

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

**FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2012**



12700 SW 72<sup>nd</sup> Ave.  
Tigard, OR 97223



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

**FOR THE YEAR ENDED JUNE 30, 2012**

**ANNUAL FINANCIAL REPORT**

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

**CITY COUNCIL**

**TERM EXPIRES**

Bill Currier, Mayor

December 31, 2012

Curt Hubele

December 31, 2012

Charline King

December 31, 2014

Nicole Real

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**

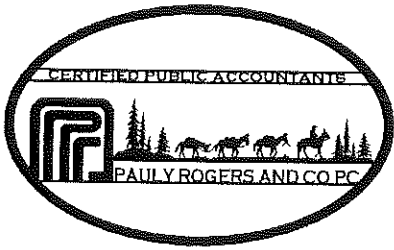
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March 1, 2015

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

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Adair Village, Oregon, as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Adair Village, Oregon, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the Management's Discussion and Analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary and other information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other Information*

The listing of board members containing their term expiration dates, located before the table of contents, and the other information, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Report on Other Legal and Regulatory Requirements**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated March 1, 2015, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



**ROY R. ROGERS, CPA  
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, 2012.

Please read it in conjunction with the City's basic financial statements, which begin on page 9.

**FINANCIAL HIGHLIGHTS**

- The City's net assets decreased \$302,488, or -6.62 percent, as a result of this year's operations and a prior period adjustment as noted on page 33.
- Net assets of our governmental activities decreased by \$117,293 or -6.61 percent, of which \$60,461 was related to prior period adjustments as noted on page 33.
- Net assets of our business-type activities decreased by \$185,195 or -6.63 percent.
- The total cost of all the City's programs in 2012 was \$1,114,108; in 2011, this cost was \$ 1,041,238.

**CITY'S ACTIVITIES HIGHLIGHTS**

**Police Department Downsized**

The budget for staffing the Adair Village Police Department was to be limited to a part-time chief (.6 FTE [full time equivalent]), an officer who would serve only through the end of September, a .4 FTE Code Enforcement Officer, call takers, and a reserve program. As it turned out, the new chief did not start until October, so the police officer, who served as interim chief until we brought in the new chief, was asked to remain until December. The Call Taker position was discontinued before the budget year started.

Resolution 2012-#3 was passed at the April 3<sup>rd</sup> meeting of the City Council. This resolution simply made a correction to the General Fund-Public Safety sub-fund moving \$15,221 for the five-year lease to buy contract for the two police cars from Materials and Services category to Capital Outlay. This change had no effect on the sub-fund's bottom line.

**Lease of Market and Restaurant**

The City Council agreed to reduce the lease of the Adair Market and Firehouse 5 restaurant from \$3,200 per month to \$2,400. This action impacted the amount appropriated in the 2011-12 Budget.

**Final Payment on Facilities Management Contract with OMI/CH2M Hill**

Resolution 2011-#15 transferred \$20,833 from Unappropriated Balance to Materials and Services in order to make the final August payment to CH2MHill/OMI on their facility operations contract.

**Emergency Response Preparations**

Assistant City Administrator Pat Hare established an emergency backup system for the City working through the AGILITY program, which was initiated by City County Insurance Services. This helped meet one of the Council's goals while costing the City nothing.

**Engineering Projects**

The City Engineer of record, Garrett Pallo of CivilWest Engineering Services, provided work on three major projects, in addition to normal short-term projects. In addition, the City hired two outside engineering firms for projects connected to

**CITY OF ADAIR VILLAGE**  
Benton County, Oregon

**MANAGEMENT DISCUSSION AND ANALYSIS**

the Adair Village Industrial Site (AVIS). Plus, there was ongoing work connected to the City's efforts to certify its 82 cfs (cubic feet per second) water right. Total cost for these six large projects was over \$172,000, specifics are below.

- **Storm Drain Improvements at Arnold and Birch - \$4,176**  
An older, unmapped storm drain line that crossed Benton County's Adair County Park was collapsing. CivilWest organized meetings with the City and Benton County and developed a simple plan to rectify the problem.
- **Waste Water Facility Plan (WWFP) - \$68,415**  
Civil West began work on a complete update of the City's Waste Water Facility Plan. The last WWFP was completed in 2006 and was limited in scope and out of date. Replacement of the existing plant will be required in order for the City to support the growth delineated in the Urban Growth Boundary (UGB) expansion to the south. This will be a multi-year project. The City will acquire a loan from Oregon Department of Environmental Quality (DEQ) to help with cash flow issues connected to this project.
- **Water Rate Study - \$20,307**  
Civil West completed a water rate study in order to support the cost of the City's need to replace the in-ground one million gallon reservoir on Voss Hill. The reservoir can be used only to 80 percent capacity and then, the leaks from the above ground portion of the reservoir (~33% of the whole tank) initiate large leaks. It is assumed that there are also significant leaks in the underground portion. Ultimately, a revenue bond will be required for this project, whose estimated cost is \$2.2 million. This study lead to Resolution 2012-#2, passed in April 2012, which initiated an increase to water and sewer utility rates. This was the first increase of residential utility rates since 2001. This was a significant increase from \$48.80 for 6,000 gallons to \$48.00 monthly base rate, plus \$4.25 per 1,000 gallons (this is the equivalent of \$73.50 for 6,000 gallons).
- **Water Rights Development - \$23,596**  
The City has a large (82 cubic feet per second [cfs]) water right for which we applied for certification through the Oregon Water Resources Department. The application was contested by WaterWatch and these are the costs for ongoing negotiations with that group. The City contracted with GSI Water Solutions and Cable Huston (attorneys) for support in these negotiations. Certification of this water right is a primary need for the City's planned growth.
- **AVIS Soil Sampling (GeoEngineers) - \$11,720**  
This project is necessary to complete the ESA (Environmental Site Assessment) for the 128 acre rural industrial site on Camp Adair Road that is owned by the City. The initial work has been supported by a grant from Oregon Business Development Department (OBDD) and ultimately, will be done in partnership with previous owners-Boise Cascade and Georgia Pacific. This project will determine the area affected by the previous plywood manufacture on the site. This is simply the first step in a range of studies that will need to be completed.
- **AVIS Integrated Brownfield Redevelopment (Maul Alongi, Inc) - \$44,010**  
The Integrated Brownfield Redevelopment (IBR) project was also supported by a grant from OBDD. When completed, it will look at future possible uses for the site when the soil sampling and connected projects are complete. The project takes into consideration environmental, financial, and social affects. This is an innovative project that OBDD hopes to use as a prototype for project throughout the state.

**CITY OF ADAIR VILLAGE**  
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**MANAGEMENT DISCUSSION AND ANALYSIS**

**CITY COUNCIL GOALS**

The City Council gained a new member in 2011 when Ron Mercer, who had originally come to the City as a RARE (Resource Assistance for Rural Environments) intern, was elected to the Council. The City Council held a goal-setting work session in January 2011 to update existing goals. The goals from that session have remained the same through the 2011-12 budget year. These goals include:

- Reduce water loss
- Establish water rights and permit
- Upgrade water plant & transmission lines
- Control storm water infiltration & inflow
- Upgrade streets and sidewalks
- Downtown/commercial center planning
- Interior restoration and public use of barracks
- Develop Emergency Management Plan
- Funding for wastewater facility plan
- Develop industrial site
  - Complete Phase II ESA, define clean-up plan, find funding resources for clean-up, development plan

**USING THIS ANNUAL REPORT**

This annual report consists of a set of financial statements. The Statement of Net Assets (pg. 9) and the Statement of Activities (pg. 10) 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, 2012. Fund financial statements begin on page 11 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).

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, Wastewater, Systems Development, Storm Drain, and Reserve Funds are included here. Most revenues come as fee charges for services that the City delivers to our citizens and customers. Expenses include everything needed to provide those services-personal services, materials and services, and capital outlay.

**CITY OF ADAIR VILLAGE**  
Benton County, Oregon

**MANAGEMENT DISCUSSION AND ANALYSIS**

**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 \$4,567,702 to \$4,265,214.

**Table 1**  
**Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2012	2011	2012	2011	2012	2011
Current Assets	\$158,616	\$209,862	\$463,187	\$515,032	\$621,803	\$724,894
Capital Assets	<u>1,546,852</u>	<u>1,650,893</u>	<u>2,557,534</u>	<u>2,670,310</u>	<u>4,104,386</u>	<u>4,321,203</u>
<b>TOTAL ASSETS</b>	<u>1,705,468</u>	<u>1,860,755</u>	<u>3,020,721</u>	<u>3,185,342</u>	<u>4,726,189</u>	<u>5,046,097</u>
Current Liabilities	49,059	72,961	101,183	110,417	150,242	183,378
Non-current Liabilities	—	<u>14,093</u>	<u>310,733</u>	<u>280,925</u>	<u>310,733</u>	<u>295,018</u>
<b>TOTAL LIABILITIES</b>	<u>49,059</u>	<u>87,054</u>	<u>411,916</u>	<u>391,342</u>	<u>460,975</u>	<u>478,396</u>
<b>Net Assets:</b>						
Invested in Capital Assets	1,532,759	1,623,751	2,203,788	2,346,763	3,736,547	3,970,514
Restricted for:						
Streets	41,691	32,629	-	-	41,691	32,629
Systems Dev.	-	-	198,229	188,932	198,229	188,932
Unrestricted	<u>81,959</u>	<u>117,322</u>	<u>206,788</u>	<u>258,305</u>	<u>288,747</u>	<u>375,627</u>
<b>TOTAL NET ASSETS</b>	<u>\$1,656,409</u>	<u>\$1,773,702</u>	<u>\$2,608,805</u>	<u>\$2,794,000</u>	<u>\$4,265,214</u>	<u>\$4,567,702</u>

Net assets decreased 6.62 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 \$375,627 to \$288,747 or 23.1 percent. These decreases are based on the cost for the Adair Village Police Department and on the investment in engineering projects (as presented above) made in preparation for expected growth, which has not come to pass up to this time.

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>	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charge for services	\$ 94,157	\$ 122,339	\$ 499,844	\$ 413,664	\$ 594,001	\$ 536,003
Grants	58,757	6,029	-	-	58,757	6,029



**CITY OF ADAIR VILLAGE**  
Benton County, Oregon

**MANAGEMENT DISCUSSION AND ANALYSIS**

General Revenues:						
Property Taxes	93,529	91,520	-	-	93,529	91,520
Highway Fund Allocation	45,754	44,362	-	-	45,754	44,362
Intergovernmental	18,454	18,300	-	-	18,454	18,300
Earnings on Investments	2,950	1,910	-	2,625	2,950	4,535
Insurance Proceeds	-	-	-	-	-	-
Capital Lease Management Fees	-	-	-	-	-	-
Miscellaneous	51,982	8,928	6,654	4,458	58,636	13,386
Transfers	-	<u>56,083</u>	-	<u>(56,083)</u>	-	-
<b>TOTAL REVENUES</b>	<u>365,583</u>	<u>349,471</u>	<u>506,498</u>	<u>364,664</u>	<u>872,081</u>	<u>714,135</u>
Program Expenses:						
Governmental Activities:						
General						
Government	238,282	169,609	-	-	238,282	169,609
Public Safety	121,405	168,204	-	-	121,405	168,204
Street Maintenance	41,666	44,832	-	-	41,666	44,832
Culture & Recreation	19,066	26,435	-	-	19,066	26,435
Unallocated Interest	1,996	2,976	-	-	1,996	2,976
Proprietary Activities:						
	2012	2011	2012	2011	2012	2011
Water	-	-	369,818	365,109	369,818	365,109
Wastewater	-	-	308,555	255,997	308,555	255,997
Other Business-Type Funds	-	-	<u>13,320</u>	<u>8,076</u>	<u>13,320</u>	<u>8,076</u>
<b>TOTAL EXPENSES</b>	<u>422,415</u>	<u>412,056</u>	<u>691,693</u>	<u>629,182</u>	<u>1,114,108</u>	<u>1,041,238</u>
Increase (decrease) in net assets	(56,832)	(62,585)	(185,195)	(264,518)	(242,027)	(327,103)
Net assets-Beginning of year	1,773,702	1,836,287	2,794,000	3,058,518	4,567,702	4,894,805
Prior Period Adjust	<u>(60,461)</u>	-	-	-	<u>(60,461)</u>	-
Net assets-End of year	<u>\$1,656,409</u>	<u>\$1,773,702</u>	<u>\$2,608,805</u>	<u>\$2,794,000</u>	<u>\$4,265,214</u>	<u>\$4,567,702</u>

**CITY OF ADAIR VILLAGE**  
Benton County, Oregon

**MANAGEMENT DISCUSSION AND ANALYSIS**

The City's total revenues increased by \$157,946. Total expenses increased by \$72,870. Specifics on those changes can be found under "City's Activity Highlights" above.

**GENERAL BUDGETARY HIGHLIGHTS**

Over the year, the City Council revised the City's budget in four areas:

- Funds were transferred within the Water Fund (\$20,833) from Unappropriated Ending Fund Balance to Materials and Services to pay the final month's contract with CH2MHill/OMI for operations of the Water and Waste Water plants.
- Funds were transferred within the General Fund (\$7,611) from Materials and Services to Capital Outlay to complete final payment for the City's two police cars.
- Due to the receipt of unanticipated funds during the year, a supplemental budget was adopted to receive revenue within the General Fund (\$82,500) and the Wastewater Fund (\$150,000) and appropriate the expenditures to Materials and Services for both funds. The unanticipated funds were due to the need for a loan from DEQ (\$150,000) to accommodate cash flow and spent on Waste Water Facility Plan. The \$82,500 was due to the opportunity to receive grant funds from Oregon Business Development Department to pursue two projects at the Adair Village Industrial Site.

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.

**CAPITAL ASSETS**

At the end of June 30, 2012, the City had \$4,104,386 invested in land, buildings and improvements, streets, and equipment. This represents a decrease (net of depreciation) of \$156,357 or 3.67 percent.

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

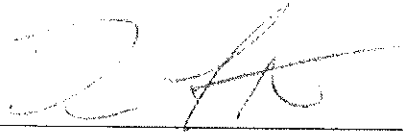
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2012	2011	2012	2011	2012	2011
Land and Improvements	\$ 132,757	\$ 132,757	\$79,557	\$79,557	\$212,314	\$212,314
Buildings and Improvements	765,459	765,459	745,029	745,029	1,510,488	1,510,488
Water and Sewer System	-	-	3,744,953	3,744,953	3,744,953	3,744,953
Streets	1,075,533	1,075,533	-	-	1,075,533	1,075,533
Park Improvements	86,717	70,993	-	-	86,717	70,993
Equipment	92,911	92,911	464,091	464,091	557,002	557,002
Less accumulated depreciation	<u>(606,526)</u>	<u>(486,760)</u>	<u>(2,476,096)</u>	<u>(2,363,320)</u>	<u>(3,082,622)</u>	<u>(2,850,080)</u>
Total	<u>\$1,546,851</u>	<u>\$1,650,893</u>	<u>\$2,557,534</u>	<u>\$2,670,310</u>	<u>\$4,104,385</u>	<u>\$4,321,203</u>

**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, 2012. 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. Water and Wastewater utility rates were raised for the first time since 2001-02 in preparation for necessary upgrades to the water and wastewater facilities and more immediately to prepare to replace the one million gallon reservoir on Voss Hill. An expanding summer youth program brought small new expenses. Ending the facility management contract with CH2MHill/OMI and bringing Public Works back in-house will lead to long term savings in the Water and Waste Water Funds and increased maintenance and improvements to all areas within the Public Works programs-Storm Drain, Street, Wastewater, and Water Funds.



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Signed

Drew Foster, City Administrator  
Name & Title

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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**

**STATEMENT OF NET ASSETS  
June 30, 2012**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 116,402	\$ 377,941	\$ 494,343
Receivables:			
Accounts	36,931	83,448	120,379
Taxes	4,722	-	4,722
Prepaid Expenses	561	1,798	2,359
Capital Assets:			
Land	132,757	79,557	212,314
Other Capital Assets, Net of Accumulated Depreciation	1,414,095	2,477,977	3,892,072
<b>Total Assets</b>	<b>\$ 1,705,468</b>	<b>\$ 3,020,721</b>	<b>\$ 4,726,189</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	\$ 20,381	\$ 21,935	\$ 42,316
Payroll Liabilities	11,527	26,159	37,686
Accrued Compensated Absences	2,866	5,330	8,196
Accrued Interest	192	4,746	4,938
Long Term Debt Due Within One Year	14,093	43,013	57,106
Noncurrent Liabilities:			
Long Term Debt Due in More than One Year	-	310,733	310,733
<b>Total Liabilities</b>	<b>49,059</b>	<b>411,916</b>	<b>460,975</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	1,532,759	2,203,788	3,736,547
Restricted for:			
Streets	41,691	-	41,691
System Development	-	198,229	198,229
Unrestricted	81,959	206,788	288,747
<b>Total Net Assets</b>	<b>\$ 1,656,409</b>	<b>\$ 2,608,805</b>	<b>\$ 4,265,214</b>

See accompanying notes to the basic financial statements.

CITY OF ADAIR VILLAGE  
BENTON COUNTY, OREGON

STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2012

<u>Functions/Programs</u>	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
Governmental Activities			
General Government	\$ 238,282	\$ 94,157	\$ 54,833
Public Safety	121,405	-	1,924
Street Maintenance and Construction	41,666	-	-
Culture and Recreation	19,066	-	2,000
Unallocated Interest Expense	1,996	-	-
Total Governmental Activities	422,415	94,157	58,757
Business -Type Activities			
Water	369,818	302,994	-
Wastewater	308,555	170,931	-
Other Business-Type Funds	13,320	25,919	-
Total Business - Type Activities	691,693	499,844	-
Total Primary Government	\$ 1,114,108	\$ 594,001	\$ 58,757

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
\$ (89,292)	\$ (89,292)	\$ -	\$ (89,292)
(119,481)	(119,481)	-	(119,481)
(41,666)	(41,666)	-	(41,666)
(17,066)	(17,066)	-	(17,066)
(1,996)	(1,996)	-	(1,996)
<u>(269,501)</u>	<u>(269,501)</u>	<u>-</u>	<u>(269,501)</u>
(66,824)	-	(66,824)	(66,824)
(137,624)	-	(137,624)	(137,624)
12,599	-	12,599	12,599
<u>(191,849)</u>	<u>-</u>	<u>(191,849)</u>	<u>(191,849)</u>
<u>\$ (461,350)</u>	<u>(269,501)</u>	<u>(191,849)</u>	<u>(461,350)</u>
General Revenues:			
Property Taxes	93,529	-	93,529
Highway Taxes	45,754	-	45,754
Intergovernmental	18,454	-	18,454
Earnings on Investments	2,950	-	2,950
Miscellaneous	51,982	6,654	58,636
Loan Proceeds	-	-	-
Total General Revenues	<u>212,669</u>	<u>6,654</u>	<u>219,323</u>
Change in Net Assets	(56,832)	(185,195)	(242,027)
Beginning Net Assets	1,773,702	2,794,000	4,567,702
Prior Period Adjustment	<u>(60,461)</u>	<u>-</u>	<u>(60,461)</u>
Ending Net Assets	<u>\$ 1,656,409</u>	<u>\$ 2,608,805</u>	<u>\$ 4,265,214</u>

See accompanying notes to the basic financial statements.

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

**COMBINED BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012**

	GENERAL	STREET FUND	TOTAL
<b>ASSETS:</b>			
Cash and Investments	\$ 75,933	\$ 40,469	\$ 116,402
Receivables:			
Accounts	32,956	3,975	36,931
Taxes	4,722	-	4,722
Prepays	561	-	561
	<u>561</u>	<u>-</u>	<u>561</u>
Total Assets	<u>\$ 114,172</u>	<u>\$ 44,444</u>	<u>\$ 158,616</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE:</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 19,438	\$ 943	\$ 20,381
Payroll Liabilities	9,717	1,810	11,527
	<u>9,717</u>	<u>1,810</u>	<u>11,527</u>
Total Liabilities	<u>29,155</u>	<u>2,753</u>	<u>31,908</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable Property Tax Revenue	4,025	-	4,025
	<u>4,025</u>	<u>-</u>	<u>4,025</u>
Total Deferred Inflows of Resources	<u>4,025</u>	<u>-</u>	<u>4,025</u>
<b>Fund Balance:</b>			
<b>Restricted for:</b>			
Streets	-	41,691	41,691
Unassigned	80,992	-	80,992
	<u>80,992</u>	<u>-</u>	<u>80,992</u>
Total Fund Balance	<u>80,992</u>	<u>41,691</u>	<u>122,683</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 114,172</u>	<u>\$ 44,444</u>	<u>\$ 158,616</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, 2012

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

Fund Balances \$ 122,683

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.

Net Capital Assets 1,546,852

Long-term liabilities applicable to the County'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.

Accrued Compensated Absences	\$ (2,866)	
Accrued Interest	(192)	
Capital Lease Payable	<u>(14,093)</u>	
		(17,151)

Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.

Unavailable Property Tax Revenues 4,025

Total Net Assets \$ 1,656,409

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, 2012**

	GENERAL FUND	STREET FUND	TOTAL
<b>REVENUES:</b>			
Property Taxes	\$ 93,843	\$ -	\$ 93,843
Highway Taxes	-	45,754	45,754
Franchise Fees	30,010	-	30,010
Intergovernmental	18,454	-	18,454
Grants	58,757	-	58,757
Traffic Safety Funds	400	-	400
Property Leases/Rents	52,761	-	52,761
Permits and Fees	11,386	-	11,386
Interest Income	2,950	-	2,950
Miscellaneous	50,843	739	51,582
	<u>319,404</u>	<u>46,493</u>	<u>365,897</u>
<b>Total Revenues</b>			
<b>EXPENDITURES:</b>			
Current:			
Personal Services	106,973	18,593	125,566
Materials and Services	233,237	18,838	252,075
Debt Service	15,221	-	15,221
	<u>355,431</u>	<u>37,431</u>	<u>392,862</u>
<b>Total Expenditures</b>			
Net Change in Fund Balance	(36,027)	9,062	(26,965)
Fund Balance - Beginning of Year	<u>117,019</u>	<u>32,629</u>	<u>149,648</u>
Fund Balance - End of Year	<u>\$ 80,992</u>	<u>\$ 41,691</u>	<u>\$ 122,683</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, 2012**

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

Net Change in Fund Balance \$ (26,965)

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, Net	\$ 9,768	
Depreciation Expense, Net	<u>(53,348)</u>	
Net Adjustment		(43,580)

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	13,049	
Change in Accrued Interest	176	
Change in Accrued Compensated Absences	<u>802</u>	
		14,027

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

Unavailable Property Tax Revenues		<u>(314)</u>
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Change in Net Assets		<u><u>\$ (56,832)</u></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, 2012**

	WATER FUND	WASTEWATER FUND	SYSTEMS DEVELOPMENT FUND	NONMAJOR PROPRIETARY FUNDS	TOTAL
<b>ASSETS:</b>					
Current Assets:					
Cash and Investments	\$ 170,276	\$ -	\$ 181,811	\$ 25,854	\$ 377,941
Accounts Receivable	33,157	48,778	-	1,513	83,448
Prepays	-	1,798	-	-	1,798
Due From Other Funds	156,034	-	-	-	156,034
Total Current Assets	<u>359,467</u>	<u>50,576</u>	<u>181,811</u>	<u>27,367</u>	<u>619,221</u>
Noncurrent Assets:					
Land	77,086	2,471	-	-	79,557
Other Capital Assets, Net	1,110,318	1,359,211	-	8,448	2,477,977
Total Noncurrent Assets	<u>1,187,404</u>	<u>1,361,682</u>	<u>-</u>	<u>8,448</u>	<u>2,557,534</u>
Total Assets	<u>\$ 1,546,871</u>	<u>\$ 1,412,258</u>	<u>\$ 181,811</u>	<u>\$ 35,815</u>	<u>\$ 3,176,755</u>
<b>LIABILITIES AND NET ASSETS:</b>					
Current Liabilities:					
Accounts Payable	\$ 11,590	\$ 10,314	\$ -	\$ 31	\$ 21,935
Payroll Liabilities	14,339	11,152	-	668	26,159
Accrued Interest Payable	2,640	2,106	-	-	4,746
Due To Other Funds	-	156,034	-	-	156,034
Compensated Absences	3,073	2,072	-	185	5,330
Bonds Payable, Due Within One Year	28,013	15,000	-	-	43,013
Total Current Liabilities	<u>59,655</u>	<u>196,678</u>	<u>-</u>	<u>884</u>	<u>257,217</u>
Long Term Liabilities:					
Note Payable, Due in More Than One Year	-	68,416	-	-	68,416
Bonds Payable, Due in More Than One Year	148,838	93,479	-	-	242,317
Total Long Term Liabilities	<u>148,838</u>	<u>161,895</u>	<u>-</u>	<u>-</u>	<u>310,733</u>
Total Liabilities	<u>208,493</u>	<u>358,573</u>	<u>-</u>	<u>884</u>	<u>567,950</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	1,010,553	1,184,787	-	8,448	2,203,788
Restricted For Capital Projects	-	-	181,811	16,418	198,229
Unrestricted	327,825	(131,102)	-	10,065	206,788
Total Net Assets	<u>1,338,378</u>	<u>1,053,685</u>	<u>181,811</u>	<u>34,931</u>	<u>2,608,805</u>
Total Liabilities and Net Assets	<u>\$ 1,546,871</u>	<u>\$ 1,412,258</u>	<u>\$ 181,811</u>	<u>\$ 35,815</u>	<u>\$ 3,176,755</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, 2012**

	WATER FUND	WASTEWATER FUND	SYSTEMS DEVELOPMENT FUND	NONMAJOR PROPRIETARY FUNDS	TOTAL
<b>OPERATING REVENUES</b>					
Charges for Services	\$ 301,955	\$ 170,931	\$ 9,297	\$ 16,622	\$ 498,805
Deposits for New Service	1,039	-	-	-	1,039
Miscellaneous Revenues	3,696	2,588	-	370	6,654
Total Revenues	<u>306,690</u>	<u>173,519</u>	<u>9,297</u>	<u>16,992</u>	<u>506,498</u>
<b>OPERATING EXPENSES</b>					
Personal Services	152,559	101,922	-	7,002	261,483
Materials and Services	158,930	134,453	-	5,998	299,381
Depreciation	47,540	64,916	-	320	112,776
Total Expenses	<u>359,029</u>	<u>301,291</u>	<u>-</u>	<u>13,320</u>	<u>673,640</u>
Operating Income	(52,339)	(127,772)	9,297	3,672	(167,142)
<b>NON OPERATING REVENUES (EXPENSES)</b>					
Interest Expense	(10,789)	(7,264)	-	-	(18,053)
Total Non-Operating Revenues (Expenses)	<u>(10,789)</u>	<u>(7,264)</u>	<u>-</u>	<u>-</u>	<u>(18,053)</u>
Change in Net Assets	(63,128)	(135,036)	9,297	3,672	(185,195)
Beginning Net Assets	<u>1,401,506</u>	<u>1,188,721</u>	<u>172,514</u>	<u>31,259</u>	<u>2,794,000</u>
Ending Net Assets	<u>\$ 1,338,378</u>	<u>\$ 1,053,685</u>	<u>\$ 181,811</u>	<u>\$ 34,931</u>	<u>\$ 2,608,805</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, 2012**

	WATER FUND	WASTEWATER FUND	SYSTEMS DEVELOPMENT FUND	NONMAJOR PROPRIETARY FUNDS	TOTAL
<b>Cash Flows From Operating Activities:</b>					
Cash Received From Customers	\$ 293,454	\$ 140,402	\$ 9,297	\$ 17,056	\$ 460,209
Cash Payments To Suppliers	(176,514)	(137,042)	-	(6,156)	(319,712)
Cash Payments To Employees	(148,298)	(97,391)	-	(6,149)	(251,838)
Other Receipts	3,696	2,588	-	-	6,284
Net Cash From Operations	<u>(27,662)</u>	<u>(91,443)</u>	<u>9,297</u>	<u>4,751</u>	<u>(105,057)</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>					
Transfers to (from) Other Funds	<u>(45,244)</u>	<u>45,244</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash (Used) By Non-Capital Financing Activities	<u>(45,244)</u>	<u>45,244</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Proceeds from Long-Term Debt	-	68,416	-	-	68,416
Payment of Principal of Bonds, Contracts Payable	(23,521)	(14,696)	-	-	(38,217)
Payment of Interest on Long-Term Debt	<u>(11,269)</u>	<u>(7,521)</u>	<u>-</u>	<u>-</u>	<u>(18,790)</u>
Net Cash (Used) By Capital and Related Financing Activities	<u>(34,790)</u>	<u>46,199</u>	<u>-</u>	<u>-</u>	<u>11,409</u>
Net Increase In Cash and Investments	(107,696)	-	9,297	4,751	(93,648)
Balances - Beginning of Year	<u>277,972</u>	<u>-</u>	<u>172,514</u>	<u>21,103</u>	<u>471,589</u>
Balances - End of Year	<u>\$ 170,276</u>	<u>\$ -</u>	<u>\$ 181,811</u>	<u>\$ 25,854</u>	<u>\$ 377,941</u>
<b>Reconciliation of Cash Flows From Operating Activities to Operating Income</b>					
Operating Income	\$ (52,339)	\$ (127,772)	\$ 9,297	\$ 3,672	\$ (167,142)
Adjustments					
Depreciation/Amortization	47,540	64,916	-	320	112,776
(Increase), Decrease in Accounts Receivable	(9,540)	(30,529)	-	64	(40,005)
(Increase), Decrease in Prepays	-	(1,798)	-	-	(1,798)
Increase, (Decrease) in Accounts Payable	(17,584)	(791)	-	(158)	(18,533)
Increase, (Decrease) in Compensated Absences	915	641	-	185	1,741
Increase, (Decrease) in Payroll Liabilities	<u>3,346</u>	<u>3,890</u>	<u>-</u>	<u>668</u>	<u>7,904</u>
Net Cash From Operations	<u>\$ (27,662)</u>	<u>\$ (91,443)</u>	<u>\$ 9,297</u>	<u>\$ 4,751</u>	<u>\$ (105,057)</u>

See accompanying notes to the basic financial statements.



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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**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 non-fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The effect of inter-fund activity has been removed from these statements.

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

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

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**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. Also, inventory is expensed when purchased, capital outlay is expensed rather than capitalized, and depreciation on capital assets is not recorded.

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

There are two *major governmental* funds:

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

Street Fund – This fund accounts for the construction or reconstruction of streets and sidewalks. These costs are paid primarily from 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**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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.

**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.

**LEVEL OF CONTROL**

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

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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BUDGETS (CONTINUED)**

Budget amounts shown in the basic financial statements reflect the original budget amount and final budget amounts, which include several appropriation transfers and one supplemental budget. Expenses of the various funds were within authorized appropriations for the year ended June 30, 2012, except as follows: General Fund: Personal Services over expended by \$1,635 and Debt Service over expended by \$15,221; Street Fund: Personal Services over expended by \$5,078; Water Fund: Personal Services over expended by \$19,812 and Debt Service over expended by \$477; Wastewater Fund: Personal Services over expended by \$14,643 and Debt Service over expended by \$461; and the Storm Drain Fund: Personal Services over expended \$1,610 and Materials and Services over expended by \$5,998.

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

Uncollected property taxes are shown in the combined balance sheet. Uncollected taxes are deemed by management to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. Property taxes collected within approximately 60 days of the fiscal year-end are recognized as revenue. The remaining balance of taxes receivable is recorded as 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 uncollectables has been established.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**I. 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. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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 for vacation pay is not accrued in the governmental funds because it is not expected that vacation pay will be liquidated with expendable available resources.

**Deferred Inflows**

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Combined Balance Sheet - Governmental Funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until then. There were no deferred outflows at year end.

In addition to liabilities, the Combined Balance Sheet - Governmental Funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows consisted of unavailable property taxes.

**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 during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Balance/Net 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, non-operating revenues, expenses and contributions of capital. Net assets are classified in the following three categories.

Net investment in capital assets – 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Fund Balance**

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications are non-spendable, restricted, committed, assigned, and unassigned.

- Non-spendable fund balance represents amounts that are not in a spendable form. The non-spendable fund balance represents inventories and prepaid items.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. The authority to classify portions of ending fund balances as assigned is granted to the City Administrator.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

The following order of spending regarding fund balance categories is as follows: restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

There were no non-spendable, committed, or assigned fund balances at June 30, 2012.

**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.

**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)**

**Property Tax Calendar**

Property taxes attach as an enforceable lien on July 1 for real property and personal property. Taxes are levied as of July 1 and payable in three installments on November 15, February 15, and May 15. Real property taxes unpaid on May 16 are considered delinquent. Uncollected taxes, including delinquent amounts, are deemed by management to be substantially collectible or recoverable through liens. Therefore, no allowance for uncollectibles has been established by management.

**2. CASH AND INVESTMENTS**

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

Cash and Investments at June 30, 2012 (recorded at cost) consisted of:

Cash on hand	\$	100
Deposits with financial institutions		10,163
Oregon State Treasurer's Local Government Investment Pool		<u>484,080</u>
Total	\$	<u>494,343</u>

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

Governmental activities	\$	116,402
Business-type activities		<u>377,941</u>
Total cash and investments	\$	<u>494,343</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, 2012, the bank balance was \$11,148. 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 other investments.



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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**2. CASH AND INVESTMENTS (CONTINUED)**

**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. Investments are stated at cost, which approximates fair value. There were no known violations of legal or contractual provisions for deposits and investments during the fiscal year.

As of June 30, 2012 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	\$ 484,080	\$ 484,080	\$ -	\$ -
Total	\$ 484,080	\$ 484,080	\$ -	\$ -

**Interest Rate Risk**

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

**Credit Risk**

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

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

**Concentration of Credit Risk**

At June 30, 2012, 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. CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended June 30, 2012 is as follows:

Description	GOVERNMENTAL ACTIVITIES CAPITAL ASSETS				
	June 30, 2011	Prior Period Adjustments	Additions	(Deletions)	June 30, 2012
Land	\$ 132,757	\$ -	\$ -	\$ -	\$ 132,757
Total Non-Depreciable Capital Assets	<u>132,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,757</u>
Buildings and Improvements	765,459	-	-	-	765,459
Equipment	92,911	-	-	-	92,911
Streets	1,075,533	-	-	-	1,075,533
Park Improvements	70,993	5,956	9,768	-	86,717
Total Depreciable Capital Assets	2,004,896	5,956	9,768	-	2,020,620
Less Accumulated Depreciation					
Buildings and Improvements	86,014	-	15,309	-	101,323
Equipment	11,655	29,264	11,282	-	52,201
Streets	359,728	37,153	21,919	-	418,800
Park Improvements	29,363	-	4,838	-	34,201
Less Accumulated Depreciation	<u>486,760</u>	<u>66,417</u>	<u>53,348</u>	<u>-</u>	<u>606,525</u>
Net Depreciable Capital Assets	<u>1,518,136</u>				<u>1,414,095</u>
Net Capital Assets	<u>\$ 1,650,893</u>				<u>\$ 1,546,852</u>

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

General Government	\$ 30,248
Public Safety	15,418
Streets	5,281
Culture and Recreation	2,401
Total	<u>\$ 53,348</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**3. CAPITAL ASSETS (CONTINUED)**

Capital asset activity for business-type activities for the year ended June 30, 2012 is as follows:

Description	BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS			
	June 30, 2011	Additions	(Deletions)	June 30, 2012
Land	\$ 79,557	\$ -	\$ -	\$ 79,557
Total Non-Depreciable Capital Assets	79,557	-	-	79,557
Buildings	745,029	-	-	745,029
Water and Sewer System	3,744,953	-	-	3,744,953
Machinery and Equipment	464,091	-	-	464,091
Total Depreciable Capital Assets	4,954,073	-	-	4,954,073
Less Accumulated Depreciation				
Buildings	609,009	3,279	-	612,288
Water and Sewer System	1,376,178	94,083	-	1,470,261
Machinery and Equipment	378,133	15,414	-	393,547
Total Depreciable Capital Assets	2,363,320	112,776	-	2,476,096
Less Accumulated Depreciation	2,363,320	112,776	-	2,476,096
Net Depreciable Capital Assets	2,590,753			2,477,977
Net Capital Assets	\$ 2,670,310			\$ 2,557,534

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

Water	\$ 47,540
Wastewater	64,916
Storm Drainage	320
Total	\$ 112,776

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**4. LONG-TERM OBLIGATIONS**

Changes in long-term obligations for the year ended June 30, 2012 were as follows:

	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<i>Governmental Activities:</i>						
Capital Leases						
Police Vehicle Lease	8.00%	\$ 27,142	\$ -	\$ 13,049	\$ 14,093	\$ 14,093
Compensated absences		3,668	3,345	4,147	2,866	2,866
Total governmental activities		<u>\$ 30,810</u>	<u>\$ 3,345</u>	<u>\$ 17,196</u>	<u>\$ 16,959</u>	<u>\$ 16,959</u>
<i>Business-type Activities:</i>						
Compensated absences		\$ 3,589	\$ 8,111	\$ 6,370	\$ 5,330	\$ 5,330
Notes payable:						
DEQ Note		-	68,416	-	68,416	-
Bonds payable:						
1980 Water Bonds	5%	37,830	-	3,930	33,900	8,013
1997 Water Bonds	4.5-5.75%	165,000	-	20,000	145,000	20,000
Bond Discount		(2,458)	-	(409)	(2,049)	-
1997 Wastewater Bonds	4.5-5.75%	125,000	-	15,000	110,000	15,000
Bond Discount		(1,825)	-	(304)	(1,521)	-
Total business-type activities		<u>\$ 327,136</u>	<u>\$ 76,527</u>	<u>\$ 44,587</u>	<u>\$ 359,076</u>	<u>\$ 48,343</u>

**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%. The lease will be fully paid in 2013.

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

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012-2013	\$ 15,221	\$ 14,093	\$ 1,128
Totals	<u>\$ 15,221</u>	<u>\$ 14,093</u>	<u>\$ 1,128</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, 2012.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**4. 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>
2012-2013	\$ 9,422	\$ 8,013	\$ 1,409
2013-2014	9,423	8,417	1,006
2014-2015	9,423	8,843	580
2015-2016	8,760	8,627	133
Totals	<u>\$ 37,028</u>	<u>\$ 33,900</u>	<u>\$ 3,128</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.

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

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012-2013	\$ 27,763	\$ 20,000	\$ 7,763
2013-2014	26,613	20,000	6,613
2014-2015	30,319	25,000	5,319
2015-2016	28,881	25,000	3,881
2016-2017	27,443	25,000	2,443
2017-2018	30,863	30,000	863
Totals	<u>\$ 171,882</u>	<u>\$ 145,000</u>	<u>\$ 26,882</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>
2012-2013	\$ 20,894	\$ 15,000	\$ 5,894
2013-2014	20,031	15,000	5,031
2014-2015	24,025	20,000	4,025
2015-2016	22,875	20,000	2,875
2016-2017	21,725	20,000	1,725
2017-2018	20,575	20,000	575
Totals	<u>\$ 130,125</u>	<u>\$ 110,000</u>	<u>\$ 20,125</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**4. LONG-TERM OBLIGATIONS (CONTINUED)**

**Note Payable**

On February 16, 2012, a loan agreement was entered into with the Oregon Department of Environmental Quality, Clean Water State Revolving Fund for improvements to the wastewater treatment facility. The loan is in the amount of \$180,000, payable at an interest rate of 1.04%, of which, at June 30, 2012, \$68,416 had been disbursed and was outstanding. Repayment of the loan is scheduled to begin September 1, 2014 after all disbursements are scheduled to have been made. The City grants DEQ a security interest in and irrevocably pledges its net operating revenues to secure repayment of the loan.

Annual debt service requirements to maturity for this loan when all loan proceeds have been received are as follows:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2014-2015	\$ 22,934	\$ 19,588	\$ 3,346
2015-2016	41,048	39,482	1,566
2016-2017	41,048	39,894	1,154
Totals	<u>\$ 105,030</u>	<u>\$ 98,964</u>	<u>\$ 6,066</u>

**5. REVENUE BOND RESERVE FUNDS**

The Resolutions authorizing the 1997 Water and Wastewater Revenue Bonds require the establishment of fund reserve accounts. The reserve accounts for both the Water and Wastewater Funds are to be used to make the bond payments in the event that revenue from user fees is insufficient. As of June 30, 2012, the reserve requirements of the 1997 Water and Wastewater Revenue Bonds as dictated by the Resolutions were not met by cash in the Reserve Fund. A required reserve amount equivalent to the annual payments for the bonds totaling \$50,699 was underfunded by \$34,281.

**6. 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).

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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**6. PENSION PLAN (CONTINUED)**

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, 2011 is 14.79% of salary covered under the plan for Tier 1 and Tier 2 (PERS) employees, 11.99% for employees covered under the Oregon Public Services Retirement Plan (OPSRP), and 14.70% for Police 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, 2012, 2011, and 2010 were \$28,511, \$32,999, and \$25,863, respectively.

**7. INTERFUND BALANCES AND TRANSFERS**

Details of the inter-fund receivables and payables are as follows:

Due from other funds:	
Water Fund	<u>\$ 156,034</u>
Due to other funds:	
Wastewater Fund	<u>\$ 156,034</u>

Inter-fund transfers are made to finance operations between funds.

**8. 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.

**9. PROPERTY TAX LIMITATIONS**

The State of Oregon has set 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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

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**9. PROPERTY TAX LIMITATIONS (CONTINUED)**

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.

**10. 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. Insurance is carried through CCIS to help mitigate these risks, and commercial insurance is carried for other risks of loss, including workers' compensation. Settled claims have not exceeded insurance coverage in any of the last three fiscal years.

**11. DEFICIT FUND BALANCE**

At June 30, 2012, the Wastewater Fund had a negative budgetary ending fund balance of \$126,924. The deficit fund balance will be remedied in the next fiscal year through transfers from the General Fund.

**12. PRIOR PERIOD ADJUSTMENTS**

A Prior Period Adjustment to the Governmental Activities of \$60,461 was made. The adjustment is composed of:

A 2010-2011 addition to the Park Improvements group of Governmental Assets was not included in the Fixed Asset Schedule calculation. A \$5,956 Prior Period Adjustment was made to correct the assets and depreciation.

Accumulated depreciation was understated in the prior year by \$66,417 due to miscalculation in the Streets category of Governmental Fixed Assets and due to the exclusion of Public Safety Fund assets from the equipment category of Governmental Fixed Assets.



**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, 2012**

<u>GENERAL FUND</u>				
REVENUES:	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Property Taxes:				
Current year	\$ 85,000	\$ 85,000	\$ 91,240	\$ 6,240
Prior years	1,800	1,800	2,603	803
Franchise Fees	32,000	32,000	30,010	(1,990)
Intergovernmental:				
State revenue sharing	6,500	6,500	6,503	3
Liquor tax	9,500	9,500	10,724	1,224
Cigarette tax	1,200	1,200	1,227	27
Park Grant	2,000	2,000	2,000	-
Business Oregon Grant-IBR	-	57,000	44,010	(12,990)
Business Oregon Grant-Soil Sampling	-	25,500	10,823	(14,677)
Traffic Safety Funds	-	-	400	400
Other Public Safety Grants	-	-	1,924	1,924
Property Lease/Rent	48,800	48,800	52,761	3,961
Building and Electrical Permits	9,000	9,000	7,074	(1,926)
Planning Fees	2,000	2,000	120	(1,880)
Ordinances and Court Fines	20,000	20,000	4,192	(15,808)
Other Fees and Fines	1,080	1,080	3,200	2,120
Refunds	2,500	2,500	37,676	35,176
Interest Income	2,000	2,000	2,950	950
Miscellaneous	1,000	1,000	9,967	8,967
<b>Total Revenue</b>	<u>224,380</u>	<u>306,880</u>	<u>319,404</u>	<u>12,524</u>
<b>EXPENDITURES:</b>				
Personal Services	105,338	105,338 (1)	106,973	(1,635)
Materials and Services	177,286	252,175 (1)	233,237	18,938
Capital Outlay	12,611	20,222 (1)	-	20,222
Debt Service	-	- (1)	15,221	(15,221)
<b>Total Expenditures</b>	<u>295,235</u>	<u>377,735</u>	<u>355,431</u>	<u>22,304</u>
<b>Net Change in Fund Balance</b>	<u>(70,855)</u>	<u>(70,855)</u>	<u>(36,027)</u>	<u>34,828</u>
<b>Beginning Fund Balance</b>	<u>125,000</u>	<u>125,000</u>	<u>117,019</u>	<u>(7,981)</u>
<b>Ending Fund Balance</b>	<u>\$ 54,145</u>	<u>\$ 54,145</u>	<u>\$ 80,992</u>	<u>\$ 26,847</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, 2012**

STREET FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES:</b>				
State Highway Tax	\$ 36,000	\$ 36,000	\$ 45,754	\$ 9,754
Interest Income	50	50	-	(50)
Miscellaneous	50	50	739	689
	36,100	36,100	46,493	10,393
<b>EXPENDITURES:</b>				
Personal Services	13,515	13,515 (1)	18,593	(5,078)
Materials and Services	20,700	20,700 (1)	18,838	1,862
Capital Outlay	45,644	45,644 (1)	-	45,644
Contingency	1,028	1,028 (1)	-	1,028
	80,887	80,887	37,431	43,456
Excess of Revenues Over, (Under) Expenditures	(44,787)	(44,787)	9,062	53,849
Beginning Fund Balance	44,787	44,787	32,629	(12,158)
Ending Fund Balance	\$ -	\$ -	\$ 41,691	\$ 41,691

(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, 2012**

<u>WATER FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES:</b>				
Charges for Services				
Water service fees	\$ 289,250	\$ 289,250	\$ 294,775	\$ 5,525
Connection fees	1,000	1,000	7,180	6,180
Refunds	100	100	-	(100)
Interest income	1,200	1,200	-	(1,200)
Deposits for new service	-	-	1,039	1,039
Miscellaneous	100	100	3,696	3,596
	<u>291,650</u>	<u>291,650</u>	<u>306,690</u>	<u>15,040</u>
<b>EXPENDITURES:</b>				
Personal Services	131,832	131,832 (1)	151,644	(19,812)
Materials and Services	159,800	180,633 (1)	158,930	21,703
Capital Outlay	270,000	270,000 (1)	-	270,000
Debt Service	34,313	34,313 (1)	34,790	(477)
	<u>595,945</u>	<u>616,778</u>	<u>345,364</u>	<u>271,414</u>
Excess of Revenues Over, (Under) Expenditures	(304,295)	(325,128)	(38,674)	286,454
<b>OTHER FINANCING SOURCES (USES):</b>				
Loan Proceeds	60,000	60,000	-	(60,000)
	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>(60,000)</u>
Net Change in Fund Balance	(244,295)	(265,128)	(38,674)	226,454
Beginning Fund Balance	400,000	400,000	372,212	(27,788)
Ending Fund Balance	<u>\$ 155,705</u>	<u>\$ 134,872</u>	<u>333,538</u>	<u>\$ 198,666</u>
<b>Reconciliation to Net Assets:</b>				
Capital Assets, Net of depreciation			1,187,404	
Bonds Payable, Net of discounts			(176,851)	
Accrued Interest on Long-Term Debt			(2,640)	
Accrued Vacation			(3,073)	
			<u>3,073</u>	
Total Net Assets			<u>\$ 1,338,378</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, 2012**

WASTEWATER FUND				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES:</b>				
Charges for Services				
Sewer User Fees	\$ 181,500	\$ 181,500	\$ 170,856	\$ (10,644)
Connection fees	-	-	75	75
Refunds	100	100	-	(100)
Property lease	550	550	-	(550)
Interest Income	459	459	-	(459)
Miscellaneous	1,000	1,000	2,588	1,588
Total Revenues	183,609	183,609	173,519	(10,090)
<b>EXPENDITURES:</b>				
Personal Services	86,638	86,638 (1)	101,281	(14,643)
Materials and Services	66,620	216,620 (1)	134,453	82,167
Capital Outlay	7,000	7,000 (1)	-	7,000
Debt Service	21,756	21,756 (1)	22,217	(461)
Total Expenditures	182,014	332,014	257,951	74,063
Excess of Revenues Over, (Under) Expenditures	1,595	(148,405)	(84,432)	63,973
<b>OTHER FINANCING SOURCES (USES):</b>				
Oregon DEQ Loan Proceeds	-	150,000	68,416	(81,584)
Total Other Financing Sources (Uses)	-	150,000	68,416	(81,584)
Net Change in Fund Balance	1,595	1,595	(16,016)	(17,611)
Beginning Fund Balance	-	-	(110,908)	(110,908)
Ending Fund Balance	\$ 1,595	\$ 1,595	(126,924)	\$ (128,519)
<b>Reconciliation to Net Assets:</b>				
Capital Assets, Net of Depreciation			1,361,682	
Bonds Payable, Net of Discount			(108,479)	
Oregon DEQ Loan			(68,416)	
Accrued Interest on Long-Term Debt			(2,106)	
Accrued Vacation			(2,072)	
Total Net Assets			\$ 1,053,685	

(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, 2012**

	<u>SYSTEMS DEVELOPMENT FUND</u>			
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:				
Charges for Services	\$ -	\$ -	\$ 9,297	\$ 9,297
Interest	600	600	-	(600)
Total Revenues	<u>600</u>	<u>600</u>	<u>9,297</u>	<u>8,697</u>
Net Change in Fund Balance	600	600	9,297	8,697
Beginning Fund Balance	<u>167,019</u>	<u>167,019</u>	<u>172,514</u>	<u>5,495</u>
Ending Fund Balance	<u>\$ 167,619</u>	<u>\$ 167,619</u>	<u>\$ 181,811</u>	<u>\$ 14,192</u>

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

**COMBINING STATEMENT OF NET ASSETS  
NONMAJOR PROPRIETARY FUNDS  
June 30, 2012**

	<u>STORM DRAIN</u>	<u>RESERVE</u>	<u>TOTAL</u>
<b>ASSETS:</b>			
Current Assets:			
Cash and Investments	\$ 9,436	\$ 16,418	\$ 25,854
Accounts Receivable	<u>1,513</u>	<u>-</u>	<u>1,513</u>
Total Current Assets	<u>10,949</u>	<u>16,418</u>	<u>27,367</u>
Noncurrent Assets:			
Capital Assets, Net of Accumulated Depreciation	<u>8,448</u>	<u>-</u>	<u>8,448</u>
Total Noncurrent Assets	<u>8,448</u>	<u>-</u>	<u>8,448</u>
Total Assets	<u>\$ 19,397</u>	<u>\$ 16,418</u>	<u>\$ 35,815</u>
<b>LIABILITIES AND NET ASSETS:</b>			
Current Liabilities:			
Accounts Payable	\$ 31	\$ -	\$ 31
Payroll Liabilities	668	-	668
Accrued Vacation	<u>185</u>	<u>-</u>	<u>185</u>
Total Liabilities	<u>884</u>	<u>-</u>	<u>884</u>
Net Assets			
Invested in capital assets, net of related debt	8,448	-	8,448
Restricted for Capital Projects	-	16,418	16,418
Unrestricted	<u>10,065</u>	<u>-</u>	<u>10,065</u>
Total Net Assets	<u>18,513</u>	<u>16,418</u>	<u>34,931</u>
Total Liabilities and Net Assets	<u>\$ 19,397</u>	<u>\$ 16,418</u>	<u>\$ 35,815</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, 2012**

	<u>STORM DRAIN</u>	<u>RESERVE</u>	<u>TOTAL</u>
OPERATING REVENUES			
Charges for Services	\$ 16,622	\$ -	\$ 16,622
Miscellaneous	370	-	370
	<u>16,992</u>	<u>-</u>	<u>16,992</u>
Total Operating Revenues			
OPERATING EXPENSES			
Personal Services	7,002	-	7,002
Materials and Services	5,998	-	5,998
Depreciation	320	-	320
	<u>13,320</u>	<u>-</u>	<u>13,320</u>
Total Operating Expenses			
Operating Income	3,672	-	3,672
Beginning Net Assets	<u>14,841</u>	<u>16,418</u>	<u>31,259</u>
Ending Net Assets	<u>\$ 18,513</u>	<u>\$ 16,418</u>	<u>\$ 34,931</u>

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

**COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY FUNDS  
For the Year Ended June 30, 2012**

	<u>STORM DRAIN</u>	<u>RESERVE</u>	<u>TOTAL</u>
Cash Flows From Operating Activities:			
Cash Received From Customers	\$ 17,056	\$ -	\$ 17,056
Cash Payments To Suppliers	(6,156)	-	(6,156)
Cash Payment to Employees	(6,149)	-	(6,149)
	<hr/>	<hr/>	<hr/>
Net Cash From Operations	4,751	-	4,751
	<hr/>	<hr/>	<hr/>
Net Increase In Cash and Investments	4,751	-	4,751
	<hr/>	<hr/>	<hr/>
Balances - Beginning of Year	4,685	16,418	21,103
	<hr/>	<hr/>	<hr/>
Balances - End of Year	<u>\$ 9,436</u>	<u>\$ 16,418</u>	<u>\$ 25,854</u>
	<hr/>	<hr/>	<hr/>
Reconciliation of Cash Flows From Operating Activities to Operating Income			
Operating Income	\$ 3,672	\$ -	\$ 3,672
Adjustments			
Depreciation/Amortization	320	-	320
(Increase), Decrease in Accounts Receivable	64	-	64
Increase, (Decrease) in Accounts Payable	(158)	-	(158)
Increase, (Decrease) in Accrued Vacation	185	-	185
Increase, (Decrease) in Payroll Liabilities	668	-	668
	<hr/>	<hr/>	<hr/>
Net Cash From Operations	<u>\$ 4,751</u>	<u>\$ -</u>	<u>\$ 4,751</u>
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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, 2012**

<u>STORM DRAIN FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES:</b>				
Charges for Service	\$ 15,700	\$ 15,700	\$ 16,622	\$ 922
Miscellaneous	-	-	370	370
<b>Total Revenues</b>	<u>15,700</u>	<u>15,700</u>	<u>16,992</u>	<u>1,292</u>
<b>EXPENDITURES:</b>				
Personal Services	5,207	5,207 (1)	6,817	(1,610)
Materials and Services	-	- (1)	5,998	(5,998)
Capital Outlay	45,000	45,000 (1)	-	45,000
Contingency	755	755 (1)	-	755
<b>Total Expenditures</b>	<u>50,962</u>	<u>50,962</u>	<u>12,815</u>	<u>38,147</u>
Excess of Revenues Over, (Under)				
Expenditures	(35,262)	(35,262)	4,177	39,439
<b>Other Financing Sources (Uses):</b>				
Loan for Storm Drain Replacement	30,000	30,000	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
<b>Net Change in Fund Balance</b>	(5,262)	(5,262)	4,177	9,439
Beginning Fund Balance	5,262	5,262	6,073	811
Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	10,250	<u>\$ 10,250</u>
<b>Reconciliation to Net Assets:</b>				
Capital Assets, Net of Depreciation			8,448	
Accrued Vacation			<u>(185)</u>	
<b>Total Net Assets</b>			<u>\$ 18,513</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, 2012**

RESERVE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES:				
Interest Income	\$ 50	\$ 50	\$ -	\$ (50)
Total Revenues	<u>50</u>	<u>50</u>	<u>-</u>	<u>(50)</u>
Net Change in Fund Balance	50	50	-	(50)
Beginning Fund Balance	<u>15,390</u>	<u>15,390</u>	<u>16,418</u>	<u>1,028</u>
Ending Fund Balance	<u>\$ 15,440</u>	<u>\$ 15,440</u>	<u>\$ 16,418</u>	<u>\$ 978</u>

CITY OF ADAIR VILLAGE  
BENTON COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES  
OF TAXES UNCOLLECTED  
For the Year Ended June 30, 2012

TAX YEAR	IMPOSED LEVY OR BALANCE UNCOLLECTED AT 7/1/11	DEDUCT DISCOUNTS	ADJUSTMENTS TO ROLLS	ADD INTEREST	CASH COLLECTIONS BY COUNTY TREASURER	BALANCE UNCOLLECTED OR UNSEGREGATED AT 6/30/12
Current:						
2011-12	\$ 95,900	\$ 2,320	\$ (175)	\$ 39	\$ 91,240	\$ 2,204
Prior Years:						
2010-11	2,292	-	(398)	119	1,450	563
2009-10	1,833	-	(18)	94	477	1,432
2008-09	510	-	(36)	97	300	271
2007-08	188	-	(9)	53	140	92
Prior	213	-	(16)	8	45	160
Total Prior	5,036	-	(477)	371	2,412	2,518
Total All Funds	\$ 100,936	\$ 2,320	\$ (652)	\$ 410	\$ 93,652	\$ 4,722

RECONCILIATION TO REVENUE:	ALL FUNDS
Cash Collections by County Treasurer Above	\$ 93,652
Accrual of Receivables:	
June 30, 2012	266
June 30, 2011	(697)
Taxes in Lieu	622
Total Revenue	\$ 93,843

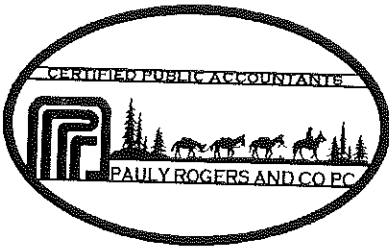
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**CITY OF ADAIR VILLAGE  
BENTON COUNTY, OREGON**

**INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS**

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www.paulyrogersandcocpas.com

March 1, 2015

### 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, 2012, and have issued our report thereon dated March 1, 2015. 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:

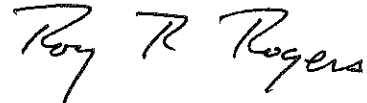
1. We found no evidence of quotes being obtained for two purchases over \$5,000.
2. Road funds were used for payment of insurance, which appears to not be in compliance with the intent of ORS 373, allowing for expenditures exclusively for the constructions, reconstruction, improvement, repairs, maintenance, and operation and use of roads and highways.
3. Expenditures exceeded appropriations as indicated on page 21.
4. The City transferred appropriations from Unappropriated Fund Balance in the amount of \$20,833 to Materials and Services within the Water Fund via Resolution 2011 - #15.

**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 March 1, 2015.

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.



**ROY R. ROGERS, CPA  
PAULY, ROGERS AND CO., P.C.**