59,538</b>    | <b>1,100,181</b>  | <b>1,040,643</b>                 |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                    |                  |                   |                                  |
| Transfer in                                 | 38,307             | 38,307           | 38,307            | -                                |
| <b>Total other financing sources (uses)</b> | <b>38,307</b>      | <b>38,307</b>    | <b>38,307</b>     | <b>-</b>                         |
| Reserve for future expenditure              | (336,458)          | (336,458)        | -                 | 336,458                          |
| <b>Change in fund balance</b>               | <b>(238,613)</b>   | <b>(238,613)</b> | <b>1,138,488</b>  | <b>1,040,643</b>                 |
| <b>Fund balance - beginning of the year</b> | <b>238,613</b>     | <b>238,613</b>   | <b>872,464</b>    | <b>633,851</b>                   |
| <b>Fund balance - end of the year</b>       | <b>\$ -</b>        | <b>\$ -</b>      | <b>2,010,952</b>  | <b>\$ 1,674,494</b>              |

Reconciliation of budgetary fund balance to GAAP basis net position:

|                                |                     |
|--------------------------------|---------------------|
| Interfund loan                 | 576,393             |
| Total net position, GAAP basis | <u>\$ 2,587,345</u> |

**CITY OF ADAIR VILLAGE, OREGON**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR PRIORITARY FUNDS**  
*June 30, 2021*

|   | Storm Drain<br>Fund | Reserve<br>Fund   | Total             |
|---|---------------------|-------------------|-------------------|
| <b>ASSETS</b>                                   |                     |                   |                   |
| Current assets:                                 |                     |                   |                   |
| Cash and investments                            | \$ 19,952           | \$ 108,300        | \$ 128,252        |
| Accounts receivable, net                        | 5,196               | -                 | 5,196             |
| Total current assets                            | 25,148              | 108,300           | 133,448           |
| Noncurrent assets:                              |                     |                   |                   |
| Capital assets, net of accumulated depreciation | 349,866             | -                 | 349,866           |
| Total noncurrent assets                         | 349,866             | -                 | 349,866           |
| <b>Total Assets</b>                             | <b>375,014</b>      | <b>108,300</b>    | <b>483,314</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>           |                     |                   |                   |
| Deferred outflows of resources - pensions       | 7,368               | -                 | 7,368             |
| Deferred outflows of resources - OPEB           | 164                 | -                 | 164               |
| <b>Total Deferred Outflows of Resources</b>     | <b>7,532</b>        | <b>-</b>          | <b>7,532</b>      |
| <b>LIABILITIES</b>                              |                     |                   |                   |
| Current liabilities:                            |                     |                   |                   |
| Payroll liabilities                             | 1,043               | -                 | 1,043             |
| Accrued vacation                                | 499                 | -                 | 499               |
| Total current liabilities                       | 1,542               | -                 | 1,542             |
| Noncurrent liabilities:                         |                     |                   |                   |
| Net OPEB liability                              | 256                 | -                 | 256               |
| Net pension liability                           | 18,763              | -                 | 18,763            |
| Transition liability                            | 329                 | -                 | 329               |
| Total noncurrent liabilities                    | 19,348              | -                 | 19,348            |
| <b>Total Liabilities</b>                        | <b>20,890</b>       | <b>-</b>          | <b>20,890</b>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>            |                     |                   |                   |
| Deferred inflows related to:                    |                     |                   |                   |
| Pension   | 1,467               | -                 | 1,467             |
| OPEB  | 54                  | -                 | 54                |
| <b>Total Deferred Inflows of Resources</b>      | <b>1,521</b>        | <b>-</b>          | <b>1,521</b>      |
| <b>NET POSITION</b>                             |                     |                   |                   |
| Investment in capital assets                    | 349,866             | -                 | 349,866           |
| Restricted for capital assets                   | -                   | 108,300           | 108,300           |
| Unrestricted                                    | 10,269              | -                 | 10,269            |
| <b>Total Net Position</b>                       | <b>\$ 360,135</b>   | <b>\$ 108,300</b> | <b>\$ 468,435</b> |

**CITY OF ADAIR VILLAGE, OREGON**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**NONMAJOR PRIORITARY FUNDS**  
*for the year ended June 30, 2021*

|  | Storm Drain<br>Fund | Reserve<br>Fund   | Total             |
|--|---------------------|-------------------|-------------------|
| <b>REVENUES</b>                          |                     |                   |                   |
| Charges for services                     | \$ 35,834           | \$ -              | \$ 35,834         |
| <b>EXPENSES</b>                          |                     |                   |                   |
| Storm drain operations                   | 20,693              | -                 | 20,693            |
| Depreciation                             | 6,696               | -                 | 6,696             |
| <b>Total expenses</b>                    | <b>27,389</b>       | <b>-</b>          | <b>27,389</b>     |
| <b>Operating income</b>                  | <b>8,445</b>        | <b>-</b>          | <b>8,445</b>      |
| <b>NON-OPERATING REVENUES (EXPENSES)</b> |                     |                   |                   |
| Developer contributions                  | 100,000             | -                 | 100,000           |
| Transfers in                             | -                   | 8,800             | 8,800             |
| Transfers out                            | -                   | (14,996)          | (14,996)          |
| Total non-operating revenues (expenses)  | 100,000             | (6,196)           | 93,804            |
| <b>Change in net position</b>            | <b>108,445</b>      | <b>(6,196)</b>    | <b>102,249</b>    |
| Net position--beginning                  | 251,690             | 114,496           | 366,186           |
| <b>Net position--end of year</b>         | <b>\$ 360,135</b>   | <b>\$ 108,300</b> | <b>\$ 468,435</b> |

**CITY OF ADAIR VILLAGE, OREGON**  
**COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY FUNDS**  
*for the year ended June 30, 2021*

|  | Storm<br>Drain   | Reserve<br>Fund   | Totals            |
|--|------------------|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                        |                  |                   |                   |
| Receipts from customers  | \$ 35,024        | \$ -              | \$ 35,024         |
| Payments to suppliers  | (2,996)          | -                 | (2,996)           |
| Payments to employees  | (20,404)         | -                 | (20,404)          |
| <b>Net cash provided (used) by operating activities</b>            | <b>11,624</b>    | <b>-</b>          | <b>11,624</b>     |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>             |                  |                   |                   |
| Transfers from other funds   | -                | 8,800             | 8,800             |
| Transfers to other funds   | -                | (14,996)          | (14,996)          |
| <b>Net cash provided (used) by noncapital financing activities</b> | <b>-</b>         | <b>(6,196)</b>    | <b>(6,196)</b>    |
| <b>Net increase (decrease) in cash and cash equivalents</b>        | <b>11,624</b>    | <b>(6,196)</b>    | <b>5,428</b>      |
| <b>Cash and investments--beginning of the year</b>                 | <b>8,328</b>     | <b>114,496</b>    | <b>122,824</b>    |
| <b>Cash and investments--end of the year</b>                       | <b>\$ 19,952</b> | <b>\$ 108,300</b> | <b>\$ 128,252</b> |

**RECONCILIATION OF OPERATING INCOME (LOSS) TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES**

|   |                  |             |                  |
|---|------------------|-------------|------------------|
| Operating income (loss)   | \$ 8,445         | \$ -        | \$ 8,445         |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                  |             |                  |
| Depreciation expense  | 6,696            | -           | 6,696            |
| <b>Change in assets and liabilities:</b>  |                  |             |                  |
| Receivables   | (810)            | -           | (810)            |
| Accounts payable and accrued liabilities  | (585)            | -           | (585)            |
| Accrued compensated absences  | 40               | -           | 40               |
| OPEB-related expenses   | 78               | -           | 78               |
| Pension-related expenses  | (2,240)          | -           | (2,240)          |
| <b>Net cash provided (used) by operating activities</b>                                 | <b>\$ 11,624</b> | <b>\$ -</b> | <b>\$ 11,624</b> |

**Supplemental Schedule of Noncash**

**Capital and Related Financing Activities:**

|  |            |      |            |
|--|------------|------|------------|
| Contributed sewer, storm and water lines | \$ 100,000 | \$ - | \$ 100,000 |
|--|------------|------|------------|



**CITY OF ADAIR VILLAGE, OREGON**  
**STORM DRAIN FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND**  
**ACTUAL**  
*for the year ended June 30, 2021*

|   | Original<br>Budget | Final<br>Budget | Actual<br>Amounts | Variance<br>with final<br>budget |
|---|--------------------|-----------------|-------------------|----------------------------------|
| <b>REVENUES</b>                             |                    |                 |                   |                                  |
| Charges for services                        | \$ 25,000          | \$ 25,000       | \$ 35,834         | \$ 10,834                        |
| Miscellaneous                               | 200                | 200             | -                 | (200)                            |
| <b>Total revenues</b>                       | <b>25,200</b>      | <b>25,200</b>   | <b>35,834</b>     | <b>10,634</b>                    |
| <b>EXPENDITURES</b>                         |                    |                 |                   |                                  |
| Storm drain operations                      | 25,822             | 25,822          | 22,815            | 3,007                            |
| <b>Total expenditures</b>                   | <b>25,822</b>      | <b>25,822</b>   | <b>22,815</b>     | <b>3,007</b>                     |
| <b>Change in fund balance</b>               | <b>(622)</b>       | <b>(622)</b>    | <b>13,019</b>     | <b>13,641</b>                    |
| Reserve for future expenditure              | (5,378)            | (5,378)         | -                 | 5,378                            |
| <b>Change in fund balance</b>               | <b>(6,000)</b>     | <b>(6,000)</b>  | <b>13,019</b>     | <b>13,641</b>                    |
| <b>Fund balance - beginning of the year</b> | <b>6,000</b>       | <b>6,000</b>    | <b>11,086</b>     | <b>5,086</b>                     |
| <b>Fund balance - end of the year</b>       | <b>\$ -</b>        | <b>\$ -</b>     | <b>24,105</b>     | <b>\$ 18,727</b>                 |

|  |                   |
|--|-------------------|
| Capital assets, net of depreciation      | 349,866           |
| Accrued compensated absences             | (499)             |
| Net OPEB liability                       | (256)             |
| Transition liability                     | (329)             |
| Net pension liability                    | (18,763)          |
| Deferred outflows of resources - pension | 7,368             |
| Deferred outflows of resources - OPEB    | 164               |
| Deferred inflows of resources - pension  | (1,467)           |
| Deferred inflows of resources - OPEB     | (54)              |
| <b>Total net position</b>                | <b>\$ 360,135</b> |

CITY OF ADAIR VILLAGE, OREGON  
RESERVE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND  
ACTUAL  
*for the year ended June 30, 2021*

|   | Original<br>Budget | Final<br>Budget  | Actual<br>Amounts | Variance<br>with final<br>budget |
|---|--------------------|------------------|-------------------|----------------------------------|
| <b>OTHER FINANCING SOURCES (USES)</b>       |                    |                  |                   |                                  |
| Transfer in                                 | \$ 8,800           | \$ 8,800         | \$ 8,800          | \$ -                             |
| Transfers out                               | 14,996             | 14,996           | (14,996)          | -                                |
| Reserve for future expenditure              | (99,496)           | (99,496)         | -                 | 99,496                           |
| <b>Total other financing sources (uses)</b> | <b>(75,700)</b>    | <b>(75,700)</b>  | <b>(6,196)</b>    | <b>99,496</b>                    |
| <b>Change in fund balance</b>               | <b>(75,700)</b>    | <b>(75,700)</b>  | <b>(6,196)</b>    | <b>99,496</b>                    |
| <b>Fund balance - beginning of the year</b> | <b>121,914</b>     | <b>121,914</b>   | <b>114,496</b>    | <b>(7,418)</b>                   |
| <b>Fund balance - end of the year</b>       | <b>\$ 46,214</b>   | <b>\$ 46,214</b> | <b>\$ 108,300</b> | <b>\$ 92,078</b>                 |

CITY OF ADAIR VILLAGE, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE  
REGULATIONS

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**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH OREGON STATE REGULATION**

Honorable Mayor and City Council  
City of Adair Village, Oregon

We have audited the basic financial statements of City of Adair Village, Oregon, as of and for the year ended June 30, 2021 and have issued our report thereon dated December 1, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State.

**Report on Compliance**

As part of obtaining reasonable assurance about whether City of Adair Village, 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, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-0000 through 162-10-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, as set forth below, noncompliance with which could have a direct and material effect on the financial statements:

- Deposits of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayments.
- 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, and 279C).
- Accountability for collecting or receiving money by elected officials. The City does not have any elected officials collecting or receiving money.

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 *Minimum Standards for Audits of Oregon Municipal Corporations* except as follows.

Deficit Fund Balance:

General Fund - \$169,979

### **Internal Control Over OAR 162-10-0230**

In planning and performing our audit of the financial statements, we considered City of Adair Village, Oregon's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Adair Village, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Adair Village, Oregon's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Merina+Co  
Tualatin, Oregon  
December 1, 2021