

City of Adair Village

**Audit Report
and
Financial Statements**

For The Fiscal Year Ended June 30, 2007

**Dean Sartain, CPA
Heck & Barry, LLP
2338 NW Professional Drive
Corvallis, OR 97330**

CITY OF ADAIR VILLAGE
Benton County, Oregon

INDEX

City Officials	1
Financial Section:	
Auditor's Opinion	2-3
Management's Discussion and Analysis	4-9
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Statement Of Revenues, Expenditures And Changes In Fund Balances-- Governmental Funds	13
Statement of Net Assets--Proprietary Funds	14
Statement of Revenues, Expenses and Changes in Net Assets-- Proprietary Funds	15
Statement of Cash Flows--Proprietary Funds	16
Notes to the Basic Financial Statements	17-30
Required Supplemental Information Section:	
Schedule of Revenues, Expenditures and Changes in Fund Balance-- Budget and Actual (Budgetary Basis) Major Governmental Funds:	
General Fund	31
Street Fund	32
Schedule of Revenue and Expenditures and Changes in Retained Earnings-- Compared to Budget Estimates:	
Water Fund	33
Wastewater Fund	34
SDC Fund	35

CITY OF ADAIR VILLAGE
Benton County, Oregon

INDEX

Supplemental Section:

Combining Schedules and Individual Fund Schedules:

Combining Balance Sheet--Nonmajor Proprietary Funds	36
Combining Schedule Of Revenues, Expenses And Changes In Retained Earnings--Nonmajor Proprietary Funds	37
Combining Schedule of Cash Flows--Nonmajor Proprietary Funds	38
Schedule Of Revenues and Expenditures and Changes in Retained Earnings-- Compared With Budget Estimates--Storm Drain Fund	39
Schedule Of Revenues and Expenditures and Changes in Retained Earnings-- Compared With Budget Estimates--Reserve Fund	40

Audit Comments And Supplemental Schedules:

Audit Comments	41-43
Schedule Of Property Tax Transactions	44

CITY OF ADAIR VILLAGE

Benton County, Oregon

CITY OFFICIALS

June 30, 2007

COUNCIL MEMBERS

Bill Currier, Mayor
8259 NE Hyacinth Court
Adair Village, OR 97330

Steven Bittner
6869 NE Arnold Avenue
Adair Village, OR 97330

Charline King
162 NE Azalea
Adair Village, OR 97330

Jeff Kubler
6855 NE Arnold Avenue
Adair Village, OR 97330

Alice Tucker
8267 NE Hyacinth Court
Adair Village, OR 97330

ADMINISTRATIVE

Drew Foster, City Administrator
6030 NE Wm. Carr Street
Adair Village, OR 97330

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Adair Village
Adair Village, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Adair Village, Oregon, as of and for the year ended June 30, 2007, which collectively comprise the City of Adair Village, Oregon's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Adair Village, Oregon's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Adair Village, Oregon, as of June 30, 2007, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 4 through 9, Required Supplemental Information Section on pages 31 through 35, Audit Comments and Disclosures Required by Oregon Minimum Standards on pages 41 through 43, and the Schedule of Property Taxes Receivable—All Funds on page 44 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 combining and individual nonmajor proprietary funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor proprietary funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dean Sartain

Corvallis, Oregon
August 15, 2008

CITY OF ADAIR VILLAGE
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

My 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, 2007.

Please read it in conjunction with the City's basic financial statements, which begin on page 10.

Financial Highlights

- The City's net assets increased \$263,548 as a result of this year's operations.
- Net assets of our governmental activities increased by \$179,100 or 9.31 percent.
- Net assets of our business-type activities increased by \$84,448 or 2.57 percent.
- The total cost of all the City's programs was \$565,082.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 10-11) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's funds.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all activities and liabilities using the *accrual basis of accounting*, which is similar to the accounting, used by most private-sector companies. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

CITY OF ADAIR VILLAGE

Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

These two statements report the City's *net assets* and changes in them. You can think of the City's net assets, the difference between assets, what the citizens own, and liabilities, what the citizens owe, as one way to measure the City's financial health, or *financial position*. Over time, *increases* or *decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's capital assets (buildings, improvements, and equipment) to assess the *overall health* of the City.

In the Statement of Net Assets and Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities—Most of the City's basic services are reported here, including the general administration, streets, and parks. Property taxes, franchise fees, and state and federal grants finance most of these activities.
- Business-type activities—The City charges fees to customers to help it cover all or most of the cost of certain services it provides. The City's water, wastewater, and storm drain systems are reported here.

Reporting the City's Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. Fund financial statements are divided into two kinds of funds, governmental and proprietary, that use different accounting approaches.

- Governmental funds—Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

CITY OF ADAIR VILLAGE

Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

- Proprietary funds—When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's proprietary funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flow.

The City as a Whole

The City's combined net assets increased from \$5,205,907 to \$5,469,454. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental activities:

Table 1
Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 742,044	\$ 613,035	\$ 1,108,553	\$ 1,017,019	\$ 1,850,597	\$ 1,630,054
Capital assets	<u>1,370,391</u>	<u>1,317,782</u>	<u>2,729,648</u>	<u>2,763,196</u>	<u>4,100,039</u>	<u>4,080,978</u>
Total assets	<u>2,112,435</u>	<u>1,930,817</u>	<u>3,838,201</u>	<u>3,780,215</u>	<u>5,950,636</u>	<u>5,711,032</u>
Current liabilities	(10,071)	(7,552)	(44,878)	(43,570)	(54,949)	(51,122)
Noncurrent liabilities	-	-	(426,233)	(454,003)	(426,233)	(454,003)
Total liabilities	<u>(10,071)</u>	<u>(7,552)</u>	<u>(471,111)</u>	<u>(497,573)</u>	<u>(481,182)</u>	<u>(505,125)</u>
Net assets:						
Invested in capital assets, net of debt	1,370,391	1,317,782	2,275,121	2,281,065	3,645,512	3,598,847
Restricted	-	-	506,090	485,476	506,090	485,476
Unrestricted	<u>731,973</u>	<u>605,483</u>	<u>585,879</u>	<u>516,101</u>	<u>1,317,852</u>	<u>1,121,584</u>
Total net assets	<u>\$ 2,102,364</u>	<u>\$ 1,923,265</u>	<u>\$ 3,367,090</u>	<u>\$ 3,282,642</u>	<u>\$ 5,469,454</u>	<u>\$ 5,205,907</u>

Net assets increased by 5.06 percent. *Unrestricted* net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—changed from \$1,121,584 at June 30, 2006, to \$1,317,852 at June 30, 2007.

CITY OF ADAIR VILLAGE
Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Table 2
Change in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 448,778	\$ 440,260	\$ 448,778	\$ 440,260
Grants	25,000	1,000	-	39,000	25,000	40,000
General revenue:						
Property taxes	84,491	74,436	-	-	84,491	74,436
State sources	50,558	60,511	-	-	50,558	60,511
Investment revenue	48,312	20,435	34,922	34,471	83,234	54,906
Franchise and fees	40,566	57,928	-	-	40,566	57,928
Rental income	30,927	28,592	-	-	30,927	28,592
Management fees	-	-	14,860	20,432	14,860	20,432
Miscellaneous income	47,467	6,549	2,749	2,879	50,216	9,428
Net transfers	-	-	-	-	-	-
Total revenues	<u>327,321</u>	<u>249,451</u>	<u>501,309</u>	<u>537,042</u>	<u>828,630</u>	<u>786,493</u>
Program expenses:						
Governmental activities:						
General government	103,323	88,006	-	-	103,323	88,006
Street maintenance	44,898	45,085	-	-	44,898	45,085
Proprietary activities:						
Water	-	-	197,184	243,814	197,184	243,814
Wastewater	-	-	213,606	185,233	213,606	185,233
Storm drainage	-	-	6,071	9,585	6,071	9,585
Total expenses	<u>148,221</u>	<u>133,091</u>	<u>416,861</u>	<u>438,632</u>	<u>565,082</u>	<u>571,723</u>
Increase (decrease) in net assets	179,100	116,360	84,448	98,410	263,548	214,770
Net assets—beginning of year	<u>1,923,265</u>	<u>1,806,905</u>	<u>3,282,642</u>	<u>3,184,232</u>	<u>5,205,907</u>	<u>4,991,137</u>
Net assets—end of year	<u>\$ 2,102,365</u>	<u>\$ 1,923,265</u>	<u>\$ 3,367,090</u>	<u>\$ 3,282,642</u>	<u>\$ 5,469,455</u>	<u>\$ 5,205,907</u>

The City's total revenues increased by 5.36 percent (\$42,137). The total cost of all programs decreased by 1.16 percent (\$6,641).

CITY OF ADAIR VILLAGE

Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The City's Funds

General Fund Budgetary Highlights

Over the course of the year, the City Council did not revise the City budget. The actual charges to appropriations (expenditures) were more than budgeted amounts in personal services in two funds. The legal appropriation level is personal services, material and services, capital outlay and operating contingency.

Capital Assets

At the end of June 30, 2007, the City had \$4,100,039 invested in land, streets, buildings and improvements, and furniture and equipment. This amount represents a net increase (additions and deletions, net of depreciation) of \$19,061 or 0.47 percent.

Table 3
Capital Assets at Year-end
Net of Depreciation

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land and improvements	\$ 132,757	\$ 132,757	\$ 79,557	\$ 79,557	\$ 212,314	\$ 212,314
Buildings and improvements	384,902	381,876	137,507	140,505	522,409	522,381
Water and sewer systems	-	-	2,415,335	2,500,351	2,415,335	2,500,351
Streets	804,941	752,092	-	-	804,941	752,092
Park improvements	38,516	42,002	-	-	38,516	42,002
Furniture and equipment	<u>9,275</u>	<u>9,055</u>	<u>97,249</u>	<u>42,783</u>	<u>106,524</u>	<u>51,838</u>
Total	<u>\$ 1,370,391</u>	<u>\$ 1,317,782</u>	<u>\$ 2,729,648</u>	<u>\$ 2,763,196</u>	<u>\$ 4,100,039</u>	<u>\$ 4,080,978</u>

This year's major additions included:

Improvements to rental property	\$ 11,435
Utility meters	1,392
Water & Wastewater master plan	68,130
Street improvements	73,872
Other utility equipment	240
Office furniture and equipment	<u>2,216</u>
	<u>\$ 157,285</u>

CITY OF ADAIR VILLAGE

Benton County, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Economic Factors and Next Year's Budget and Rates

The City's elected and appointed officials considered many factors when setting the budget for the fiscal year ending June 30, 2008. Factors in preparing the budget are estimating the amount of taxes that will be collected, revenues from state sources, grants and franchise fees. It can vary depending on the overall economy due to the fact that some taxpayers can defer payment of taxes during an economic downturn. Another factor in preparing the budget is estimating the amount of new construction in the City which will result in increased tax revenues and utility fees and expenses. The City has no control over the tax rates because they are permanently set by Oregon statutes.

Inflation continues to be moderate. That and other factors were taken into account when adopting the General Budget for the year ending June 30, 2008.

CITY OF ADAIR VILLAGE

Benton County, Oregon

STATEMENT OF NET ASSETS

At June 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash	\$ 719,591	\$ 1,062,345	\$ 1,781,936
Accounts receivable	19,495	46,208	65,703
Taxes receivable	2,958	-	2,958
Total current assets	<u>742,044</u>	<u>1,108,553</u>	<u>1,850,597</u>
Noncurrent Assets:			
Capital assets:			
Land	132,757	79,557	212,314
Buildings	419,738	733,854	1,153,592
Water & Sewer system	-	3,437,874	3,437,874
Streets	1,070,433	-	1,070,433
Park improvements	51,195	-	51,195
Equipment	14,563	417,316	431,879
Accumulated depreciation	(318,295)	(1,938,953)	(2,257,248)
Total noncurrent assets	<u>1,370,391</u>	<u>2,729,648</u>	<u>4,100,039</u>
	<u>\$ 2,112,435</u>	<u>\$ 3,838,201</u>	<u>\$ 5,950,636</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 3,083	\$ 3,295	\$ 6,378
Accrued payroll and payroll liabilities	6,968	5,484	12,452
Accrued interest payable	-	7,729	7,729
Accrued vacation & employee benefits	20	76	96
Current portion of long-term debt	-	28,294	28,294
Total current liabilities	<u>10,071</u>	<u>44,878</u>	<u>54,949</u>
Noncurrent liabilities:			
Bonds payable, net of current portion	-	426,233	426,233
Total noncurrent liabilities	<u>-</u>	<u>426,233</u>	<u>426,233</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,370,391	2,275,121	3,645,512
Restricted for:			
Future capital projects	-	506,090	506,090
Other purposes	-	-	-
Unrestricted	731,973	585,879	1,317,852
Total net assets	<u>2,102,364</u>	<u>3,367,090</u>	<u>5,469,454</u>
	<u>\$ 2,112,435</u>	<u>\$ 3,838,201</u>	<u>\$ 5,950,636</u>

CITY OF ADAIR VILLAGE

Benton County, Oregon

**Balance Sheet--Governmental Funds
June 30, 2007**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Street</u>	<u>Total Governmental Funds</u>
ASSETS & OTHER DEBITS			
Current Assets:			
Cash	\$ 701,125	\$ 18,466	719,591
Accounts receivable	16,032	3,463	19,495
Taxes receivable	2,958	-	2,958
Grants receivable	-	-	-
Total Assets	\$ 720,115	\$ 21,929	\$ 742,044
LIABILITIES & FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,083	\$ -	\$ 3,083
Accrued payroll and payroll liabilities	6,162	806	6,968
Deferred revenue--taxes	2,338	-	2,338
Total Liabilities	<u>11,583</u>	<u>806</u>	<u>12,389</u>
Fund Balances:			
Reserved for future expenditures	-	-	-
Unreserved	708,532	21,123	729,655
Total fund balances	<u>708,532</u>	<u>21,123</u>	<u>729,655</u>
Total Liabilities & Fund Balances	\$ 720,115	\$ 21,929	\$ 742,044

**Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental activities**

Total governmental fund balances	\$ 729,655
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are deferred in the funds	1,370,390
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds	2,338
Long-term liabilities are not due in the current period and therefore are not reported in the funds	(19)
Net assets of governmental activities	\$ 2,102,364

CITY OF ADAIR VILLAGE

Benton County, Oregon

**Statement of Revenues, Expenditures and Changes in Fund Balances--Governmental Funds
For The Year Ended June 30, 2007**

	Governmental Fund Types		
	<u>General</u>	<u>Street</u>	<u>Total Governmental Funds</u>
Revenues:			
Property taxes	\$ 84,145	\$ -	\$ 84,145
State sources	15,047	35,511	50,558
Earnings on investments	46,273	2,039	48,312
Franchise & other fees	40,566	-	40,566
Rental income	30,927	-	30,927
Grants	-	25,000	25,000
Miscellaneous	47,158	310	47,468
Total revenues	<u>264,116</u>	<u>62,860</u>	<u>326,976</u>
Expenditures:			
Current			
General government and administration	91,687	-	91,687
Street repair and maintenance	-	24,454	24,454
Capital outlay	13,687	73,872	87,559
Debt service	-	-	-
Total expenditures	<u>105,374</u>	<u>98,326</u>	<u>203,700</u>
Excess (deficit) of revenues over expenditures	158,742	(35,466)	123,276
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses	158,742	(35,466)	123,276
Fund balance--beginning of year	549,790	56,589	606,379
Fund balance--end of year	<u>\$ 708,532</u>	<u>\$ 21,123</u>	<u>\$ 729,655</u>

**Reconciliation of the Change in Fund Balance--
Total Governmental Funds to the Change in Net
Assets of the Governmental Activities**

Net change in fund balances--governmental funds \$ 123,276

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays exceed depreciation in the current period 52,610

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Property taxes 346

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets

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 the governmental funds

Compensated absences 2,868

Change in net assets of governmental activities \$ 179,100

CITY OF ADAIR VILLAGE

Benton County, Oregon

**Statement of Net Assets--Proprietary Funds
At June 30, 2007**

	<u>Business-type Activities</u>				<u>Total</u>
	<u>Water</u>	<u>Wastewater</u>	<u>System Development Charges</u>	<u>Nonmajor Proprietary Funds</u>	
ASSETS					
Current Assets:					
Cash	\$ 447,050	\$ 103,011	\$ 439,397	\$ 72,887	\$ 1,062,345
Accounts receivable	26,311	19,250	-	647	46,208
Total Current Assets	<u>473,361</u>	<u>122,261</u>	<u>439,397</u>	<u>73,534</u>	<u>1,108,553</u>
Noncurrent assets:					
Land	77,086	2,471	-		79,557
Buildings	719,354	14,500	-		733,854
Equipment	314,196	99,099	-	4,021	417,316
Water & sewer system	1,222,579	2,202,493	-	12,802	3,437,874
Accumulated depreciation	<u>(1,169,716)</u>	<u>(762,462)</u>	<u>-</u>	<u>(6,775)</u>	<u>(1,938,953)</u>
Total Noncurrent Assets	<u>1,163,499</u>	<u>1,556,101</u>	<u>-</u>	<u>10,048</u>	<u>2,729,648</u>
	<u>\$ 1,636,860</u>	<u>\$ 1,678,362</u>	<u>\$ 439,397</u>	<u>\$ 83,582</u>	<u>\$ 3,838,201</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 3,068	\$ 227	\$ -	\$ -	\$ 3,295
Accrued payroll and payroll liabilities	2,742	2,742	-	-	5,484
Accrued interest payable	4,614	3,115	-	-	7,729
Accrued vacation and employee benefits	38	38	-	-	76
Current portion of long term debt	18,294	10,000	-	-	28,294
Total Current Liabilities	<u>28,756</u>	<u>16,122</u>	<u>-</u>	<u>-</u>	<u>44,878</u>
Noncurrent Liabilities:					
Bonds payable, net of discount	282,568	171,959	-		454,527
Less current portion	<u>(18,294)</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>(28,294)</u>
Total Noncurrent Liabilities	<u>264,274</u>	<u>161,959</u>	<u>-</u>	<u>-</u>	<u>426,233</u>
Total Liabilities	<u>293,030</u>	<u>178,081</u>	<u>-</u>	<u>-</u>	<u>471,111</u>
Net Assets:					
Invested in capital assets, net of related debt	880,931	1,384,142	-	10,048	2,275,121
Restricted for capital projects	-	-	439,397	66,693	506,090
Unrestricted	462,899	116,139	-	6,841	585,879
Total Net Assets	<u>1,343,830</u>	<u>1,500,281</u>	<u>439,397</u>	<u>83,582</u>	<u>3,367,090</u>
	<u>\$ 1,636,860</u>	<u>\$ 1,678,362</u>	<u>\$ 439,397</u>	<u>\$ 83,582</u>	<u>\$ 3,838,201</u>

CITY OF ADAIR VILLAGE

Benton County, Oregon

**Statement of Revenues, Expenses and Changes in Net Assets--Proprietary Funds
For The Year Ended June 30, 2007**

	Business-type Activities				Total
	Water	Wastewater	System Development Charges	Nonmajor Proprietary Funds	
Operating Revenues:					
Charges for services	\$ 281,229	\$ 158,034	\$ -	\$ 6,187	\$ 445,450
Installations & fees	1,290	-	2,038	-	3,328
Miscellaneous revenues	15,419	2,190	-	-	17,609
Total operating revenue	<u>297,938</u>	<u>160,224</u>	<u>2,038</u>	<u>6,187</u>	<u>466,387</u>
Operating expenses:					
Personal services	31,905	31,905	-	-	63,810
Materials & services	106,895	109,868	-	5,751	222,514
Capital outlay	-	-	-	-	-
Contingency	-	-	-	-	-
Depreciation	41,563	61,427	-	320	103,310
Total operating expenses	<u>180,363</u>	<u>203,200</u>	<u>-</u>	<u>6,071</u>	<u>389,634</u>
Net operating income (loss)	<u>117,575</u>	<u>(42,976)</u>	<u>2,038</u>	<u>116</u>	<u>76,753</u>
Non-operating revenues (expenses):					
Earnings on investments	10,860	5,193	16,144	2,725	34,922
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	-	-
Interest expense	(16,821)	(10,406)	-	-	(27,227)
Total non-operating revenues (expenses)	<u>(5,961)</u>	<u>(5,213)</u>	<u>16,144</u>	<u>2,725</u>	<u>7,695</u>
Net income (loss)	<u>111,614</u>	<u>(48,189)</u>	<u>18,182</u>	<u>2,841</u>	<u>84,448</u>
Retained earnings--beginning of year	1,232,216	1,548,470	421,215	80,741	3,282,642
Retained earnings--end of year	<u>\$ 1,343,830</u>	<u>\$ 1,500,281</u>	<u>\$ 439,397</u>	<u>\$ 83,582</u>	<u>\$ 3,367,090</u>

CITY OF ADAIR VILLAGE

Benton County, Oregon

**Statement of Cash Flows--Proprietary Funds
For The Year Ended June 30, 2007**

	Business-type Activities				
	Water	Wastewater	System Development Charges	Nonmajor Proprietary Funds	Total
Cash Flows From--					
Operating Activities:					
Cash received from customers	285,239	\$ 160,101	\$ 2,038	\$ 6,253	\$ 453,631
Cash received from other sources	15,419	2,190	-	-	17,609
Cash paid to suppliers	(104,040)	(109,895)	-	(5,751)	(219,686)
Cash paid to employees	(32,665)	(32,665)	-	-	(65,330)
Net cash provided (used) by employees	163,953	19,731	2,038	502	186,224
Noncapital Financing Activities:					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	-	-	-	-
Capital and Related Financing Activities:					
Purchase of equipment	(12,888)	(56,875)	-	-	(69,763)
New lines and improvements	-	-	-	-	-
Principal paid on capital debt	(18,318)	(10,000)	-	-	(28,318)
Interest paid on capital debt	(16,398)	(10,280)	-	-	(26,678)
Net cash provided (used) by capital and related financing activities	(47,604)	(77,155)	-	-	(124,759)
Investment Activities:					
Interest	10,860	5,192	16,143	2,727	34,922
Net cash provided (used) by investment investment activities	10,860	5,192	16,143	2,727	34,922
Net increase (decrease) in cash	127,209	(52,232)	18,181	3,229	96,387
Cash at beginning of year	319,841	155,243	421,216	69,658	965,958
Cash at end of year	447,050	103,011	439,397	72,887	1,062,345
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	117,575	(42,976)	2,038	116	76,753
Add non-cash expenses:					
Depreciation	41,563	61,427	-	319	103,309
Changes in assets and liabilities:					
Increase (decrease) in accounts receivable	2,720	2,067	-	67	4,854
Increase (decrease) in due from other funds	-	-	-	-	-
(Increase) decrease in accounts payable	2,855	(27)	-	-	2,828
(Increase) decrease in payroll liabilities	804	804	-	-	1,608
(Increase) decrease in due to other funds	-	-	-	-	-
(Increase) decrease in accrued benefits	(1,564)	(1,564)	-	-	(3,128)
(Increase) decrease in contracts payable	-	-	-	-	-
Net cash provided (used) by operating activities	\$ 163,953	\$ 19,731	\$ 2,038	\$ 502	\$ 186,224

CITY OF ADAIR VILLAGE

Benton County, Oregon

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Adair Village is a municipal corporation organized under ORS 478. The City Council, a five-member group, is the level of government, which has governance responsibilities over all activities, related to the city. The City receives funding from local sources and must comply with commitment requirements of these funding source entities. However, the City is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since Council members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

The financial statements of City of Adair Village have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Council is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Funding Accounting

The City used funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain City functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect the expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate fund types.

CITY OF ADAIR VILLAGE
Benton County, Oregon

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Types:

The **General Fund** accounts for financial resources in use for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use.

The **Street Fund** is a **Special Revenue Fund** that accounts for State Highway funds, which are available for specified purposes. This is a budgeted fund, and any fund balances are considered as restricted for street construction and maintenance.

Proprietary Fund Types:

The **Proprietary Funds** are used to account for a government's ongoing organizations and activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business—where net income and capital maintenance are measured—are accounted for through proprietary funds. The generally accepted accounting principles issued by the Financial Accounting Standards Board (FASB) are generally applicable to proprietary funds. There are five of these funds: **Water, Wastewater, Storm Drain, Reserve and System Development Charges (SDC)** and are budgeted funds.

B. Basis of Accounting

Fund Financial Statements:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

CITY OF ADAIR VILLAGE

Benton County, Oregon

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

All governmental fund types use the modified accrual basis of accounting. Under the modified accrual basis of accounting transactions are recorded when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected sixty days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, interest revenue and charges for services. Permits are not susceptible to accrual because generally they are not measurable until received in cash.

Proprietary fund types utilize the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Government-wide Financial Statements:

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. They are presented on an accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred.

CITY OF ADAIR VILLAGE

Benton County, Oregon

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to the incurred qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

C. Budgets and Appropriations

Budgets are prepared for revenue and expenditures of the governmental fund types. Appropriations for expenditures in these funds are distinct from the budgeted expenditures, but are based thereon. Expenditures can legally be made only to the limits of the appropriations. Under some circumstances, the appropriated amount may be increased by Council action after the initial resolution to appropriate funds is adopted.

The City makes annual appropriations at the following levels: Personal Services, Material & Services, Capital Outlays, Transfers and Operating Contingency.

D. Cash and Cash Equivalents

Deposits were in the authorized depositories as established by the City Council. All bank deposits as of the balance sheet date and during the fiscal year were entirely insured or covered by certificates of collateral registered with the Treasury Department of the State of Oregon. For purposes of the statement of cash flows, the City considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

CITY OF ADAIR VILLAGE
Benton County, Oregon

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Oregon statutes authorize the City to invest in various types of investments with the approval of the governing Council. These investments include: (1) general obligations of the United States, agencies and instrumentalities of the United States, and the states of Oregon, Idaho, Washington, or California; (2) some bonds and notes of ports, counties, school districts, or cities in Oregon; (3) time deposit open accounts, certificates of deposit and savings accounts in banks, mutual savings banks, and savings and loan institutions which maintain a branch in Oregon; (4) bankers acceptance notes which are guaranteed and meet certain other conditions; and (5) some commercial paper. The Council of the City has given approval for investments within the statutes' limits.

Investments in the Local Government Investment Pool (LGIP) are stated at cost. The credit quality of the LGIP is unrated.

Other cash investments are stated at cost plus interest that has been credited to the account at maturity.

E. Inventories

Materials and supplies are recorded as expenditures when purchased.

F. Fixed Asset Records

General fixed assets have been acquired for general purposes. Assets purchased are recorded as expenditures in the governmental funds and capitalized at cost in the general fixed asset account group. To comply with GASB No. 34, the estimated cost of land and buildings (if not known) was arrived at by deflating current fair market values. No depreciation is reported on general fixed assets. Fixed assets purchased are capitalized at cost in the Proprietary Funds. The estimated costs of the existing assets at June 30, 1983 are used. The City has not adopted a policy that specifies a dollar amount for expenditures that are capitalized. Depreciation is provided over the assets useful lives using the straight-line method. The estimated useful lives of the various categories of assets are as follows:

CITY OF ADAIR VILLAGE
Benton County, Oregon

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Category</u>	<u>Estimated Useful Life</u>
Buildings	50 years
Wastewater and Water Trunk Lines	40 years
Equipment	7-10 years

G. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion is reported as a fund liability of a governmental fund. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

H. Fund Equity

Designated fund balances represent tentative plans for future use of financial resources.

I. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses.

J. Applicability of FASB Pronouncements

The City applies all FASB pronouncements issued after November 30, 1989 for proprietary activities unless they conflict with or contradict GASB pronouncements.

K. Restricted and Unrestricted Resources

The City would typically use restricted net assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

CITY OF ADAIR VILLAGE
Benton County, Oregon

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the government financial position and operations. However, comparative data has not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

NOTE 2 - DEPOSITS AND INVESTMENTS

At June 30, 2007, the carrying amounts of City deposits and investments were as follows:

Citizens Bank--General Checking	\$ 21,309
Local Government Investment Pool	<u>1,760,627</u>
Total Cash and Investments	\$ <u>1,781,936</u>

During the year the City had no other investments except the Local Government Investment Pool.

All of the bank balance was covered by federal depository insurance. Statutes require collateral pledged for deposits to be held in the government's name by the trust department. However no pledged collateral was necessary during the year.

The Local Governmental Investment Pool (LGIP) is included in the Oregon Short Term Fund (OSTF), which was established by the State Treasurer. OSTF is not subject to SEC regulation. OSTF is subject to requirements established in Oregon Revised Statutes, investment policies adopted by the Oregon Investment Council, and portfolio guidelines established by the Oregon Short Term Fund Board. The Governor appoints the members of the Oregon Investment Council and Oregon Short Term Fund Board.

CITY OF ADAIR VILLAGE
Benton County, Oregon

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

NOTE 3 - RECEIVABLES

Receivables at June 30, 2007 consist of the following:

Receivables	General	Street	Proprietary	Total
Taxes	\$ 2,958	\$ -	\$ -	\$ 2,958
Accounts	<u>16,032</u>	<u>3,463</u>	<u>46,208</u>	<u>65,703</u>
	\$ <u>18,990</u>	\$ <u>3,463</u>	\$ <u>46,208</u>	\$ <u>68,661</u>

Taxes receivable represent taxes that have been levied on property in the City of Adair Village that have not been collected for the City by Benton County. No allowances for uncollectible taxes have been made. The county is responsible for overseeing the collection of these taxes and makes collection decisions.

Real and personal property taxes are levied annually on the assessed value of the property in the City as of July 1. Taxes are payable November 15 in full or, at the election of the taxpayer, in three equal installments on November 15, February 15, and May 15. Taxes become delinquent after each payment date.

Property tax revenues are recognized when they become available. Available includes those property taxes collected during the year or within sixty (60) days after the year-end. Delinquent taxes are considered fully collectible; therefore, no allowance for uncollectible taxes is provided.

CITY OF ADAIR VILLAGE
Benton County, Oregon

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

NOTE 4 - INVESTMENT IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Land	\$ 132,757	\$ -	\$ -	\$ 132,757
Buildings	408,304	11,434	-	419,738
Equipment	12,347	2,216	-	14,563
Streets	996,560	73,873	-	1,070,433
Park Improvements	51,195	-	.	51,195
Total	\$ <u>1,601,163</u>	\$ <u>87,523</u>	\$ <u>-</u>	\$ <u>1,688,686</u>

The following is a summary of proprietary fund-type fixed assets at June 30, 2007:

Depreciable Assets:

Buildings	733,854
Water and Sewer System	3,437,874
Machinery and Equipment	417,316
Less: Accumulated Depreciation	(1,938,953)
Net Fixed Assets	\$ <u>2,650,091</u>

Non-Depreciable Assets:

Land	\$ <u>79,557</u>
------	------------------

The depreciation expense allocated by function (government-wide financial statements) is as follows:

General Government	\$ 13,890
Street Maintenance and Construction	21,022
Water	41,563
Wastewater	61,427
Storm Drain	319
	\$ <u>138,221</u>

CITY OF ADAIR VILLAGE
Benton County, Oregon

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE 5 - BONDED DEBT

Bonded debt of the City consists of three bond issues:

The first issue is revenue bonds dated June 10, 1980. The original amount of this issue was \$100,000. An annual payment of \$5,877 principal and interest is due on June 10 of each year; however, semi-annual payments are made. Interest is calculated at 5%. 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, 2007.

The second issue is revenue bonds dated October 7, 1997. The original amount of this issue was \$345,000. The interest rate on the bonds varies between 4.5% and 5.75% depending on the maturity date of the bond. The average interest rate is 5.66%. The bonds mature over a twenty-year period. The unobligated net revenue of the Water Fund is pledged to the payment of principal and interest.

The third issue is revenue bonds dated October 7, 1997. The original amount of this issue was \$255,000. The interest rate on the bonds varies between 4.5% and 5.75% depending on the maturity date of the bond. The average interest rate is 5.66%. The bonds mature over a twenty-year period. The unobligated net revenue of the Wastewater Fund is pledged to the payment of principal and interest.

Transactions for the year are as follows:

	Bond #1 Water Fund	Bond #2 Water Fund	Bond #3 Wastewater Fund
Balance- 6/30/2006	\$ 54,980	\$ 250,000	\$ 185,000
Principal Payment	<u>3,318</u>	<u>15,000</u>	<u>10,000</u>
Balance- 6/30/2007	\$ <u>51,662</u>	\$ <u>235,000</u>	\$ <u>175,000</u>

CITY OF ADAIR VILLAGE
Benton County, Oregon

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE 5 - BONDED DEBT (Continued)

The bond debt repayment requirements for the next five years are as follows:

Year Ended June 30	Bond #1 Water Fund		Bond #2 Water Fund		Bond #3 Wastewater Fund	
	Prin	Int	Prin	Int	Prin	Int
	2008	\$ 3,294	\$ 2,583	\$ 15,000	\$ 13,048	\$ 10,000
2009	3,459	2,418	15,000	12,219	10,000	9,200
2010	3,632	2,245	20,000	11,213	15,000	8,481
2011	3,813	2,064	20,000	10,063	15,000	7,619
2012	4,004	1,873	20,000	8,913	15,000	6,756
2013-2017	23,229	6,156	115,000	26,019	90,000	19,550
Thereafter	<u>10,231</u>	<u>755</u>	<u>30,000</u>	<u>863</u>	<u>20,000</u>	<u>575</u>
	<u>\$51,662</u>	<u>\$18,094</u>	<u>\$235,000</u>	<u>\$ 82,338</u>	<u>\$175,000</u>	<u>\$ 61,934</u>

NOTE 6 - REVENUE BOND RESERVE FUNDS

When proceeds from the revenue bonds issued in October 1998 were received, the City failed to establish and fund reserve accounts, which were required, as part of the bond agreement. The reserve accounts for both the Water and Wastewater Fund were to be used to make the bond payments in the event that revenue from user fees was insufficient. The amount of funds that should have been deposited to the reserve funds was \$31,788 to the Water Reserve Fund and \$24,600 to the Wastewater Reserve Fund.

According to the agreement the bond reserve accounts must be brought back to full funding within one year of the invasion. The date of the invasion (assuming that a separate savings account did not need to be established) of the Wastewater Reserve Fund was September 14, 1998 and the date of the invasion of the Water Reserve Fund was April 15, 1999.

As of December 14, 2006, the reserve requirements of the Water Fund and the Wastewater Fund could be met by cash in the fund, although separate accounts had not been established.

CITY OF ADAIR VILLAGE
Benton County, Oregon

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

NOTE 7 - OTHER LIABILITIES

A. Accumulated Unpaid Vacation

Accumulated unpaid vacation at June 30, 2007, was \$96. The portion that relates to the Water and Wastewater Funds is accrued in the respective funds. The amount that relates to the General and Special Revenue Funds is not accrued because those funds use the modified accrual basis of accounting.

B. Lease Commitments

The City has no commitments under operating lease agreements.

C. Unasserted Liabilities

There are no unasserted claims or assessments that are probable of assertion.

NOTE 8 - APPROPRIATION OVER EXPENDITURES

The Oregon Local Budget Law prohibits expenditures in excess of appropriations. During the year, expenditures did exceed appropriations in the following funds:

<u>Fund</u>	<u>Appropriation Level</u>	<u>Budget</u>	<u>Expenditures</u>	<u>Over</u>
General	Personal services	\$ 36,400	\$ 45,424	\$ 9,024
Street	Personal services	\$ 9,200	9,218	18

NOTE 9 - DEFINED BENEFIT PENSION PLAN

All full-time City employees participate in the Oregon Public Employees Retirement System (PERS), an agent multi-employer retirement system. All City employees are eligible to participate in PERS after six months employment, if they normally work more than 600 hours per year. Employees who retire at or after age 55 with five years of credit service are entitled to a retirement benefit. The basis benefit formula is 1.67% of the final average salary for each year of credited service. Benefits fully vest on reaching five

CITY OF ADAIR VILLAGE
Benton County, Oregon

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE 9 - DEFINED BENEFIT PLAN (Continued)

years of service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Benefits are established by state statute.

Covered employees are required by the state statute to contribute six percent (6%) of their salary to the plan. The City is required by the same statute to contribute 13.35% of covered payroll. The City paid the employee's contribution for the City Administrator. The contribution required for the years ended June 30, 2005, June 30, 2006 and June 30, 2007, was \$13,574, \$16,394, and \$15,110, respectively.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and set-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the system's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The assumptions used in this valuation are based on a per year rate of return on investments of 8%, salary increases of 6%, and projected automatic post-retirement benefit increases of 2%.

The City elected to be part of the State and Local Government Rate Pool. At December 31, 2006 (the latest PERS reporting period), the Pool had an excess of actuarial value of liabilities over actuarial value of assets of which \$19,510 was attributable to the City.

The Public Employee Retirement System issues a financial report that can be obtained by writing to the following:

Public Employees Retirement System
P.O. Box 23700
Tigard, OR 97281-3700

CITY OF ADAIR VILLAGE
Benton County, Oregon

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2007

NOTE 10 - RISK MANAGEMENT

The City is exposed to various risks: loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The League of Oregon Cities joined together with the Association of Oregon Cities to form City County Insurance Services (CCIS), a public entity risk pool currently operating as a common risk management and insurance program for approximately 265 municipal corporations and associated entities in the State of Oregon. CCIS is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$2 million for each insured event.

The City continues to carry commercial insurance for other risks of loss including workers' compensation.

REQUIRED SUPPLEMENTAL INFORMATION SECTION

CITY OF ADAIR VILLAGE

Benton County, Oregon

**Schedule Of Revenues, Expenditures
And Changes In Fund Balances
Budget and Actual (Budgetary Basis)
For The Fiscal Year Ended June 30, 2007**

General Fund

	2007				2006
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:					
Property taxes--current year	\$ 64,000	\$ 64,000	\$ 82,801	\$ 18,801	\$ 73,569
Property taxes--prior years	500	500	1,344	844	1,169
Cigarette taxes	1,200	1,200	1,260	60	1,649
Liquor taxes	7,000	7,000	8,909	1,909	10,122
State revenue sharing	4,500	4,500	4,878	378	5,685
Utility franchises	25,000	25,000	29,873	4,873	28,751
Property lease and sale	271,000	271,000	30,927	(240,073)	28,592
Planning fees and building permits	6,000	6,000	10,693	4,693	28,669
Building rental	-	-	-	-	-
Refunds	200	200	-	(200)	508
Grants	1,000	1,000	-	(1,000)	1,000
Earnings on investments	12,000	12,000	46,273	34,273	18,610
Miscellaneous	1,200	1,200	47,158	45,958	6,252
Total revenues	<u>393,600</u>	<u>393,600</u>	<u>264,116</u>	<u>(129,484)</u>	<u>204,576</u>
Expenditures:					
General government:					
Personal services	36,400	36,400	45,424	(9,024)	32,726
Material & supplies	71,650	71,650	46,263	25,387	41,899
Capital outlay	69,500	69,500	13,687	55,813	5,108
Contingency	143,050	143,050	-	143,050	-
Total expenditures	<u>320,600</u>	<u>320,600</u>	<u>105,374</u>	<u>215,226</u>	<u>79,733</u>
Excess (deficit) of revenues over expenditures	<u>73,000</u>	<u>73,000</u>	<u>158,742</u>	<u>85,742</u>	<u>124,843</u>
Other financing sources (uses):					
Transfer from Revenue Sharing Fund	-	-	-	-	525
Transfer to Land, Building and Equipment Fund	(290,000)	(290,000)	-	290,000	-
Total other financing sources (uses)	<u>(290,000)</u>	<u>(290,000)</u>	<u>-</u>	<u>290,000</u>	<u>525</u>
Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(217,000)</u>	<u>(217,000)</u>	<u>158,742</u>	<u>375,742</u>	<u>125,368</u>
Fund balance--beginning of year	250,000	250,000	549,790	299,790	424,422
Fund balance--end of year	<u>\$ 33,000</u>	<u>\$ 33,000</u>	<u>\$ 708,532</u>	<u>\$ 675,532</u>	<u>\$ 549,790</u>

CITY OF ADAIR VILLAGE

Benton County, Oregon

**Schedule Of Revenues, Expenditures
And Changes In Fund Balances
Budget And Actual
For The Fiscal Year Ended June 30, 2007**

Street Fund

	2007				2006
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Revenues:					
State highway fund apportionment	\$ 40,000	\$ 40,000	\$ 35,511	\$ (4,489)	\$ 43,055
Grants	55,000	55,000	25,000	(30,000)	-
Earnings on investments	1,000	1,000	2,039	1,039	1,825
Miscellaneous	100	100	310	210	297
Total revenues	<u>96,100</u>	<u>96,100</u>	<u>62,860</u>	<u>(33,240)</u>	<u>45,177</u>
Expenditures:					
Personal services	9,200	9,200	9,218	(18)	8,699
Materials and services	27,900	27,900	15,236	12,664	16,161
Capital outlay	130,700	130,700	73,872	56,828	2,788
Debt service	-	-	-	-	-
Operating contingency	-	-	-	-	-
Total expenditures	<u>167,800</u>	<u>167,800</u>	<u>98,326</u>	<u>69,474</u>	<u>27,648</u>
Excess (deficit) of revenues over expenditures	(71,700)	(71,700)	(35,466)	36,234	17,529
Other financing sources (uses):					
Operating transfers in:					
General fund	31,700	31,700	-	(31,700)	-
Total other financing sources (uses)	<u>31,700</u>	<u>31,700</u>	<u>-</u>	<u>(31,700)</u>	<u>-</u>
Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses	(40,000)	(40,000)	(35,466)	4,534	17,529
Fund balance--beginning of year	40,000	40,000	56,589	16,589	39,060
Fund balance--end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,123</u>	<u>\$ 21,123</u>	<u>\$ 56,589</u>

CITY OF ADAIR VILLAGE

Benton County, Oregon

**Schedule Of Revenues and Expenditures and Changes in Retained Earnings
Compared With Budget Estimates
For The Fiscal Year Ended June 30, 2007**

Water Fund

	2007				2006
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Operating Revenues:					
Water usage fees	\$ 241,000	\$ 241,000	\$ 281,229	\$ 40,229	\$ 261,155
Installations fees	500	500	1,290	790	868
Miscellaneous revenue	21,200	21,200	15,419	(5,781)	59,619
Total operating revenue	<u>262,700</u>	<u>262,700</u>	<u>297,938</u>	<u>35,238</u>	<u>321,642</u>
Expenditures:					
Personal services	35,600	35,600	31,905	3,695	35,770
Materials & services	123,900	123,900	106,895	17,005	126,153
Total operating expenses	<u>159,500</u>	<u>159,500</u>	<u>138,800</u>	<u>20,700</u>	<u>161,923</u>
Capital outlay:					
Equipment	458,500	458,500	11,495	447,005	10,614
New lines and improvements	3,000	3,000	1,392	1,608	-
Buildings and additions	-	-	-	-	5,680
Principal payments on bonds	18,500	18,500	18,318	182	17,979
Total capital outlay	<u>480,000</u>	<u>480,000</u>	<u>31,205</u>	<u>448,795</u>	<u>34,273</u>
Operating contingency	25,500	25,500	-	25,500	-
Total expenditures	<u>665,000</u>	<u>665,000</u>	<u>170,005</u>	<u>494,995</u>	<u>196,196</u>
Excess of operating revenue over (under) expenditures	<u>(402,300)</u>	<u>(402,300)</u>	<u>127,933</u>	<u>530,233</u>	<u>125,446</u>
Non-operating revenues (expenses):					
Earnings on investments	6,000	6,000	10,860	4,860	9,839
Transfer from other funds	215,000	215,000	-	(215,000)	-
Transfers to other funds	(17,000)	(17,000)	-	17,000	(17,000)
Interest expense	(19,900)	(19,900)	(16,821)	3,079	(18,042)
Total non-operating revenues (expenses)	<u>184,100</u>	<u>184,100</u>	<u>(5,961)</u>	<u>(190,061)</u>	<u>(25,203)</u>
Excess of operating revenue over (under) expenditures and other non-operating revenue sources (uses)	<u>(218,200)</u>	<u>(218,200)</u>	<u>121,972</u>	<u>340,172</u>	<u>100,243</u>
Working capital--beginning of year	250,000	250,000	344,991	94,991	244,748
Working capital--end of year	<u>\$ 31,800</u>	<u>\$ 31,800</u>	<u>\$ 466,963</u>	<u>\$ 435,163</u>	<u>\$ 344,991</u>
Excess of operating revenue over (under) expenditures and other non-operating revenue sources (uses)			\$ 121,972		\$ 100,243
Adjustments to accrual basis					
Depreciation expense			(41,563)		(63,849)
Debt reduction			18,318		17,979
Investment in fixed assets			12,887		16,294
Net income			<u>111,614</u>		<u>70,667</u>
Retained earnings--beginning of year			<u>1,232,216</u>		<u>1,161,549</u>
Retained earnings--end of year			<u>\$ 1,343,830</u>		<u>\$ 1,232,216</u>

CITY OF ADAIR VILLAGE

Benton County, Oregon

Schedule Of Revenues and Expenditures and Changes in Retained Earnings Compared With Budget Estimates For The Fiscal Year Ended June 30, 2007

Wastewater Fund

	2007			Variance Favorable (Unfavorable)	2006
	Original Budget	Final Budget	Actual		Actual
Operating Revenues:					
Water usage fees	\$ 150,000	\$ 150,000	\$ 158,034	\$ 8,034	\$ 154,648
Miscellaneous revenue	800	800	2,190	1,390	2,692
Total operating revenue	<u>150,800</u>	<u>150,800</u>	<u>160,224</u>	<u>9,424</u>	<u>157,340</u>
Expenditures:					
Personal services	35,700	35,700	31,905	3,795	32,175
Materials & services	110,200	110,200	109,868	332	81,123
Total operating expenses	<u>145,900</u>	<u>145,900</u>	<u>141,773</u>	<u>4,127</u>	<u>113,298</u>
Capital outlay:					
Equipment	-	-	56,875	(56,875)	1,392
Office equipment	1,000	1,000	-	1,000	-
New lines & improvements	150,100	150,100	-	150,100	-
Principal payments on bonds	10,000	10,000	10,000	-	10,000
Total capital outlay	<u>161,100</u>	<u>161,100</u>	<u>66,875</u>	<u>94,225</u>	<u>11,392</u>
Operating contingency					
	8,700	8,700	-	8,700	-
Total expenditures	315,700	315,700	208,648	107,052	124,690
Excess of operating revenue over (under) expenditures	<u>(164,900)</u>	<u>(164,900)</u>	<u>(48,424)</u>	<u>116,476</u>	<u>32,650</u>
Non-operating revenues (expenditures):					
Earnings on investments	5,000	5,000	5,193	193	6,282
Transfers from other funds	101,400	101,400	-	(101,400)	-
Transfers to other funds	-	-	-	-	-
Interest expense	(12,500)	(12,500)	(10,406)	2,094	(11,791)
Total non-operating revenues (expenses)	<u>93,900</u>	<u>93,900</u>	<u>(5,213)</u>	<u>(99,113)</u>	<u>(5,509)</u>
Excess of operating revenues over (under) expenditures and other non-operating revenue sources (uses)	(71,000)	(71,000)	(53,637)	17,363	27,141
Working capital--beginning of year	100,000	100,000	172,819	72,819	145,678
Working capital--end of year	<u>\$ 29,000</u>	<u>\$ 29,000</u>	<u>\$ 119,182</u>	<u>\$ 90,182</u>	<u>\$ 172,819</u>
Excess of operating revenues over (under) expenditures and other non-operating revenue sources (uses)			\$ (53,637)		27,141
Adjustments to accrual basis					
Depreciation expense			(61,427)		(60,144)
Debt reduction			10,000		10,000
Investment in fixed assets			56,875		1,392
Net income			(48,189)		(21,611)
Retained earnings--beginning of year			1,548,470		1,570,081
Retained earnings--end of year			<u>\$ 1,500,281</u>		<u>\$ 1,548,470</u>

CITY OF ADAIR VILLAGE

Benton County, Oregon

**Schedule Of Revenues and Expenditures and Changes in Retained Earnings
Compared With Budget Estimates
For The Fiscal Year Ended June 30, 2007**

SDC Fund

	2007				2006
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Operating Revenues:					
Street improvement fees	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)	\$ 610
Water improvement fees	9,500	9,500	-	(9,500)	7,888
Water reimbursement charges	500	500	-	(500)	
Wastewater improvement fees	6,600	6,600	2,038	(4,562)	9,082
Wastewater reimbursement charges	3,400	3,400	-	(3,400)	
Storm drain improvement fees	-	-	-	-	-
Total operating revenue	<u>30,000</u>	<u>30,000</u>	<u>2,038</u>	<u>(27,962)</u>	<u>17,580</u>
Operating Expenses:					
Personal services	-	-	-	-	-
Materials & services	-	-	-	-	-
Contingency	-	-	-	-	-
Depreciation	-	-	-	-	-
Total operating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital outlay:					
Street improvements	-	-	-	-	-
Water system improvements	-	-	-	-	-
Wastewater system improvements	-	-	-	-	-
Storm drain system improvements	-	-	-	-	-
Park improvements	-	-	-	-	-
Total capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net operating income (loss)	<u>30,000</u>	<u>30,000</u>	<u>2,038</u>	<u>(27,962)</u>	<u>17,580</u>
Non-operating revenues (expenses):					
Earnings on investments	7,000	7,000	16,144	9,144	15,806
Transfers from other funds	-	-	-	-	-
Transfers to other funds	(348,100)	(348,100)	-	348,100	-
Interest expense	-	-	-	-	-
Total non-operating revenues (expenses)	<u>(341,100)</u>	<u>(341,100)</u>	<u>16,144</u>	<u>357,244</u>	<u>15,806</u>
Net income (loss)	<u>(311,100)</u>	<u>(311,100)</u>	<u>18,182</u>	<u>\$ 329,282</u>	<u>33,386</u>
Working capital--beginning of year	311,100	311,100	421,215		387,829
Working capital--end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 439,397</u>		<u>\$ 421,215</u>

SUPPLEMENTAL SECTION

CITY OF ADAIR VILLAGE

Benton County, Oregon

Combining Balance Sheet -- Nonmajor Proprietary Funds
At June 30, 2007

	Storm Drain Fund	Reserve Fund	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Assets:			
Cash	\$ 6,194	\$ 66,693	\$ 72,887
Accounts receivable	647	-	647
Due from other funds	-	-	-
Fixed assets:			
Land	-	-	-
Buildings	-	-	-
Equipment	4,021	-	4,021
Water and sewer system	12,802	-	12,802
Accumulated depreciation	<u>(6,775)</u>	<u>-</u>	<u>(6,775)</u>
 Total Assets	 <u>\$ 16,889</u>	 <u>\$ 66,693</u>	 <u>\$ 83,582</u>
 LIABILITY AND EQUITY			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll and payroll liabilities	-	-	-
Accrued interest payable	-	-	-
Accrued vacation and employee benefits	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
 Equity:			
Retained earnings	<u>16,889</u>	<u>66,693</u>	<u>83,582</u>
Total equity	<u>16,889</u>	<u>66,693</u>	<u>83,582</u>
 Total Liabilities and Equity	 <u>\$ 16,889</u>	 <u>\$ 66,693</u>	 <u>\$ 83,582</u>

CITY OF ADAIR VILLAGE

Benton County, Oregon

Combining Schedule Of Revenues, Expenses And Changes In Retained Earnings - Nonmajor Proprietary Funds For The Fiscal Year Ended June 30, 2007

	Storm Drain Fund	Reserve Fund	Total
Operating Revenues:			
Charges for services	\$ 6,187	\$ -	\$ 6,187
Installations & fees	-	-	-
Miscellaneous revenues	-	-	-
Total operating revenue	<u>6,187</u>	<u>-</u>	<u>6,187</u>
Operating expenses:			
Personal services	-	-	-
Materials & services	-	-	-
Capital outlay	5,751	-	5,751
Contingency	-	-	-
Depreciation	-	-	-
Total operating expenses	<u>320</u>	<u>-</u>	<u>320</u>
Net operating income (loss)	<u>6,071</u>	<u>-</u>	<u>6,071</u>
	<u>116</u>	<u>-</u>	<u>116</u>
Non-operating revenues (expenses):			
Earnings on investments	293	2,432	2,725
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Interest expense	-	-	-
Total non-operating revenues (expenses)	<u>293</u>	<u>2,432</u>	<u>2,725</u>
Net income (loss)	409	2,432	2,841
Retained earnings--beginning of year	16,480	64,261	80,741
Retained earnings--end of year	<u>\$ 16,889</u>	<u>\$ 66,693</u>	<u>\$ 83,582</u>

CITY OF ADAIR VILLAGE

Benton County, Oregon

**Combining Schedule Of Cash Flows--Nonmajor Proprietary Funds
For The Fiscal Year Ended June 30, 2007**

	Storm Drain Fund	Reserve Fund	Total
Cash Flows From Operating Activities			
Cash received from customers	6,253	-	6,253
Cash received from other sources	-	-	-
Cash paid to suppliers	(5,751)	-	(5,751)
Cash paid to employees	-	-	-
Net cash provided (used) by operation activities	<u>502</u>	<u>-</u>	<u>502</u>
Cash Flows From Noncapital Financing Activities			
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities			
Purchase of equipment	-	-	-
New lines and improvements	-	-	-
Principal paid on capital debt	-	-	-
Interest paid on capital debt	-	-	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows From Investment Activities			
Interest	295	2,432	2,727
Net cash provided (used) by investment activities	<u>295</u>	<u>2,432</u>	<u>2,727</u>
Net increase (decrease) in cash	797	2,432	3,229
Cash at beginning of year	5,397	64,261	69,658
Cash at end of year	<u>\$ 6,194</u>	<u>\$ 66,693</u>	<u>\$ 72,887</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	116	-	116
Add non-cash expenses:			
Depreciation	319	-	319
Changes in assets and liabilities:			
Increase (decrease) in accounts receivable	67	-	67
Increase (decrease) in due from other funds	-	-	-
(Increase) decrease in accounts payable	-	-	-
(Increase) decrease in payroll liabilities	-	-	-
(Increase) decrease in due to other funds	-	-	-
(Increase) decrease in accrued benefits	-	-	-
(Increase) decrease in contracts payable	-	-	-
Net cash provided (used) by operating activities	<u>502</u>	<u>-</u>	<u>502</u>

CITY OF ADAIR VILLAGE

Benton County, Oregon

**Schedule Of Revenues and Expenditures and Changes in Retained Earnings
Compared With Budget Estimates
For The Fiscal Year Ended June 30, 2007**

Storm Drain Fund

	2007				2006
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Operating Revenues:					
Storm drain assessment	\$ 5,000	\$ 5,000	\$ 6,187	\$ 1,187	\$ 6,009
Total operating revenue	<u>5,000</u>	<u>5,000</u>	<u>6,187</u>	<u>1,187</u>	<u>6,009</u>
Operating Expenses:					
Personal services	-	-	-	-	282
Materials & services	12,050	12,050	5,751	6,299	8,983
Contingency	4,200	4,200	-	4,200	-
Depreciation	-	-	320	(320)	320
Total operating expenses	<u>16,250</u>	<u>16,250</u>	<u>6,071</u>	<u>10,179</u>	<u>9,585</u>
Capital outlay:					
Equipment	-	-	-	-	-
New lines	-	-	-	-	-
Other capital outlay	-	-	-	-	-
Total capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net operating income (loss)	<u>(11,250)</u>	<u>(11,250)</u>	<u>116</u>	<u>11,366</u>	<u>(3,576)</u>
				<i>8992</i>	
Non-operating revenues (expenses):					
Earnings on investments	250	250	293	43	361
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	-	-
Interest expense	-	-	-	-	-
Total non-operating revenues (expenses)	<u>250</u>	<u>250</u>	<u>293</u>	<u>43</u>	<u>361</u>
Net income (loss)	<u>(11,000)</u>	<u>(11,000)</u>	<u>409</u>	<u>11,409</u>	<u>(3,215)</u>
Working capital--beginning of year	11,000	11,000	-	-	-
Retained earnings--beginning of year	-	-	16,480	-	19,695
Add back capital outlay	-	-	-	-	-
Retained earnings--end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,889</u>	<u>\$ -</u>	<u>\$ 16,480</u>

CITY OF ADAIR VILLAGE

Benton County, Oregon

**Schedule Of Revenues and Expenditures and Changes in Retained Earnings
Compared With Budget Estimates
For The Fiscal Year Ended June 30, 2007**

Reserve Fund

	2007				2006
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Actual
Operating Revenues:					
None	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenditures:					
None	-	-	-	-	-
Capital Outlay:					
Buildings and improvements	333,350	333,350	-	333,350	-
Equipment	-	-	-	-	-
Water system and plant	61,700	61,700	-	61,700	-
Total capital outlay	<u>395,050</u>	<u>395,050</u>	<u>-</u>	<u>395,050</u>	<u>-</u>
Net operating income (loss)	(395,050)	(395,050)	-	395,050	
Non-operating revenues (expenses):					
Earnings on investments	200	200	2,432	2,232	2,183
Transfers from other funds	350,350	350,350	-	(350,350)	17,000
Transfers to other funds	-	-	-	-	-
Total non-operating revenues (expenses)	<u>350,550</u>	<u>350,550</u>	<u>2,432</u>	<u>(348,118)</u>	<u>19,183</u>
Net income (loss)	(44,500)	(44,500)	2,432	<u>\$ 46,932</u>	19,183
Fund balance--beginning of year	44,500	44,500	64,261		45,078
Fund balance--end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,693</u>		<u>\$ 64,261</u>

AUDIT COMMENTS AND SUPPLEMENTAL SCHEDULES

CITY OF ADAIR VILLAGE

Benton County, Oregon

**Audit Comments And Disclosures
Required By Oregon Minimum Standards
June 30, 2007**

SCHEDULE OF ACCOUNTABILITY FOR INDEPENDENTLY ELECTED OFFICIALS - OAR 162-10-140

The City does not have any independently elected officials that collect or receive money. The mayor presides at the City's council meetings and signs checks that have been approved for payment by the City council.

INTERNAL CONTROL AND ACCOUNTING SYSTEM - OAR 162-10-230

As part of the examination, a study and evaluation of the City's system of internal accounting control was made to the extent considered necessary to evaluate the system as required by generally accepted auditing standards. The internal control procedures appear adequate for the size of the city and the number of employees.

The accounting records of the City were found by the auditor to be adequate except that a schedule of general fixed assets has not been maintained. The minutes of the City's council meetings for the 2006-2007 year were found to be in good order.

However, the study and evaluation disclosed the following conditions that results in a more than relatively low risk that errors or irregularities in amounts that would be material in relation to the financial statements of the City may occur and not be detected within a timely period:

1. Due to limitations necessarily imposed on a district of this size, most of the cash handling and recording responsibilities of the District have been concentrated in the City Administrator and City Clerk. It is recommended that the City Council continue to approve of each disbursement and monitor the overall financial statements.

COLLATERAL SECURING BANK DEPOSITS - OAR 162-10-240

The City has cash deposited in a local bank and the Oregon Local Government Investment Pool (LGIP). The cash in the bank account was on deposit with Citizen's Bank of Corvallis. Federal Deposit Insurance Corporation coverage of \$100,000 on demand deposits was adequate to provide protection required by ORS 295.025 at all times during the year.

The rest of the City's cash was deposited in the LGIP during the year. The LGIP is included in the Oregon Short Term Fund (OSTF) which is subject to requirements established in Oregon Revised Statutes.

CITY OF ADAIR VILLAGE
Benton County, Oregon

Audit Comments And Disclosures
Required By Oregon Minimum Standards
June 30, 2007

INDEBTEDNESS - OAR 162-10-250

The City complied with the limitation of debt that may be incurred. See Note 5 to Financial Statements for schedule of maturities and redemptions during the year and the outstanding unmatured principal and interest at the end of the year. The City did not have any outstanding matured principal and interest at the end of the year.

BUDGET COMPLIANCE AND APPROPRIATIONS - OAR 162-10-260

The City's compliance with the provisions of the Oregon Revised Statutes as they relate to the preparation and adoption of budgets, levying of taxes, and making of appropriations for 2006-2007 and 2007-2008 was reviewed as part of the audit.

The review showed that the budget preparation and adoption procedures for both fiscal years complied with the Oregon Revised Statutes.

When the City receives approval for unexpected or larger than expected federal grants, the procedures outlined by ORS 294.440 to allow over expenditure of original appropriations are followed.

There were differences between budget and appropriations in the appropriation category of personal services. See Note 8.

INSURANCE AND FIDELITY BONDS - OAR 162-10-270

Insurance policies and fidelity bonds were examined and ascertained to be in force as of June 30, 2007. The auditor is not a specialist by training or licensing to state whether the insurance policies and coverage are adequate.

COMPLIANCE WITH PROGRAMS FUNDED BY OUTSIDE SOURCES - OAR 162-10-280

The District seemed to be in compliance with programs that were funded by outside sources such as federal, state or other grants.

CITY OF ADAIR VILLAGE
Benton County, Oregon

Audit Comments And Disclosures
Required By Oregon Minimum Standards
June 30, 2007

HIGHWAY FUNDS - OAR 162-10-295

The City appears to be in compliance with constitutional and statutory law regarding the use of highway funds from the State of Oregon.

INVESTMENTS - OAR 162-10-300

The City has complied with the legal requirements pertaining to the investment of public funds.

PUBLIC CONTRACTS AND PURCHASING - OAR 162-10-310

The City appeared to comply with laws regarding the awarding of public contracts.

CITY OF ADAIR VILLAGE
Benton County, Oregon

Schedule of Property Taxes Receivable--All Funds
For The Fiscal Year Ended June 30, 2007

Tax Year	Taxes Receivable	Tax Levy and Tax Roll Adjustments	Collections	Taxes Receivable
	06/30/06	06/30/07	06/30/07	06/30/07
2006-07	\$	\$ 84,572	\$ 82,772	\$ 1,800
2005-06	1,404	(41)	836	527
2004-05	534	(18)	231	285
2003-04	316	(14)	128	174
2002-03	114	(7)	73	34
2001-02	24	-	4	20
2000-01	20	-	1	19
1999-00	12	-	2	10
1998-99	9	-	-	9
1997-98	6	-	-	6
Prior	77	-	3	74
	\$ <u>2,516</u>	\$ <u>84,492</u>	<u>84,050</u>	\$ <u>2,958</u>

Western Oregon severance tax	-
Taxes received within 60 days--6/30/06	(525)
Taxes received within 60 days--6/30/07	<u>620</u>
Total taxes collected	\$ <u>84,145</u>
Current taxes	82,801
Prior taxes	1,344
	\$ <u>84,145</u>