

CITY OF ADAIR VILLAGE, OREGON

FINANCIAL REPORT

for the year ended June 30, 2023



CITY OF ADAIR VILLAGE, OREGON

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CITY OF ADAIR VILLAGE, OREGON

CITY COUNCIL

Bill Currier, Mayor

Dawson Officer

Bret Ray

Aaron Fuller

Vacant

TERM EXPIRES

December 31, 2026

December 31, 2026

December 31, 2026

December 31, 2024

To be determined

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

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Adair Village (the City), as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, 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. 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, 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

Management is responsible for the preparation and fair presentation of the 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'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 generally accepted auditing standards 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.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

In performing an audit in accordance with generally accepted auditing standards, 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'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'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 management's discussion and analysis, budgetary comparison schedules, 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 proportionate share of the net OPEB liability – RHIA, and schedule of contributions – RHIA 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, 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 proportionate share of the net OPEB liability – RHIA, and schedule of contributions – RHIA 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 budgetary comparison schedules, as listed in the table of contents under required supplementary information, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and individual fund schedules 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 combining financial statements and individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

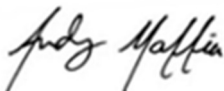
Report on Other Legal and Regulatory Requirements

Other Reporting Required by Oregon State Regulations

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated April 16, 2025, on our consideration of the City'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.

Aldrich CPAs + Advisors LLP

By:



Andrew Maffia, CPA, Partner
Salem, Oregon
April 16, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS



CITY OF ADAIR VILLAGE

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended June 30, 2023

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, 2023. Please read this in conjunction with the City's basic financial statements.

FINANCIAL HIGHLIGHTS

The City's net position increased \$842,937, or 6.98 percent, details follow:

- Net position of our governmental activities increased by \$448,179, or 11.94 percent.
- Net position of our business-type activities increased by \$394,758 or 4.74 percent.
- The total cost of all the City's programs in 2023 was \$1,809,620; in 2022 this cost was \$1,538,273.

The city added \$759,736 in business-type capital assets during the fiscal year which are currently categorized as construction in progress. Additionally, construction in progress at fiscal year-end 2021-2022 of the Hospital Hill Waterline totaling \$620,807 was completed and put into use this year. In governmental fund capital assets, the City completed the acquisition of land for the development of future park and recreation for a total of \$700,000, paying \$560,663 in fiscal year 2023.

CITY'S ACTIVITIES HIGHLIGHTS

General Fund

In fiscal year 2023, the population and number of homes remained consistent with fiscal year 2022. The City continued to benefit from rising home values, resulting in an 18.75 percent increase in property taxes for this fiscal year over the prior. The City also benefited from revenue increases year over year of 22.17 percent in interfund revenues. This increase was largely due to the Tangent Contract because of the fiscal year 2022

increase to administrative fees of 33.49 percent. The City also received the last COVID-19 reimbursements totaling \$97,064 in fiscal year 2023, while fiscal year 2022 COVID-19 reimbursements totaled only \$27,064. Finally, during the fiscal year, the City saw increases in interest income of 64.64 percent from the LGIP Pooled Cash Investments, or \$12,264 year over year.

In fiscal year 2020, the City purchased a piece of property in the City's downtown area. The residential rental property brings additional rental revenue to the City. 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 recorded the liability as due to the other funds, but, as a governmental fund, does not record the corresponding capital asset. Since this purchase, the General Fund has reported negative fund balances for each year-end. Increased revenues along with continued debt repayment were expected to liquidate this negative balance for fiscal year 2023.

However, in fiscal year 2022, the City had the opportunity to invest in land for future park and recreation use for the agreed upon fair value of \$700,000 from Benton County. The City paid \$140,000 of the total cost in fiscal year 2022 and the remaining balance due was paid in the current fiscal year of 2023. This capital outlay resulted in the General Fund continuing to report a negative fund balance of \$(252,173), which is more negative than the fund balance of \$(61,375) in fiscal year 2022. The City expects that during fiscal year 2024 the General Fund will see a return to a positive fund balance.

Street Fund

Highway tax revenue in the Street Fund remained largely stable, up only 3.15 percent from fiscal year 2022 to fiscal year 2023, due to the consistent population of the City. The City did not apply for a small city allotment for this fiscal year, while in fiscal year 2022 the City used an approved \$98,700 from the state for a highway and street improvement project. Similar to the General Fund, the Street Fund also received the last COVID-19 reimbursements totaling \$70,000 in fiscal year 2023, while in fiscal year 2022 no COVID-19 reimbursements were receipted by the Street Fund. No further Covid-19 reimbursements are due to the Street Fund for the future.

Street operating and maintenance expenditures decreased by (32.13) percent this fiscal year, or (\$22,894), and the Street Fund did not have any major capital outlay for street improvements in fiscal year 2023. Fewer expenditures were required due to the larger expenditures of fiscal year 2022.

Water and Wastewater Utilities

As the population of the city didn't change from the prior to the current fiscal year, the business-type revenue remained flat and stable in fiscal year 2022-2023.

The Water Fund spent \$155,732 on the acquisition of equipment and the building of major improvements to assets, while the Wastewater Fund spent \$697,765. As the cash flow statement displays, as part of the financing of these assets, the Water Fund again spent

\$139,013 on payments of debt principal and interest, and the Wastewater Fund spent \$22,714. Personnel expenses continued to increase for the Utilities' Funds, and the cost of the employee benefit insurance continued to increase an average of 10-11 percent per year. Similarly, the costs of the city's organizational insurance also continued to increase an average of 10-11 percent per year. In fiscal year 2023, the City expenditures in System Maintenance and Repairs in the Water Fund increased by 104.70 percent from \$47,252 to \$96,722 in fiscal years 2022 to 2023, respectively. Water expenditures for the cost of chemicals also increased from \$15,407 to \$22,984 in fiscal years 2022 to 2023, respectively.

CITY COUNCIL GOALS

Preparing for the fiscal year ending in 2023, the City Council focused on funding for major water and wastewater capital improvement projects and identifying any 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, 2023 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: Build 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, 2023. Fund financial statements provide information on both governmental and proprietary, or business-type funds (Water, Wastewater, Storm Drain, 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. An increase or decrease in net position, taken in conjunction with the actual activities undertaken by the City, determines 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 categorize expenses into basic services-streets, public safety, parks, and general government and planning.
- **Business-type Activities** - Water, Wastewater, Storm Drain, System Development Charges 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 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 \$11,635,548 to \$12,140,843 this year, an increase of \$505,792.

Table 1**Net Position**

In fiscal year 2023, total net position increased 6.98 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 by 87.33 percent.

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.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 1,339,649	\$ 1,518,826	\$ 4,050,445	\$ 3,268,733	\$ 5,390,094	\$ 4,787,559
Capital and long-term assets	4,300,176	3,850,786	9,699,369	9,104,372 *	13,999,545	12,955,158 *
	5,639,825	5,369,612	13,749,814	12,373,105	19,389,639	17,742,717
Deferred outflows						
Related to pensions	69,151	82,818	164,327	152,164	233,478	234,982
Related to OPEB	398	747	1,026	1,892	1,424	2,639
	69,549	83,565	165,353	154,056	234,902	237,621
Current liabilities	85,334	140,036	350,901	737,831	436,235	877,867
Non-current liabilities	137,082	133,239	4,756,191	3,302,598	4,893,273	3,435,837
	222,416	273,275	5,107,092	4,040,429	5,329,508	4,313,704
Deferred inflows						
Related to lease resources	1,246,349	1,336,327	-	-	1,246,349	1,336,327
Related to pensions	37,823	89,124	89,884	163,753	127,707	252,877
Related to OPEB	1,140	318	2,937	772	4,077	1,090
	1,285,312	1,425,769	92,821	164,525	1,378,133	1,590,294
Net position:						
Net investment in capital assets	2,936,282	2,420,896	5,129,120	5,898,926 *	8,065,402	8,319,822 *
Restricted for:						
Streets	264,920	128,020	-	-	264,920	128,020
Capital projects	-	-	2,665,018	2,601,467	2,665,018	2,601,467
Unrestricted	1,001,110	1,205,217	922,827	(178,186)	1,923,937	1,027,031
Total net position	\$ 4,202,312	\$ 3,754,133	\$ 8,716,965	\$ 8,322,207 *	\$ 12,919,277	\$ 12,076,340 *

*The Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position as Wastewater Fund for the year ended June 30, 2023 includes a prior period adjustment of \$65,000 which adjusts the beginning balance of accumulated depreciation and beginning balance totals in this schedule. Current year depreciation expense is recorded for the Wastewater Fund in the amount of \$97,628.

Table 2**Change in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues:						
Charges for services	\$ 760	\$ 455	\$ 1,133,841	\$ 1,120,731	\$ 1,134,601	\$ 1,121,186
Grants and contributions	276,202	132,865	312,455	-	588,657	132,865
General Revenues:						
Property taxes	266,970	224,761	-	-	266,970	224,761
Intergovernmental	270,929	320,471	-	-	270,929	320,471
Franchise fees	70,197	61,975	-	-	70,197	61,975
Earnings on investments	37,569	18,974	79,724	17,653	117,293	36,627
Rents and leases	181,717	187,673	-	-	181,717	187,673
Miscellaneous	19,761	1,130	2,432	5,132	22,193	6,262
TOTAL REVENUES	1,124,105	948,304	1,528,453	1,143,516	2,652,557	2,091,820
Program expenses:						
Governmental activities:						
General government	449,905	409,680	-	-	449,905	409,680
Public safety	43,416	43,727	-	-	43,416	43,727
Street maintenance	116,340	134,934	-	-	116,340	134,934
Culture & recreation	43,096	35,970	-	-	43,096	35,970
Interest on long-term debt	17,969	19,193	-	-	17,969	19,193
Proprietary activities:						
Water	-	-	752,506	591,391	752,506	591,391
Wastewater	-	-	347,538	271,615	347,538	271,615
Other business-type activities	-	-	38,850	31,763	38,850	31,763
TOTAL EXPENSES	670,726	643,504	1,138,894	894,769	1,809,620	1,538,273
Excess (deficiency) before transfers	453,379	304,800	389,559	248,747	842,937	553,547
Transfers	(5,200)	(5,200)	5,200	5,200	-	-
Increase (decrease) in net position	448,179	299,600	394,759	253,946	842,937	553,547
Net position - beginning	3,754,133	3,454,533	8,322,206	8,133,260	12,076,340	11,587,793
Adjustment to prior period accumulated depreciation	-	-	-	(65,000) *	-	(65,000) *
Net position - ending	\$ 4,202,312	\$ 3,754,133	\$ 8,716,965	\$ 8,322,206	\$ 12,919,277	\$ 12,076,340

*For presentation purposes, the Wastewater Fund adjustment of \$65,000 to the Net Position of the Proprietary Funds for the year ended June 30, 2023 was added to the fiscal year 2022 column to capture the adjustment to prior period accumulated depreciation and beginning balances before the fiscal year 2023 activity represented in this schedule. Current year depreciation expense is recorded for the Wastewater Fund in the amount of \$97,628.

The City's total revenues increased by \$560,737, which was a year over year increase of 26.81 percent. Principally, the revenue increase is due to additional operating & capital grants and contributions revenue and investment interest revenue. The grant and contribution revenue rose to \$588,657 in fiscal year 2022-2023 from \$27,064 in fiscal year 2021-2022. This was an increase of \$561,593 year over year. The interest revenue went from \$36,627 in fiscal year 2021-2022 to \$117,293 in fiscal year 2022-2023. This was an increase of \$80,666 and 220.24 percent. Other increases and decreases in revenue were minor and offset each other in total. Total expenses increased by \$271,247, or 17.64 percent, and net position increased by \$777,937. Supplemental details can be found by fund under "City's Activity Highlights" above.

GENERAL BUDGETARY HIGHLIGHTS

- The City Council adopted a conservative fiscal year 2022-2023 budget. Revenues outperformed the General Fund budget in fiscal year 2022-2023 by \$99,048. Moreover, General Fund expenditures came in under budget by \$645,388, which accumulated in an end of year fund balance of \$830,322 greater than budgeted. Since much of the budgeted and unspent expenditures will not carry forward to add to future operating expense, the General Fund is expected to retain much of this increase in fund balance.

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

CAPITAL ASSETS

At June 30, 2023, the City had \$13,999,545 invested in land, buildings and improvements, streets and equipment. This represents an increase (net of depreciation) of \$979,387, from fiscal year 2021-2022 of \$13,020,158. After the ending fiscal year balance incorporates the prior period adjustment of \$65,000, the fiscal year 2021-2022 investment in land, buildings & improvements, streets and equipment amounts to \$12,955,158. In the fiscal year 2022-2023, the increases to capital outlay by category were: \$560,663 to complete a land purchase, \$759,736 for construction in progress, and an additional \$97,436 for depreciable equipment, machinery, and utility systems. 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	
	2023	2022	2023	2022	2023	2022
Land & construction in progress	\$ 1,287,822	\$ 727,159	\$ 2,519,350	\$ 2,380,421	\$ 3,807,172	\$ 3,107,580
Building & improvements	1,171,115	1,171,115	838,054	838,054	2,009,169	2,009,169
Water and sewer system	-	-	9,828,791	9,159,740	9,828,791	9,159,740
Streets	2,910,876	2,910,876	-	-	2,910,876	2,910,876
Park Improvements	85,966	93,505	-	-	85,966	93,505
Equipment	27,529	23,854	704,171	684,980	731,700	708,834
Right to use machinery & equipment	7,357	7,357	-	-	7,357	7,357
Less: accumulated depreciation	(1,190,489)	(1,083,080)	(4,190,997)	(3,958,823) *	(5,381,486)	(5,041,903)
	\$ 4,300,176	\$ 3,850,786	\$ 9,699,369	\$ 9,104,372 *	\$ 13,999,545	\$ 12,955,158

*The Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position as Wastewater Fund for the year ended June 30, 2023 includes a prior period adjustment of \$65,000 which adjusts the beginning balance of accumulated depreciation and beginning balance totals in this schedule. Current year depreciation expense is recorded for the Wastewater Fund in the amount of \$97,628.

DEBT OUTSTANDING

As of year-end June 30, 2023, the City had total debt outstanding of \$4,570,249, an increase of \$1,331,177 in the water and wastewater business-type activities funds, compared to the fiscal year 2022 debt of \$3,239,072; each debt instrument is a note payable. The debt of governmental activities decreased to zero as no new debt was added, and the existing debt was paid in full during fiscal year 2023. Loan draws for business-type activities composed all of the new debt as the City continued drawing from the Infrastructure Finance Authority for improvements to the Hospital Hill waterline project, 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	
	2023	2022	2023	2022	2023	2022
Notes Payable:						
US Bank	\$ -	\$ 33,626	\$ -	\$ -	\$ -	\$ 33,626
DEQ Note	-	-	33,774	56,043	33,774	56,043
IFA 2016 Water Loan	-	-	1,990,076	2,087,751	1,990,076	2,087,751
IFA 2022 Water Loan	-	-	483,341	-	483,341	-
IFA Wastewater Loan	-	-	2,063,058	1,061,652	2,063,058	1,061,652
	\$ -	\$ 33,626	\$ 4,570,249	\$ 3,205,446	\$ 4,570,249	\$ 3,239,072

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, 2023. Estimates were made for a range of revenues, including property taxes, shared state revenues, grants, franchise fees, leases, and charges for utility service. Unanticipated staff changes due to unfortunate circumstances were not anticipated, but cost-of-living and step increases were budgeted for continuing staff. The City strives to keep overall personnel costs affordable while providing fair market wages to the City's employees.

Utility rates are reviewed on a regular basis. With resolution 2024-2 passed on January 9th, 2024, the City resolved to raise residential water rates from \$62.50 presently to \$65.50 on July 1, 2024, and then to \$68.50 on July 1, 2025. Commercial rates will also increase by 10% on July 1, 2024.

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**

BASIC FINANCIAL STATEMENTS

CITY OF ADAIR VILLAGE, OREGON
STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,338,927	\$ 2,539,913	\$ 3,878,840
Receivables:			
Accounts	32,491	151,244	183,735
Taxes	5,031	-	5,031
Leases	1,318,841	-	1,318,841
Receivable	3,647	-	3,647
Internal balances	(1,359,288)	1,359,288	-
Noncurrent assets			
OPEB Asset	666	1,711	2,377
Capital assets:			
Land and construction in progress	1,287,822	2,519,350	3,807,172
Other capital assets (net of accumulated depreciation)	3,012,354	7,180,019	10,192,373
Total Assets	5,640,491	13,751,525	19,392,016
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	69,151	164,327	233,478
Deferred outflows related to OPEB	398	1,026	1,424
Total Deferred Outflows of Resources	69,549	165,353	234,902
LIABILITIES			
Current liabilities:			
Accounts payable	69,119	73,177	142,296
Payroll liabilities	2,461	-	2,461
Accrued expenses	4,585	-	4,585
Accrued compensated absences	7,597	10,325	17,922
Accrued interest	-	84,057	84,057
Utility security deposits	-	50,391	50,391
Unearned Revenue	-	-	-
Long-term debt due within one year	1,572	132,951	134,523
Noncurrent liabilities			
Net pension liability	131,099	311,542	442,641
Transition liability	1,202	2,857	4,059
OPEB liability	1,747	4,494	6,241
Long-term debt due in more than one year	3,034	4,437,298	4,440,332
Total Liabilities	222,416	5,107,092	5,329,508
DEFERRED INFLOWS OF RESOURCES			
Deferred lease resources	1,246,349	-	1,246,349
Deferred inflows related to pensions	37,823	89,884	127,707
Deferred inflows related to OPEB	1,140	2,937	4,077
Total Deferred Inflows of Resources	1,285,312	92,821	1,378,133
NET POSITION			
Net investment in capital assets	2,936,282	5,129,120	8,065,402
Restricted for:			
Streets	264,920	-	264,920
Capital projects	-	2,665,018	2,665,018
Unrestricted	1,001,110	922,827	1,923,937
Total Net Position	\$ 4,202,312	\$ 8,716,965	\$ 12,919,277

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, 2023

		Program Revenues				Net (Expense) Revenue and Changes in Net Position			
		Charges for Services		Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Functions/Programs	Expenses								
GOVERNMENTAL ACTIVITIES									
General government	\$	449,905	\$ 760	\$ 97,064	\$ -	\$ (352,081)	\$ -	\$ (352,081)	
Public safety		43,416	-	-	-	(43,416)	-	(43,416)	
Street maintenance and construction		116,340	-	179,138	-	62,798	-	62,798	
Culture and recreation		43,096	-	-	-	(43,096)	-	(43,096)	
Interest on long-term debt		17,969	-	-	-	(17,969)	-	(17,969)	
Total governmental activities		670,726	760	276,202	-	(393,764)	-	(393,764)	
BUSINESS-TYPE ACTIVITIES									
Water		752,506	668,372	-	312,455	-	228,321	228,321	
Wastewater		347,538	414,786	-	-	-	67,248	67,248	
System development charges		-	11,900	-	-	-	11,900	11,900	
Storm Drain		38,850	38,783	-	-	-	(67)	(67)	
Total business-type activities		1,138,894	1,133,841	-	312,455	-	307,402	307,402	
Total Primary Government	\$	1,809,620	\$ 1,134,601	\$ 276,202	\$ 312,455	(393,764)	307,402	(86,362)	
General revenues:									
Property taxes, levied for general purposes						266,970	-	266,970	
Intergovernmental revenues						270,929	-	270,929	
Franchise fees						70,197	-	70,197	
Interest earnings						37,569	79,724	117,293	
Rents and leases						181,717	-	181,717	
Miscellaneous						19,761	2,432	22,193	
Total general revenues						847,143	82,156	929,299	
Transfers between Governmental and Business-type Activities						(5,200)	5,200	-	
Change in net position						448,179	394,758	842,937	
Net position--beginning						3,754,133	8,387,207	12,141,340	
Prior period adjustment						-	(65,000)	(65,000)	
Net position--ending						\$ 4,202,312	\$ 8,716,965	\$ 12,919,277	

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

CITY OF ADAIR VILLAGE, OREGON
GOVERNMENTAL FUNDS - BALANCE SHEET
June 30, 2023

	General Fund	Street Fund	Total Gov. Funds
ASSETS			
Cash and cash equivalents	\$ 1,082,924	\$ 256,003	\$ 1,338,927
Receivables			
Accounts	22,363	10,128	32,491
Taxes	5,031	-	5,031
Leases	1,318,841	-	1,318,841
Other	3,647	-	3,647
Total Assets	\$ 2,432,806	\$ 266,131	\$ 2,698,937
LIABILITIES			
Accounts payable	\$ 67,908	\$ 1,211	\$ 69,119
Accrued expenses	4,585	-	4,585
Payroll liabilities	2,461	-	2,461
Due to other funds	1,359,288	-	1,359,288
Total Liabilities	1,434,242	1,211	1,435,453
DEFERRED INFLOWS OF RESOURCES			
Deferred lease resources	1,246,349	-	1,246,349
Unavailable property tax revenue	4,388	-	4,388
Total Deferred Inflows of Resources	1,250,737	-	1,250,737
FUND BALANCES			
Restricted for:			
Street maintenance and improvements	-	264,920	264,920
Unassigned:	(252,173)	-	(252,173)
Total Fund Balances	(252,173)	264,920	12,747
Total Liabilities, Deferred Inflows and Fund Balances	\$ 2,432,806	\$ 266,131	\$ 2,698,937
Fund balance		\$	12,747
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 \$1,190,489			4,300,176
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			4,388
Deferred outflows of resources			69,549
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.			(7,597)
Long-term liabilities - not reported in the funds:			
Deferred inflows of resources			(38,963)
Long-term debt			(4,606)
OPEB liability			(1,081)
Transition liability			(1,202)
Net pension liability			(131,099)
Net Position of Governmental Activities		\$	4,202,312

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, 2023

	General Fund	Street Fund	Total Gov. Funds
REVENUES			
Property taxes	\$ 266,202	\$ -	\$ 266,202
Highway taxes	-	109,138	109,138
Interfund revenues	270,929	-	270,929
Franchise fees	70,197	-	70,197
Property leases/rents	181,717	-	181,717
Permits and fees	760	-	760
COVID-19 Reimbursements	97,064	70,000	167,064
Interest revenue	31,238	6,331	37,569
Miscellaneous	19,761	-	19,761
Total Revenues	937,868	185,469	1,123,337
EXPENDITURES			
Current operating:			
General government	420,552	-	420,552
Parks	43,096	-	43,096
Public safety	43,416	-	43,416
Street maintenance & operations	-	48,369	48,369
Debt service:			
Principal	33,626	-	33,626
Interest	18,638	-	18,638
Capital outlay	564,338	-	564,338
Total Expenditures	1,123,666	48,369	1,172,035
Excess (deficiency) of revenues over (under) expenditures	(185,798)	137,100	(48,698)
OTHER FINANCING SOURCES (USES)			
Transfers out	(5,000)	(200)	(5,200)
Total other financing sources (uses)	(5,000)	(200)	(5,200)
Net change in fund balances	(190,798)	136,900	(53,898)
Fund Balances - beginning of the year	(61,375)	128,020	66,645
Fund Balances - end of year	\$ (252,173)	\$ 264,920	\$ 12,747

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, 2023

Net change in fund balances--total governmental funds	\$ (53,898)
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 and amortization	(113,550)
Purchases reported as capital outlay on the fund statements	564,338
Revenues in the Statement of Activities that do not	
provide current financial resources are not reported	
as revenues in the funds.	
Property taxes	768
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	33,626
Some expenses reported in the Statement of Activities	
do not require the use of current financial resources	
and therefore are not reported as expenditures in	
governmental funds.	
Accrual of interest payable	669
Accrual of compensated absences	(3,159)
Accrual of pension items	19,613
Accrual of net OPEB asset and liability items	(150)
Change in pension transition liability	(78)
Change in Net Position of Governmental Activities	\$ 448,179

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, 2023

	Water	Wastewater	Systems Development	Nonmajor Proprietary Funds	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 323,661	\$ 601,971	\$ 1,437,588	\$ 176,693	\$ 2,539,913
Accounts receivable	98,624	47,733	-	4,887	151,244
Due from other funds	131,858	-	1,227,430	-	1,359,288
Total current assets	554,143	649,704	2,665,018	181,580	4,050,445
Noncurrent assets:					
OPEB Asset	1,146	470	-	95	1,711
Capital assets:					
Land and construction in process	395,581	2,123,769	-	-	2,519,350
Other capital assets (net of accumulated depreciation)	4,794,103	2,054,442	-	331,474	7,180,019
Total noncurrent assets	5,190,830	4,178,681	-	331,569	9,701,080
Total Assets	5,744,973	4,828,385	2,665,018	513,149	13,751,525
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources - pensions	116,546	38,548	-	9,233	164,327
Deferred outflows of resources - OPEB	687	282	-	57	1,026
Total Deferred Outflows of Resources	117,233	38,830	-	9,290	165,353
LIABILITIES					
Current liabilities:					
Accounts payable	10,467	62,710	-	-	73,177
Accrued interest	29,529	54,528	-	-	84,057
Utility security deposits	50,391	-	-	-	50,391
Accrued compensated absences	6,473	3,222	-	630	10,325
Current portion of long-term debt	110,485	22,466	-	-	132,951
Total current liabilities	207,345	142,926	-	630	350,901
Noncurrent liabilities:					
Note payable - long-term portion	2,362,932	2,074,366	-	-	4,437,298
OPEB liability	3,010	1,234	-	250	4,494
Net pension liability	220,956	73,082	-	17,504	311,542
Pension transition liability	2,026	670	-	161	2,857
Total noncurrent liabilities	2,588,924	2,149,352	-	17,915	4,756,191
Total Liabilities	2,796,269	2,292,278	-	18,545	5,107,092
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to:					
Pension	63,749	21,085	-	5,050	89,884
OPEB	1,967	806	-	164	2,937
Total Deferred Inflows of Resources	65,716	21,891	-	5,214	92,821
NET POSITION					
Net investment in capital assets	2,716,267	2,081,379	-	331,474	5,129,120
Restricted for capital projects	-	-	2,665,018	-	2,665,018
Unrestricted	283,954	471,667	-	167,206	922,827
Total Net Position	\$ 3,000,221	\$ 2,553,046	\$ 2,665,018	\$ 498,680	\$ 8,716,965

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, 2023

	Water	Wastewater	Systems Development	Nonmajor Proprietary Funds	Totals
OPERATING REVENUES					
Charges for services	\$ 668,372	\$ 414,786	\$ -	\$ 38,783	\$ 1,121,941
Miscellaneous	2,432	-	-	-	2,432
Total operating revenues	670,804	414,786	-	38,783	1,124,373
OPERATING EXPENSES					
Personnel services	301,938	110,269	-	23,966	436,173
Materials and services	256,017	93,113	-	5,688	354,818
Depreciation	147,912	97,628	-	9,196	254,736
Total operating expenses	705,867	301,010	-	38,850	1,045,727
Operating income (loss)	(35,063)	113,776	-	(67)	78,646
NON-OPERATING REVENUES (EXPENSES)					
Interest revenue	11,317	12,275	51,651	4,481	79,724
Interest expense	(46,639)	(42,765)	-	-	(89,404)
Federal grant revenues	312,455	-	-	-	312,455
Loss on disposal of capital assets	-	(3,763)	-	-	(3,763)
Total non-operating revenues (expenses)	277,133	(34,253)	51,651	4,481	299,012
Net income (loss) before contributions	242,070	79,523	51,651	4,414	377,658
CONTRIBUTIONS AND TRANSFERS					
Transfers in	-	-	-	9,950	9,950
Capital contributions			11,900		11,900
Transfers out	(3,500)	(1,000)	-	(250)	(4,750)
Total contributions and transfers	(3,500)	(1,000)	11,900	9,700	17,100
Change in net position	238,570	78,523	63,551	14,114	394,758
Net position--beginning	2,761,651	2,539,523	2,601,467	484,566	8,387,207
Prior period adjustment	-	(65,000)	-	-	(65,000)
Net position--end of year	\$ 3,000,221	\$ 2,553,046	\$ 2,665,018	\$ 498,680	\$ 8,716,965

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, 2023

	Water	Wastewater	Systems Development	Nonmajor Proprietary Funds	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers	\$ 673,772	\$ 396,977	\$ -	\$ 39,579	\$ 1,110,328
Cash payments to suppliers	(307,371)	(103,012)	-	(4,358)	(414,741)
Cash payments to employees	(315,089)	(115,295)	-	(24,866)	(455,250)
Cash other receipts	2,432	30,000	-	-	32,432
Net cash provided (used) by operating activities	53,744	208,670	-	10,355	272,769
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	(3,500)	(1,000)	-	(250)	(4,750)
Receipts (payments) on interfund loans	(238,951)	245,145	-	-	6,194
Proceeds (Advances) from other funds	-	-	24,778	9,950	34,728
Net cash provided (used) by noncapital financing activities	(242,451)	244,145	24,778	9,700	36,172
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions	-	-	11,900	-	11,900
Payment of principal on long-term debt	(97,675)	(22,269)	-	-	(119,944)
Payment of interest on long-term debt	(41,338)	(445)	-	-	(41,783)
Issuance of long-term debt	483,341	1,001,406	-	-	1,484,747
Grant revenue	312,455	-	-	-	312,455
Acquisition of capital assets	(155,732)	(1,051,873)	-	-	(1,207,605)
Net cash provided (used) by capital and related financing activities	501,051	(73,181)	11,900	-	439,770
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest revenue	11,317	12,275	51,651	4,481	79,724
Net cash provided by investing activities	11,317	12,275	51,651	4,481	79,724
Net increase (decrease) in cash and cash equivalents	323,661	391,909	88,329	24,536	828,435
Cash and cash equivalents--beginning of the year	-	210,062	1,349,259	152,157	1,711,478
Cash and cash equivalents--end of the year	\$ 323,661	\$ 601,971	\$ 1,437,588	\$ 176,693	\$ 2,539,913
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (35,063)	\$ 113,776	\$ -	\$ (67)	\$ 78,646
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Cash flows reported in other categories:					
Depreciation expense	147,912	97,628	-	9,196	254,736
Change in assets and liabilities:					
Receivables	2,764	12,191	-	796	15,751
Security deposits	2,636	-	-	-	2,636
Accounts payable	(71,150)	(5,858)	-	-	(77,008)
Accrued payroll	(13,346)	(5,783)	-	(1,047)	(20,176)
Accrued compensated absences	195	757	-	147	1,099
OPEB-related expenses	467	183	-	40	690
Pension-related expenses	19,329	(4,224)	-	1,290	16,395
Net cash provided (used) by operating activities	\$ 53,744	\$ 208,670	\$ -	\$ 10,355	\$ 272,769

CITY OF ADAIR VILLAGE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

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, water, wastewater, and storm drain services. 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.

CITY OF ADAIR VILLAGE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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 money 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 source of revenue.

CITY OF ADAIR VILLAGE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

There are two *non-major proprietary* funds:

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

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 non-operating revenues and expenses.

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

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 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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position

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 assets. The fund that borrows from the lending fund reports a "negative" asset.

CITY OF ADAIR VILLAGE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

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 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 the 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. 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

Lease Assets

Lease assets are assets which the City leases for a term of more than one year. The value of leases is determined by the net present value of the leases using the interest rate implicit in the lease or the City's incremental borrowing rate at the time of the lease agreement, amortized over the term of the lease.

Lease Receivables

Lease receivables are recognized at the present value of the leased assets at a borrowing rate either explicitly described in the agreement or implicitly determined by the City, reduced by principal payments received.

CITY OF ADAIR VILLAGE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

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.

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.

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 OPEB asset and liability, 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

CITY OF ADAIR VILLAGE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

same basis as they are reported by OPERS. For this purpose, OPERS recognizes benefit payments when they are 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 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. In the fund financial statements, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions. The City reports fund balances in the following categories:

Nonspendable for amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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.

Committed for amounts with 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.

CITY OF ADAIR VILLAGE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Assigned for resources that are constrained by the government's intent to use them for a specific purpose but are neither restricted nor committed. 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 government-wide statement of net position reports \$2,929,938 of restricted net position of which \$2,665,018 is restricted by enabling legislation.

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

Cash Flow Statements

For the 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.

2. CASH AND CASH EQUIVALENTS

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 Cash equivalents.

CITY OF ADAIR VILLAGE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Cash and Cash equivalents at June 30, 2023 (recorded at cost) consisted of:

Cash on hand	\$	100
Deposits with financial institutions		64,320
LGIP		3,814,420
	\$	<u>3,878,840</u>

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

Governmental activities	\$	1,338,927
Business-type activities		2,539,913
	\$	<u>3,878,840</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, 2023, the bank balance was \$88,328. The full amount of the bank balance was covered by Federal Depository Insurance.

Investments

The investment policy is to follow the State statutes governing cash management. Oregon Revised Statutes authorize investing in obligations of the U.S. Treasury, U.S. government agencies and instrumentalities, bankers' acceptances guaranteed by an Oregon financial institution, repurchase agreements, State of Oregon Treasury Local Government Investment Pool (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 Comprehensive Financial Report may be obtained at the Oregon State Treasury, 350 Winter St. NE, Salem, Oregon 97310-0840. The value of pool shares approximates fair value. At year end the City's only investment was in the LGIP.

CITY OF ADAIR VILLAGE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

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 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, 2023, 100 percent of 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, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

3. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2023 is as follows:

Governmental Activities	Beginning Balance	Additions	Deletions and Reclassifications	Ending Balance
Capital Assets, non-depreciable:				
Land	\$ 727,159	\$ 560,663	\$ -	\$ 1,287,822
Total capital assets, non-depreciable	727,159	560,663	-	1,287,822
Capital assets, depreciable:				
Buildings and improvements	1,171,115	-	-	1,171,115
Equipment	23,854	3,675	-	27,529
Streets	2,910,876	-	-	2,910,876
Right to use machinery & equipment asset	7,357	-	-	7,357
Park improvements	93,505	-	(7,539)	85,966
Total capital assets, depreciable	4,206,707	3,675	(7,539)	4,202,843
Total	4,933,866	564,338	(7,539)	5,490,665
Less accumulated depreciation for:				
Buildings and improvements	(308,812)	(40,336)	-	(349,148)
Equipment	(2,550)	(1,605)	-	(4,155)
Streets	(705,065)	(67,971)	-	(773,036)
Right to use machinery & equipment asset	(1,471)	(1,471)	-	(2,942)
Park improvements	(65,182)	(3,565)	7,539	(61,208)
Total accumulated depreciation	(1,083,080)	(114,948)	7,539	(1,190,489)
Net depreciable capital assets	3,123,627	(111,273)	-	3,012,354
Net capital assets	\$ 3,850,786	\$ 449,390	\$ -	\$ 4,300,176

Depreciation and amortization expense was allocated as follows:

Governmental activities:

General government	\$ 46,977
Streets	67,971
Governmental activities depreciation and amortization total	\$ 114,948

CITY OF ADAIR VILLAGE, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

Capital asset activity for business-type activities for the year ended June 30, 2023 is as follows:

Business-type activities	Beginning Balance	Additions	Deletions and Reclassifications	Ending Balance
Capital Assets, non-depreciable:				
Land	\$ 77,086	\$ -	\$ -	\$ 77,086
Construction in Progress	2,303,335	759,736	(620,807)	2,442,264
Total capital assets, non-depreciable	2,380,421	759,736	(620,807)	2,519,350
Capital assets, depreciable:				
Buildings and improvements	838,054	-	-	838,054
Water, Wastewater, and Storm drain systems	9,159,740	48,244	620,807	9,828,791
Machinery and equipment	684,980	45,517	(26,326)	704,171
Total capital assets, depreciable	10,682,774	93,761	594,481	11,371,016
Total	13,063,195	853,497	(26,326)	13,890,366
Less accumulated depreciation for:				
Buildings and improvements	(653,169)	(5,604)	-	(658,773)
Water, Wastewater, and Storm drain systems	(2,728,634) *	(232,647)	-	(2,961,281)
Machinery and equipment	(577,020)	(16,485)	22,562	(570,943)
Total accumulated depreciation	(3,958,823) *	(254,736)	22,562	(4,190,997)
Net depreciable capital assets	6,723,951 *	(160,975)	617,043	7,180,019
Net capital assets	\$9,104,372 *	\$ 598,761	\$ (3,764)	\$ 9,699,369

Depreciation expense was allocated as follows:

Business-type activities:

Water	\$ 147,912
Wastewater*	97,628
Storm drain	9,196
Total depreciation expense - business-type activities	<u>\$ 254,736</u>

*The Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position as Wastewater Fund for the year ended June 30, 2023 includes a prior period adjustment of \$65,000 which adjusts the beginning balance of accumulated depreciation and beginning balance totals in this schedule. Current year depreciation expense is recorded for the Wastewater Fund in the amount of \$97,628.

CITY OF ADAIR VILLAGE, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

4. LEASE RECEIVABLES

On January 1, 2021, the City entered into a 120-month lease agreement with Republic Services for real property of 40.18 acres. The lease has one 10-year option to extend. At July 1, 2021, the City recorded a lease receivable and deferred lease resource in the amount of \$1,325,864. The lessee is currently required to make annual payments of \$78,797, with annual increases of 2.5 percent each calendar year. The terms remain the same during the extension period. The lease has a current interest rate of 3.25 percent. At June 30, 2023, the value of the lease receivable was \$1,255,276 and the deferred lease resource was \$1,186,300. The City recognized income related to the lease of \$111,775 during fiscal year 2023.

On January 1, 2020, the City entered into a 60-month lease agreement with Adair Village Food Mart for rental of 2,027 retail square feet zoned for commercial use located at 6002 NE William R. Carr Street. The lease does not include any options to extend. At July 1, 2021, the City recorded a lease receivable and deferred lease resource in the amount of \$64,558. The lessee is required to make monthly payments of \$1,486 and \$1,723 during the current period. The lease has a current interest rate of 3.25 percent. At June 30, 2023, the value of the lease receivable was \$30,229 and the deferred lease resource was \$27,668. The City recognized income related to the lease of \$19,763 during fiscal year 2023.

On January 1, 2021, the City entered into a 240-month lease agreement with Corvallis Society of Model Engineers for rental of 2/3 of a building at 6035 William R. Carr Avenue. The lease does not include any options to extend. At July 1, 2021, the City recorded a lease receivable and deferred lease resource in the amount of \$35,882. The lessee is currently required to make annual payments of \$2,400. The lease has a current interest rate of 3.25 percent. At June 30, 2023, the value of the lease receivable was \$33,336 and the deferred lease resource was \$32,381. The City recognized income related to the lease of \$2,857 during fiscal year 2023.

5. LEASE PAYABLES

On August 28, 2020 the City entered into a lease agreement for the use of a copier. The lease term ends August 27, 2025 and includes one 12 month option to extend in which either party can opt out. Base rent payments of \$131 are due monthly and interest is included in the monthly payments at an implicit rate of 3.25 percent.

Year Ending June 30,	Principal	Interest	Total due
2024	\$ 1,444	\$ 128	\$ 1,572
2025	1,491	81	1,572
2026	1,541	32	1,572
2027	131	-	131
Total	\$ 4,606	\$ 241	\$ 4,847

CITY OF ADAIR VILLAGE, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

6. LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2023 were as follows:

	Interest Rates	Beginning Balance	Increase	Decrease	Ending Balance	Due within One year
<i>Governmental activities:</i>						
Compensated absences		\$ 4,438	\$ 3,159	\$ -	\$ 7,597	\$ 7,597
Lease payable		6,004	-	(1,398)	4,606	1,572
Note payable	3.98%	33,626	-	(33,626)	-	-
Pension liability		113,078	18,021	-	131,099	-
Pension transition liability		1,124	78	-	1,202	-
OPEB liability		2,102	-	(355)	1,747	-
Total governmental activities		<u>\$ 45,192</u>	<u>\$ 21,258</u>	<u>\$ (35,379)</u>	<u>\$ 146,251</u>	<u>\$ 9,169</u>
<i>Business-type activities:</i>						
Compensated absences		\$ 9,226	\$ 1,099	\$ -	\$ 10,325	\$ 10,325
<i>Notes payable:</i>						
DEQ Wastewater note	0.88%	56,043	-	(22,269)	33,774	22,466
IFA Water loan 2016	1.98%	2,087,751	-	(97,675)	1,990,076	99,609
IFA Water loan 2022	1.54%	-	483,341	-	483,341	10,875
IFA Wastewater loan	2.47%	1,061,652	1,001,406	-	2,063,058	-
Pension liability		207,765	103,777	-	311,542	-
Pension transition liability		4,207	-	(1,350)	2,857	-
OPEB liability		5,124	-	(631)	4,493	-
Total business-type activities		<u>\$ 3,218,879</u>	<u>\$ 1,589,623</u>	<u>\$ (121,925)</u>	<u>\$ 4,899,466</u>	<u>\$ 143,276</u>

Notes Payable

Governmental Activities

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. During the 2023 fiscal year, the remaining principal outstanding of \$33,626 was repaid from general revenues. The interest rate was 3.98 percent. There is no longer a balance outstanding on this US Bank loan.

CITY OF ADAIR VILLAGE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Business-type Activities

On June 29, 2015, the City entered into a loan agreement with 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 percent. 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. The DEQ loan included a debt covenant to hold restricted cash in a segregated Loan Reserve Account in trust for the benefit of DEQ. The City did not comply with this debt covenant.

	Principal	Interest	Total Due
2024	\$ 22,466	\$ 248	\$ 22,714
2025	11,308	49	11,357
Total	\$ 33,774	\$ 297	\$ 34,071

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 percent per annum. Repayment began in the 2020-2021 fiscal year.

	Principal	Interest	Total Due
2024	\$ 99,609	\$ 39,404	\$ 139,013
2025	101,582	37,431	139,013
2026	103,593	35,420	139,013
2027	105,644	33,369	139,013
2028	107,736	31,277	139,013
2029-2033	571,533	123,530	695,064
2034-2038	630,401	64,663	695,064
2039-2040	269,979	8,045	278,023
	\$ 1,990,076	\$ 373,138	\$ 2,363,214

CITY OF ADAIR VILLAGE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

The IFA awarded the City a \$264,698 forgivable loan and a \$594,983 loan to replace a waterline commonly known as the Hospital Hill Waterline. The original award was executed February 7, 2022, and the amendment, which updated the loan amounts for additional costs, was executed on September 6, 2022. The project was completed in the 2022-2023 fiscal year. The interest rate is 1.54 percent per annum. As of June 30, 2023, no amount has been repaid. Repayment is expected to begin in the 2023-2024 fiscal year.

	Principal	Interest	Total Due
2024	\$ 10,875	\$ 9,365	\$ 20,240
2025	12,964	7,276	20,240
2026	13,164	7,076	20,240
2027	13,367	6,874	20,240
2028	13,572	6,668	20,240
2029-2033	71,063	30,138	101,201
2034-2038	76,706	24,495	101,201
2039-2043	82,797	18,404	101,201
2044-2048	89,372	11,830	101,201
2049-2052	99,461	4,733	104,194
Total	\$ 483,341	\$ 126,859	\$ 610,200

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 2024-2025 fiscal year. The interest rate is 2.47 percent per annum. As of June 30, 2023, the outstanding amount was \$2,063,058. An additional \$60,715 was drawn in fiscal year 2024, totaling \$2,123,773 in outstanding principal. The current repayment schedule appears below.

	Principal	Interest	Total Due
2024	\$ -	\$ -	\$ -
2025	-	135,636	135,636
2026	66,510	52,457	118,967
2027	68,152	50,814	118,967
2028	69,836	49,131	118,967
2029-2033	375,921	218,913	594,834
2034-2038	424,698	170,136	594,834
2039-2043	479,804	115,030	594,834
2044-2048	542,061	52,774	594,834
2049	96,791	2,391	99,182
	\$ 2,123,773	\$ 847,281	\$ 2,971,054

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

CITY OF ADAIR VILLAGE, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

contribution rates. After 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 percent, which was reduced to 7.75 percent in 2013 and to 7.5 percent in 2015. The transition liability is amortized over twenty-five years, ending in December 2027.

Balance		Balance
June 30, 2022	Decrease	June 30, 2023
\$ 5,331	\$ (1,272)	\$ 4,059

Interfund loans

Interfund loan transactions between funds are recorded as “due to” and “due from” other funds. On the Statement of Net Position, these loans are recorded as “internal balances.” Interfund loans consist of financing from the Water and SDC Funds to the General Fund for purchase of property.

At June 30, 2023, the General Fund owed the Water Fund \$131,858 and the SDC Fund \$527,430. Interest is 2.45 percent per annum. Repayment is expected to occur as follows:

Year Ending June 30,	General Fund Due to	Water Fund Due from	SDC Fund Due from
2024	\$ (31,731)	\$ 6,346	\$ 25,385
2025	(32,508)	6,502	26,006
2026	(33,305)	6,661	26,644
2027	(34,121)	6,824	27,297
2028	(34,956)	6,991	27,965
2029-2033	(188,057)	37,612	150,445
2034-2038	(212,251)	42,450	169,801
2039-2040	(92,359)	18,472	73,887
	<u>\$ (659,288)</u>	<u>\$ 131,858</u>	<u>\$ 527,430</u>

CITY OF ADAIR VILLAGE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

In April 2022 an additional interfund loan was made from the SDC Fund to the General Fund in the amount of \$700,000. The first three years are interest-only payments, with principal payments beginning in 2026. Interest is 0.50 percent per annum. Repayment is expected to occur as follows:

Year Ending June 30,	General Fund to SDC Fund
2024	\$ -
2025	-
2026	39,554
2027	39,752
2028	39,950
2029-2033	202,770
2034-2038	207,889
2039-2042	170,085
	<u>\$ 700,000</u>

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The postemployment benefit (OPEB) for the City combines two separate plans.

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

Plan Description & Benefits Provided:

The City has a Post-Employment Healthcare Plan option available for retirees. 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.

It is a substantive postemployment benefits plan offered under Oregon Revised Statutes (ORS) 243. ORS 243.303 requires the City to 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.

Contributions:

The City funds the plan only to the extent of current year insurance premium requirements on a pay-as-you-go basis. The City did not have eligible employees on the healthcare plan for the fiscal year ending June 30, 2023. If there were eligible employees enrolled, the average monthly premium requirements for the City are as follows:

For retirees	\$589
For spouses of retirees	\$642

CITY OF ADAIR VILLAGE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

OPEB Liability:

Per the actuarial valuation as of July 1, 2022, the City's Post-Employment Healthcare Plan OPEB liability as of June 30, 2023 is \$6,240.

Actuarial assumptions and other inputs: The 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.

Changes in OPEB Liability:

	OPEB Liability
BALANCE, June 30, 2022	\$ 7,226
Changes for the year:	
Service Cost	872
Interest on OPEB liability	175
Effect of economic/demographic gains or losses	(501)
Effect of assumptions, changes, or inputs	(1,531)
Net changes	(985)
BALANCE, June 30, 2023	\$ 6,241

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

The following presents the OPEB liability of the City, as well as what the 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:

	1% Decrease	Current Discount Rate	1% Increase
OPEB Liability	\$ 6,832	\$ 6,241	\$ 5,682

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

The following presents the OPEB liability of the City, as well as what the City's 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:

	1% Decrease	Current Trend Rate	1% Increase
OPEB Liability	\$ 5,322	\$ 6,241	\$ 7,334

CITY OF ADAIR VILLAGE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

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

OPEB - For the year ended June 30, 2023, the City recognized an OPEB expense of \$930. At June 30, 2023, the City reported deferred inflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,257	\$ (453)
Changes in assumptions or inputs	142	(2,284)
Changes in proportionate share	-	-
Total	\$ 1,399	\$ (2,737)

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

Year ended June 30:	Annual Recognition:
2024	\$ (117)
2025	(117)
2026	(117)
2027	(91)
2028	(96)
Thereafter	(800)
	<u>\$ (1,338)</u>

Actuarial Valuation -

The City contributions are based on the accruing benefit costs measured using the individual entry age normal actuarial cost method. The present value of benefits is allocated over the service for each active employee from their date of hire to their expected retirement age, as a level percent of the employee's pay. This level percent times pay is referred to as the service cost and is that portion of the present value of benefits attributable to an employee's service in a current year. The service cost equals \$0 for retired members. The OPEB liability is the present value of benefits less the actuarial present value of future normal costs and represents the liabilities allocated to service up to the valuation date. For retirees, the OPEB liability is equal to the present value of benefits.

Actuarial Methods and Assumptions Used in Developing OPEB Liability:

Valuation date	July 1, 2022
Actuarial cost method	Entry age normal, level percent of pay
Inflation rate	2.40%
Projected salary increases	3.40%
Mortality	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 safety employees.

CITY OF ADAIR VILLAGE, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

	Future mortality improvement: Generational Unisex Social Security Data Scale
Withdrawal	Based on Oregon PERS assumptions. Annual rates are based on employment classification, gender, and duration from hire date.
Retirement	Based on Oregon PERS assumptions. Annual rates are based on age, Tier / OPSRP, duration of service, and employment classification.
Election and Lapse Rates	35% of active members were assumed to elect coverage upon retirement. 60% of male members and 35% of female members who elect coverage upon retirement are also assumed to elect spouse coverage. Retirees for whom the Employer will never pay any portion of the health care premiums are assumed to have a 5% probability of lapsing (dropping) coverage per year.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Discount Rate -

The discount rate used to measure the OPEB liability was 3.54% for results as of the June 30, 2022 measurement date. At the prior measurement date, the discount rate used to measure the OPEB liability was 2.16%. These rates reflect the Bond Buyer 20-Year General Obligation Bond Index.

Healthcare Cost Trend Rate

The assumed healthcare cost trend for medical and vision costs is as follows:

<u>Year</u>	<u>Pre-65 Trend</u>
2022	4.25%
2023	6.75
2024	6.50
2025	6.00
2026	5.25
2027	5.00
2028-2029	4.75
2030	4.50
2031-2065	4.25
2066-2071	4.00
2072+	3.75

Dental costs are assumed at 1.75% for 2022, increase 4% until 2072, and then 3.75% thereafter.

CITY OF ADAIR VILLAGE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

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 monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from 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 2022-2023, was 0.00 percent of covered payroll for Tier 1 and Tier 2 members and 0.00 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 made a payment of \$5 to the RHIA during the fiscal year. 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:

At June 30, 2023, the City reported an asset of \$2,377 for its proportionate share of the RHIA OPEB. The OPEB asset was measured as of June 30, 2022, and calculation was determined by an actuarial valuation date of December 31, 2020. The City's proportionate share of the RHIA 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, 2021 and June 30, 2022, was 0.0 percent and 0.00066869, respectively.

CITY OF ADAIR VILLAGE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

For the year ended June 30, 2023, the City recognized an OPEB income of \$(64). At June 30, 2023, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (64)
Changes of assumptions	19	(79)
Net difference between projected and actual earnings on investments	-	(181)
Changes in proportionate share	-	(1,018)
Contributions subsequent to the MD	5	-
Total	\$ 24	\$ (1,342)

Deferred outflows of resources related to OPEB resulting from the County's contributions subsequent to the measurement date in the amount of \$5 will be recognized as an adjustment to the net OPEB (asset)/liability in the year ended June 30, 2024. 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:
2024	\$ (814)
2025	(449)
2026	(114)
2027	59
2028	-
	<u>\$ (1,318)</u>

Actuarial Methods & Assumptions – OPEB in the December 31, 2020 actuarial valuation was determined using the following actuarial methods and assumptions:

Valuation Date	December 31, 2020
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Experience Study	2020, published July 20, 2021
Actuarial Assumptions:	
Inflation Rate	2.4%
Discount Rate	6.9%
Projected Salary Increases	3.4%

CITY OF ADAIR VILLAGE, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

Mortality	<u>Healthy retirees and beneficiaries:</u> 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. <u>Active members:</u> Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. <u>Disabled retirees:</u> Pub-2010 Disable Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.
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Discount rate – The discount rate used to measure the OPEB asset at June 30, 2022 was 6.9 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 OPEB asset.

Sensitivity of the OPEB asset to changes in the discount rate:

The following presents the RHIA OPEB asset of the City, as well as what it 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:

	1% Decrease	Current Discount Rate	1% Increase
OPEB Asset	\$ (2,142)	\$ (2,376)	\$ (2,577)

Depletion Date Projection – GASB 75 generally requires that a blended discount rate be used to measure the OPEB Liability or Asset. 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.

CITY OF ADAIR VILLAGE, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

OIC-approved Asset Allocation:

<u>Asset Class</u>	<u>Target Allocation</u>
Cash	0.0%
Debt Securities	20.0%
Public Equity	30.0%
Private Equity	20.0%
Real Estate	12.5%
Real Assets	7.5%
Diversifying Strategies	7.5%
Risk Parity*	2.5%
Total	<u>100.0%</u>

* Risk Parity asset class/strategy included within Diversifying Strategies on the Statement of Fiduciary Net Position

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 2021 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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Global Equity	30.62%	5.85%
Private Equity	25.50%	7.71%
Core Fixed Income	23.75%	2.73%
Real Estate	12.25%	5.66%
Master Limited Partnerships	0.75%	5.71%
Infrastructure	1.50%	6.26%
Commodities	0.63%	3.10%
Hedge Fund of Funds – Multistrategy	1.25%	5.11%
Hedge Fund Equity – Hedge	0.63%	5.31%
Hedge Fund – Macro	5.62%	5.06%
US Cash	-2.50%	1.76%
Assumed Inflation - Mean		2.40%

CITY OF ADAIR VILLAGE, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

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 Resources Related to OPEB:

The tables below present the aggregate balance of the City's net OPEB liability/(asset), OPEB expense/(income), and deferred outflows and inflows as of June 30, 2023:

	Deferred Outflows of Resources	Deferred Inflows of Resources	(Asset)/ Liability	OPEB Expense
Postemployment Healthcare Plan (CIS)	\$ 1,399	\$ (2,737)	\$ 6,240	\$ 930
RHIA	24	(1,342)	(2,376)	(64)
Total	<u>\$ 1,423</u>	<u>\$ (4,079)</u>	<u>\$ 3,864</u>	<u>\$ 866</u>

8. 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 the 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

CITY OF ADAIR VILLAGE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

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 percent 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, 2021 through June 30, 2023 is 26.23 percent of salary covered under the plan for Tier 1 and Tier 2 (PERS) employees, 21.16 percent for general service employees, and 25.52% for police and fire employees covered under the Oregon Public Services Retirement Plan (OPSRP). The City pays the employee 6 percent 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, 2019 actuarial valuation.

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 the age of 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 if 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 is 2.0%.

CITY OF ADAIR VILLAGE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

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 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 year ending June 30, 2023 were \$77,562. A Schedule of Contributions can be found in the Required Supplementary Information, which immediately follows these notes.

CITY OF ADAIR VILLAGE, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

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

At June 30, 2023 the City reported net pension liability of \$442,641 for its proportionate share of the plan pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. 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, 2023 and 2022, the City's proportion was 0.00289081 and 0.00268118 percent, respectively.

For the year ended June 30, 2023, the City recognized pension expense of \$74,458. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,487	\$ (2,760)
Changes of assumptions	69,453	(635)
Net difference between projected and actual earnings on investments	—	(79,136)
Changes in proportion	64,774	-
Differences between employer contributions and proportionate share of contributions	202	(45,176)
Contributions subsequent to the MD	77,562	-
Total	\$ 233,478	\$ (127,707)

Deferred outflows of resources related to pensions of \$77,562 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, 2024. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense/(income) as follows:

Year ended June 30:	Annual Recognition:
2023	\$ 14,842
2024	368
2025	(25,820)
2026	39,137
2027	(318)
	<u>\$ 28,209</u>

The employer contribution rates effective July 1, 2022 through June 30, 2023 were set using the entry age normal actuarial cost method.

CITY OF ADAIR VILLAGE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

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.

Actuarial Methods and Assumptions

- Valuation Date December 31, 2020
- Measurement Date June 30, 2022
- Experience Study Report 2020, published July 20, 2021
- Actuarial cost method Entry Age Normal
- Actuarial assumptions
 - Inflation rate 2.4%
 - Investment rate of return 6.9%
 - Discount rate 6.9%
 - Projected salary increases 3.4%
 - 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

CITY OF ADAIR VILLAGE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

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 2020 Experience Study which reviewed experience for the four-year period ending on December 31, 2020.

The discount rate used to measure the total pension liability was 6.9 percent, which is the same as the prior year. 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.

The following represents the City's proportionate share of the pension asset calculated using the discount rate of 6.9 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 (5.9%)	Current Discount Rate (6.9%)	1% Increase (7.9%)
City's proportionate share of the net pension liability (asset)	\$ 784,986	\$ 442,641	\$ 156,114

Assumed Asset Allocation:

Asset Class/Strategy	Assumed Asset Allocation		
	Low Range	High Range	Target
Debt Securities	15.0%	25.0%	20.0%
Public Equity	25.0%	35.0%	30.0%
Real Estate	7.5%	17.5%	12.5%
Private Equity	15.0%	27.5%	20.0%
Real Assets	2.5%	10.0%	7.5%
Diversifying Strategies	2.5%	10.0%	7.5%
Opportunity Portfolio	0.0%	5.0%	0.0%
Risk Parity	0.0%	3.5%	2.5%
Total			100.0%

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:

CITY OF ADAIR VILLAGE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

<u>Long-Term Expected Rate of Return</u> ¹				
Asset Class	Target Allocation	Annual Arithmetic Return ²	20-Year Annualized Geometric Mean	Annual Standard Deviation
Global Equity	30.62 %	7.11 %	5.85 %	17.05 %
Private Equity	25.50	11.35	7.71	30.00
Core Fixed Income	23.75	2.80	2.73	3.85
Real Estate	12.25	6.29	5.66	12.00
Master Limited Partnerships	0.75	7.65	5.71	21.30
Infrastructure	1.50	7.24	6.26	15.00
Commodities	0.63	4.68	3.10	18.85
Hedge Fund of Funds - Multistrategy	1.25	5.42	5.11	8.45
Hedge Fund Equity - Hedge	0.63	5.85	5.31	11.05
Hedge Fund - Macro	5.62	5.33	5.06	7.90
US Cash	-2.50 ³	1.77	1.76	1.20
Assumed Inflation - Mean			2.40 %	1.65 %

¹ Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, including revisions adopted at the OIC meeting on June 2, 2021.

² The arithmetic mean is a component that goes into calculating the geometric mean. Expected rates of return are presented using the geometric mean, which the Board uses in setting the discount rate.

³ Negative allocation to cash represents levered exposure from allocation to Risk Parity strategy.

At June 30, 2023, the City's payable to OPERS for defined benefit contributions was approximately \$7,524. This amount represents legally required contributions to the plan for services incurred in the current fiscal year.

Based on circumstances, it is our third-party actuary's opinion that the detailed depletion date projections outlined in GASB 67 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

9. DEFERRED COMPENSATION PLAN

A deferred compensation plan is available to employees wherein they may execute an individual agreement with the City for amounts earned by them not to be paid until a future date when certain circumstances are met. These circumstances are: termination by reason of resignation, death, disability, or retirement; unforeseeable emergency; or by requesting a de minimis distribution from inactive accounts valued less than \$5,000. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under IRC Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the City.

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

CITY OF ADAIR VILLAGE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

of the employee. These investments are uninsured and unregistered securities held by VALIC or their agents, but not in the City's name.

10. DEFERRED CONTRIBUTION PLAN

Plan Description

Individual account program (IAP) - Participants in OPERS defined benefit pension plan also participate in the defined contribution plan.

Pension Benefits

An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies. Upon retirement, a member of the IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Contributions

Senate Bill 1049 requires a portion of member contributions to their IAP accounts to be redirected to the Defined Benefit Fund. In 2022, if the member earns more than \$3,333 per month, 0.75 percent (if OPSRP member) or 2.5 percent (if Tier 1/Tier 2 member) of the member's contributions that were previously contributed to the member's IAP now fund the new Employee Pension Stability Accounts (EPSA). The EPSA accounts will be used to fund the cost of future pension benefits without changing those benefits which means reduced contributions to the member's IAP account. Members may elect to make voluntary IAP contributions equal to the amount redirected. IAP contributions for the year ended June 30, 2023, were \$21,704, of which \$2,514 were redirected to EPSA.

Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

11. 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.

CITY OF ADAIR VILLAGE, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

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 percent and limiting future tax value growth of each property to no more than 3 percent 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 taxes and many fee increases and new bond issues.

12. 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.

13. 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 \$(252,173) due to reporting this "due to" liability on its balance sheet. This negative fund balance will be liquidated in future years as the liability is paid back.

14. COMMITMENTS

Construction Commitments – The City had various active construction projects as of June 30, 2023. As of year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Commitment</u>	<u>Expended through 6/30/2023</u>
Wastewater Treatment Plant Replacement (IFA Loan)	\$ 2,925,000	\$ 2,123,769

15. PRIOR PERIOD ADJUSTMENT

During fiscal year 2023, the City identified gravity lines, pressure lines, and lift station assets built by the Wastewater Fund in the Calloway Creek Development for which depreciation expense was not recorded for the fiscal years ending June 30, 2021 and June 30, 2022. The depreciation expense and adjustment to accumulated depreciation that was not previously presented was recorded as a prior period adjustment in the Financial Statements ending June 30, 2023 in the amount of \$65,000.

CITY OF ADAIR VILLAGE, OREGON

**NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

SUBSEQUENT EVENTS

In March 2024, the City received a grant award from FEMA for an Emergency Power Project. The project cost totals \$245,752 and will be completely covered by the FEMA grant.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ADAIR VILLAGE, OREGON
Schedule of the Proportionate Share of the Net Pension Liability
for the last ten years

Measurement Date	Proportion of the net pension liability/(asset)*	Proportionate share of the net pension liability (asset)*	Covered payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.00289081%	\$ 442,641	352,388	125.61%	84.50%
2021	0.00268118%	320,843	335,102	95.74%	87.60%
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 ten fiscal years

Year ended June 30,	Statutorily required contribution*	Contributions in relation to the statutorily required contribution*	Contribution deficiency (excess)	Covered payroll	Contributions as a percent of covered payroll
2023	\$ 77,562	\$ 77,562	-	\$ 388,238	19.98%
2022	68,380	68,380	-	352,388	19.40%
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%

*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 ten plan years*

Measurement Date June 30,	Beginning Total OPEB Liability	Service Cost	Interest on Total OPEB Liability	Effect of Economic/ Demographic Changes or Inputs	Effect of Assumptions Changes or Inputs	Ending Total OPEB Liability	Covered Employee Payroll	Liability as a percent of covered payroll
2022	\$ 6,191	\$ 849	\$ 156	\$ 30	\$ -	7,226	\$ 352,388	2.0506%
2021	4,781	836	197	1,292	(915)	6,191	335,102	1.7569%
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.

Note: No assets are accumulated in a trust that meet the criteria in paragraph 4 of Statement 75.

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

Measurement Date	Proportion of the net OPEB liability/(asset)**	Proportionate share of the net OPEB liability (asset)**	Covered payroll	Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2022	0.00000000%	\$ (2,376)	\$ 156,018	-1.52%	194.60%
2021	0.00000000%	-	-	0.00%	183.90%
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 ten plan years*

Year ended June 30,	Statutorily required contribution**	Contributions in relation to the statutorily required contribution**	Contribution deficiency (excess)	Covered payroll	Contributions as a percent of covered payroll
2023	\$ 5	\$ 5	-	\$ 388,238	0.00%
2022	-	-	-	-	0.00%
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

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SUPPLEMENTARY INFORMATION

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, 2023

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
REVENUES				
Property taxes	\$ 218,500	\$ 218,500	\$ 266,202	\$ 47,702
Franchise fees	63,000	63,000	70,197	7,197
Intergovernmental:				
State revenue sharing	14,000	14,000	15,879	1,879
Liquor and marijuana tax	25,000	25,000	29,143	4,143
Cigarette tax	1,000	1,000	980	(20)
Tangent contract	194,100	194,100	219,927	25,827
Transient lodging tax	5,000	5,000	5,000	-
Benton Co Transit STIFF	25,000	25,000	-	(25,000)
Building/property lease	128,900	128,900	144,178	15,278
Residential rental income	30,000	30,000	37,539	7,539
Planning fees	10,000	10,000	650	(9,350)
Other fees	-	-	80	80
SDC Administration	10,000	10,000	30	(9,970)
Refunds	200	200	12,970	12,770
COVID-19 reimbursements	98,000	98,000	97,064	(936)
Interest revenue	15,000	15,000	31,238	16,238
Miscellaneous	1,120	1,120	6,791	5,671
Total revenues	838,820	838,820	937,868	99,048
EXPENDITURES				
Administration	328,672	328,672	162,760	165,912
Public safety	47,503	47,503	43,096	4,407
Parks	58,897	53,897	43,416	10,481
Non-departmental	339,817	339,817	257,792	82,025
Capital outlay	710,000	710,000	564,338	145,662
Debt service	22,254	22,254	35,353	(13,099)
Contingency	250,000	250,000	-	250,000
Total expenditures	1,757,143	1,752,143	1,106,755	645,388
Change in fund balance				
before other financing sources (uses)	(918,323)	(913,323)	(168,887)	744,436
OTHER FINANCING SOURCES (USES)				
Interfund loan proceeds	650,000	650,000	-	(650,000)
Transfer out	(59,884)	(59,884)	(52,883)	7,001
Total other financing sources (uses)	590,116	590,116	(52,883)	(642,999)
Change in fund balance	(328,207)	(323,207)	(221,770)	101,437
Fund balance - beginning of the year	600,000	600,000	1,328,885	728,885
Fund balance - end of the year	\$ 271,793	\$ 276,793	\$ 1,107,115	\$ 830,322

Reconciliation of budgetary fund balance to GAAP basis fund balance:

	Interfund loan	(1,359,288)
Total fund balance, GAAP basis		<u>\$ (252,173)</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, 2023

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
REVENUES				
State gas tax	\$ 100,000	\$ 100,000	\$ 109,138	\$ 9,138
COVID-19 reimbursements	-	-	70,000	70,000
Interest income	-	-	6,331	6,331
Miscellaneous	200	200	-	(200)
Total revenues	100,200	100,200	185,469	85,269
EXPENDITURES				
Street maintenance & operations	68,095	68,095	48,369	19,726
Capital outlay	2,500	2,500	-	2,500
Contingency	100,000	100,000	-	100,000
Total expenditures	170,595	170,595	48,369	122,226
Change in fund balance before other financing sources (uses)	(70,395)	(70,395)	137,100	207,495
OTHER FINANCING SOURCES (USES)				
Transfer out	(200)	(200)	(200)	-
Total other financing sources (uses)	(200)	(200)	(200)	-
Change in fund balance	(70,595)	(70,595)	136,900	207,495
Fund balance - beginning of the year	175,000	175,000	128,020	(46,980)
Fund balance - end of the year	\$ 104,405	\$ 104,405	\$ 264,920	\$ 160,515

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, 2023

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
REVENUES				
Charges for services	\$ 747,500	\$ 747,500	\$ 668,372	\$ (79,128)
Grant revenue	259,500	259,500	312,455	52,955
Interest revenue	-	-	7,935	7,935
Miscellaneous	500	500	2,432	1,932
Total revenues	1,007,500	1,007,500	991,194	(16,306)
EXPENDITURES				
Water operations	541,189	541,189	537,964	3,225
Capital outlay	1,236,340	1,236,340	155,732	1,080,608
Debt service	140,000	140,000	139,013	987
Contingency	100,000	100,000	-	100,000
Total expenditures	2,017,529	2,017,529	832,709	1,184,820
Change in fund balance				
before other financing sources (uses)	(1,010,029)	(1,010,029)	158,485	1,168,514
OTHER FINANCING SOURCES (USES)				
Long-term financing	655,690	655,690	483,341	(172,349)
Transfers in	9,577	9,577	9,577	-
Transfers out	(3,200)	(3,200)	(3,500)	(300)
Total other financing sources (uses)	662,067	662,067	489,418	(172,649)
Change in fund balance	(347,962)	(347,962)	647,903	995,865
Fund balance - beginning of the year	410,000	410,000	(286,476)	(696,476)
Fund balance - end of the year	\$ 62,038	\$ 62,038	\$ 361,427	\$ 299,389

Capital assets, net of depreciation	5,189,684
Interfund loan	131,858
Accrued compensated absences	(6,473)
Net pension liability	(220,956)
Deferred outflows of resources - pension	116,546
Deferred outflows of resources - OPEB	687
Accrued interest	(29,529)
Net OPEB liability	(1,864)
Long-term debt	(2,473,417)
Transition liability	(2,026)
Deferred inflows of resources - pension	(63,749)
Deferred inflows of resources - OPEB	(1,967)
Total net position	\$ 3,000,221

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, 2023

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
REVENUES				
Charges for services	\$ 426,000	\$ 426,000	\$ 384,786	\$ (41,214)
Tangent contract	30,000	30,000	30,000	-
Interest revenue	-	-	12,275	12,275
Total revenues	456,000	456,000	427,061	(28,939)
EXPENDITURES				
Wastewater operations	238,609	238,609	206,666	31,943
Capital outlay	2,511,250	2,511,250	697,765	1,813,485
Debt service	30,000	30,000	22,714	7,286
Contingency	150,000	150,000	-	150,000
Total expenditures	2,929,859	2,929,859	927,145	2,002,714
Change in fund balance				
before other financing sources (uses)	(2,473,859)	(2,473,859)	(500,084)	1,973,775
OTHER FINANCING SOURCES (USES)				
Long-term financing	2,500,000	2,500,000	1,001,407	(1,498,593)
Transfer out	(1,000)	(1,000)	(1,000)	-
Total other financing sources (uses)	2,499,000	2,499,000	1,000,407	(1,498,593)
Change in fund balance	25,141	25,141	500,323	475,182
Fund balance - beginning of the year	200,000	200,000	86,671	(113,329)
Fund balance - end of the year	\$ 225,141	\$ 225,141	\$ 586,994	\$ 361,853

Capital assets, net of depreciation	4,178,211
Accrued compensated absences	(3,222)
Net pension liability	(73,082)
Deferred outflows of resources - pension	38,548
Deferred outflows of resources - OPEB	282
Accrued interest	(54,528)
Long-term debt	(2,096,832)
Net OPEB liability	(764)
Transition liability	(670)
Deferred inflows of resources - pension	(21,085)
Deferred inflows of resources - OPEB	(806)
Total net position	\$ 2,553,046

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, 2023

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
REVENUES				
System development revenue	\$ 55,165	\$ 55,165	\$ 11,900	\$ (43,265)
Interest revenue	-	-	38,122	38,122
Other revenue	4,373	4,373	-	(4,373)
Total revenues	59,538	59,538	50,022	(9,516)
OTHER FINANCING SOURCES (USES)				
Transfer in	45,307	45,307	38,307	(7,000)
Total other financing sources (uses)	45,307	45,307	38,307	(7,000)
Change in fund balance	104,845	104,845	88,329	(16,516)
Fund balance - beginning of the year	1,310,952	1,310,952	1,349,259	38,307
Fund balance - end of the year	\$ 1,415,797	\$ 1,415,797	\$ 1,437,588	\$ 21,791

Reconciliation of budgetary fund balance to GAAP basis net position:

Interfund loan	1,227,430
Total net position, GAAP basis	<u>\$ 2,665,018</u>

CITY OF ADAIR VILLAGE, OREGON
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2023

	Storm Drain Fund	Reserve Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 46,133	\$ 130,560	\$ 176,693
Accounts receivable	4,887	-	4,887
Total current assets	51,020	130,560	181,580
Noncurrent assets:			
OPEB Asset	95	-	95
Capital assets, net of accumulated depreciation	331,474	-	331,474
Total noncurrent assets	331,569	-	331,569
Total Assets	382,589	130,560	513,149
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	9,233	-	9,233
Deferred outflows of resources - OPEB	57	-	57
Total Deferred Outflows of Resources	9,290	-	9,290
LIABILITIES			
Current liabilities:			
Accrued vacation	630	-	630
Total current liabilities	630	-	630
Noncurrent liabilities:			
OPEB Liability	250	-	250
Net pension liability	17,504	-	17,504
Transition liability	161	-	161
Total noncurrent liabilities	17,915	-	17,915
Total Liabilities	18,545	-	18,545
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to:			
Pension	5,050	-	5,050
OPEB	164	-	164
Total Deferred Inflows of Resources	5,214	-	5,214
NET POSITION			
Investment in capital assets	331,474	-	331,474
Unrestricted	36,646	130,560	167,206
Total Net Position	\$ 368,120	\$ 130,560	\$ 498,680

CITY OF ADAIR VILLAGE, OREGON
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
for the year ended June 30, 2023

	Storm Drain Fund	Reserve Fund	Total
OPERATING REVENUES			
Charges for services	\$ 38,783	\$ -	\$ 38,783
Total revenues	38,783	-	38,783
OPERATING EXPENDITURES			
Personnel services	23,966	-	23,966
Materials and services	5,688	-	5,688
Depreciation	9,196	-	9,196
Total expenditures	38,850	-	38,850
Operating income (loss)	(67)	-	(67)
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	1,171	3,310	4,481
Net income (loss) before contributions	1,104	3,310	4,414
TRANSFERS AND CONTRIBUTIONS			
Transfers in	-	9,950	9,950
Transfers out	(250)	-	(250)
Total transfers and contributions	(250)	9,950	9,700
Change in net position	854	13,260	14,114
Net position--beginning	367,266	117,300	484,566
Net position--end of year	\$ 368,120	\$ 130,560	\$ 498,680

CITY OF ADAIR VILLAGE, OREGON
COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY FUNDS
for the year ended June 30, 2023

	Storm Drain	Reserve Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 39,579	\$ -	\$ 39,579
Payments to suppliers	(4,358)	-	(4,358)
Payments to employees	(24,866)	-	(24,866)
Net cash provided (used) by operating activities	10,355	-	10,355
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	9,950	9,950
Transfers to other funds	(250)	-	(250)
Net cash provided (used) by noncapital financing activities	(250)	9,950	9,700
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	1,171	3,310	4,481
Net cash provided (used) by investing activities	1,171	3,310	4,481
Net increase (decrease) in cash and cash equivalents	11,276	13,260	24,536
Cash and investments--beginning of the year	34,857	117,300	152,157
Cash and investments--end of the year	\$ 46,133	\$ 130,560	\$ 176,693
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (67)	\$ -	\$ (67)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	9,196	-	9,196
Change in assets and liabilities:			
Receivables	796	-	796
Accrued payroll	(1,047)	-	(1,047)
Accrued compensated absences	147	-	147
OPEB-related expenses	40	-	40
Pension-related expenses	1,290	-	1,290
Net cash provided (used) by operating activities	\$ 10,355	\$ -	\$ 10,355

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, 2023

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
REVENUES				
Charges for services	\$ 43,000	\$ 43,000	\$ 38,783	\$ (4,217)
Interest revenue	-	-	1,171	1,171
Miscellaneous	200	200	-	(200)
Total revenues	43,200	43,200	39,954	(3,246)
EXPENDITURES				
Storm drain operations	30,159	30,159	28,177	1,982
Contingency	25,000	25,000	-	25,000
Total expenditures	55,159	55,159	28,177	26,982
Change in fund balance				
before other financing sources (uses)	(11,959)	(11,959)	11,777	23,736
OTHER FINANCING SOURCES (USES)				
Transfers out	(200)	(200)	(250)	(50)
Total other financing sources (uses)	(200)	(200)	(250)	(50)
Change in fund balance	(12,159)	(12,159)	11,527	23,686
Fund balance - beginning of the year	45,000	45,000	39,493	(5,507)
Fund balance - end of the year	\$ 32,841	\$ 32,841	\$ 51,020	\$ 18,179

Capital assets, net of depreciation	331,474
Accrued compensated absences	(630)
Net OPEB liability	(155)
Transition liability	(161)
Net pension liability	(17,504)
Deferred outflows of resources - pension	9,233
Deferred outflows of resources - OPEB	57
Deferred inflows of resources - pension	(5,050)
Deferred inflows of resources - OPEB	(164)
Total net position	\$ 368,120

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, 2023

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
REVENUES				
Interest revenue	\$ -	\$ -	\$ 3,310	\$ 3,310
Total revenues	-	-	3,310	3,310
Change in fund balance before other financing sources (uses)	-	-	3,310	3,310
OTHER FINANCING SOURCES (USES)				
Transfer in	\$ 9,600	\$ 9,600	\$ 9,950	\$ 350
Total other financing sources (uses)	9,600	9,600	9,950	350
Change in fund balance	9,600	9,600	13,260	3,660
Fund balance - beginning of the year	117,300	117,300	117,300	-
Fund balance - end of the year	\$ 126,900	\$ 126,900	\$ 130,560	\$ 3,660

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COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

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

We have audited the basic financial statements of the City of Adair Village (the City) as of and for the year ended June 30, 2023, and have issued our report thereon dated April 16, 2025. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

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

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

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

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

- The City did not notify the State Treasurer of use of approved depositories and subsequent changes as required by ORS 295.006.
- ORS 294.438 requires the financial summary portion of the LB-1 agree to the amounts presented on the detail budget sheets. Differences were identified as follows:

	Per Detail Budget Sheets	Per LB-1	Difference
2021-2022 Resources	\$ 8,179,434	\$ 8,044,063	\$ 135,371
2021-2022 Requirements*	8,179,434	8,044,063	135,371
2022-2023 Resources	9,233,684	9,926,684	(693,000)
2022-2023 Requirements	9,233,684	9,926,684	(693,000)

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS, CONTINUED

- Due to the delay in completing the June 30, 2022 financial statement audit, the historical information for the year ended June 30, 2021 presented in the 2022-2023 detail budget document did not agree to the amounts reported in the budgetary comparison schedules contained in the annual financial reports for that year as required by ORS 294.358.

OAR 162-10-0230 Internal Control

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

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 or significant deficiencies may exist that were not identified.

Restriction on Use

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

Aldrich CPAs + Advisors LLP

By:



Andrew Maffia, CPA, Partner
Salem, Oregon
April 16, 2025