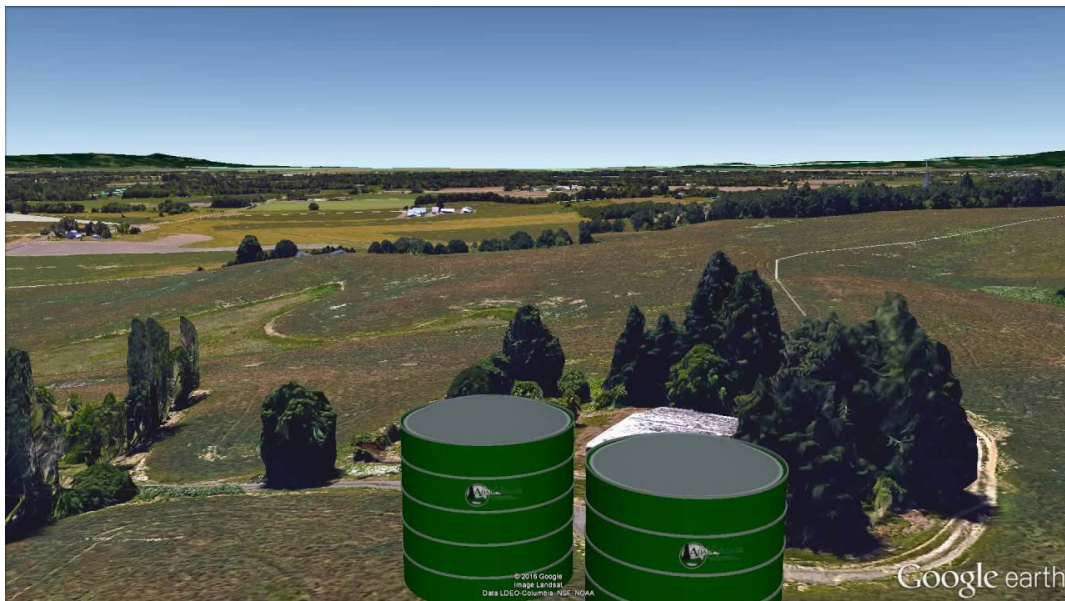


# CITY OF ADAIR VILLAGE, OREGON

## *FINANCIAL REPORT*

*for the year ended June 30, 2016*





CITY OF ADAIR VILLAGE, OREGON

CITY COUNCIL

TERM EXPIRES

Bill Currier, Mayor

December 31, 2018

Susan Canfield

December 31, 2020

Nicole Real

December 31, 2020

Dusty Andrews

December 31, 2018

Charline King

December 31, 2018

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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# CITY OF ADAIR VILLAGE, OREGON

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## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and City Council  
City of Adair Village, Oregon

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Adair Village, Oregon, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Adair Village, Oregon's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Adair Village, Oregon, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to management's discussion and analysis, schedule of the proportionate share of the net pension liability, and schedule of contributions, as listed in the table of contents under the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Adair Village, Oregon’s basic financial statements. The principal officials and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was 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.

The principal officials section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

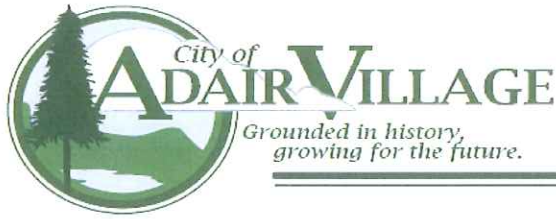
#### **Report on Other Legal and Regulatory Requirements**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated April 26, 2017, on our consideration of the City of Adair Village, Oregon’s compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that

report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

*Merina & Company*

Merina & Company, LLP  
West Linn, Oregon  
April 26, 2017



6030 William R. Carr Ave.  
Adair Village, OR 97330  
541-745-5507  
Fax: 541-230-5219

**CITY OF ADAIR VILLAGE**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
*For the year ended June 30, 2016*

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, 2016.

Please read it in conjunction with the City's basic financial statements.

**FINANCIAL HIGHLIGHTS**

The City's net position decreased \$31,910, or (0.78) percent, as a result of this year's:

- Net position of our governmental activities decreased by \$40,024 or (2.51) percent.
- Net position of our business-type activities increased by \$8,114 or 0.33 percent.
- The total cost of all the City's programs in 2016 was \$1,168,836; in 2015 this cost was \$1,085,577.

**CITY'S ACTIVITIES HIGHLIGHTS**

**General Fund**

This year the City increased contract services to increase the Community Service Officers' hours to include emergency preparedness. The City has always wanted to have an emergency preparedness plan and to have someone that can facilitate that plan. Contract services were also increased to include a financial consultant to assist in the audits, budget preparation, and financial policy development. Smith-WagarBrucker Consulting has been retained by the City to provide these services.

Utilities also increased due to the City taking on the payments of the store and restaurant utility bills because those facilities have joint utilities. The City pays the utilities and is then reimbursed from the business owners.

In Parks the City budgeted for an expected loan to build bathrooms at the Kiddie Park but was unsuccessful in obtaining that grant.

**Water and Wastewater Utilities**

The City started a large water infrastructure project building two new tanks and replacing different sections of the water system. The city raised water rates to prepare for anticipated payments of a large payment for the loan that was taken out for the project. The project was started in this budget year with engineering cost and some design. The bulk of the project will take place during the 2016/17 budget year.

The City was also in the midst of securing its water rights from the Willamette River. The City had to focus resources on attorney fees and professional help to complete permits and extension applications.

In the wastewater fund the City saw an increase in revenues due to a loan taken out from DEQ and partnership payments from Republic Service to complete a facility plan; however the city saw an increase in expenditures due to the City's portion of the agreement. The City has been working with Republic Service to build a new wastewater plant that can treat leachate from the landfill. The City and Republic Service utilized Oregon State University to complete a bench test to support the facility plan that was submitted to DEQ.

### **Governmental Fund Balances**

Fund balances in both the General Fund and the Street Fund increased slightly in the fiscal year ending June 30, 2016. Revenues were up in both funds compared to the prior fiscal year. Expenditures decreased slightly in both funds due to decreased staffing levels.

### **CITY COUNCIL GOALS**

Preparing for the fiscal year ending in 2016, the City Council focused on funding for major projects and identifying immediate needs. Many of the Council goals from the previous budget years have remained the same because they had not been completed. The Council has set new goals for the 2017 fiscal year. Through the budgetary process the council and staff focused on the year ending June 30<sup>th</sup> 2016 with these objectives:

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

- Objective: Public works maintenance
- Objective: Identify and reduce water loss
- Objective: Continue role in local and regional wetland issues
- Objective: Upgrade streets and sidewalks
- Objective: Protection of water rights
- Objective: Funding for water plant
- Objective: Funding for wastewater plant

- #### **Industrial Site Redevelop Industrial Site to Expand Local Employment Opportunities**
- Objective: Industrial site economic planning
  - Objective: Industrial site cleanup

- #### **Downtown Development Develop a Downtown with Commercial/Retail Opportunities**
- Objective: City "Welcome" signs
  - Objective: Restoration of barracks interior
  - Objective: Public use of barracks
  - Objective: Downtown district planning
  - Objective: Ownership of County property
  - Objective: Ownership of apartments
  - Objective: Reuse of block building

- #### **Public Safety Provide Stable and Consistent Police Services**
- Objective: Develop emergency plan
  - Objective: Consistent ordinance enforcement

## **Community Development**

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

- Objective: Facilitate residential growth
- Objective: Trails and connectivity
- Objective: Current and complete website
- Objective: Finish audit and closeouts
- 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, 2016. Fund financial statements provide information on both governmental and proprietary, or business-type funds (Storm Drain, Wastewater, and Water). 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 represent the difference between what the City owes and what the City owns. Increase or decrease in net position, taken in conjunction with the actual activities undertaken by the City, determine whether the City's financial health is increasing or decreasing. Actual "activities" include any changes to the City's property tax base through an increase in population and any additions, improvements, or deterioration to the City's capital assets (buildings, land, and equipment).

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

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

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

Table 1 below shows the City's net position by Governmental and Business-type Activities and provides a comparison to last year's net position. Overall, the City's net position decreased from \$4,081,085 to \$4,049,175. This decrease was primarily due to the effects of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which accounted for a decrease in net position of \$143,716.

**Table 1  
Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 291,634	\$ 274,027	\$ 641,193	\$ 500,581	\$ 932,827	\$ 774,608
Capital assets	1,352,531	1,385,551	2,486,987	2,518,742	3,839,518	3,904,293
	<u>1,644,165</u>	<u>1,659,578</u>	<u>3,128,180</u>	<u>3,019,323</u>	<u>4,772,345</u>	<u>4,678,901</u>
Deferred outflows related to pensions	8,536	12,378	21,791	36,366	30,327	48,744
Current liabilities	38,172	32,299	162,539	206,867	200,711	239,166
Non-current liabilities	43,790	-	451,640	230,040	495,430	230,040
	<u>81,962</u>	<u>32,299</u>	<u>614,179</u>	<u>436,907</u>	<u>696,141</u>	<u>469,206</u>
Deferred inflows related to pensions	16,144	45,038	41,212	132,316	57,356	-
Net position:						
Net investment in capital assets	1,352,531	1,385,551	2,255,413	2,199,779	3,607,944	3,585,330
Restricted for:						
Streets	72,694	70,645	-	-	72,694	70,645
System development	-	-	219,836	208,557	219,836	208,557
Unrestricted	129,370	138,423	19,331	78,130	148,701	216,553
Total net position	<u>\$ 1,554,595</u>	<u>\$ 1,594,619</u>	<u>\$ 2,494,580</u>	<u>\$ 2,486,466</u>	<u>\$ 4,049,175</u>	<u>\$ 4,081,085</u>

Net position decreased .078 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 – decreased 31.33 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 assets.

**Table 2**  
**Change in Revenues and Expense**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 77,280	\$ 54,980	\$ 701,178	\$ 712,969	778,458	767,949
Grants	3,253	3,808	-	-	3,253	3,808
General revenues:						
Property taxes	107,523	105,908	-	-	107,523	105,908
Highway fund allocation	49,987	48,801	-	-	49,987	48,801
Intergovernmental	20,512	18,873	-	-	20,512	18,873
Franchise fees	43,797	42,142	-	-	43,797	42,142
Earnings on investments	3,389	3,203	-	-	3,389	3,203
Miscellaneous	10,166	13,954	119,841	102,093	130,007	116,047
<b>TOTAL REVENUES</b>	<b>315,907</b>	<b>291,669</b>	<b>821,019</b>	<b>815,062</b>	<b>1,136,926</b>	<b>1,106,731</b>
<b>Program expenses:</b>						
Governmental activities:						
General government	189,781	195,998	-	-	189,781	195,998
Public safety	49,757	43,823	-	-	49,757	43,823
Street maintenance	67,887	67,769	-	-	67,887	67,769
Culture & recreation	48,506	30,205	-	-	48,506	30,205
Proprietary activities:						
Water	-	-	508,650	493,849	508,650	493,849
Wastewater	-	-	281,289	243,965	281,289	243,965
Other business-type activities	-	-	22,966	9,968	22,966	9,968
<b>TOTAL EXPENSES</b>	<b>355,931</b>	<b>337,795</b>	<b>812,905</b>	<b>747,782</b>	<b>1,168,836</b>	<b>1,085,577</b>
Loss on disposals	-	(9,581)	-	(25,102)	-	(34,683)
Increase (decrease) in net asset	(40,024)	(55,707)	8,114	42,178	(31,910)	(13,529)
Net position - beginning	1,594,619	1,693,648	2,486,466	2,571,562	4,081,085	4,265,210
Cumulative effect of GASB 68	-	(43,322)	-	(127,274)	-	(170,596)
<b>Net position - ending</b>	<b>\$ 1,554,595</b>	<b>\$ 1,594,619</b>	<b>\$ 2,494,580</b>	<b>\$ 2,486,466</b>	<b>\$ 4,049,175</b>	<b>\$ 4,081,085</b>

The City's total revenues increased by \$30,195; total expenses increased by \$48,576 and net position decreased by \$31,910. Specifics on these changes can be found under "City's Activity Highlights" above.

## GENERAL BUDGETARY HIGHLIGHTS

- The City Council adopted a conservative fiscal year 2015-2016 budget. Due to spending at a level that was even more conservative than budgeted, the Fund Balance of the General Fund ended the year \$141,514 higher than was budgeted.
- The beginning fund balance was also higher than budgeted, and some of the budgeted capital outlay was not spent during the year.

Areas of legal appropriations are personal services, material and services, capital outlay, transfers, debt service and contingencies. The General Fund is broken out into personnel services, materials and services, and capital outlay.

## CAPITAL ASSETS

At the end of June 30, 2016, the City had \$3,839,518 invested in land, buildings and improvements, streets and equipment. This represents a decrease (net of depreciation) of \$64,775 or 1.66 percent. Depreciation expense was \$163,954 for the year. Additional information on capital assets is available in Note 2.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land & Const. in Progress	\$ 132,757	\$ 132,757	\$ 275,562	\$ 196,428	\$ 408,319	\$ 329,185
Building & Improvements	773,657	773,657	745,029	745,029	1,518,686	1,518,686
Water and Sewer System	-	-	3,730,084	3,730,084	3,730,084	3,730,084
Streets	1,072,745	1,072,745	-	-	1,072,745	1,072,745
Park Improvements	83,505	76,005	-	-	83,505	76,005
Equipment	-	-	653,186	640,641	653,186	640,641
Less: Accumulated Depr.	(710,133)	(669,613)	(2,916,874)	(2,793,440)	(3,627,007)	(3,463,053)
	<u>\$ 1,352,531</u>	<u>\$ 1,385,551</u>	<u>\$ 2,486,987</u>	<u>\$ 2,518,742</u>	<u>\$ 3,839,518</u>	<u>\$ 3,904,293</u>

## DEBT OUTSTANDING

As of year-end the City had total debt outstanding of \$428,820. All of the debt is for water and wastewater projects. Outstanding debt for water projects at June 30, 2016 was \$268,195, an increase of \$168,216 from the prior fiscal year, primarily due to the addition of the loan to pay for the new water tanks. Outstanding debt for wastewater projects at June 30, 2016 was \$160,625, a decrease of \$59,178 from the prior fiscal year.



## **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, 2017. Estimates were made for a range of revenues, including property taxes, shared state revenues, grants, franchise fees, leases, and charges for utility service. No staffing changes are projected for next year as the Assistant City Administrator position will remain unfilled. This will keep overall personnel costs affordable.

Water and Wastewater utility rates were updated in 2015 and are reviewed each year in preparation for the budget process, as will the City's Wage Schedule. No rate changes were budgeted in the Water, Wastewater, or Storm Drain Funds. Considerable funds were committed and will continue to be committed to a number of infrastructure planning projects, especially the Water and Wastewater facilities, in preparation for long-term improvements to all systems.



Pat Hare, City Administrator  
Name & Title

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CITY OF ADAIR VILLAGE, OREGON

BASIC FINANCIAL STATEMENTS

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CITY OF ADAIR VILLAGE, OREGON  
STATEMENT OF NET POSITION  
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$255,029	\$352,246	\$607,275
Receivables:			
Accounts	29,310	288,947	318,257
Taxes	7,295	-	7,295
Capital assets:			
Land and construction in process	132,757	275,562	408,319
Other capital assets (net of accumulated depreciation)	1,219,774	2,211,425	3,431,199
<b>Total Assets</b>	<b>1,644,165</b>	<b>3,128,180</b>	<b>4,772,345</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	8,536	21,791	30,327
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	29,773	53,530	83,303
Payroll liabilities	7,080	12,708	19,788
Accrued compensated absences	1,319	4,460	5,779
Accrued interest	-	2,878	2,878
Long-term debt due within one year	-	88,963	88,963
Noncurrent liabilities			
Net pension liability	43,790	111,783	155,573
Long-term debt due in more than one year	-	339,857	339,857
<b>Total Liabilities</b>	<b>81,962</b>	<b>614,179</b>	<b>696,141</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	16,144	41,212	57,356
<b>NET POSITION</b>			
Net investment in capital assets	1,352,531	2,255,413	3,607,944
Restricted for:			
Streets	72,694	-	72,694
System Development	-	219,836	219,836
Unrestricted	129,370	19,331	148,701
<b>Total Net Position</b>	<b>\$1,554,595</b>	<b>\$2,494,580</b>	<b>\$4,049,175</b>

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

**CITY OF ADAIR VILLAGE, OREGON**  
**STATEMENT OF ACTIVITIES**  
*for the year ended June 30, 2016*

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>			
General government	\$ 189,781	\$ 77,280	\$ -
Public safety	49,757	-	-
Street maintenance and construction	67,887	-	-
Culture and recreation	48,506	-	3,253
<b>Total governmental activities</b>	<b>355,931</b>	<b>77,280</b>	<b>3,253</b>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Water	508,650	480,945	-
Wastewater	281,289	191,272	-
System development charges	-	11,279	-
Other business-type activities	22,966	17,682	-
<b>Total business-type activities</b>	<b>812,905</b>	<b>701,178</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 1,168,836</b>	<b>\$ 778,458</b>	<b>\$ 3,253</b>

General revenues:

Property taxes, levied for general purposes

Highway taxes

Intergovernmental revenues

Franchise fees

Interest earnings

Miscellaneous

**Total general revenues**

Change in net position

**Net position--beginning**

**Net position--ending**

CITY OF ADAIR VILLAGE, OREGON  
STATEMENT OF ACTIVITIES  
for the year ended June 30, 2016

<b>Net (Expense) Revenue and Changes in Net Position</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
\$ (112,501)	\$ -	\$ (112,501)	
(49,757)	-	(49,757)	
(67,887)	-	(67,887)	
(45,253)	-	(45,253)	
<b>(275,398)</b>	<b>-</b>	<b>(275,398)</b>	
-	(27,705)	(27,705)	
-	(90,017)	(90,017)	
-	11,279	11,279	
-	(5,284)	(5,284)	
-	<b>(111,727)</b>	<b>(111,727)</b>	
<b>(275,398)</b>	<b>(111,727)</b>	<b>(387,125)</b>	
107,523	-	107,523	
49,987	-	49,987	
20,512	-	20,512	
43,797	-	43,797	
3,389	-	3,389	
10,166	119,841	130,007	
<b>235,374</b>	<b>119,841</b>	<b>355,215</b>	
(40,024)	8,114	(31,910)	
1,594,619	2,486,466	4,081,085	
<b>\$ 1,554,595</b>	<b>\$ 2,494,580</b>	<b>\$ 4,049,175</b>	

CITY OF ADAIR VILLAGE, OREGON  
GOVERNMENTAL FUNDS - BALANCE SHEET  
June 30, 2016

	General Fund	Street Fund	Total Gov. Funds
<b>ASSETS</b>			
Cash and investments	\$ 173,031	\$ 81,998	255,029
Receivables			
Accounts	24,880	4,430	29,310
Taxes	7,295	-	7,295
<b>Total Assets</b>	<b>\$ 205,206</b>	<b>\$ 86,428</b>	<b>\$ 291,634</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 28,330	\$ 1,443	\$ 29,773
Payroll liabilities	6,065	1,015	7,080
<b>Total Liabilities</b>	<b>34,395</b>	<b>2,458</b>	<b>36,853</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	6,397	-	6,397
<b>Total Deferred Inflows of Resources</b>	<b>6,397</b>	<b>-</b>	<b>6,397</b>
<b>FUND BALANCES</b>			
<b>Restricted for:</b>			
Street maintenance and improvements	-	83,970	83,970
<b>Unassigned:</b>			
	164,414	-	164,414
<b>Total Fund Balances</b>	<b>164,414</b>	<b>83,970</b>	<b>248,384</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 205,206</b>	<b>\$ 86,428</b>	<b>\$ 291,634</b>
<b>Fund balance</b>			<b>\$ 248,384</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$710,133.			1,352,531
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			6,397
Net pension asset			-
Deferred outflows of resources related to pension			8,536
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.			(1,319)
Long-term liabilities - not reported in the funds:			
Deferred inflows of resources related to pensions			(16,144)
<b>Net Position of Governmental Activities</b>			<b>\$ 1,554,595</b>

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



CITY OF ADAIR VILLAGE, OREGON  
GOVERNMENTAL FUNDS -  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
for the year ended June 30, 2016

	General Fund	Street Fund	Total Gov. Funds
<b>REVENUES</b>			
Property taxes	\$ 109,048	\$ -	\$ 109,048
Highway taxes	-	49,987	49,987
Franchise fees	43,797	-	43,797
Intergovernmental revenues	20,512	-	20,512
Grants	3,253	-	3,253
Property leases/rents	72,407	-	72,407
Permits and fees	4,873	-	4,873
Interest earnings	3,389	-	3,389
Miscellaneous	10,165	-	10,165
<b>Total Revenues</b>	<b>267,444</b>	<b>49,987</b>	<b>317,431</b>
<b>EXPENDITURES</b>			
Current operating:			
Personal services	50,067	19,496	69,563
Materials and services	186,411	17,166	203,577
Capital outlay	7,500	-	7,500
<b>Total Expenditures</b>	<b>243,978</b>	<b>36,662</b>	<b>280,640</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>23,466</b>	<b>13,325</b>	<b>36,791</b>
Net change in fund balances	23,466	13,325	36,791
<b>Fund Balances - beginning of the year</b>	<b>140,948</b>	<b>70,645</b>	<b>211,593</b>
<b>Fund Balances - end of year</b>	<b>\$ 164,414</b>	<b>\$ 83,970</b>	<b>\$ 248,384</b>

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

CITY OF ADAIR VILLAGE, OREGON  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
*for the year ended June 30, 2016*

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<b>Net change in fund balances--total governmental funds</b>	<b>\$ 36,791</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds expense capital assets when purchased, governmental activities report depreciation expense:	
Current year depreciation	(40,520)
Purchases reported as expenditures on the fund statements	7,500
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	(1,525)
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.	
Compensated absences	(747)
Change in pension expense	(41,523)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ (40,024)</b>

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, 2016

	Water	Wastewater	Systems Development	Nonmajor Proprietary Funds	Totals
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 101,433	\$ 1,864	\$ 203,418	\$ 45,531	\$ 352,246
Accounts receivable, net	265,213	21,733	-	2,001	288,947
<b>Total current assets</b>	<b>366,646</b>	<b>23,597</b>	<b>203,418</b>	<b>47,532</b>	<b>641,193</b>
Noncurrent assets:					
Capital assets:					
Land and construction in process	275,562	-	-	-	275,562
Other capital assets (net of accumulated depreciation)	1,096,766	1,107,951	-	6,708	2,211,425
<b>Total noncurrent assets</b>	<b>1,372,328</b>	<b>1,107,951</b>	<b>-</b>	<b>6,708</b>	<b>2,486,987</b>
<b>Total Assets</b>	<b>1,738,974</b>	<b>1,131,548</b>	<b>203,418</b>	<b>54,240</b>	<b>3,128,180</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows of resources - pensions	13,682	6,552	-	1,557	21,791
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	18,315	35,215	-	-	53,530
Payroll liabilities	8,130	3,738	-	840	12,708
Accrued interest payable	1,431	1,447	-	-	2,878
Accrued compensated absences	2,917	1,254	-	289	4,460
Current portion of long-term debt	29,480	59,483	-	-	88,963
<b>Total current liabilities</b>	<b>60,273</b>	<b>101,137</b>	<b>-</b>	<b>1,129</b>	<b>162,539</b>
Noncurrent liabilities:					
Note payable - long-term portion	-	81,447	-	-	81,447
Bonds payable - long-term portion	238,715	19,695	-	-	258,410
Net pension liability	70,184	33,612	-	7,987	111,783
<b>Total noncurrent liabilities</b>	<b>308,899</b>	<b>134,754</b>	<b>-</b>	<b>7,987</b>	<b>451,640</b>
<b>Total Liabilities</b>	<b>369,172</b>	<b>235,891</b>	<b>-</b>	<b>9,116</b>	<b>614,179</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows of resources - pensions	25,876	12,392	-	2,944	41,212
<b>NET POSITION</b>					
Net investment in capital assets	1,301,379	947,326	-	6,708	2,255,413
Restricted for capital projects	-	-	203,418	16,418	219,836
Unrestricted	56,229	(57,509)	-	20,611	19,331
<b>Total Net Position</b>	<b>\$ 1,357,608</b>	<b>\$ 889,817</b>	<b>\$ 203,418</b>	<b>\$ 43,737</b>	<b>\$ 2,494,580</b>

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

CITY OF ADAIR VILLAGE, OREGON  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 for the year ended June 30, 2016

	Water	Wastewater	Systems Development	Nonmajor Proprietary Funds	Totals
<b>OPERATING REVENUES</b>					
Charges for services	\$ 480,945	\$ 191,272	\$ -	\$ 17,682	\$ 689,899
Deposits for new service	5,120	-	-	-	5,120
Wastewater partnership	-	114,721	-	-	114,721
<b>Total operating revenues</b>	<b>486,065</b>	<b>305,993</b>	<b>-</b>	<b>17,682</b>	<b>809,740</b>
<b>OPERATING EXPENSES</b>					
Personnel services	235,859	110,153	-	22,455	368,467
Materials and services	205,258	106,230	-	214	311,702
Depreciation	62,859	60,278	-	297	123,434
<b>Total operating expenses</b>	<b>503,976</b>	<b>276,661</b>	<b>-</b>	<b>22,966</b>	<b>803,603</b>
<b>Operating income (loss)</b>	<b>(17,911)</b>	<b>29,332</b>	<b>-</b>	<b>(5,284)</b>	<b>6,137</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest expense	(4,674)	(4,628)	-	-	(9,302)
System development revenue	-	-	11,279	-	11,279
<b>Total non-operating revenue</b>	<b>(4,674)</b>	<b>(4,628)</b>	<b>11,279</b>	<b>-</b>	<b>1,977</b>
<b>Change in net position</b>	<b>(22,585)</b>	<b>24,704</b>	<b>11,279</b>	<b>(5,284)</b>	<b>8,114</b>
Net position--beginning	1,380,193	865,113	192,139	49,021	2,486,466
<b>Net position--end of year</b>	<b>\$ 1,357,608</b>	<b>\$ 889,817</b>	<b>\$ 203,418</b>	<b>\$ 43,737</b>	<b>\$ 2,494,580</b>

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

CITY OF ADAIR VILLAGE, OREGON  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 for the year ended June 30, 2016

	Water	Wastewater	Systems Development	Nonmajor Proprietary Funds	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 483,502	\$ 192,107	\$ -	\$ 17,707	\$ 693,316
Payments to suppliers	(229,738)	(119,343)	-	(676)	(349,757)
Payments to employees	(173,204)	(84,096)	-	(14,017)	(271,317)
Other receipts	-	164,721	-	-	164,721
<b>Net cash provided (used) by operating activities</b>	<b>80,560</b>	<b>153,389</b>	<b>-</b>	<b>3,014</b>	<b>236,963</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers to other funds	-	(74,547)	-	-	(74,547)
Proceeds from other funds	74,547	-	-	-	74,547
<b>Net cash provided (used) by capital and related financing activities</b>	<b>74,547</b>	<b>(74,547)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
System development revenue	-	-	11,279	-	11,279
Payment of principal on long-term debt	(29,440)	(59,179)	-	-	(88,619)
Payment of interest on long-term debt	(5,318)	(5,254)	-	-	(10,572)
Acquisition of capital assets	(79,133)	(12,545)	-	-	(91,678)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(113,891)</b>	<b>(76,978)</b>	<b>11,279</b>	<b>-</b>	<b>(179,590)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>41,216</b>	<b>1,864</b>	<b>11,279</b>	<b>3,014</b>	<b>57,373</b>
<b>Cash and investments--beginning of the year</b>	<b>60,218</b>	<b>-</b>	<b>192,139</b>	<b>42,517</b>	<b>-</b>
<b>Cash and investments--end of the year</b>	<b>\$ 101,434</b>	<b>\$ 1,864</b>	<b>\$ 203,418</b>	<b>\$ 45,531</b>	<b>\$ 57,373</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ (17,911)	\$ 29,332	\$ -	\$ (5,284)	\$ 6,137
Adjustments to reconcile operating income to net cash provided by operating activities:					
<b>Cash flows reported in other categories:</b>					
Depreciation expense	62,859	60,278	-	297	123,434
<b>Change in assets and liabilities:</b>					
Receivables	(2,563)	50,835	-	25	48,297
Accounts payable and accrued liabilities	(28,846)	(15,956)	-	(572)	(45,374)
Accrued compensated absences	1,630	480	-	166	2,276
Pension-related expenses	65,391	28,420	-	8,382	102,193
<b>Net cash provided (used) by operating activities</b>	<b>\$ 80,560</b>	<b>\$ 153,389</b>	<b>\$ -</b>	<b>\$ 3,014</b>	<b>\$ 236,963</b>

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

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## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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

#### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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.



## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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

There are three *major proprietary* funds:

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

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

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

There are two *non-major proprietary* funds:

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

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

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

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

#### **Budgets**

A budget is prepared for all funds in accordance with the modified accrual basis of accounting and legal requirements set forth in the Oregon Local Budget Law. Reconciliations for the differences between the budgetary basis of accounting and GAAP are presented on the enterprise fund budgetary schedules.

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016**

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

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

**Appropriation Level**

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

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

Budget amounts shown in the basic financial statements reflect the original budget amount and final budget amount. Expenses of the various funds were within authorized appropriations for the year ended June 30, 2016, except for the General Fund, which overspent its materials and services appropriation by \$1,561 and the Wastewater Fund, which overspend its debt service appropriation by \$389.

**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, Liabilities, and Net Assets or Equity**

**Deposits and Investments**

The cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition, and cash and investments in the State Local Government Investment Pool (LGIP). Investments,

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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 either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

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

#### **Capital Assets**

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

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

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016**

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

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

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

**Supply Inventories**

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

**Compensated Absences**

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

**Unavailable Revenue**

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

**Deferred Outflows /Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then.

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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

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.

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

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

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

#### **Fund Balance/Net Position**

In the fund financial statements, the fund balance for governmental funds is reported in a hierarchy of classifications based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The City reports fund balances in the following categories:

Nonspendable for resources that cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. At year end the City did not have any nonspendable fund balance.

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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 that City Council passes an ordinance or council resolution, a formal action made by the entity's highest level of decision making authority. The City Council can modify or rescind the ordinance or resolution at any time through passage of an additional ordinance or resolution.

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

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

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

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

#### **Cash Flow Statements**

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

#### **Property Tax Calendar**

Property taxes attach as an enforceable lien on July 1 for real property and personal property. Taxes are levied as of July 1 and payable in three installments on November 15, February 15,

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016**

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.

**1. CASH AND INVESTMENTS**

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

Cash and Investments at June 30, 2016 (recorded at cost) consisted of:

Cash on hand	\$	100
Cash with fiscal agent		607
Deposits with financial institutions		28,712
LGIP		577,856
	\$	<u>607,275</u>

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

Governmental activities	\$255,029
Business-type activities	352,246
	<u>\$607,275</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, 2016, the bank balance was \$28,572. All of the bank balance was covered by Federal Depository Insurance.

**Investments**

The investment policy is to follow the State statutes governing cash management. Oregon Revised Statutes authorize investing in obligations of the U.S. Treasury, U.S. government agencies and instrumentalities, bankers' acceptances guaranteed by an Oregon financial

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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

#### **Interest Rate Risk**

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

#### **Credit Risk**

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

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



**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016**

**Concentration of Credit Risk**

At June 30, 2016, 100% of total investments were in the Oregon State Treasury's Local Government Investment Pool. State statutes do not limit the percentage of investment in the Pool.

**2. CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended June 30, 2016 is as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Ending Balance</b>
<b>Capital Assets, non-depreciable:</b>			
Land	\$ 132,757	\$ -	\$ 132,757
Total capital assets, non-depreciable	<u>132,757</u>	<u>-</u>	<u>132,757</u>
<b>Capital assets, depreciable:</b>			
Buildings and improvements	773,657	-	773,657
Streets	1,072,745	-	1,072,745
Park improvements	76,005	7,500	83,505
Total capital assets, depreciable	<u>1,922,407</u>	<u>7,500</u>	<u>1,929,907</u>
Total	<u>2,055,164</u>	<u>7,500</u>	<u>2,062,664</u>
<b>Less accumulated depreciation for:</b>			
Buildings and improvements	(146,826)	(15,452)	(162,278)
Streets	(483,722)	(21,850)	(505,572)
Park improvements	(39,065)	(3,218)	(42,283)
Total accumulated depreciation	<u>(669,613)</u>	<u>(40,520)</u>	<u>(710,133)</u>
Net depreciable capital assets	<u>1,252,794</u>	<u>(33,020)</u>	<u>1,219,774</u>
<b>Net capital assets</b>	<u><u>\$ 1,385,551</u></u>	<u><u>\$ (33,020)</u></u>	<u><u>\$1,352,531</u></u>

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016**

Depreciation expense was allocated as follows:

<b>Governmental activities:</b>	<b>Depreciation</b>
General government	18,670
Streets	21,850
Total depreciation expense - governmental activities	<u>40,520</u>

Capital asset activity for business-type activities for the year ended June 30, 2016 is as follows:

<u>Business-type activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
<b>Capital Assets, non-depreciable:</b>			
Land	77,086	-	\$ 77,086
Construction in Progress	119,342	79,134	198,476
Total capital assets, non-depreciable	<u>196,428</u>	<u>79,134</u>	<u>275,562</u>
<b>Capital assets, depreciable:</b>			
Buildings and improvements	745,029	-	745,029
Water, Wastewater, and Stormdrain systems	3,730,084	-	3,730,084
Machinery and equipment	640,641	12,545	653,186
Total capital assets, depreciable	<u>5,115,754</u>	<u>12,545</u>	<u>5,128,299</u>
Total	<u>5,312,182</u>	<u>91,679</u>	<u>5,403,861</u>
<b>Less accumulated depreciation for:</b>			
Buildings and improvements	(622,123)	(3,278)	(625,401)
Water, Wastewater, and Stormdrain systems	(1,745,762)	(93,587)	(1,839,349)
Machinery and equipment	(425,555)	(26,569)	(452,124)
Total accumulated depreciation	<u>(2,793,440)</u>	<u>(123,434)</u>	<u>(2,916,874)</u>
Net depreciable capital assets	<u>2,322,314</u>	<u>(110,889)</u>	<u>2,211,425</u>
<b>Net capital assets</b>	<u>\$ 2,518,742</u>	<u>(31,755)</u>	<u>\$ 2,486,987</u>
<b>Business-type activities:</b>			
Water		62,859	
Sewer		60,278	
Stormwater		297	
Total depreciation expense - business-type activities		<u>123,434</u>	

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016**

**3. LONG-TERM OBLIGATIONS**

Changes in long-term obligations for the year ended June 30, 2016 were as follows:

	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due within One year</u>
<i>Governmental activities:</i>						
Compensated absences		\$ 572	\$ 2,449	\$ (1,702)	\$ 1,319	\$ -
Total governmental activities		<u>\$ 572</u>	<u>\$ 2,449</u>	<u>\$ (1,702)</u>	<u>\$ 1,319</u>	<u>\$ -</u>
<i>Business-type activities:</i>						
Compensated absences		\$ 2,184	\$ 6,080	\$ (3,804)	\$ 4,460	\$ -
Notes payable:						
DEQ note		160,412	-	(39,482)	120,930	39,483
IFA loan		-	198,476	-	198,476	-
Bonds payable:						
1980 Water bonds	5%	20,799	-	(5,670)	15,129	4,480
1997 Water bonds	4.5-5.75%	80,000	-	(25,000)	55,000	25,000
Bond discount		(820)	-	410	(410)	-
1997 Wastewater bonds	4.5-5.75%	60,000	-	(20,000)	40,000	20,000
Bond discount		(609)	-	304	(305)	-
Total business-type activities		<u>\$ 321,966</u>	<u>\$ 204,556</u>	<u>\$ (93,242)</u>	<u>\$ 433,280</u>	<u>\$ 88,963</u>

**Bonds Payable**

On June 10, 1980, revenue water bonds were issued, (series 1980) in the amount of \$100,000. Proceeds from this bond issue were used to fund construction of a water distribution system. This issue calls for varying principal and interest annual repayments, which includes interest at 5.00 percent. The unobligated net revenue of the Water Fund is pledged to the payment of principal and interest. Although this bond is exchangeable upon ninety (90) days' notice, no action has been taken to call any portion of the outstanding bond as of June 30, 2016.

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

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016-2017	5,877	4,480	1,397
2017-2018	5,877	4,520	1,357
2018-2019	9,876	6,129	2,517
Total	<u>\$ 21,630</u>	<u>\$ 15,129</u>	<u>\$ 5,271</u>

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016**

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

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

1997 Water Bonds:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016-2017	27,443	25,000	2,443
2017-2018	30,863	30,000	863
Total	<u>\$ 58,306</u>	<u>\$ 55,000</u>	<u>\$ 3,306</u>

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

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

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016-2017	21,725	20,000	1,725
2017-2018	20,575	20,000	575
Total	<u>\$ 42,300</u>	<u>\$ 40,000</u>	<u>\$ 2,300</u>

On February 16, 2012, a loan agreement was entered into with the Oregon Department of Environmental Quality (DEQ), Clean Water State Revolving Fund for improvements to the wastewater treatment facility. The loan is in the amount of \$180,000, payable at an interest rate of 1 .04%. Repayment of the loan began in August 2014 after all disbursements were made. The City grants DEQ a security interest in and irrevocably pledges its net operating revenues to secure repayment of the loan.

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016**

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

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016-2017	41,048	39,894	1,154
2017-2018	41,048	40,310	738
2018-2019	41,044	40,726	318
Total	<u>\$ 123,140</u>	<u>\$ 120,930</u>	<u>\$ 2,210</u>

In March 2016, the State of Oregon Infrastructure Financing 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. Approximately \$515,000 of loan is forgivable, and the interest rate on the remaining balance is 1.98% per annum. As of June 30, 2016 the City had spent \$198,476 of the loan. Repayment will begin in the 2018-2019 fiscal year.

**4. REVENUE BOND RESERVE FUNDS**

The 1997 Water and Wastewater Revenue Bonds agreements require the establishment of fund reserve accounts. The reserve accounts for both the Water and Wastewater Funds are to be used to make the bond payments in the event that revenue from user fees is insufficient. As of June 30, 2016, the reserve requirements of the 1997 Water and Wastewater Revenue Bonds is sufficiently funded.

**5. 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)

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

or "IAP"). The Pension Program portion of OPSRP provides a life pension funded by employer contributions.

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

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

Members of PERS are required to contribute 6% of their salary covered under the plan. The City is required by ORS 238.225 to contribute at an actuarially determined rate. The rate effective July 1, 2015 is 14.79% of salary covered under the plan for Tier 1 and Tier 2 (PERS) employees and 11.99% for employees covered under the Oregon Public Services Retirement Plan (OPSRP). The City pays the employee 6% contribution for the City Administrator. The PERS Board has statutory authority to revise employer contributions as necessary to ensure the promised benefits will be funded on a sound basis.

#### **Benefits Provided**

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

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

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

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions with interest). In addition, the

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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 in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefits and 0.15 percent on annual benefits above \$60,000.

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

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

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

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

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.

Employer contributions rates during the period were based on the December 31, 2013 actuarial valuation, as subsequently modified by 2013 legislated changes in benefit provisions. The City's rates for the year ended June 30, 2016 were 13.09% for OPERS and 12.99% for OPSRP. The contribution requirements for plan members and the City are established by ORS Chapter 238 and may be amended by an act of the legislature.

Contributions to the plan for the years ending June 30, 2016 and 2015 were \$20,646 and \$30,740, respectively. A two-year Schedule of Contributions can be found in the Required Supplementary Information, which immediately follows these notes.

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

At June 30, 2016 the City reported liabilities of \$155,573 for its proportionate share of the plan pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The proportionate share was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all



**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
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participating members of the cost sharing pool, actuarially determined. At June 30, 2016 and 2015, the City's proportion was 0.00270964 and 0.003958 percent respectively.

For the year ended June 30, 2016, the City recognized pension expense of \$143,716 for the defined benefit portion of the pension plan as a result of implementing GASB 68. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 8,389	\$ -
Net difference between projected and actual earnings on pension plan investment	-	32,612
Changes in proportion and differences between City contributions and proportionate share of contributions	1,292	24,744
City contributions subsequent to the measurement date	20,646	-
<b>Total</b>	<b>\$ 30,327</b>	<b>\$ 57,356</b>

Deferred outflows of resources related to pensions of \$20,646 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, 2017. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense/(income) as follows:

<b>Year ended June 30,</b>	<b>Outflows of Resources</b>	<b>Inflows of Resources</b>
2017	22,847	(21,350)
2018	2,201	(21,350)
2019	2,201	(21,350)
2020	2,201	8,644
2020	877	(1,950)
	<b>\$ 30,327</b>	<b>\$ (57,356)</b>

The employer contribution rates effective July 1, 2014 through June 30, 2016 were set using the entry age normal actuarial cost method.

For the ORS 238 Tier One/Tier Two component of the OPERS defined benefit plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (2) an amount for the amortization of unfunded actuarial accrued liabilities,

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
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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, 2013
- Measurement Date June 30, 2015
- Experience Study Report 2014, published September 2015
- Actuarial cost method Entry Age Normal
- Amortization method Amortized as a level percentage of payroll;  
Tier One/Tier Two UAL (20 year) and OPSRP  
pension UAL (16 year); Amortization periods are  
closed
  
- Equivalent single amortization  
period Twenty years
- Asset valuation method Market value of assets
- Actuarial assumptions
  - Inflation rate 2.75 percent
  - Investment rate of return 7.75 percent
  - Discount rate 7.75 percent
  - Projected salary increases 3.75 percent

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016**

- Mortality
  - Healthy retirees and beneficiaries:  
RP-2000 Sex-distinct, generational per Scale AA with collar adjustments and set-backs as described in the valuation.
  - Active members:  
Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation
  - Disabled retirees:  
Mortality rates are a percentage (65% for males, 90% for females) of the RP-2000 static combined disability mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the defined benefit pension plan was applied to all periods of projected benefit payments to determine the total pension liability.

The following represents the City's proportionate share of the pension asset calculated using the discount rate of 7.75 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 (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability (asset)	\$ 375,469	\$ 155,573	\$ (29,742)

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016**

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 2013 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:

<u>Asset Class</u>	<u>Target</u>	<u>Return (Geometric)</u>
Core Fixed Income	7.20 %	4.50 %
Short-Term Bonds	8.00	3.70
Intermediate-Term Bonds	3.00	4.10
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.20
Mid Cap US Equities	3.88	7.30
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.90
Emerging Foreign Equities	5.49	7.40
Private Equity	20.00	8.26
Opportunity Funds/Absolute Return	5.00	6.01
Real Estate (Property)	13.75	6.51
Real Estate (REITS)	2.50	6.76
Commodities	1.25	6.07
Assumed Inflation - Mean		2.75

At June 30, 2016, the City’s payable to OPERS for defined benefit contributions was approximately \$2,343. This amount represents legally required contributions to the plan for services incurred in the current fiscal year.

**Changes in Plan Provisions During the Measurement Period**

The Oregon Supreme Court on April 30, 2015 ruled that the provisions of Senate Bill 861, signed in law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2016

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

There were no changes subsequent to the June 30, 2015 measurement date.

#### **6. DEFERRED COMPENSATION PLAN**

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

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

#### **7. PROPERTY TAX LIMITATIONS**

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

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

#### **8. RISK MANAGEMENT**

There is exposure to various risks: loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The League of Oregon Cities joined together with the Association of Oregon Cities to form City County Insurance Services (CCIS), a public entity risk pool currently operating as a common risk management and insurance program for approximately 265 municipal corporations and associated entities in the State of Oregon. CCIS is self-sustaining through member premiums

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016**

and reinsures through commercial companies for claims in excess of \$2 million for each insured event. Insurance is carried through CCIS to help mitigate these risks, and commercial insurance is carried for other risks of loss, including workers' compensation. Settled claims have not exceeded insurance coverage in any of the last three fiscal years.

**9. DEFICIT FUND BALANCE**

At June 30, 2016, the Wastewater Fund had a negative budgetary ending fund balance of \$15,356. Rates charged to customers have been adjusted and this fund will be monitored to bring it back to a positive balance.

**10. COMMITMENTS AND CONTINGENCIES**

On June 7, 2016, the City awarded Civil West Engineering Services a contract for approximately \$2 million to replace the Voss Hill Water Reservoirs, and as of June 30, 2016 the entire contract was outstanding.

**11. SUBSEQUENT EVENTS**

The majority of the contract with Civil West Engineering in Note 10 has been completed by the date of this financial report. The project is being financed using a loan from the State of Oregon Infrastructure Financing Authority as disclosed in Note 3.

CITY OF ADAIR VILLAGE, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

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

<b>Year ended June 30,</b>	<b>Proportion of the net pension liability/(asset)**</b>	<b>Proportionate share of the net pension liability (asset)**</b>	<b>Covered payroll</b>	<b>Proportionate share of the net pension liability (asset) as a percentage of its covered payroll</b>	<b>Plan fiduciary net position as a percentage of the total pension liability</b>
2016	0.00270964%	155,573	240,959	64.56%	91.90%
2015	0.00395830%	(89,723)	241,844	-37.10%	103.60%
2014	0.00395830%	201,998	234,073	86.30%	91.97%

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

<b>Year ended June 30,</b>	<b>Statutorily required contribution**</b>	<b>Contributions in relation to the statutorily required contribution**</b>	<b>Contribution deficiency (excess)</b>	<b>Covered payroll</b>	<b>Contributions as a percent of covered payroll</b>
2016	20,646	20,646	-	190,519	10.84%
2015	30,740	30,740	-	240,959	12.76%
2014	31,402	31,402	-	241,844	12.98%

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

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

**CITY OF ADAIR VILLAGE, OREGON**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
*for the year ended June 30, 2016*

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
<b>REVENUES</b>				
Property taxes:				
Current	\$ 100,000	\$ 100,000	\$ 107,278	\$ 7,278
Prior years	1,500	1,500	1,770	270
Franchise fees	45,000	45,000	43,797	(1,203)
Intergovernmental:				
State revenue sharing	7,500	7,500	7,347	(153)
Liquor tax	12,000	12,000	12,137	137
Cigarette tax	1,200	1,200	1,028	(172)
Park grant	52,500	52,500	3,253	(49,247)
Special transportation fund grant	10,000	10,000	-	(10,000)
Building/property lease	57,800	57,800	72,407	14,607
Planning fees	2,000	2,000	3,500	1,500
Ordinances and court fines	2,400	2,400	1,373	(1,027)
Refunds	2,000	2,000	78	(1,922)
Interest income	3,200	3,200	3,389	189
Miscellaneous	7,900	7,900	10,087	2,187
<b>Total revenues</b>	<b>305,000</b>	<b>305,000</b>	<b>267,444</b>	<b>(37,556)</b>
<b>EXPENDITURES</b>				
Personnel services	88,250	88,250	50,067	38,183
Materials and services	184,850	184,850	186,411	(1,561)
Capital outlay	93,000	93,000	7,500	85,500
Contingency	36,000	36,000	-	36,000
<b>Total expenditures</b>	<b>402,100</b>	<b>402,100</b>	<b>243,978</b>	<b>158,122</b>
<b>Change in fund balance</b>	<b>(97,100)</b>	<b>(97,100)</b>	<b>23,466</b>	<b>120,566</b>
<b>Fund balance - beginning of the year</b>	<b>120,000</b>	<b>120,000</b>	<b>140,948</b>	<b>20,948</b>
<b>Fund balance - end of the year</b>	<b>\$ 22,900</b>	<b>\$ 22,900</b>	<b>\$ 164,414</b>	<b>\$ 141,514</b>

CITY OF ADAIR VILLAGE, OREGON  
STREET FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
*for the year ended June 30, 2016*

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
<b>REVENUES</b>				
State gas tax	\$ 50,000	\$ 50,000	\$ 49,987	\$ (13)
Miscellaneous	200	200	-	(200)
<b>Total revenues</b>	<b>50,200</b>	<b>50,200</b>	<b>49,987</b>	<b>(213)</b>
<b>EXPENDITURES</b>				
Personnel services	23,571	23,571	19,496	4,075
Materials and services	19,650	19,650	17,166	2,484
Capital outlay	13,980	13,980	-	13,980
Contingency	15,000	15,000	-	15,000
<b>Total expenditures</b>	<b>72,201</b>	<b>72,201</b>	<b>36,662</b>	<b>35,539</b>
<b>Change in fund balance</b>	<b>(22,001)</b>	<b>(22,001)</b>	<b>13,325</b>	<b>(35,752)</b>
<b>Fund balance - beginning of the year</b>	<b>70,000</b>	<b>70,000</b>	<b>70,645</b>	<b>645</b>
<b>Fund balance - end of the year</b>	<b>\$ 47,999</b>	<b>\$ 47,999</b>	<b>\$ 83,970</b>	<b>\$ (35,107)</b>

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CITY OF ADAIR VILLAGE, OREGON

SUPPLEMENTARY INFORMATION

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CITY OF ADAIR VILLAGE, OREGON  
WATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
for the year ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
<b>REVENUES</b>				
Charges for services	\$ 490,500	\$ 490,500	\$ 486,065	\$ (4,435)
Miscellaneous	1,000	1,000	-	(1,000)
<b>Total revenues</b>	<b>491,500</b>	<b>491,500</b>	<b>486,065</b>	<b>(5,435)</b>
<b>EXPENDITURES</b>				
Personal services	184,777	184,777	168,839	15,938
Materials and services	277,800	277,800	205,258	72,542
Capital outlay	22,700	3,022,700	79,133	2,943,567
Debt service	35,000	35,000	34,758	242
Contingency	75,000	75,000	-	75,000
<b>Total expenditures</b>	<b>595,277</b>	<b>3,595,277</b>	<b>487,988</b>	<b>3,107,289</b>
<b>Change in fund balance</b>				
<b>before other financing sources (uses)</b>	<b>(103,777)</b>	<b>(3,103,777)</b>	<b>(1,923)</b>	<b>3,101,854</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt proceeds	-	3,000,000	-	(3,000,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>3,000,000</b>	<b>-</b>	<b>(3,000,000)</b>
<b>Change in fund balance</b>	<b>(103,777)</b>	<b>(103,777)</b>	<b>(1,923)</b>	<b>101,854</b>
<b>Fund balance - beginning of the year</b>	<b>270,000</b>	<b>270,000</b>	<b>143,648</b>	<b>(126,352)</b>
<b>Fund balance - end of the year</b>	<b>\$ 166,223</b>	<b>\$ 166,223</b>	<b>141,725</b>	<b>\$ (24,498)</b>

Capital assets, net of depreciation	1,372,328
Accrued compensated absences	(2,917)
Net pension liability	(70,184)
Deferred outflows of resources - pension	13,682
Accrued interest	(1,431)
Unavailable revenue on budgetary basis	198,476
Long-term debt	(268,195)
Deferred inflows of resources - pension	(25,876)
<b>Total net position</b>	<b>\$ 1,357,608</b>

CITY OF ADAIR VILLAGE, OREGON  
WASTEWATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
for the year ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
<b>REVENUES</b>				
Charges for services	\$ 195,000	\$ 195,000	\$ 191,272	\$ (3,728)
Property lease	575	575	-	(575)
Project partnerships	114,721	164,721	114,721	(50,000)
Miscellaneous	1,000	1,000	-	(1,000)
<b>Total revenues</b>	<b>311,296</b>	<b>361,296</b>	<b>305,993</b>	<b>(55,303)</b>
<b>EXPENDITURES</b>				
Personal services	94,527	94,527	81,253	13,274
Materials and services	170,750	235,750	106,230	129,520
Capital outlay	17,500	17,500	12,545	4,955
Debt service	64,044	64,044	64,433	(389)
Contingency	30,000	15,000	-	15,000
<b>Total expenditures</b>	<b>376,821</b>	<b>426,821</b>	<b>264,461</b>	<b>162,360</b>
<b>Change in fund balance before other financing sources (uses)</b>	<b>(65,525)</b>	<b>(65,525)</b>	<b>41,532</b>	<b>107,057</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt issuance	100,000	100,000	-	(100,000)
<b>Total other financing sources (uses)</b>	<b>100,000</b>	<b>100,000</b>	<b>-</b>	<b>(100,000)</b>
<b>Change in fund balance</b>	<b>34,475</b>	<b>34,475</b>	<b>41,532</b>	<b>7,057</b>
<b>Fund balance - beginning of the year</b>	<b>-</b>	<b>-</b>	<b>(56,888)</b>	<b>(56,888)</b>
<b>Fund balance - end of the year</b>	<b>\$ 34,475</b>	<b>\$ 34,475</b>	<b>(15,356)</b>	<b>\$ (49,831)</b>

Capital assets, net of depreciation	1,107,951
Accrued compensated absences	(1,254)
Net pension liability	(33,612)
Deferred outflows of resources - pension	6,552
Accrued interest	(1,447)
Long-term debt	(160,625)
Deferred inflows of resources - pension	(12,392)
<b>Total net position</b>	<b>\$ 889,817</b>



CITY OF ADAIR VILLAGE, OREGON  
 SYSTEMS DEVELOPMENT FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
*for the year ended June 30, 2016*

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
<b>REVENUES</b>				
Charges for services	\$ 12,200	\$ 12,200	\$ 11,279	\$ (921)
<b>Total revenues</b>	<b>12,200</b>	<b>12,200</b>	<b>11,279</b>	<b>(921)</b>
<b>Change in fund balance</b>	<b>12,200</b>	<b>12,200</b>	<b>11,279</b>	<b>(921)</b>
<b>Fund balance - beginning of the year</b>	<b>203,230</b>	<b>203,230</b>	<b>192,139</b>	<b>(11,091)</b>
<b>Fund balance - end of the year</b>	<b>\$ 215,430</b>	<b>\$ 215,430</b>	<b>\$ 203,418</b>	<b>\$ (12,012)</b>

CITY OF ADAIR VILLAGE, OREGON  
 COMBINING STATEMENT OF NET POSITION  
 NONMAJOR PRIORITARY FUNDS  
 June 30, 2016

	Storm Drain Fund	Reserve Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 29,113	\$ 16,418	\$ 45,531
Accounts receivable, net	2,001	-	2,001
<b>Total current assets</b>	<b>31,114</b>	<b>16,418</b>	<b>47,532</b>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	6,708	-	6,708
<b>Total noncurrent assets</b>	<b>6,708</b>	<b>-</b>	<b>6,708</b>
<b>Total Assets</b>	<b>37,822</b>	<b>16,418</b>	<b>54,240</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pensions	1,557	-	1,557
<b>LIABILITIES</b>			
Current liabilities:			
Payroll liabilities	840	-	840
Accrued vacation	289	-	289
<b>Total current liabilities</b>	<b>1,129</b>	<b>-</b>	<b>1,129</b>
Noncurrent liabilities:			
Net pension liability	7,987	-	7,987
<b>Total noncurrent liabilities</b>	<b>7,987</b>	<b>-</b>	<b>7,987</b>
<b>Total Liabilities</b>	<b>9,116</b>	<b>-</b>	<b>9,116</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pensions	2,944	-	2,944
<b>NET POSITION</b>			
Investment in capital assets	6,708	-	6,708
Restricted for capital assets	-	16,418	16,418
Unrestricted	20,611	-	20,611
<b>Total Net Position</b>	<b>27,319</b>	<b>16,418</b>	<b>43,737</b>

CITY OF ADAIR VILLAGE, OREGON  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 NONMAJOR PRIORITARY FUNDS  
 for the year ended June 30, 2016

	Storm Drain Fund	Reserve Fund	Total
<b>REVENUES</b>			
Charges for services	\$ 17,682	\$ -	\$ 17,682
<b>EXPENSES</b>			
Personnel services	22,455	-	22,455
Materials and services	214	-	214
Depreciation	297	-	297
<b>Total expenses</b>	<b>22,966</b>	<b>-</b>	<b>22,966</b>
<b>Change in net position</b>	<b>(5,284)</b>	<b>-</b>	<b>(5,284)</b>
Net position--beginning	32,603	16,418	49,021
<b>Net position--end of year</b>	<b>\$ 27,319</b>	<b>\$ 16,418</b>	<b>\$ 43,737</b>

CITY OF ADAIR VILLAGE, OREGON  
 COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY FUNDS  
 for the year ended June 30, 2016

	Storm Drain	Reserve Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 17,707	\$ -	\$ 17,707
Payments to suppliers	(676)	-	(676)
Payments to employees	(14,017)	-	(14,017)
<b>Net cash provided (used) by operating activities</b>	<b>3,014</b>	<b>-</b>	<b>3,014</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,014</b>	<b>-</b>	<b>3,014</b>
<b>Cash and investments--beginning of the year</b>	<b>26,099</b>	<b>16,418</b>	<b>42,517</b>
<b>Cash and investments--end of the year</b>	<b>\$ 29,113</b>	<b>\$ 16,418</b>	<b>\$ 45,531</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (5,284)	\$ -	\$ (5,284)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	297	-	297
<b>Change in assets and liabilities:</b>			
Receivables	25	-	25
Accounts payable and accrued liabilities	(572)	-	(572)
Accrued compensated absences	166	-	166
Pension-related expenses	8,382	-	8,382
<b>Net cash provided (used) by operating activities</b>	<b>\$ 3,014</b>	<b>\$ -</b>	<b>\$ 3,014</b>

CITY OF ADAIR VILLAGE, OREGON  
 STORM DRAIN FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
 for the year ended June 30, 2016

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
<b>REVENUES</b>				
Charges for services	\$ 18,000	\$ 18,000	\$ 17,682	\$ (318)
Miscellaneous	200	200	-	(200)
<b>Total revenues</b>	<b>18,200</b>	<b>18,200</b>	<b>17,682</b>	<b>(518)</b>
<b>EXPENDITURES</b>				
Personal services	19,483	19,483	13,906	5,577
Materials and services	11,100	11,100	215	10,885
Capital outlay	2,880	2,880	-	2,880
Contingency	4,200	4,200	-	4,200
<b>Total expenditures</b>	<b>37,663</b>	<b>37,663</b>	<b>14,121</b>	<b>23,542</b>
<b>Change in fund balance</b>	<b>(19,463)</b>	<b>(19,463)</b>	<b>3,561</b>	<b>23,024</b>
<b>Fund balance - beginning of the year</b>	<b>25,000</b>	<b>25,000</b>	<b>26,713</b>	<b>1,713</b>
<b>Fund balance - end of the year</b>	<b>\$ 5,537</b>	<b>\$ 5,537</b>	<b>30,274</b>	<b>\$ 24,737</b>

Capital assets, net of depreciation	6,708
Accrued compensated absences	(289)
Net pension liability	(7,987)
Deferred outflows of resources - pension	1,557
Deferred inflows of resources - pension	(2,944)
Total net position	<u>\$ 27,319</u>

**CITY OF ADAIR VILLAGE, OREGON**  
**RESERVE FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
*for the year ended June 30, 2016*

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
Fund balance - beginning of the year	\$ 15,418	\$ 15,418	\$ 16,418	\$ 1,000
Fund balance - end of the year	\$ 15,418	\$ 15,418	\$ 16,418	\$ 1,000

CITY OF ADAIR VILLAGE, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE  
REGULATIONS

**INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY OREGON STATE REGULATION**

We have audited the basic financial statements of the City of Adair Village, Oregon, as of and for the year ended June 30, 2016 and have issued our report thereon dated April 26, 2017. 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 of Adair Village, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-330 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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:

- ... Deposits of public funds with financial institutions (ORS Chapter 295).
- ... Indebtedness limitations, restrictions, and repayments.
- ... Budgets legally required (ORS Chapter 294).
- ... Insurance and fidelity bonds in force or required by law.
- ... Programs funded from outside sources.
- ... Highway revenues used for public highways, roads, and streets.
- ... Authorized investment of surplus funds. (ORS Chapter 294).
- ... Public contracts and purchasing (ORS Chapters 279A, 279B, and 279C).
- ... Accountability for collecting or receiving money by elected officials. The City does not have any elected officials collecting or receiving money.

In connection with our testing, nothing came to our attention that caused us to believe City of Adair Village, Oregon was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as



specified in the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations* except as follows:

1. The General Fund exceeded its materials and services appropriation by \$1,561.
2. The Wastewater Fund exceeded its debt service appropriation by \$389.
3. The Wastewater Fund had a deficit fund balance of \$15,356.

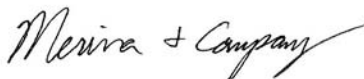
### **OAR 162-10-0230 Internal Control**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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



Merina & Company, LLP  
West Linn, Oregon  
April 26, 2017

