

CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2010



**12700 SW 72nd Ave.
Tigard, OR 97223**

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

FOR THE YEAR ENDED JUNE 30, 2010

ANNUAL FINANCIAL REPORT

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CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON

CITY COUNCIL

TERM EXPIRES

Bill Currier, Mayor

December 31, 2012

Steven Bittner

December 31, 2012

Charline King

December 31, 2014

Jeff Kubler

December 31, 2012

Ron Mercer

December 31, 2014

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

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

December 20, 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, 2010, 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.

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, 2010, 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

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, 2010.

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

Financial Highlights

- The City's net assets decreased \$344,791, or -6.58 percent, as a result of this year's operations.
- Net assets of our governmental activities decreased by \$198,749 or -9.77 percent.
- Net assets of our business-type activities decreased by \$146,042 or -4.56 percent.
- The total cost of all the City's programs in 2010 was \$1,030,813; in 2009, this cost was \$ 991,543.

City's Activities Highlights

First Full Year of Police Department

This was the first full year for the Adair Village Police Department. The budget for the department grew from \$147,045 to \$203,770. The Police Department included a full-time chief and one full-time officer, plus five reserves.

Moving Two Barracks onto City Property

Nearly \$100,000 was spent to move two 25' x 125' barracks that were donated to the City by Santiam Christian School. These buildings will be used by the City to establish an interpretive center and a multi-use building. The City has established a Historic Resources Committee to help define the use and develop a building plan. The City is using its funds to move the buildings and refurbish the exterior and will work with the HRC to raise funds to refurbish the interior.

Engineering Projects

The City worked with the City Engineer of record, Garrett Pallo of CivilWest, to pursue a number of projects which support preparation for future growth. Overall costs were over \$172,000 for all engineer work, including general services and the barracks project mentioned above. The primary long-range projects were:

- Aerial Photography - \$18,161
This funding completed the project started in the prior fiscal year. It provides aerial photography of all the City's facilities, sites, and easements for water lines. This information will be necessary for a variety of projects, especially the upgrades to the water and wastewater facilities and pipe lines.
- Infrastructure to the Intersection of Carr and Arnold - \$17,418
This represents the initial design and planning for the major capital project undertaken by the City in many years. This project will use existing System Development Charges (SDC) to bring both water and wastewater lines to the intersection that contains the barracks and that will be the northern edge of the future downtown area. In addition, to this primary project, the bid for this work will include repairing a dozen manholes throughout town and replacing 2000' of sewer line that runs into Adair County Park on the way to the City's Wastewater Plant. The estimate for the actual work is \$420,000.
- I/I Flow Mapping - \$8,868
This project will work on determining the worst sections with Inflow and Infiltration issues in the sewer system and will help plan for future improvements.
- Infrastructure Funding Strategy - \$3,088
This project will determine the best approach to funding \$14M in water system improvements and \$5M in wastewater system improvements.

CITY OF ADAIR VILLAGE
Benton County, Oregon

MANAGEMENT DISCUSSION AND ANALYSIS

Engineering Projects (Continued)

- SDC Methodology - \$5,969
This project updates the Capital Improvement Program and the SDC rates.
- Water Rights Planning - \$8,495
This ongoing project is in support of certifying the City's water rights from the Willamette River
- Wastewater Issues and General Services - \$11,477
These funds were dedicated to a variety of smaller projects, primarily connected to the wastewater facility telemetry, collection, and pump stations.

City Council Goals

The City Council membership remained the same as in 2009. The Council's Goals remained the same as established the previous year. These goals include:

- Establish water rights and permit
- Upgrade water plant & transmission line
 - Complete pre-design and planning, find funding resources, implement upgrade
- Control storm water infiltration & inflow
- Define community vision for downtown/commercial center
- Pursue siting of barracks
- Review Land Use Development Code
 - Engage community, consider subdivision mix implement community center vision
- Develop Emergency Management Plan
- Upgrade sewer plant
- Develop industrial site upgrade program
 - Complete Phase II ESA, define clean-up plan, find funding resources for clean-up

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, 2010. 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 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 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).

CITY OF ADAIR VILLAGE
Benton County, Oregon

MANAGEMENT DISCUSSION AND ANALYSIS

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

- **Governmental Activities** - The General Fund and the Street Fund are the primary areas here. 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 decreased from \$5,239,596 to \$4,894,805.

Table 1
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2010	2009	2010	2009	2010	2009
Current Assets	\$397,306	\$588,690	\$1,007,030	\$1,077,647	\$1,404,336	\$1,630,797
Capital Assets	<u>1,570,034</u>	<u>1,527,774</u>	<u>2,474,466</u>	<u>2,564,982</u>	<u>4,044,500</u>	<u>4,092,756</u>
TOTAL ASSETS	<u>1,967,340</u>	<u>2,116,464</u>	<u>3,481,496</u>	<u>3,642,629</u>	<u>5,448,836</u>	<u>5,971,759</u>
Current Liabilities	103,911	42,204	103,906	77,271	207,817	119,475
Non-current Liabilities	<u>27,142</u>	<u>39,224</u>	<u>319,072</u>	<u>360,798</u>	<u>346,214</u>	<u>400,022</u>
TOTAL LIABILITIES	<u>131,053</u>	<u>81,428</u>	<u>422,978</u>	<u>438,069</u>	<u>554,031</u>	<u>478,232</u>
Net Assets:						
Invested in Capital Assets	1,530,810	1,477,362	2,112,954	2,165,267	3,643,764	3,642,629
Restricted-Capital Projects	-	50,412	555,511	552,759	555,511	603,171
Unrestricted	<u>305,477</u>	<u>507,262</u>	<u>390,053</u>	<u>486,534</u>	<u>695,530</u>	<u>993,796</u>
TOTAL NET ASSETS	<u>\$1,836,287</u>	<u>\$2,035,036</u>	<u>\$3,058,518</u>	<u>\$3,204,560</u>	<u>\$4,894,805</u>	<u>\$5,239,596</u>

Net assets decreased 6.58 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 \$993,796 to \$695,530 or -30.0 percent. These decreases turned primarily on the Adair Village Police Department and on the investment in engineering projects in preparation for expected growth, which has not come to pass.

CITY OF ADAIR VILLAGE
Benton County, Oregon

MANAGEMENT DISCUSSION AND ANALYSIS

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>	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program Revenues:						
Charge for services	\$ 100,085	\$ 121,637	\$ 408,152	\$ 414,561	\$ 501,823	\$ 536,198
Grants	4,500	1,000	-	20,000	8,065	21,000
General Revenues:						
Property Taxes	88,726	87,159	-	-	87,649	87,159
Highway Fund Allocation	38,606	35,800	-	-	38,606	35,800
Intergovernmental	18,141	19,337	-	-	18,141	19,337
Earnings on Investments	3,947	14,256	5,777	21,291	9,723	35,547
Insurance Proceeds	-	-	-	-	-	-
Capital Lease Management Fees	-	-	-	-	-	-
Miscellaneous Income	<u>7,841</u>	<u>2,571</u>	<u>10,247</u>	<u>-</u>	<u>4,615</u>	<u>2,571</u>
TOTAL REVENUES	<u>261,846</u>	<u>281,760</u>	<u>424,176</u>	<u>455,852</u>	<u>686,022</u>	<u>737,612</u>
Program Expenses:						
Governmental Activities:						
General Government	179,188	183,850	-	-	179,188	183,850
Public Safety	203,770	147,045	-	-	203,770	147,045
Street Maintenance	39,540	44,406	-	-	39,540	44,406
Culture & Recreation	34,216	26,400	-	-	34,216	26,400
Unallocated	3,881	685	-	-	3,881	685

CITY OF ADAIR VILLAGE
Benton County, Oregon

MANAGEMENT DISCUSSION AND ANALYSIS

Proprietary Activities:	2010	2009	2010	2009	2010	2009
Water	-	-	310,682	284,375	310,682	284,375
Wastewater	-	-	257,195	292,324	257,195	292,324
Storm Drain	<u>-</u>	<u>-</u>	<u>2,341</u>	<u>12,458</u>	<u>2,341</u>	<u>12,458</u>
TOTAL EXPENSES	<u>460,595</u>	<u>402,386</u>	<u>570,218</u>	<u>589,157</u>	<u>1,030,813</u>	<u>991,543</u>
Increase (decrease) in net assets	(198,749)	(120,626)	(146,042)	(133,305)	(344,791)	(253,931)
Net assets-Beginning of year	<u>2,035,036</u>	<u>2,155,662</u>	<u>3,204,560</u>	<u>3,337,865</u>	<u>5,239,596</u>	<u>5,493,527</u>
Net assets-End of year	<u>\$1,836,287</u>	<u>\$2,035,036</u>	<u>\$3,058,518</u>	<u>\$3,204,560</u>	<u>\$4,894,805</u>	<u>\$5,239,596</u>

The City's total revenues decreased by \$51,590. But, last year's revenue included \$115,829 from the insurance settlement for Fire House #5. Accounting for that one time revenue, the regular, yearly revenues actually increased by \$64,239. Total expenses increased by \$39,270. Specifics on those changes can be found under "City's Activity Highlights" above.

General Budgetary Highlights

Over the year, the City Council did not revise the City's budget. Areas of legal appropriations are personal services, material and services, capital outlay, transfers, debt service, and contingencies. The General Fund has five sub-funds-Administration/Planning, Building, Non-Departmental, Parks, and public Safety.

CITY OF ADAIR VILLAGE
Benton County, Oregon

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Assets

At the end of June 30, 2010, the City had \$4,044,500 invested in land, buildings and improvements, streets, and equipment. This represents a decrease (net of depreciation) of \$48,256 or -1.18 percent.

Table 3
Capital Assets at Year-end
Net Depreciation

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2010	2009	2010	2009	2010	2009
Land and Improvements	\$ 132,757	\$ 132,757	\$79,557	\$79,557	\$212,314	\$212,314
Buildings and Improvements	653,244	561,929	739,004	739,004	1,300,933	1,300,933
Water and Sewer System	-	-	3,442,329	3,442,329	3,442,329	3,442,329
Streets	1,075,533	1,075,533	-	-	1,075,533	1,070,433
Park Improvements	70,933	70,993	-	-	70,933	70,933
Equipment	92,911	92,911	472,491	457,646	550,557	550,557
Less accumulated depreciation	<u>(455,404)</u>	<u>(406,349)</u>	<u>(2,258,915)</u>	<u>(2,153,554)</u>	<u>(2,714,319)</u>	<u>(2,559,903)</u>
Total	<u>\$1,570,034</u>	<u>\$1,527,774</u>	<u>\$2,474,466</u>	<u>\$2,564,982</u>	<u>\$4,044,500</u>	<u>\$4,092,756</u>

Economic Factors and Next Year's Budgets and Rates

The Budget Committee (five City Council members and five citizen members) considered a wide range of factors when establishing the budget for the fiscal year ending June 30, 2010. 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. There were no changes to Water and Wastewater utility rates and they remained the same as they had been since 2001-02. An expanding summer youth program and increasing cost for contracting for public works services provided new expenses.



Signed

Drew Foster, City Administrator
Name/Title

CITY OF ADAIR VILLAGE
BENTON COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF NET ASSETS
June 30, 2010**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 367,984	\$ 970,802	\$ 1,338,786
Receivables:			
Taxes	4,773	-	4,773
Accounts	24,549	36,228	60,777
Capital Assets:			
Land	132,757	79,557	212,314
Other Capital Assets, Net of Accumulated Depreciation	<u>1,437,277</u>	<u>2,394,909</u>	<u>3,832,186</u>
Total Assets	<u>1,967,340</u>	<u>3,481,496</u>	<u>5,448,836</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts Payable	53,630	44,693	98,323
Payroll Liabilities	23,475	7,804	31,279
Accrued Compensated Absences	533	6,273	6,806
Accrued Vacation	6,363	2,696	9,059
Unearned Revenue	7,828	-	7,828
Long Term Debt			
Due Within One Year	12,082	42,440	54,522
Due in more than one year	<u>27,142</u>	<u>319,072</u>	<u>346,214</u>
Total Liabilities	<u>131,053</u>	<u>422,978</u>	<u>554,031</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	1,530,810	2,112,954	3,643,764
Restricted for Capital Projects	-	555,511	555,511
Unrestricted	<u>305,477</u>	<u>390,053</u>	<u>695,530</u>
Total Net Assets	<u>\$ 1,836,287</u>	<u>\$ 3,058,518</u>	<u>\$ 4,894,805</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, 2010

<u>Functions/Programs</u>	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General Government	\$ 179,188	\$ 100,085	\$ 4,500
Public Safety	203,770	-	-
Street Maintenance and Construction	39,540	-	-
Culture and Recreation	34,216	-	-
Unallocated Interest Expense	3,881	-	-
Total Governmental Activities	460,595	100,085	4,500
Business -Type Activities			
Water	310,682	244,168	-
Wastewater	257,195	154,668	-
Other Business-Type Funds	2,341	9,316	-
Total Business - Type Activities	570,218	408,152	-
Total Primary Government	\$ 1,030,813	\$ 508,237	\$ 4,500

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
\$ (74,603)	\$ (74,603)	\$ -	\$ (74,603)
(203,770)	(203,770)	-	(203,770)
(39,540)	(39,540)	-	(39,540)
(34,216)	(34,216)	-	(34,216)
(3,881)	(3,881)	-	(3,881)
<u>(356,010)</u>	<u>(356,010)</u>	<u>-</u>	<u>(356,010)</u>
(66,514)	-	(66,514)	(66,514)
(102,527)	-	(102,527)	(102,527)
6,975	-	6,975	6,975
<u>(162,066)</u>	<u>-</u>	<u>(162,066)</u>	<u>(162,066)</u>
<u>\$ (518,076)</u>	<u>(356,010)</u>	<u>(162,066)</u>	<u>(518,076)</u>
General Revenues:			
Property Taxes	88,726	-	88,726
Highway Taxes	38,606	-	38,606
Intergovernmental	18,141	-	18,141
Earnings on Investments	3,947	5,777	9,724
Miscellaneous	7,841	10,247	18,088
Total General Revenues	<u>157,261</u>	<u>16,024</u>	<u>173,285</u>
Change in Net Assets	(198,749)	(146,042)	(344,791)
Beginning Net Assets	<u>2,035,036</u>	<u>3,204,560</u>	<u>5,239,596</u>
Ending Net Assets	<u>\$ 1,836,287</u>	<u>\$ 3,058,518</u>	<u>\$ 4,894,805</u>

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

**COMBINED BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010**

	<u>GENERAL</u>	<u>STREET FUND</u>	<u>TOTAL</u>
ASSETS:			
Cash and Investments	\$ 339,250	\$ 28,734	\$ 367,984
Receivables:			
Taxes	4,773	-	4,773
Accounts	21,302	3,247	24,549
Total Assets	<u>\$ 365,324</u>	<u>\$ 31,981</u>	<u>\$ 397,305</u>
LIABILITIES AND FUND EQUITY:			
Liabilities:			
Accounts Payable	\$ 52,760	\$ 870	\$ 53,630
Payroll Liabilities	22,277	1,198	23,475
Deferred Revenue	12,013	-	12,013
Total Liabilities	<u>87,050</u>	<u>2,068</u>	<u>89,118</u>
Fund Balance:			
Unreserved, Reported In:			
General Fund	278,274	-	278,274
Special Revenue Funds	-	29,913	29,913
Total Fund Balance	<u>278,274</u>	<u>29,913</u>	<u>308,187</u>
Total Liabilities and Fund Equity	<u>\$ 365,324</u>	<u>\$ 31,981</u>	<u>\$ 397,305</u>

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, 2010

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

Fund Balances	\$	308,187
<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		1,570,034
<p>Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.</p>		
Accrued Compensated Absences	\$	(6,363)
Accrued Interest		(533)
Capital Lease Payable		<u>(39,224)</u>
		(46,120)
<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>4,185</u>
Total Net Assets	\$	<u><u>1,836,287</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, 2010**

	GENERAL FUND	STREET FUND	TOTAL
REVENUES:			
Property Taxes	\$ 87,649	\$ -	\$ 87,649
Highway Taxes	-	38,606	38,606
Franchise Fees	29,936	-	29,936
Intergovernmental	18,141	-	18,141
Grants	4,500	-	4,500
Traffic Safety Funds	3,565	-	3,565
Property Leases/Rents	47,284	-	47,284
Permits and Fees	35,041	-	35,041
Interest Income	3,846	101	3,947
Miscellaneous	3,334	1,281	4,615
Total Revenues	<u>233,296</u>	<u>39,988</u>	<u>273,284</u>
EXPENDITURES:			
Current:			
General Government	159,098	-	159,098
Public Safety	180,923	-	180,923
Highways and Streets	-	35,107	35,107
Culture and Recreation	30,380	-	30,380
Capital Outlay	90,575	-	90,575
Debt Service	15,221	-	15,221
Total Expenditures	<u>476,197</u>	<u>35,107</u>	<u>511,304</u>
Net Change in Fund Balance	(242,901)	4,881	(238,020)
Fund Balance - Beginning of Year	<u>521,175</u>	<u>25,032</u>	<u>546,207</u>
Fund Balance - End of Year	<u>\$ 278,274</u>	<u>\$ 29,913</u>	<u>\$ 308,187</u>

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, 2010**

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 \$ (238,020)

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	\$	91,315	
Depreciation Expense		(49,055)	
Net Adjustment			42,260

Repayment of long-term debt is an expenditure in the governmental funds, however repayment reduces long-term liabilities in the statement of net assets.

Capital Lease Principal Payments	\$	11,188	
Change in Accrued Interest		153	
Change in Accrued Compensated Absences		(2,892)	
			8,449

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

Deferred Property Taxes	\$	1,077	
Other Deferred Revenue		(12,515)	
			(11,438)

Change in Net Assets	\$		<u>(198,749)</u>
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See accompanying notes to the basic financial statements.

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

**COMBINED STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010**

	WATER FUND	WASTEWATER FUND	SYSTEMS DEVELOPMENT FUND	NONMAJOR PROPRIETARY FUNDS	TOTAL
ASSETS:					
Current Assets:					
Cash and Investments	\$ 415,291	\$ -	\$ 483,174	\$ 72,337	\$ 970,802
Accounts Receivable, Net	19,992	15,025	-	1,211	36,228
Due From Other Funds	61,851	-	-	-	61,851
Total Current Assets	<u>497,134</u>	<u>15,025</u>	<u>483,174</u>	<u>73,548</u>	<u>1,068,881</u>
Noncurrent Assets:					
Land	77,086	2,471	-	-	79,557
Other Capital Assets, Net	1,001,478	1,384,343	-	9,088	2,394,909
Total Noncurrent Assets	<u>1,078,564</u>	<u>1,386,814</u>	<u>-</u>	<u>9,088</u>	<u>2,474,466</u>
Total Assets	<u><u>\$ 1,575,698</u></u>	<u><u>\$ 1,401,839</u></u>	<u><u>\$ 483,174</u></u>	<u><u>\$ 82,636</u></u>	<u><u>\$ 3,543,347</u></u>
LIABILITIES AND NET ASSETS:					
Current Liabilities:					
Accounts Payable	\$ 23,335	\$ 21,358	\$ -	\$ -	\$ 44,693
Payroll Liabilities	3,902	3,902	-	-	7,804
Accrued Interest Payable	3,626	2,647	-	-	6,273
Due To Other Funds	-	60,261	-	1,590	61,851
Compensated Absences	1,348	1,348	-	-	2,696
Bonds Payable, Due Within One Year	27,440	15,000	-	-	42,440
Total Current Liabilities	<u>59,651</u>	<u>104,516</u>	<u>-</u>	<u>1,590</u>	<u>165,757</u>
Long Term Liabilities:					
Bonds Payable, Due in More Than One Year	196,201	122,871	-	-	319,072
Total Long Term Liabilities	<u>196,201</u>	<u>122,871</u>	<u>-</u>	<u>-</u>	<u>319,072</u>
Total Liabilities	<u>255,852</u>	<u>227,387</u>	<u>-</u>	<u>1,590</u>	<u>484,829</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	854,923	1,248,942	-	9,088	2,112,953
Restricted For Capital Projects	-	-	483,174	72,337	555,511
Unrestricted	464,923	(74,490)	-	(379)	390,054
Total Net Assets	<u>1,319,846</u>	<u>1,174,452</u>	<u>483,174</u>	<u>81,046</u>	<u>3,058,518</u>
Total Liabilities and Net Assets	<u><u>\$ 1,575,698</u></u>	<u><u>\$ 1,401,839</u></u>	<u><u>\$ 483,174</u></u>	<u><u>\$ 82,636</u></u>	<u><u>\$ 3,543,347</u></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, 2010**

	WATER FUND	WASTEWATER FUND	SYSTEMS DEVELOPMENT FUND	NONMAJOR PROPRIETARY FUNDS	TOTAL
OPERATING REVENUES					
Charges for Services	\$ 244,168	\$ 154,668	\$ -	\$ 9,316	\$ 408,152
Miscellaneous Revenues	5,764	4,483	-	-	10,247
Total Revenues	<u>249,932</u>	<u>159,151</u>	<u>-</u>	<u>9,316</u>	<u>418,399</u>
OPERATING EXPENSES					
Personal Services	42,364	42,364	-	-	84,728
Materials and Services	212,301	143,513	-	2,021	357,835
Depreciation	42,685	62,356	-	320	105,361
Total Expenses	<u>297,350</u>	<u>248,233</u>	<u>-</u>	<u>2,341</u>	<u>547,924</u>
Operating Income	(47,418)	(89,082)	-	6,975	(129,525)
NON OPERATING REVENUES (EXPENSES)					
Interest Income	2,431	560	2,389	397	5,777
Interest Expense	<u>(13,332)</u>	<u>(8,962)</u>	<u>-</u>	<u>-</u>	<u>(22,294)</u>
Total Non-Operating Revenues (Expenses)	<u>(10,901)</u>	<u>(8,402)</u>	<u>2,389</u>	<u>397</u>	<u>(16,517)</u>
Change in Net Assets	(58,319)	(97,484)	2,389	7,372	(146,042)
Beginning Net Assets	<u>1,378,165</u>	<u>1,271,936</u>	<u>480,785</u>	<u>73,674</u>	<u>3,204,560</u>
Ending Net Assets	<u>\$ 1,319,846</u>	<u>\$ 1,174,452</u>	<u>\$ 483,174</u>	<u>\$ 81,046</u>	<u>\$ 3,058,518</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, 2010**

	WATER FUND	WASTEWATER FUND	SYSTEMS DEVELOPMENT FUND	NONMAJOR PROPRIETARY FUNDS	TOTAL
Cash Flows From Operating Activities:					
Cash Received From Customers	\$ 247,508	\$ 155,189	\$ -	\$ 8,667	\$ 411,364
Cash Payments To Suppliers	(195,805)	(137,954)	-	(2,026)	(335,785)
Cash Payments To Employees	(41,566)	(41,566)	-	-	(83,132)
Cash (Payment) Receipt to/from Other Funds	(51,400)	58,075	-	(6,676)	(1)
Other Receipts	5,764	4,483	-	-	10,247
Net Cash From Operations	(35,499)	38,227	-	(35)	2,693
Cash Flows From Capital and Related Financing Activities:					
Purchases of Capital Assets	-	(14,846)	-	-	(14,846)
Payment of Principal of Bonds, Contracts Payable	(23,507)	(14,696)	-	-	(38,203)
Payment of Interest on Long-Term Debt	(13,582)	(9,245)	-	-	(22,827)
Net Cash (Used) By Capital and Related Financing Activities	(37,089)	(38,787)	-	-	(75,876)
Cash Flows From Investing Activities:					
Interest on Investments	2,431	560	2,389	398	5,778
Net Cash (Used) By Investing Activities	2,431	560	2,389	398	5,778
Net Increase In Cash and Investments	(70,157)	-	2,389	363	(67,405)
Balances - Beginning of Year	485,448	-	480,785	71,974	1,038,207
Balances - End of Year	<u>\$ 415,291</u>	<u>\$ -</u>	<u>\$ 483,174</u>	<u>\$ 72,337</u>	<u>\$ 970,802</u>
Reconciliation of Cash Flows From Operating Activities to Operating Income				72,337	-
Operating Income	\$ (47,418)	\$ (89,082)	\$ -	\$ 6,974	\$ (129,526)
Adjustments					
Depreciation/Amortization	42,685	62,356	-	320	105,361
(Increase), Decrease in Accounts Receivable	3,340	521	-	(649)	3,212
Increase,(Decrease) in Due to Other Funds	(51,399)	58,075	-	(6,676)	-
Increase, (Decrease) in Accounts Payable	16,496	5,559	-	(5)	22,050
Increase, (Decrease) in Compensated Absences	331	331	-	-	662
Increase, (Decrease) in Payroll Liabilities	467	467	-	-	934
Net Cash From Operations	\$ (35,499)	\$ 38,227	\$ -	\$ (35)	\$ 2,693

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 under the authority of Oregon Revised Statutes Section 221, and operates with a five member elected City Council comprised of the mayor and four council members. The City Council appoints the City Administrator, who is responsible for the day to day management of the City. The City operates water and wastewater systems and maintains city streets and parks.

Accounting principles generally accepted in the United States of America require that these 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.

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

There are two non-major proprietary funds:

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

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

**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 expensed 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, debt service, 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, 2010, except for the Wastewater Fund: Debt Service over expended by \$461; Water Fund: Debt Service over expended by \$276; and the General Fund: Debt Service over expended by \$15,221.

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	30-50 years
Infrastructure	20-50 years
Equipment	7-10 years

Supply Inventories

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

Compensated Absences

Accumulated vested compensated absences are accrued in the government-wide and enterprise fund financial statements as earned by the employees. Sick pay, which does not vest, is recorded when leave is taken. A liability 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, enterprise funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalent. Accordingly, all investments are considered to be cash equivalents.

Property Tax Calendar

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

**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, 2010 (recorded at cost) consisted of:

Cash on hand	\$ 100
Deposits with financial institutions	47,440
Oregon State Treasurer's Local Government Investment Pool	<u>1,291,246</u>
	<u>\$ 1,338,786</u>

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

Governmental Activities	\$ 367,984
Business-Type Activities	<u>970,802</u>
Total cash and investments	<u>\$ 1,338,786</u>

Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the deposits may not be returned. There is no formal deposit policy for custodial credit risk. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited in an approved depository as identified by the Treasury. For the fiscal year ended June 30, 2010, the bank balances were \$50,866. 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

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 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 were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

As of June 30, 2010 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	\$ 1,291,246	\$ 1,291,246	\$ -	\$ -
Total	\$ 1,291,246	\$ 1,291,246	\$ -	\$ -

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, 2010, 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, 2010 consisted of the following:

	Property Taxes	Accounts	Total
Governmental Activities			
General fund	\$ 4,773	\$ 21,302	\$ 26,075
Street fund	-	3,247	3,247
Total governmental activities	<u>\$ 4,773</u>	<u>\$ 24,549</u>	<u>\$ 29,322</u>
Business-Type Activities			
Water fund	\$ -	\$ 19,992	\$ 19,992
Wastewater fund	-	15,025	15,025
Storm Drain fund	-	1,211	1,211
Total business type activities	<u>\$ -</u>	<u>\$ 36,228</u>	<u>\$ 36,228</u>

4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2010 was as follows:

	<u>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS</u>			
Description	June 30, 2009	Additions	Disposals	June 30, 2010
Land	\$ 132,757	\$ -	\$ -	\$ 132,757
Total Non-Depreciable Capital Assets	<u>132,757</u>	<u>-</u>	<u>-</u>	<u>132,757</u>
Buildings & Improvements	561,929	91,315	-	653,244
Equipment	92,911	-	-	92,911
Streets	1,075,533	-	-	1,075,533
Park Improvements	70,993	-	-	70,993
Total Depreciable Capital Assets	1,801,366	91,315	-	1,892,681
Less Accumulated Depreciation	406,349	49,055	-	455,404
Net Depreciable Capital Assets	<u>1,395,017</u>			<u>1,437,277</u>
Net Capital Assets	<u>\$ 1,527,774</u>			<u>\$ 1,570,034</u>

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

<u>Function</u>	
General Government	\$ 19,246
Public Safety	21,887
Street Maintenance and Construction	4,247
Culture and Recreation	3,675
Total	<u>\$ 49,055</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, 2010 was as follows:

Description	BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS			
	June 30, 2009	Additions	Disposals	June 30, 2010
Land	\$ 79,557	\$ -	\$ -	\$ 79,557
Total Non-Depreciable Capital Assets	79,557	-	-	79,557
Buildings	739,004	-	-	739,004
Water and Sewer System	3,442,329	-	-	3,442,329
Machinery and Equipment	457,646	14,845	-	472,491
Total Depreciable Capital Assets	4,638,979	14,845	-	4,653,824
Less Accumulated Depreciation	2,153,554	105,361	-	2,258,915
Net Depreciable Capital Assets	2,485,425			2,394,909
Net Capital Assets	\$ 2,564,982			\$ 2,474,466

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

Function	
Water	\$ 42,685
Wastewater	62,356
Storm Drainage	320
Total	\$ 105,361

5. LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended June 30, 2010 were as follows:

	Interest Rates	Beginning Balance	Increase	Decrease	Ending Balance	Due within One Year
<i>Governmental Activities:</i>						
Capital Leases						
Police Vehicle Lease	8.00%	\$ 50,412	\$ -	\$ 11,188	\$ 39,224	\$ 12,082
Compensated absences		3,471	6,364	3,472	6,363	6,363
Total governmental activities		\$ 53,883	\$ 6,364	\$ 14,660	\$ 45,587	\$ 18,445
<i>Business-type Activities:</i>						
Compensated absences		\$ 2,034	\$ 2,696	\$ 2,034	\$ 2,696	\$ 2,696
Bonds payable:						
1980 Water Bonds	5%	45,424	-	3,917	41,507	7,440
1997 Water Bonds	4.5-5.75%	205,000	-	20,000	185,000	20,000
Bond Discount		(3,276)	-	(410)	(2,866)	-
1997 Wastewater Bonds	4.5-5.75%	155,000	-	15,000	140,000	15,000
Bond Discount		(2,433)	-	(304)	(2,129)	-
Total business-type activities		\$ 401,749	\$ 2,696	\$ 40,237	\$ 364,208	\$ 45,136

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

NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG-TERM OBLIGATIONS (CONTINUED)

Capital Lease

On April 24, 2009, two police vehicles were acquired, totaling \$65,633, through a capital lease. The lease calls for annual payments of \$15,221, which includes interest at 8.00 percent. The lease will be fully paid in 2013.

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

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2010-2011	\$ 15,221	\$ 12,082	\$ 3,139
2011-2012	15,221	13,049	2,172
2012-2013	15,221	14,093	1,128
Totals	<u>\$ 45,663</u>	<u>\$ 39,224</u>	<u>\$ 6,439</u>

Bonds Payable

On June 10, 1980 revenue water bonds were issued, (series 1980) in the amount of \$100,000. Proceeds from this bond issue were used to fund construction of a water distribution system. This issue calls for varying principal and interest annual repayments, which includes interest at 5.00 percent. The unobligated net revenue of the Water Fund is pledged to the payment of principal and interest. Although this bond is exchangeable upon ninety (90) days notice, no action has been taken to call any portion of the outstanding bond as of June 30, 2010.

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

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2010-2011	\$ 9,423	\$ 7,440	\$ 1,983
2011-2012	9,423	7,816	1,607
2012-2013	9,423	8,212	1,211
2013-2014	9,423	8,628	795
2014-2015	9,421	9,063	358
2015-2016	357	348	9
Totals	<u>\$ 47,470</u>	<u>\$ 41,507</u>	<u>\$ 5,963</u>

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

5. LONG-TERM OBLIGATIONS (CONTINUED)

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

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2010-2011	\$ 30,063	\$ 20,000	\$ 10,063
2011-2012	28,913	20,000	8,913
2012-2013	27,763	20,000	7,763
2013-2014	26,613	20,000	6,613
2014-2015	30,319	25,000	5,319
2015-2018	87,187	80,000	7,187
Totals	<u>\$ 230,858</u>	<u>\$ 185,000</u>	<u>\$ 45,858</u>

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

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

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2010-2011	\$ 22,619	\$ 15,000	\$ 7,619
2011-2012	21,756	15,000	6,756
2012-2013	20,894	15,000	5,894
2013-2014	20,031	15,000	5,031
2014-2015	24,025	20,000	4,025
2015-2018	65,175	60,000	5,175
Totals	<u>\$ 174,500</u>	<u>\$ 140,000</u>	<u>\$ 34,500</u>

6. REVENUE BOND RESERVE FUNDS

The 1997 Water and Wastewater Revenue Bonds agreements require the establishment of fund reserve accounts. The reserve accounts for both the Water and Wastewater Funds are to be used to make the bond payments in the event that revenue from user fees was insufficient. As of June 30, 2010, the reserve requirements of the 1997 Water and Wastewater Revenue Bonds are met by cash in the Reserve Fund.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS

7. PENSION PLAN (CONTINUED)

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).

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, 2008 is 12.67% of salary covered under the plan for Tier 1 and Tier 2 (PERS) employees and 5.82% 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, 2010, 2009, and 2008 were \$25,863, \$21,756, and \$15,475, respectively.

8. INTERFUND BALANCES

Details of the interfund receivables and payables are as follows:

Due from other funds:	
Water Fund	\$ 61,851
	<u>61,851</u>
	<u>61,851</u>
Due to other funds:	
Wastewater Fund	\$ 60,261
Storm Drain Fund	1,590
	<u>61,851</u>
	<u>61,851</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

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.

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

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

At June 30, 2010, the Wastewater Fund and Storm Drain Fund had negative ending fund balances of \$70,496 and \$379, respectively. The deficit fund balances will be remedied in the next fiscal year through transfers from the General Fund.

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, 2010**

GENERAL FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:				
Property Taxes:				
Current year	\$ 85,000	\$ 85,000	\$ 86,302	\$ 1,302
Prior years	1,500	1,500	1,347	(153)
Franchise Fees	30,000	30,000	29,936	(64)
Intergovernmental:				
State revenue sharing	4,800	4,800	6,287	1,487
Liquor tax	9,000	9,000	10,493	1,493
Cigarette tax	1,200	1,200	1,361	161
Park Grant	5,000	5,000	3,500	(1,500)
DLCD Grant	1,000	1,000	1,000	-
BVP Grant	1,600	1,600	-	(1,600)
Traffic Safety Funds	5,400	5,400	3,565	(1,835)
Other Public Safety Grants	151,713	151,713	-	(151,713)
Property Lease/Rent	57,400	57,400	47,284	(10,116)
Building and Electrical Permits	5,000	5,000	26,460	21,460
Planning Fees	5,000	5,000	4,700	(300)
Other Fees and Fines	1,200	1,200	3,881	2,681
Refunds	1,000	1,000	1,999	999
Interest Income	24,000	24,000	3,846	(20,154)
Miscellaneous	1,500	1,500	1,335	(165)
Total Revenue	<u>391,313</u>	<u>391,313</u>	<u>233,296</u>	<u>(158,017)</u>
EXPENDITURES:				
Personal Services	277,023	277,023 (1)	176,104	100,919
Materials and Services	212,105	212,105 (1)	194,297	17,808
Capital Outlay	186,721	186,721 (1)	90,575	96,146
Debt Service	-	- (1)	15,221	(15,221)
Total Expenditures	<u>675,849</u>	<u>675,849</u>	<u>476,197</u>	<u>199,652</u>
Excess of Revenues Over, (Under) Expenditures	(284,536)	(284,536)	(242,901)	41,635
Other Financing Sources, (Uses)				
Transfers Out	(15,464)	(15,464) (1)	-	15,464
Total Other Financing Sources, (Uses)	<u>(15,464)</u>	<u>(15,464)</u>	<u>-</u>	<u>15,464</u>
Net Change in Fund Balance	(300,000)	(300,000)	(242,901)	57,099
Beginning Fund Balance	<u>300,000</u>	<u>300,000</u>	<u>521,175</u>	<u>221,175</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 278,274</u>	<u>\$ 278,274</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, 2010**

STREET FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:				
State Highway Tax	\$ 36,000	\$ 36,000	\$ 38,606	\$ 2,606
Refunds	-	-	1,281	1,281
Interest Income	600	600	101	(499)
Miscellaneous	100	100	-	(100)
Total Revenues	<u>36,700</u>	<u>36,700</u>	<u>39,988</u>	<u>3,288</u>
EXPENDITURES:				
Personal Services	13,788	13,788 (1)	12,918	870
Materials and Services	28,800	28,800 (1)	22,189	6,611
Capital Outlay	81,534	81,534 (1)	-	81,534
Contingency	21,000	21,000 (1)	-	21,000
Total Expenditures	<u>145,122</u>	<u>145,122</u>	<u>35,107</u>	<u>110,015</u>
Excess of Revenues Over, (Under) Expenditures	(108,422)	(108,422)	4,881	113,303
Other Financing Sources, (Uses):				
Transfers In	48,422	48,422	-	(48,422)
Total Other Financing Sources, (Uses)	<u>48,422</u>	<u>48,422</u>	<u>-</u>	<u>(48,422)</u>
Net Change in Fund Balance	(60,000)	(60,000)	4,881	64,881
Beginning Fund Balance	<u>60,000</u>	<u>60,000</u>	<u>25,032</u>	<u>(34,968)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,913</u>	<u>\$ 29,913</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, 2010**

<u>WATER FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:				
Charges for Services				
Water service fees	\$ 249,000	\$ 249,000	\$ 242,205	\$ (6,795)
Connection fees	600	600	1,963	1,363
Refunds	100	100	5,764	5,664
Interest income	10,000	10,000	2,431	(7,569)
Miscellaneous	100	100	-	(100)
	<u>259,800</u>	<u>259,800</u>	<u>252,363</u>	<u>(7,437)</u>
EXPENDITURES:				
Personal Services	43,675	43,675 (1)	42,032	1,643
Materials and Services	391,100	391,100 (1)	212,301	178,799
Capital Outlay	425,642	425,642 (1)	-	425,642
Debt Service	36,813	36,813 (1)	37,089	(276)
Contingency	82,000	82,000 (1)	-	82,000
	<u>979,230</u>	<u>979,230</u>	<u>291,422</u>	<u>687,808</u>
Excess of Revenues Over, (Under) Expenditures	(719,430)	(719,430)	(39,059)	680,371
OTHER FINANCING SOURCES (USES):				
Transfers In	359,430	359,430	-	(359,430)
	<u>359,430</u>	<u>359,430</u>	<u>-</u>	<u>(359,430)</u>
Net Change in Fund Balance	(360,000)	(360,000)	(39,059)	320,941
Beginning Fund Balance	360,000	360,000	508,956	148,956
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	469,897	<u>\$ 469,897</u>
Reconciliation to Net Assets:				
Capital Assets, Net of depreciation			\$ 1,078,564	
Bonds Payable, Net of discounts			(223,641)	
Accrued Interest on Long-Term Debt			(3,626)	
Accrued Vacation			<u>(1,348)</u>	
Total Net Assets			<u>\$ 1,319,846</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, 2010**

<u>WASTEWATER FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:				
Charges for Services				
Wastewater service fees	\$ 150,000	\$ 150,000	\$ 154,668	\$ 4,668
Connection fees	100	100	-	(100)
Refunds	100	100	4,483	4,383
Property lease	550	550	-	(550)
Interest Income	1,500	1,500	560	(940)
Miscellaneous	2,500	2,500	-	(2,500)
	<u>154,750</u>	<u>154,750</u>	<u>159,711</u>	<u>4,961</u>
Total Revenues				
EXPENDITURES:				
Personal Services	43,675	43,675 (1)	42,033	1,642
Materials and Services	343,500	343,500 (1)	143,513	199,987
Capital Outlay	43,686	43,686 (1)	14,845	28,841
Debt Service	23,481	23,481 (1)	23,942	(461)
Contingency	24,000	24,000 (1)	-	24,000
	<u>478,342</u>	<u>478,342</u>	<u>224,333</u>	<u>254,009</u>
Total Expenditures				
Excess of Revenues Over, (Under) Expenditures	(323,592)	(323,592)	(64,622)	258,970
OTHER FINANCING SOURCES (USES):				
Transfers In	143,592	143,592	-	(143,592)
	<u>143,592</u>	<u>143,592</u>	<u>-</u>	<u>(143,592)</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balance	(180,000)	(180,000)	(64,622)	115,378
Beginning Fund Balance	180,000	180,000	(5,874)	(185,874)
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(70,496)	<u>\$ (70,496)</u>
Reconciliation to Net Assets:				
Capital Assets, Net of Depreciation			\$ 1,386,814	
Bonds Payable, Net of Discount			(137,871)	
Accrued Interest on Long-Term Debt			(2,647)	
Accrued Vacation			(1,348)	
Total Net Assets			<u>\$ 1,174,452</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, 2010**

<u>SYSTEMS DEVELOPMENT FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:				
Charges for Services	\$ 5,460	\$ 5,460	\$ -	\$ (5,460)
Interest	6,000	6,000	2,389	(3,611)
Total Revenues	<u>11,460</u>	<u>11,460</u>	<u>2,389</u>	<u>(9,071)</u>
OTHER FINANCING SOURCES (USES):				
Transfers Out	<u>(551,444)</u>	<u>(551,444) (1)</u>	<u>-</u>	<u>551,444</u>
Total Other Financing Sources (Uses)	<u>(551,444)</u>	<u>(551,444)</u>	<u>-</u>	<u>551,444</u>
Net Change in Fund Balance	(539,984)	(539,984)	2,389	542,373
Beginning Fund Balance	<u>539,984</u>	<u>539,984</u>	<u>480,785</u>	<u>(59,199)</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 483,174</u>	<u>\$ 483,174</u>

(1) Appropriation Level

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

**COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
June 30, 2010**

	<u>STORM DRAIN</u>	<u>RESERVE</u>	<u>TOTAL</u>
ASSETS:			
Current Assets:			
Cash and Investments	\$ -	\$ 72,337	\$ 72,337
Accounts Receivable, Net	1,211	-	1,211
Total Current Assets	<u>1,211</u>	<u>72,337</u>	<u>73,548</u>
Noncurrent Assets:			
Capital Assets, Net of Accumulated Depreciation	9,088	-	9,088
Total Noncurrent Assets	<u>9,088</u>	<u>-</u>	<u>9,088</u>
Total Assets	<u>\$ 10,299</u>	<u>\$ 72,337</u>	<u>\$ 82,636</u>
LIABILITIES AND NET ASSETS:			
Current Liabilities:			
Due To Other Funds	\$ 1,590	\$ -	\$ 1,590
Total Liabilities	<u>1,590</u>	<u>-</u>	<u>1,590</u>
Net Assets			
Invested in capital assets, net of related debt	9,088	-	9,088
Restricted for Capital Projects	-	72,337	72,337
Unrestricted	<u>(379)</u>	<u>-</u>	<u>(379)</u>
Total Net Assets	<u>8,709</u>	<u>72,337</u>	<u>81,046</u>
Total Liabilities and Net Assets	<u>\$ 10,299</u>	<u>\$ 72,337</u>	<u>\$ 82,636</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, 2010

	<u>STORM DRAIN</u>	<u>RESERVE</u>	<u>TOTAL</u>
OPERATING REVENUES			
Charges for Services	\$ 9,316	\$ -	\$ 9,316
Total Revenues	<u>9,316</u>	<u>-</u>	<u>9,316</u>
OPERATING EXPENSES			
Materials and Services	2,021	-	2,021
Depreciation	321	-	321
Total Expenses	<u>2,342</u>	<u>-</u>	<u>2,342</u>
Operating Income	6,974	-	6,974
NONOPERATING REVENUES (EXPENSES)			
Interest Income	35	363	398
Total Nonoperating Revenues (Expenses)	<u>35</u>	<u>363</u>	<u>398</u>
Change in Net Assets	7,009	363	7,372
Beginning Net Assets	<u>1,700</u>	<u>71,974</u>	<u>73,674</u>
Ending Net Assets	<u>\$ 8,709</u>	<u>\$ 72,337</u>	<u>\$ 81,046</u>

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

**COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY FUNDS
For the Year Ended June 30, 2010**

	<u>STORM DRAIN</u>	<u>RESERVE</u>	<u>TOTAL</u>
Cash Flows From Operating Activities:			
Cash Received From Customers	\$ 8,667	\$ -	\$ 8,667
Cash Payments To Suppliers	(2,026)	-	(2,026)
Cash Payments To/From Other Funds	(6,676)	-	(6,676)
Net Cash From Operations	(35)	-	(35)
Cash Flows From Investing Activities:			
Interest on Investments	35	363	398
Net Cash (Used) By Investing Activities	35	363	398
Net Increase In Cash and Investments	-	363	363
Balances - Beginning of Year	-	71,974	71,974
Balances - End of Year	\$ -	\$ 72,337	\$ 72,337
Reconciliation of Cash Flows From Operating Activities to Operating Income			
Operating Income	\$ 6,975	\$ -	\$ 6,975
Adjustments			
Depreciation/Amortization	320	-	320
(Increase), Decrease in Accounts Receivable	(649)	-	(649)
Increase (Decrease) in Due From Other Funds	(6,676)	-	(6,676)
Increase, (Decrease) in Accounts Payable	(5)	-	(5)
Net Cash From Operations	\$ (35)	\$ -	\$ (35)

**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, 2010**

<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	\$ 9,316	\$ 3,316
Interest Income	-	-	35	35
Total Revenues	<u>6,000</u>	<u>6,000</u>	<u>9,351</u>	<u>3,351</u>
EXPENDITURES:				
Materials and Services	2,500	2,500 (1)	2,021	479
Capital Outlay	3,500	3,500 (1)	-	3,500
Total Expenditures	<u>6,000</u>	<u>6,000</u>	<u>2,021</u>	<u>3,979</u>
Net Change in Fund Balance	-	-	7,330	7,330
Beginning Fund Balance	-	-	(7,709)	(7,709)
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(379)	<u>\$ (379)</u>
Reconciliation to Net Assets:				
Capital Assets, Net of Depreciation			<u>9,088</u>	
Total Net Assets			<u>\$ 8,709</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, 2010**

RESERVE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:				
Interest Income	\$ 1,000	\$ 1,000	\$ 363	\$ (637)
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>363</u>	<u>(637)</u>
EXPENDITURES:				
Capital Outlay	99,964	99,964 (1)	-	99,964
Total Expenditures	<u>99,964</u>	<u>99,964</u>	<u>-</u>	<u>99,964</u>
Excess of Revenues Over, (Under) Expenditures	(98,964)	(98,964)	363	99,327
Other Financing Sources, (Uses)				
Transfer In	15,464	15,464	-	(15,464)
Total Other Financing Sources, (Uses)	<u>15,464</u>	<u>15,464</u>	<u>-</u>	<u>(15,464)</u>
Net Change in Fund Balance	(83,500)	(83,500)	363	(83,863)
Beginning Fund Balance	<u>83,500</u>	<u>83,500</u>	<u>71,974</u>	<u>11,526</u>
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,337</u>	<u>\$ 72,337</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, 2010**

TAX YEAR	IMPOSED LEVY OR BALANCE UNCOLLECTED AT 7/1/09	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/10
Current:						
2009-10	\$ 91,284	\$ 2,208	\$ (244)	\$ 33	\$ 86,686	\$ 2,179
Prior Years:						
2008-09	2,259	-	(176)	54	1,202	935
2007-08	744	-	(57)	42	336	393
2006-07	370	-	(49)	37	167	191
2005-06	151	-	(13)	3	93	48
Prior	210	-	818	5	6	1,027
Total Prior	3,734	-	523	141	1,804	2,594
Total All Funds	<u>\$ 95,018</u>	<u>\$ 2,208</u>	<u>\$ 279</u>	<u>\$ 174</u>	<u>\$ 88,490</u>	<u>\$ 4,773</u>

RECONCILIATION TO REVENUE:

	ALL FUNDS
Cash Collections by County Treasurer Above	\$ 88,490
Accrual of Receivables:	
June 30, 2010	334
June 30, 2009	(276)
Taxes in Lieu	(899)
Total Revenue	<u>\$ 87,649</u>

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

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

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PAULY, ROGERS AND CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-
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 - (503) 620-2632 • FAX (503) 684-7523

December 20, 2011

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, 2010, and have issued our report thereon dated December 20, 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 financial statements are free of material misstatement, we performed tests of 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. We found no evidence of quotes being obtained for multiple purchases over \$5,000.
2. Road funds were used for payment of insurance, which appears to not be in compliance with the intent of ORS 373, allowing for expenditures exclusively for the constructions, reconstruction, improvement, repairs, maintenance, and operation and use of roads and highways.
3. Expenditures exceed appropriations as indicated on page 20.

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 under standards established by the American Institute of Certified Public Accountants, which are noted in our management letter dated December 20, 2011.

This report is intended solely for the information and use of the 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.