

CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2008



12700 SW 72nd Ave.
Tigard, OR 97223

CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON

FOR THE YEAR ENDED JUNE 30, 2008

ANNUAL FINANCIAL REPORT

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CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON

CITY COUNCIL

TERM EXPIRES

Bill Currier, Mayor

December 31, 2008

Steven Bittner

December 31, 2008

Charline King

December 31, 2010

Jeff Kubler

December 31, 2008

Alice Tucker

December 31, 2010

All council members receive mail at the address listed below.

ADMINISTRATION

Drew Foster, City Administrator

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

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CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON

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BENTON COUNTY, OREGON**

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PAULY, ROGERS AND CO., P.C.

® CERTIFIED PUBLIC ACCOUNTANTS

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- 12700 SW 72ND AVENUE • TIGARD, OREGON 97223
 - (503) 620-2632 • FAX (503) 684-7523

March 11, 2011

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

INDEPENDENT AUDITORS' REPORT

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, 2008, which collectively comprise the basic financial statements as listed in the table of contents. The basic financial statements are the responsibility of management. Our responsibility is to express opinions on these basic financial statements based on our audit. The City's basic financial statements for the year ended June 30, 2007 were audited by other auditors whose report dated August 15, 2008 expressed an unqualified opinion.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City of Adair Village, Oregon, at June 30, 2008, and the results of its operations and the cash flows where applicable for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires 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 basic financial statements. The supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information, as listed in the table of contents, has been subjected to the auditing procedures applied in 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.

Pauly, Rogers and Co. P.C.
PAULY, ROGERS AND CO., P.C.

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

BASIC FINANCIAL STATEMENTS

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CITY OF ADAIR VILLAGE
Benton County, Oregon

MANAGEMENT DISCUSSION AND ANALYSIS

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, 2008.

Please read it in conjunction with the City's basic financial statements, which begin on page 8.

Financial Highlights

- The City's net assets increased \$27,499 as a result of this year's operations.
- Net assets of our governmental activities increased by \$53,298 or 2.54 percent.
- Net assets of our business-type activities decrease by \$29,225 or -0.87 percent.
- The total cost of all the City's programs in 2008 was \$ 810,155; in 2007, this cost was \$565,082.

City's Activities Highlights

Resignation of City Administrator

Jim Minard, the Adair Village City Administrator resigned in April 2007 just at the start of the budget process for the 2007-08 budget. Wanda Tobiassen, the City Administrator prior to the Mr. Minard, was brought in as a part-time interim administrator while the City worked with the League of Oregon Cities to recruit a new city administrator. A number of issues related to reporting, the LB form reporting issues, and lack of an audit process for 2006-07 fiscal year, relate to the issues that arose from Mr. Minard's resignation.

New Positions

Code Enforcement Officer, Administrative Assistant, and Summer Program Coordinator positions were added to the City's Personal Services at an additional cost of roughly \$33,000. In addition, the City started a small Summer Parks program and that activities budget increased from \$1,390 to \$6,554. The City also began to contract for Planning Services in May 2007. Cost for these services rose from \$2,429 for FY2007 to \$23,780 in FY2008

Fire and Refurbish of Firehouse

The last remaining firehouse (there were six originally) from the original Camp Adair is located on City property (6002 William R. Carr Av.) and owned by the City. In late 2006, the building had a fire, which left significant fire damage. After discussion by the City Council, it was decided to refurbish the firehouse and the City received \$115,829 from insurance. The refurbish took place throughout most of FY2008 and the costs ran to \$174,764. This work cost \$58,935 from the General Fund; these funds were not budgeted.

CITY OF ADAIR VILLAGE
Benton County, Oregon

MANAGEMENT DISCUSSION AND ANALYSIS

End of Service to Dumbeck Water District

Adair Village ended our contract to supply water to the Dumbeck Water District, when Dumbeck chose to establish a new contract with the City of Albany. The City had received funds from Dumbeck for the actual water delivered and a monthly management fee for running the program. This accounts for a reduction in revenues of approximately \$45,000 from FY2007 to FY2008.

Repairs to Water System

A number of equipment replacement projects had to be undertaken for the water system. A new automatic alarm and shutdown system was put in place-\$17,945. The Hospital Hill Reservoir received a new roof (\$5,150) and a new pump (\$5,235) and another new pump (\$5,327) was put in at the booster station on the eastern edge of town. There were also a variety of equipment and system repairs required at the water and wastewater facilities with a cost of \$23,900, compared to \$8,800 in FY2007.

Update of Systems Development Charges, Water Rights, and other Engineering Services

The City's Engineering Services contract increased from \$1,100 to \$47,955. The two primary issues connected to this increase were an update of the City's System Development Charges (\$29,454); the first update to be fully undertaken in more than ten years. The second issue was contract work on establishing the City's water right (\$7,100). Other smaller engineering projects, generally connected with planning issues, made up the rest of the costs

Using This Annual Report

This annual report consists of a set of financial statements. The Statement of Net Assets (pg. 8) and the Statement of Activities (pg. 9) 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, 2008. Fund financial statements begin on page 10 and provide information on both governmental and proprietary, or business-type funds. 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 Assets 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 are 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 assets" and how they changed. This allows one to determine the City's fiscal health, or financial position. Net assets represent the difference between what the City

CITY OF ADAIR VILLAGE

Benton County, Oregon

MANAGEMENT DISCUSSION AND ANALYSIS

owes and what the City owns. Increase or decrease in net assets, 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, equipment).

The financial statements divide the Cities activities into two arenas:

- Governmental Activities-The General Fund and the Street Fund are the primary areas here. It includes 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, Sewer, Storm Drain, and Systems Development 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 Assets by Governmental and Business-type Activities and provides a comparison to last year's assets. Overall the City's Net Assets increased from \$5,469,454 to \$5,493,527.

Table 1
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2008	2007	2008	2007	2008	2007
Current Assets	\$ 712,691	\$ 742,044	\$1,112,787	\$1,108,553	\$1,825,478	\$1,850,597
Capital Assets	<u>1,473,894</u>	<u>1,370,391</u>	<u>2,672,387</u>	<u>2,729,648</u>	<u>4,146,281</u>	<u>4,100,039</u>
TOTAL ASSETS	<u>2,186,585</u>	<u>2,112,435</u>	<u>3,785,174</u>	<u>3,838,201</u>	<u>5,971,759</u>	<u>5,950,636</u>
Current Liabilities	30,923	10,071	48,542	44,878	79,465	54,949
Non-current Liabilities	-	-	<u>(398,767)</u>	<u>426,233</u>	<u>398,767</u>	<u>426,233</u>
TOTAL LIABILITIES	<u>30,923</u>	<u>10,071</u>	<u>447,309</u>	<u>471,111</u>	<u>478,232</u>	<u>481,182</u>
Net Assets:						
Invested in Capital Assets net of debt	1,473,894	\$1,370,391	2,245,163	2,275,121	3,719,057	3,645,512
Restricted-Capital Projects	-	-	536,720	506,090	536,720	506,090
Unrestricted	<u>681,768</u>	<u>731,973</u>	<u>555,982</u>	<u>585,879</u>	<u>1,237,750</u>	<u>1,317,852</u>
TOTAL NET ASSETS	<u>\$2,155,662</u>	<u>\$2,102,364</u>	<u>\$3,337,865</u>	<u>\$3,367,090</u>	<u>\$5,493,527</u>	<u>\$5,469,454</u>

CITY OF ADAIR VILLAGE
Benton County, Oregon

MANAGEMENT DISCUSSION AND ANALYSIS

Net assets increased only 0.44 percent. Unrestricted net assets-the portion of that are used to finance day-to-day operation without outside restraints, such as debt covenants, legislation, or other legal requirements-actually decreased from \$1,317,852 to \$1,237,750 or -6.08 percent.

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

Table 2
Change in Revenues and Expenses

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program Revenues:						
Charge for services	\$ 61,645	\$ -	\$ 421,749	\$ 448,778	\$ 483,394	\$ 448,778
Grants	6,000	25,000	-	-	6,000	25,000
General Revenues:						
Property Taxes	83,880	84,491	-	-	83,880	84,491
Highway Fund Allocation	40,166	35,511	-	-	40,166	35,511
Intergovernmental	18,328	15,047	-	-	18,328	15,047
Earnings on Investments	32,632	48,312	47,369	34,922	80,001	83,234
Insurance Proceeds	115,829	-	-	-	115,829	-
Management Fees	-	-	-	14,860	-	14,860
Miscellaneous Income	10,056	68,744	-	2,749	10,056	71,493
Net Transfers	-	-	-	-	-	-
TOTAL REVENUES	<u>368,536</u>	<u>327,321</u>	<u>469,118</u>	<u>501,309</u>	<u>837,654</u>	<u>813,583</u>
Program Expenses:						
Governmental Activities:						
General Government	189,001	103,323	-	-	189,001	103,323
Public Safety	6,535	-	-	-	6,535	-
Street Maintenance	51,106	44,898	-	-	51,106	44,898
Culture & Recreation	42,906	-	-	-	42,906	-
Proprietary Activities:						
Water	-	-	258,428	197,184	258,428	197,184
Wastewater	-	-	246,569	213,606	246,569	213,606
Storm Drain	-	-	15,610	6,071	15,610	6,071
TOTAL EXPENSES	<u>289,548</u>	<u>148,221</u>	<u>520,607</u>	<u>416,861</u>	<u>810,155</u>	<u>565,082</u>
Increase (decrease) in net assets	78,988	179,100	(51,489)	4,448	27,499	263,548
Net assets-Beginning of year	<u>2,102,364</u>	<u>1,923,264</u>	<u>3,367,090</u>	<u>3,282,642</u>	<u>5,469,454</u>	<u>5,205,906</u>
Prior Period Adjustment	(25,690)	-	-	22,264	(3,426)	-
Net assets-End of year	<u>\$2,155,662</u>	<u>\$2,102,364</u>	<u>\$3,337,865</u>	<u>\$3,367,090</u>	<u>\$5,493,527</u>	<u>\$5,469,454</u>

The City's total revenues increased by \$24,071, but this includes \$115,829 in insurance proceeds, so there was actually a decrease of \$91,758 in revenues. Total expenses increased by \$245,073. Specifics on those increases can be found under "City's Activity Highlights" above.

CITY OF ADAIR VILLAGE
Benton County, Oregon

MANAGEMENT DISCUSSION AND ANALYSIS

General Budgetary Highlights

Over the year, the City Council did not revise the City's budget. There should have been a revision to take into account the expenditures spent on the refurbish of the firehouse. These funds (\$58,936) should have been included as Capital Outlay in the General Fund. Areas of legal appropriations are personal services, material and services, capital outlay, transfers, debt service, and contingencies.

Capital Assets

At the end of June 30, 2008, the City had \$4,146,281 invested in land, buildings and improvements, streets, and equipment. This represents an increase (net of depreciation) on \$46,242 or 1.13 percent.

Table 3
Capital Assets at Year-end
Net Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land and Improvements	\$ 132,757	\$ 132,757	\$ 79,557	\$ 79,557	\$ 212,314	\$ 212,314
Buildings and Improvements	\$ 561,929	\$ 419,738	\$ 739,004	\$ 733,854	\$ 1,158,742	\$ 1,295,783
Water and Sewer System	\$ -		\$ 3,442,329	\$ 3,437,874	\$ 3,442,329	\$ 3,437,874
Streets	\$ 1,070,433	\$ 1,070,433	\$ -	\$ -	\$ 1,070,433	\$ 1,070,433
Park Improvements	\$ 51,195	\$ 51,195	\$ -	\$ -	\$ 51,195	\$ 51,195
Equipment	\$ 14,563	\$ 14,563	\$ 457,646	\$ 417,316	\$ 472,209	\$ 431,879
Less accumulated depreciation	\$ (356,983)	\$ (318,295)	\$ (2,046,149)	\$ (1,938,953)	\$ (2,403,132)	\$ (2,257,248)
Total	\$ 1,473,894	\$ 1,370,391	\$ 2,672,387	\$ 2,729,648	\$ 4,146,281	\$ 4,100,039

Major additions and improvements in 2008:

Improvements to firehouse	\$142,191
Alarm shutdown @ water plant	17,945
New pump @ Hospital Hill reservoir	5,235
New pump at booster station	5,327
New roof at inlet building	5,150
Total	<u>\$175,848</u>

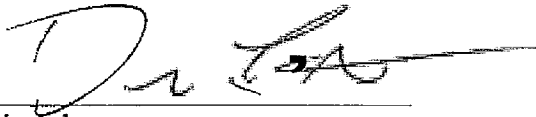
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CITY OF ADAIR VILLAGE
Benton County, Oregon

MANAGEMENT DISCUSSION AND ANALYSIS

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, 2008. Estimates were made for a range of revenues, including property taxes, shared state revenues, grants, franchise fees, leases, and charges for utility service. They also needed to factor in planning and building permit fee revenue by estimating new construction and remodels that might take place in the City. They set staff wage rates for the coming year at a time when the City was in the process of hiring a new city administrator. An expanding summer youth program and increasing cost for contracting for public works services provided new expenses. The 2007 Consumer Price Index for Portland, Oregon was 3.65 percent and that was another factor used to estimate expenses.



Signed _____

Drew Foster, City Administrator

Title

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

**STATEMENT OF NET ASSETS
June 30, 2008**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 677,826	\$ 1,075,603	\$ 1,753,429
Receivables:			
Taxes	2,916	-	2,916
Accounts	31,949	37,184	69,133
Capital Assets:			
Land	132,757	79,557	212,314
Other Capital Assets, Net of Accumulated Depreciation	1,341,137	2,592,830	3,933,967
Total Assets	<u>2,186,585</u>	<u>3,785,174</u>	<u>5,971,759</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts Payable	22,226	3,105	25,331
Payroll Liabilities	7,099	6,568	13,667
Accrued Interest Payable	-	7,424	7,424
Accrued Vacation	1,598	2,988	4,586
Noncurrent Liabilities:			
Revenue Bonds			
Due Within One Year	-	28,457	28,457
Due in More than One Year	-	398,767	398,767
Total Liabilities	<u>30,923</u>	<u>447,309</u>	<u>478,232</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	1,473,894	2,245,163	3,719,057
Restricted for Capital Projects	-	536,720	536,720
Unrestricted	681,768	555,982	1,237,750
Total Net Assets	<u>\$ 2,155,662</u>	<u>\$ 3,337,865</u>	<u>\$ 5,493,527</u>

See accompanying notes to the basic financial statements.

CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<u>Functions/Programs</u>			
Primary Government			
Governmental Activities			
General Government	\$ 189,001	\$ 61,645	\$ 6,000
Public Safety	6,535	-	-
Street Maintenance and Construction	51,106	-	-
Culture and Recreation	42,906	-	-
Total Governmental Activities	<u>289,548</u>	<u>61,645</u>	<u>6,000</u>
Business -Type Activities			
Water	258,428	262,412	-
Wastewater	246,569	152,115	-
System Development Charges	-	1,212	-
Other Business-Type Funds	15,610	6,010	-
Total Business - Type Activities	<u>520,607</u>	<u>421,749</u>	<u>-</u>
Total Primary Government	<u>\$ 810,155</u>	<u>\$ 483,394</u>	<u>\$ 6,000</u>

See accompanying notes to the basic financial statements.

Net Revenue (Expenses) and
Changes in Net Assets

Net Revenue (Expenses)	Governmental Activities	Business-Type Activities	Total
\$ (121,356)	\$ (121,356)	\$ -	\$ (121,356)
(6,535)	(6,535)	-	(6,535)
(51,106)	(51,106)	-	(51,106)
(42,906)	(42,906)	-	(42,906)
<u>(221,903)</u>	<u>(221,903)</u>	<u>-</u>	<u>(221,903)</u>
3,984	-	3,984	3,984
(94,454)	-	(94,454)	(94,454)
1,212	-	1,212	1,212
(9,600)	-	(9,600)	(9,600)
<u>(98,858)</u>	<u>-</u>	<u>(98,858)</u>	<u>(98,858)</u>
<u>\$ (320,761)</u>	<u>(221,903)</u>	<u>(98,858)</u>	<u>(320,761)</u>
General Revenues:			
Property Taxes	84,180	-	84,180
Highway Taxes	40,166	-	40,166
Intergovernmental	18,328	-	18,328
Insurance Proceeds	115,829	-	115,829
Earnings on Investments	32,632	47,369	80,001
Miscellaneous	9,756	-	9,756
Total General Revenues	<u>300,891</u>	<u>47,369</u>	<u>348,260</u>
Change in Net Assets	78,988	(51,489)	27,499
Beginning Net Assets	2,102,364	3,367,090	5,469,454
Prior Period Adjustment	<u>(25,690)</u>	<u>22,264</u>	<u>(3,426)</u>
Ending Net Assets	<u>\$ 2,155,662</u>	<u>\$ 3,337,865</u>	<u>\$ 5,493,527</u>

See accompanying notes to the basic financial statements.

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

**COMBINED BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008**

	GENERAL	STREET FUND	TOTAL
ASSETS:			
Cash and Investments	\$ 648,925	\$ 28,901	\$ 677,826
Receivables:			
Taxes	2,916	-	2,916
Accounts	28,775	3,174	31,949
Total Assets	\$ 680,616	\$ 32,075	\$ 712,691
LIABILITIES AND FUND EQUITY:			
Liabilities:			
Accounts Payable	\$ 21,519	\$ 707	\$ 22,226
Payroll Liabilities	6,266	833	7,099
Deferred Revenue	2,407	-	2,407
Total Liabilities	30,192	1,540	31,732
Fund Balance:			
Unreserved, Reported In:			
General Fund	650,424	-	650,424
Special Revenue Funds	-	30,535	30,535
Total Fund Balance	650,424	30,535	680,959
Total Liabilities and Fund Equity	\$ 680,616	\$ 32,075	\$ 712,691

See accompanying notes to the basic financial statements.

CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO STATEMENT OF NET ASSETS
June 30, 2008

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

Fund Balances	\$ 680,959
<p>The cost of capital assets (land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress) is reported as an expenditure in governmental funds. The statement of net assets includes those capital assets among the assets of the City as a whole.</p>	
Net Capital Assets	1,473,894
<p>Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.</p>	
Accrued Vacation	(1,598)
<p>Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.</p>	
Deferred Property Taxes	<u>2,407</u>
Total Net Assets	<u><u>\$ 2,155,662</u></u>

See accompanying notes to the basic financial statements.

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

**COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008**

	GENERAL FUND	STREET FUND	TOTAL
REVENUES:			
Property Taxes	\$ 84,111	\$ -	\$ 84,111
Highway Taxes	-	40,166	40,166
Franchise Fees	30,867	-	30,867
Intergovernmental	18,328	-	18,328
Rental Revenue	22,531	-	22,531
Licenses, Fees and Permits	8,247	-	8,247
Grants	6,000	-	6,000
Interest	31,809	823	32,632
Miscellaneous	9,756	-	9,756
Total Revenues	211,649	40,989	252,638
EXPENDITURES:			
Current:			
General Government	140,665	-	140,665
Public Safety	4,864	-	4,864
Highways and Streets	-	38,036	38,036
Culture and Recreation	31,933	-	31,933
Capital Outlay	174,765	1,210	175,975
Total Expenditures	352,227	39,246	391,473
Excess of Revenues Over, (Under) Expenditures	(140,578)	1,743	(138,835)
Other Financing Sources, (Uses)			
Insurance Proceeds	115,829	-	115,829
Total Other Financing Sources, (Uses)	115,829	-	115,829
Net Change in Fund Balance	(24,749)	1,743	(23,006)
Fund Balance - Beginning of Year	708,532	21,123	729,655
Prior Period Adjustment	(33,359)	7,669	(25,690)
Fund Balance - End of Year	\$ 650,424	\$ 30,535	\$ 680,959

See accompanying notes to the basic financial statements.

CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - TO
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008**

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

Excess of Revenues over Expenditures \$ (23,006)

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

Capitalized Additions	\$	142,191	
Depreciation Expense		<u>(38,688)</u>	
Net Adjustment			103,503

Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.

Accrued Vacation (1,578)

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

Deferred Property Taxes 69

Change in Net Assets \$ 78,988

See accompanying notes to the basic financial statements.

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

**COMBINED STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

June 30, 2008

	WATER FUND	WASTEWATER FUND	SYSTEM DEVELOPMENT CHARGES FUND	NONMAJOR PROPRIETARY FUNDS	TOTAL
ASSETS:					
Current Assets:					
Cash and Investments	\$ 471,502	\$ 67,381	\$ 466,155	\$ 70,565	\$ 1,075,603
Accounts Receivable, Net	21,058	15,546	-	580	37,184
Due From Other Funds	2,635	-	-	-	2,635
Total Current Assets	<u>495,195</u>	<u>82,927</u>	<u>466,155</u>	<u>71,145</u>	<u>1,115,422</u>
Noncurrent Assets:					
Land	77,086	2,471	-	-	79,557
Other Capital Assets, Net of Accumulated Depreciation	1,088,027	1,495,075	-	9,728	2,592,830
Total Noncurrent Assets	<u>1,165,113</u>	<u>1,497,546</u>	<u>-</u>	<u>9,728</u>	<u>2,672,387</u>
Total Assets	<u>\$ 1,660,308</u>	<u>\$ 1,580,473</u>	<u>\$ 466,155</u>	<u>\$ 80,873</u>	<u>\$ 3,787,809</u>
LIABILITIES AND NET ASSETS:					
Current Liabilities:					
Accounts Payable	\$ 2,684	\$ 421	\$ -	\$ -	\$ 3,105
Payroll Liabilities	3,284	3,284	-	-	6,568
Accrued Interest Payable	4,304	3,120	-	-	7,424
Due To Other Funds	-	-	-	2,635	2,635
Accrued Vacation	1,494	1,494	-	-	2,988
Total Current Liabilities	<u>11,766</u>	<u>8,319</u>	<u>-</u>	<u>2,635</u>	<u>22,720</u>
Long Term Liabilities					
Bonds Payable, Due Within One Year	18,457	10,000	-	-	28,457
Bonds Payable, Due in More Than One Year	246,504	152,263	-	-	398,767
Total Long Term Liabilities	<u>264,961</u>	<u>162,263</u>	<u>-</u>	<u>-</u>	<u>427,224</u>
Total Liabilities	<u>276,727</u>	<u>170,582</u>	<u>-</u>	<u>2,635</u>	<u>449,944</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	900,152	1,335,283	-	9,728	2,245,163
Restricted For Capital Projects	-	-	466,155	70,565	536,720
Unrestricted	483,429	74,608	-	(2,055)	555,982
Total Net Assets	<u>1,383,581</u>	<u>1,409,891</u>	<u>466,155</u>	<u>78,238</u>	<u>3,337,865</u>
Total Liabilities and Net Assets	<u>\$ 1,660,308</u>	<u>\$ 1,580,473</u>	<u>\$ 466,155</u>	<u>\$ 80,873</u>	<u>\$ 3,787,809</u>

See accompanying notes to the basic financial statements.

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

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008**

	WATER FUND	WASTEWATER FUND	SYSTEM DEVELOPMENT CHARGES FUND	NONMAJOR PROPRIETARY FUNDS	TOTAL
OPERATING REVENUES					
Charges for Services	\$ 262,412	\$ 152,115	\$ 1,212	\$ 6,010	\$ 421,749
Total Revenues	<u>262,412</u>	<u>152,115</u>	<u>1,212</u>	<u>6,010</u>	<u>421,749</u>
OPERATING EXPENSES					
Personal Services	40,806	41,328	-	-	82,134
Materials and Services	157,749	131,715	-	15,290	304,754
Depreciation	43,866	63,010	-	320	107,196
Total Expenses	<u>242,421</u>	<u>236,053</u>	<u>-</u>	<u>15,610</u>	<u>494,084</u>
Operating Income	19,991	(83,938)	1,212	(9,600)	(72,335)
NON OPERATING REVENUES (EXPENSES)					
Interest Income	19,934	4,593	19,592	3,250	47,369
Interest Expense	(16,007)	(10,516)	-	-	(26,523)
Total Non Operating Revenues (Expenses)	<u>3,927</u>	<u>(5,923)</u>	<u>19,592</u>	<u>3,250</u>	<u>20,846</u>
Change in Net Assets	23,918	(89,861)	20,804	(6,350)	(51,489)
Beginning Net Assets	1,343,830	1,500,281	439,397	83,582	3,367,090
Prior Period Adjustment	15,833	(529)	5,954	1,006	22,264
Ending Net Assets	<u>\$ 1,383,581</u>	<u>\$ 1,409,891</u>	<u>\$ 466,155</u>	<u>\$ 78,238</u>	<u>\$ 3,337,865</u>

See accompanying notes to the basic financial statements.

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

**COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2008**

	WATER FUND	WASTEWATER FUND	SYSTEM DEVELOPMENT CHARGES	NONMAJOR PROPRIETARY FUNDS	TOTAL
Cash Flows From Operating Activities:					
Cash Received From Customers	\$ 267,665	\$ 155,254	\$ 1,212	\$ 6,077	\$ 430,208
Cash Payments To Suppliers	(153,338)	(131,521)	-	(12,655)	(297,514)
Cash Payments To Employees	(38,808)	(39,330)	-	-	(78,138)
Net Cash From Operations	<u>75,519</u>	<u>(15,597)</u>	<u>1,212</u>	<u>(6,578)</u>	<u>54,556</u>
Cash Flows From Capital and Related Financing Activities:					
Purchases of Capital Assets	(45,480)	(4,455)	-	-	(49,935)
Payment of Principal of Bonds, Contracts Payable	(17,607)	(9,696)	-	-	(27,303)
Payment of Interest on Long-Term Debt	(16,317)	(10,511)	-	-	(26,828)
Net Cash (Used) By Capital and Related Financing Activities	<u>(79,404)</u>	<u>(24,662)</u>	<u>-</u>	<u>-</u>	<u>(104,066)</u>
Cash Flows From Investing Activities:					
Interest on Investments	28,337	4,629	25,546	4,256	62,768
Net Cash (Used) By Investing Activities	<u>28,337</u>	<u>4,629</u>	<u>25,546</u>	<u>4,256</u>	<u>62,768</u>
Net Increase In Cash and Investments	24,452	(35,630)	26,758	(2,322)	13,258
Cash and Investments at Beginning of Year	447,050	103,011	439,397	72,887	1,062,345
Cash and Investments at End of Year	<u>\$ 471,502</u>	<u>\$ 67,381</u>	<u>\$ 466,155</u>	<u>\$ 70,565</u>	<u>\$ 1,075,603</u>
Reconciliation of Cash Flows From Operating Activities to Operating Income					
Operating Income	\$ 19,991	\$ (83,938)	\$ 1,212	\$ (9,600)	\$ (72,335)
Adjustments					
Prior Period Adjustment (Operating)	7,430	(565)	-	-	6,865
Depreciation/Amortization	43,866	63,010	-	320	107,196
(Increase), Decrease in Accounts Receivable	5,253	3,704	-	67	9,024
(Increase), Decrease in Due From Other Funds	(2,635)	-	-	-	(2,635)
Increase, (Decrease) in Accounts Payable	(384)	194	-	-	(190)
Increase, (Decrease) in Due To Other Funds	-	-	-	2,635	2,635
Increase, (Decrease) in Accrued Vacation	1,456	1,456	-	-	2,912
Increase, (Decrease) in Payroll Liabilities	542	542	-	-	1,084
Net Cash From Operations	<u>\$ 75,519</u>	<u>\$ (15,597)</u>	<u>\$ 1,212</u>	<u>\$ (6,578)</u>	<u>\$ 54,556</u>

See accompanying notes to the basic financial statements.

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

THE FINANCIAL REPORTING ENTITY

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

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary 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 interfund activity has been removed from these statements.

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

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available (susceptible to accrual). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

There are two *major governmental* funds:

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

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

There are three major proprietary funds:

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

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

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

There are two non-major proprietary funds:

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

BUDGETS

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

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

Expenditure budgets are appropriated at the following levels for each fund other than the General Fund:

LEVEL OF CONTROL

Personal Services	Interfund Transactions
Materials and Services	Debt Service
Capital Outlay	Operating Contingency

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BUDGETS (CONTINUED)

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

Budget amounts shown in the basic financial statements reflect the original budget amount. Expenses of the various funds were within authorized appropriations for the year ended June 30, 2008, except for the General Fund: Personal Services over expended by \$20,300, Materials and Services over expended by \$48,713 and Capital Outlay over expended by \$105,664.

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Deposits and Investments

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

Receivables and Payables

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. No policy has been adopted that specifies a dollar amount for capital outlay expenditures that are capitalized. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

Buildings and Improvements	40 years
Wastewater and Water Trunk Lines	40 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 is not accrued in the governmental funds because it is expected that vacation pay will be liquidated with expendable available resources.

Deferred Revenue

On the fund financial statements, deferred revenue arises when resources do not satisfy both the measurable and available criteria for recognition in the current year, for example, if property taxes are received more than 60 days after year-end. In subsequent periods, when recognition criteria are met, the liability for deferred revenue is removed and revenue is recognized.

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

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Long-term Obligations

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

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

Fund Equity/Net assets

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

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

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

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

Cash Flow Statements

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

Property Tax Calendar

Property taxes attach as an enforceable lien on July 1 for real property and personal property. Taxes are levied as of July 1 and payable in three installments on November 15, February 15, and May 15. Real property taxes unpaid on May 16 are considered delinquent. Uncollected taxes, including delinquent amounts, are deemed by management to be substantially collectible or recoverable through liens.

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

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

Cash management policies are governed by state statutes. Statutes authorize investment in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Oregon State Treasurer's Local Government Investment Pool.

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, 2008 (recorded at cost) consisted of:

	2008
Petty Cash	\$ 100
Deposits with Financial Institutions	1,034
Investments	1,752,295
Total	<u>\$ 1,753,429</u>

Deposits

Deposits with financial institutions consist of bank demand deposits. State statutes require that the City obtain from its depositories, a certificate of participation for the full amount of the deposits. The depositories are required to pledge, with an independent pool manager, securities in the City's name equal to twenty-five percent of the face value of the certificate of participation issued to the City. The deposits at year-end were covered, as required by law, by federal depository insurance or by certificates of participation held by the pool manager.

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. The City does not have a formal deposit policy for custodial credit risk. For the fiscal year ended June 30, 2008, the bank balances were \$40,080. All of the bank balance was covered by Federal Depository Insurance.

Investments

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

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

CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

State's Office audits the Pool annually. A copy of the State's Comprehensive Annual Financial Report may be obtained at the Oregon State Treasury, 350 Winter St. NE, Salem, Oregon 97310-0840.

Amounts in the State Treasurer's Local Government Investment Pool are not required to be collateralized. There is no material difference between the fair value of the position in the State Treasurer's Local Government Investment Pool and the value of the pool shares at June 30, 2008. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

As of June 30, 2008 there were the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in months)</u>		
		<u>Less than 3</u>	<u>3-17</u>	<u>18-59</u>
State Treasurer's Investment Pool	1,752,295	1,752,295	-	-
Total	\$ 1,752,295	\$ 1,752,295	\$ -	\$ -

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.

Concentration of Credit Risk

At June 30, 2008, 100% of total investments were in the Oregon State Treasury's Local Government Investment Pool. State statutes do not limit the percentage of investment in the Pool.

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

NOTES TO BASIC FINANCIAL STATEMENTS

3. RECEIVABLES

Receivables at June 30, 2008 consisted of the following:

	Property Taxes	Accounts	Total
Governmental Activities			
General fund	\$ 2,916	\$ 28,775	\$ 31,691
Street fund	-	3,174	3,174
Total governmental activities	<u>\$ 2,916</u>	<u>\$ 31,949</u>	<u>\$ 34,865</u>
Business-Type Activities			
Water fund	\$ -	\$ 21,058	\$ 21,058
Wastewater Fund	-	15,546	15,546
Storm Drain	-	580	580
Total business type activities	<u>\$ -</u>	<u>\$ 37,184</u>	<u>\$ 37,184</u>

4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2008 was as follows:

Description	June 30, 2007	Additions	Disposals	June 30, 2008
Land	\$ 132,757	\$ -	\$ -	\$ 132,757
Total Non-Depreciable Capital Assets	<u>132,757</u>	<u>-</u>	<u>-</u>	<u>132,757</u>
Buildings & Improvements	419,738	142,191	-	561,929
Equipment	14,563	-	-	14,563
Streets	1,070,433	-	-	1,070,433
Park Improvements	51,195	-	-	51,195
Total Depreciable Capital Assets	1,555,929	142,191	-	1,698,120
Less Accumulated Depreciation	<u>318,295</u>	<u>38,688</u>	<u>-</u>	<u>356,983</u>
Net Depreciable Capital Assets	<u>1,237,634</u>			<u>1,341,137</u>
Net Capital Assets	<u>\$ 1,370,391</u>			<u>\$ 1,473,894</u>

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

Function	Governmental Activities
General Government	\$ 25,253
Public Safety	873
Street Maintenance and Construction	6,829
Culture and Recreation	5,733
Total	<u>\$ 38,688</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

4. CAPITAL ASSETS (CONTINUED)

Capital asset activity for business-type activities for the year ended June 30, 2008 was as follows:

Description	BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS			
	June 30, 2007	Additions	Disposals	June 30, 2008
Land	\$ 79,557	\$ -	\$ -	\$ 79,557
Total Non-Depreciable Capital Assets	79,557	-	-	79,557
Buildings	733,854	5,150	-	739,004
Water and Sewer System	3,437,874	4,436	-	3,442,310
Machinery and Equipment	417,316	40,329	-	457,645
Total Depreciable Capital Assets	4,589,044	49,915	-	4,638,959
Less Accumulated Depreciation	1,938,953	107,196	-	2,046,149
Net Depreciable Capital Assets	2,650,091			2,592,810
Net Capital Assets	\$ 2,729,648			\$ 2,672,367

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

Programs	
Water	\$ 43,866
Wastewater	63,010
Storm Drainage	320
Total	\$ 107,196

5. LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2008 were as follows:

	Interest Rates	Beginning Balance	Increase/ Adjustments	Decrease	Ending Balance	Due within One Year
<i>Governmental Activities:</i>						
Compensated absences		\$ 20	\$ 1,578	\$ -	\$ 1,598	\$ 1,598
Total governmental activities		\$ 20	\$ 1,578	\$ -	\$ 1,598	\$ 1,598
<i>Business-type Activities:</i>						
Compensated absences		\$ 76	\$ 2,912	\$ -	\$ 2,988	\$ 2,988
Bonds payable:						
1980 Water Bonds	5%	51,662	241	3,257	48,646	3,457
1997 Water Bonds	4.5-5.75%	235,000	-	15,000	220,000	15,000
1997 Wastewater Bonds	4.5-5.75%	175,000	-	10,000	165,000	10,000
Total bonds payable		461,662	241	28,257	433,646	28,457
Bond discounts		(7,135)	-	713	(6,422)	-
Total business-type activities		\$ 454,527	\$ -	\$ 27,544	\$ 427,224	\$ 28,457

NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG-TERM OBLIGATIONS (CONTINUED)

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 annual repayments of \$5,877 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, 2008.

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

	Total	Principal	Interest
2008-2009	\$ 5,877	\$ 3,457	\$ 2,420
2009-2010	5,877	3,630	2,247
2010-2011	5,877	3,811	2,066
2011-2012	5,877	4,002	1,875
2012-2013	5,877	4,202	1,675
2013-2018	29,385	24,377	5,008
2018-2023	5,414	5,167	247
Totals	\$ 64,184	\$ 48,646	\$ 15,538

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 City's 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 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:

	Total	Principal	Interest
2008-2009	\$ 27,219	\$ 15,000	\$ 12,219
2009-2010	31,213	20,000	11,213
2010-2011	30,063	20,000	10,063
2011-2012	28,913	20,000	8,913
2012-2013	27,763	20,000	7,763
2013-2018	144,119	125,000	19,119
Totals	\$ 289,290	\$ 220,000	\$ 69,290

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 City's 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 mature over a twenty-year period. The unobligated net revenue of the Wastewater Fund is pledged to the payment of principal and interest.

NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG-TERM OBLIGATIONS (CONTINUED)

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

	Total	Principal	Interest
2008-2009	\$ 19,200	\$ 10,000	\$ 9,200
2009-2010	23,481	15,000	8,481
2010-2011	22,619	15,000	7,619
2011-2012	21,756	15,000	6,756
2012-2013	20,894	15,000	5,894
2013-2018	109,231	95,000	14,231
Totals	\$ 217,181	\$ 165,000	\$ 52,181

6. REVENUE BOND RESERVE FUNDS

When proceeds from the 1997 Water and Wastewater Revenue Bonds were received, the City failed to establish fund reserve accounts, which were required as part of the bond agreements. The reserve accounts for both the Water and Wastewater Funds 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 into the Water Reserve Fund was \$31,213 as of June 30, 2008. The amount of funds that should have been deposited into the Wastewater Reserve Fund was \$24,025 as of June 30, 2008.

According to the two agreements, the bond reserve accounts must be brought back to full funding within one year of the invasion. The date of invasion was April 15, 1999 for the Water Reserve Fund and September 14, 1998 for the Wastewater Reserve Fund. No legal notice has yet been made to force the full funding.

As of June 30, 2008, the reserve requirements of the 1997 Water Revenue Bonds could be met by cash in the Water Fund. As of June 30, 2008, the reserve requirements of the 1997 Wastewater Revenue Bonds could be met by cash in the Wastewater Fund. No separate accounts have been established as of June 30, 2008.

7. PENSION PLAN

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

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan (“OPSRP”) is effective for all new employees hired on or after August 29, 2003. The new plan consists of a defined benefit program (the “Pension Program”) and a defined contribution portion (the Individual Account Program or “IAP”). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on type of service (general versus police or fire).

NOTES TO BASIC FINANCIAL STATEMENTS

7. PENSION PLAN (CONTINUED)

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, 2007 is 12.67% of salary covered under the plan for Tier 1 and Tier 2 (PERS) employees and 15.10% for employees covered under the Oregon Public Services Retirement Plan (OPSRP). The City pays the employee 6% contribution for the City Administrator. The PERS Board has statutory authority to revise employer contributions as necessary to ensure the promised benefits will be funded on a sound basis. Contributions to the plan for the years ending June 30, 2008, 2007, and 2006 were \$15,475, \$15,110, and \$16,394, respectively.

8. INTERFUND BALANCES

Details of the interfund receivables and payables are as follows:

Due from other funds:

Water Fund	\$ 2,635
	<u>2,635</u>
	<u>2,635</u>

Due to other funds:

Storm Drain Fund	\$ 2,635
	<u>2,635</u>
	<u>2,635</u>

9. 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

10. PROPERTY TAX LIMITATIONS

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

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.

11. 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.

12. DEFICIT FUND BALANCE/NET ASSETS

At June 30, 2008, the Storm Drain fund had a negative ending fund balance of \$2,055. The deficit fund balances will be remedied in the next fiscal year through transfers from the general fund.

13. PRIOR PERIOD ADJUSTMENT

During the fiscal year, a prior period adjustment in the amount of \$7,669 was made to the General Fund and Street Fund in order to properly record interest income and prior years' street tax turnovers. A prior period adjustment in the amount of \$15,833 was made to the General Fund and Water Fund to properly record omitted expenditures which were previously included in the wrong fund. A prior period adjustment in the amount of \$529 was made to the General Fund and Wastewater Fund to properly record interest and property lease income. Prior period adjustments in the amounts of \$6,960, \$5,954, \$108, and \$898 were made to the General Fund, SDC Fund, Storm Drain Fund, and Reserve Fund to properly record interest income. Additionally, a prior period adjustment in the amount of \$33,359 was made to the General Fund to properly state beginning cash and accounts receivable balances.

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

REQUIRED SUPPLEMENTARY DATA

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2008**

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:				
Property Taxes	\$ 83,619	\$ 83,619	\$ 84,111	\$ 492
Franchise Fees	30,000	30,000	30,867	867
Intergovernmental	13,200	13,200	18,328	5,128
Grant Revenue	1,000	1,000	6,000	5,000
Rentals and Leases	18,900	18,900	22,531	3,631
Building and Electrical Permits	7,000	7,000	5,647	(1,353)
Planning Fees	4,000	4,000	2,600	(1,400)
Management Fees	24,000	24,000	-	(24,000)
Refunds	1,000	1,000	9,620	8,620
Interest Income	10,000	10,000	31,809	21,809
Miscellaneous	3,150	3,150	136	(3,014)
Total Revenue	<u>195,869</u>	<u>195,869</u>	<u>211,649</u>	<u>15,780</u>
EXPENDITURES:				
Personal Services	36,400	36,400 (1)	56,700	(20,300)
Materials and Services	72,050	72,050 (1)	120,763	(48,713)
Capital Outlay	69,100	69,100 (1)	174,764	(105,664)
Contingency	143,050	143,050 (1)	-	143,050
Total Expenditures	<u>320,600</u>	<u>320,600</u>	<u>352,227</u>	<u>(31,627)</u>
Excess of Revenues Over, (Under) Expenditures	(124,731)	(124,731)	(140,578)	(15,847)
Other Financing Sources, (Uses)				
Insurance Proceeds	115,000	115,000	115,829	829
Transfers Out	(290,000)	(290,000) (1)	-	290,000
Total Other Financing Sources, (Uses)	<u>(175,000)</u>	<u>(175,000)</u>	<u>115,829</u>	<u>290,829</u>
Net Change in Fund Balance	(299,731)	(299,731)	(24,749)	274,982
Beginning Fund Balance	299,731	299,731	708,532	408,801
Prior Period Adjustment	-	-	(33,359)	(33,359)
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 650,424</u>	<u>\$ 650,424</u>

(1) Appropriation Level

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2008**

STREET FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:				
State Highway Tax	\$ 39,500	\$ 39,500	\$ 40,166	\$ 666
Grant Revenue	33,000	33,000	-	(33,000)
Interest Income	1,000	1,000	823	(177)
Miscellaneous	100	100	-	(100)
Total Revenues	<u>73,600</u>	<u>73,600</u>	<u>40,989</u>	<u>(32,611)</u>
EXPENDITURES:				
Personal Services	21,055	21,055 (1)	15,151	5,904
Materials and Services	27,900	27,900 (1)	22,885	5,015
Capital Outlay	85,345	85,345 (1)	1,210	84,135
Total Expenditures	<u>134,300</u>	<u>134,300</u>	<u>39,246</u>	<u>95,054</u>
Excess of Revenues Over, (Under) Expenditures	(60,700)	(60,700)	1,743	62,443
Other Financing Sources, (Uses):				
Transfers In	40,700	40,700	-	(40,700)
Total Other Financing Sources, (Uses)	<u>40,700</u>	<u>40,700</u>	<u>-</u>	<u>(40,700)</u>
Net Change in Fund Balance	(20,000)	(20,000)	1,743	21,743
Beginning Fund Balance	20,000	20,000	21,123	1,123
Prior Period Adjustment	-	-	7,669	7,669
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,535</u>	<u>\$ 30,535</u>

(1) Appropriation Level

CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON

SUPPLEMENTARY DATA

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2008**

WATER FUND				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:				
Charges for Services	\$ 249,600	\$ 249,600	\$ 262,412	\$ 12,812
Interest	4,000	4,000	19,934	15,934
Miscellaneous	100	100	-	(100)
Total Revenues	253,700	253,700	282,346	28,646
EXPENDITURES:				
Personal Services	39,950	39,950 (1)	39,350	600
Materials and Services	185,940	185,940 (1)	162,173	23,767
Capital Outlay	425,433	425,433 (1)	40,467	384,966
Debt Service	38,400	38,400 (1)	33,925	4,475
Contingency	16,977	16,977 (1)	-	16,977
Total Expenditures	706,700	706,700	275,915	430,785
Excess of Revenues Over, (Under) Expenditures	(453,000)	(453,000)	6,431	459,431
OTHER FINANCING SOURCES (USES):				
Transfers In	250,000	250,000	-	(250,000)
Transfers Out	(17,000)	(17,000) (1)	-	17,000
Total Other Financing Sources (Uses)	233,000	233,000	-	(233,000)
Net Change in Fund Balance	(220,000)	(220,000)	6,431	226,431
Beginning Fund Balance	250,000	250,000	466,963	216,963
Prior Period Adjustment	-	-	15,833	
Ending Fund Balance	\$ 30,000	\$ 30,000	489,227	\$ 459,227
Reconciliation to Net Assets:				
Capital Assets, Net of depreciation			\$ 1,165,113	
Bonds Payable, Net of discounts			(264,961)	
Accrued Interest on Long-Term Debt			(4,304)	
Accrued Vacation			(1,494)	
Total Net Assets			\$ 1,383,581	

(1) Appropriation Level

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2008**

<u>WASTEWATER FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:				
Charges for Services	\$ 154,442	\$ 154,442	\$ 152,115	\$ (2,327)
Rentals and Leases	500	500	-	(500)
Interest Income	5,000	5,000	4,593	(407)
Miscellaneous	<u>2,692</u>	<u>2,692</u>	<u>-</u>	<u>(2,692)</u>
 Total Revenues	 <u>162,634</u>	 <u>162,634</u>	 <u>156,708</u>	 <u>(5,926)</u>
EXPENDITURES:				
Personal Services	39,950	39,950 (1)	39,872	78
Materials and Services	139,840	139,840 (1)	131,624	8,216
Capital Outlay	151,100	151,100 (1)	4,436	146,664
Debt Service	22,500	22,500 (1)	20,207	2,293
Contingency	<u>3,677</u>	<u>3,677 (1)</u>	<u>-</u>	<u>3,677</u>
 Total Expenditures	 <u>357,067</u>	 <u>357,067</u>	 <u>196,139</u>	 <u>160,928</u>
 Excess of Revenues Over, (Under) Expenditures	 <u>(194,433)</u>	 <u>(194,433)</u>	 <u>(39,431)</u>	 <u>155,002</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
 Total Other Financing Sources (Uses)	 <u>100,000</u>	 <u>100,000</u>	 <u>-</u>	 <u>(100,000)</u>
 Net Change in Fund Balance	 (94,433)	 (94,433)	 (39,431)	 55,002
Beginning Fund Balance	100,000	100,000	119,182	19,182
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>(529)</u>	<u>(529)</u>
Ending Fund Balance	<u>\$ 5,567</u>	<u>\$ 5,567</u>	79,222	<u>\$ 73,655</u>
 Reconciliation to Net Assets:				
Capital Assets, Net of Depreciation			\$ 1,497,546	
Bonds Payable, Net of Discount			(162,263)	
Accrued Interest on Long-Term Debt			(3,120)	
Accrued Vacation			<u>(1,494)</u>	
 Total Net Assets			 <u>\$ 1,409,891</u>	

(1) Appropriation Level

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2008**

<u>SDC FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:				
Charges for Services	\$ 30,000	\$ 30,000	\$ 1,212	\$ (28,788)
Interest	7,000	7,000	19,592	12,592
Total Revenues	<u>37,000</u>	<u>37,000</u>	<u>20,804</u>	<u>(16,196)</u>
EXPENDITURES:				
Total Expenditures	-	-	-	-
Excess of Revenues Over, (Under) Expenditures	<u>37,000</u>	<u>37,000</u>	<u>20,804</u>	<u>(16,196)</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	<u>(390,700)</u>	<u>(390,700)</u>	(1) -	<u>390,700</u>
Total Other Financing Sources (Uses)	<u>(390,700)</u>	<u>(390,700)</u>	<u>-</u>	<u>390,700</u>
Net Change in Fund Balance	<u>(353,700)</u>	<u>(353,700)</u>	<u>20,804</u>	<u>374,504</u>
Beginning Fund Balance	353,700	353,700	439,397	85,697
Prior Period Adjustment	-	-	5,954	5,954
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 466,155</u>	<u>\$ 466,155</u>

(1) Appropriation Level

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

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

June 30, 2008

	<u>STORM DRAIN</u>	<u>RESERVE</u>	<u>TOTAL</u>
ASSETS:			
Current Assets:			
Cash and Investments	\$ -	\$ 70,565	\$ 70,565
Accounts Receivable, Net	580	-	580
Total Current Assets	<u>580</u>	<u>70,565</u>	<u>71,145</u>
Noncurrent Assets:			
Capital Assets, Net of Accumulated Depreciation	<u>9,728</u>	<u>-</u>	<u>9,728</u>
Total Noncurrent Assets	<u>9,728</u>	<u>-</u>	<u>9,728</u>
Total Assets	<u>\$ 10,308</u>	<u>\$ 70,565</u>	<u>\$ 80,873</u>
LIABILITIES AND NET ASSETS:			
Current Liabilities:			
Due To Other Funds	<u>2,635</u>	<u>-</u>	<u>2,635</u>
Total Liabilities	<u>2,635</u>	<u>-</u>	<u>2,635</u>
Net Assets			
Restricted for Capital Projects	-	70,565	70,565
Unrestricted	<u>7,673</u>	<u>-</u>	<u>7,673</u>
Total Net Assets	<u>7,673</u>	<u>70,565</u>	<u>78,238</u>
Total Liabilities and Net Assets	<u>\$ 10,308</u>	<u>\$ 70,565</u>	<u>\$ 80,873</u>

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

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2008**

	<u>STORM DRAIN</u>	<u>RESERVE</u>	<u>TOTAL</u>
OPERATING REVENUES			
Charges for Services	\$ 6,010	\$ -	\$ 6,010
Total Revenues	<u>6,010</u>	<u>-</u>	<u>6,010</u>
OPERATING EXPENSES			
Operating Supplies and Services	15,290	-	15,290
Depreciation	320	-	320
Total Expenses	<u>15,610</u>	<u>-</u>	<u>15,610</u>
Operating Income	(9,600)	-	(9,600)
NONOPERATING REVENUES (EXPENSES)			
Interest Income	276	2,974	3,250
Total Nonoperating Revenues (Expenses)	<u>276</u>	<u>2,974</u>	<u>3,250</u>
Change in Net Assets	(9,324)	2,974	(6,350)
Beginning Net Assets	16,889	66,693	83,582
Prior Period Adjustment	108	898	1,006
Ending Net Assets	<u>\$ 7,673</u>	<u>\$ 70,565</u>	<u>\$ 78,238</u>

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

**COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2008**

	<u>STORM DRAIN</u>	<u>RESERVE</u>	<u>TOTAL</u>
Cash Flows From Operating Activities:			
Cash Received From Customers	\$ 6,077	\$ -	\$ 6,077
Cash Payments To Suppliers	(12,655)	-	(12,655)
Net Cash From Operations	(6,578)	-	(6,578)
Cash Flows From Investing Activities:			
Interest on Investments	384	3,872	4,256
Net Cash (Used) By Investing Activities	384	3,872	4,256
Net Increase In Cash and Investments	(6,194)	3,872	(2,322)
Cash and Investments at Beginning of Year	6,194	66,693	72,887
Cash and Investments at End of Year	\$ -	\$ 70,565	\$ 70,565
Reconciliation of Cash Flows From Operating Activities to Operating Income			
Operating Income	\$ (9,600)	\$ -	\$ (9,600)
Adjustments			
Depreciation/Amortization	320	-	320
(Increase), Decrease in Accounts Receivable	67	-	67
Increase (Decrease) in Due To Other Funds	2,635	-	2,635
Net Cash From Operations	\$ (6,578)	\$ -	\$ (6,578)

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY BASIS
For the Year Ended June 30, 2008**

<u>STORM DRAIN FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:				
Charges for Service	\$ 6,000	\$ 6,000	\$ 6,010	\$ 10
Interest Income	250	250	276	26
Total Revenues	<u>6,250</u>	<u>6,250</u>	<u>6,286</u>	<u>36</u>
EXPENDITURES:				
Materials and Services	15,290	15,290 (1)	15,290	-
Capital Outlay	1,960	1,960 (1)	-	1,960
Total Expenditures	<u>17,250</u>	<u>17,250</u>	<u>15,290</u>	<u>1,960</u>
Net Change in Fund Balance	(11,000)	(11,000)	(9,004)	1,996
Beginning Fund Balance	11,000	11,000	6,841	(4,159)
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>108</u>	<u>108</u>
Ending Fund Balance	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u>(2,055)</u>	<u><u>\$ (2,055)</u></u>
Reconciliation to Net Assets:				
Capital Assets, Net of Depreciation			<u>\$ 9,728</u>	
Total Net Assets			<u><u>\$ 7,673</u></u>	

(1) Appropriation Level

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

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET- BUDGETARY BASIS
For the Year Ended June 30, 2008**

RESERVE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:				
Interest Income	\$ 1,000	\$ 1,000	\$ 2,974	\$ 1,974
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>2,974</u>	<u>1,974</u>
EXPENDITURES:				
Capital Outlay	<u>354,504</u>	<u>354,504</u> (1)	<u>-</u>	<u>354,504</u>
Total Expenditures	<u>354,504</u>	<u>354,504</u>	<u>-</u>	<u>354,504</u>
Other Financing Sources, (Uses)				
Transfer In	<u>290,504</u>	<u>290,504</u>	<u>-</u>	<u>(290,504)</u>
Total Other Financing Sources, (Uses)	<u>290,504</u>	<u>290,504</u>	<u>-</u>	<u>(290,504)</u>
Net Change in Fund Balance	(63,000)	(63,000)	2,974	(65,974)
Beginning Fund Balance	63,000	63,000	66,693	(3,693)
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>898</u>	<u>898</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,565</u>	<u>\$ 70,565</u>

(1) Appropriation Level

CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON

**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2008**

TAX YEAR	IMPOSED LEVY OR BALANCE UNCOLLECTED AT 7/1/07	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/08
Current:						
2007-08	\$ 86,233	\$ 2,043	\$ (97)	\$ 33	\$ 82,394	\$ 1,699
Prior Years:						
2006-07	1,800	-	(43)	70	1,217	540
2005-06	527	-	(23)	37	252	252
2004-05	285	-	(20)	37	169	96
2003-04	174	-	(50)	30	118	6
Prior	172	-	171	9	20	323
Total Prior	2,958	-	35	183	1,776	1,217
Total All Funds	\$ 89,191	\$ 2,043	\$ (62)	\$ 216	\$ 84,170	\$ 2,916

RECONCILIATION TO REVENUE:

	ALL FUNDS
Cash Collections by County Treasurer Above	\$ 84,170
Accrual of Receivables:	
June 30, 2008	352
June 30, 2007	(411)
Total Revenue	\$ 84,111

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

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

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Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the City of Adair Village as of and for the year ended June 30, 2008, and have issued our report thereon dated March 11, 2011. 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's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

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

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

1. No evidence of quotes obtained for purchases over \$5,000.
2. The City budget was not adopted prior to June 30, 2007.
3. Road funds were used for multiple purchases that appeared not to be in compliance with the intent of ORS. 373.
4. Expenditures exceed appropriations as indicated on page 20.
5. The LB-1 budget summary does not agree with the amounts on the LB-2 and LB-3 documents.
6. Budgeted transfers in/out amounts do not match.

OAR 162-10-0230 Internal Control

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

We noted matters involving the internal control structure and its operation that we consider to be significant deficiencies and material deficiencies under standards established by the American Institute of Certified Public Accountants, which are noted in our management letter dated March 11, 2011.

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

Pauly, Rogers and Co. P.C.
PAULY, ROGERS AND CO., P.C.