

# CITY OF ADAIR VILLAGE, OREGON

## FINANCIAL REPORT

*for the year ended June 30, 2019*





# CITY OF ADAIR VILLAGE, OREGON

## Table of Contents

Principal Officials	i
Independent Auditors' Report	1
Management's Discussion & Analysis	5
<b>Basic Financial Statements:</b>	
<b>Government-wide Statements:</b>	
Statement of Net Position	13
Statement of Activities	14
<b>Fund Financial Statements:</b>	
<i>Governmental Funds:</i>	
Balance Sheet	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balance	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	18
<i>Proprietary Funds:</i>	
Statement of Net Position	19
Statement of Revenues, Expenses, and Changes in Net Position	20
Statement of Cash Flows	21
Notes to Basic Financial Statements	22
<b>Required Supplementary Information:</b>	
Schedule of the Proportionate Share of the Net Pension Liability	49
Schedule of Contributions	49
Schedule of the Changes in the Total OPEB Liability and Related Ratios – CIS Plan	50
Schedule of the Proportionate Share of the Net OPEB Liability – RHIA	51
Schedule of Contributions – RHIA	51
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund	52
Street Fund	53
<b>Supplementary Information:</b>	
<b>Major Proprietary Funds:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
Water Fund	55
Wastewater Fund	56
Systems Development Fund	57

**Nonmajor Proprietary Funds:**

Combining Statement of Net Position	58
Combining Statement of Revenues, Expenses, and Changes in Net Position	59
Combining Statement of Cash Flows	60
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
Storm Drain Fund	61
Reserve Fund	62

**Reports on Legal and Other Regulatory Requirements:**

Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting on an Audit of Financial Statements Performed in Accordance with <i>Oregon State Regulations</i>	63
--	----

## CITY OF ADAIR VILLAGE, OREGON

### CITY COUNCIL

Bill Currier, Mayor

Nicole Real

Bret Rey

Alan Rowe

Vacant

### TERM EXPIRES

December 31, 2020

December 31, 2020

December 31, 2022

December 31, 2020

December 31, 2022

All council members receive mail at the address listed below.

### ADMINISTRATIVE

Pat Hare, City Administrator

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



## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and City Council  
City of Adair Village, Oregon

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Adair Village, Oregon, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise City of Adair Village, Oregon's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Adair Village, Oregon, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, or 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 required supplementary information, such as management's discussion and analysis and schedule of revenues, expenditures and changes in fund balance – budget and actual, as listed in the table of contents under required supplementary information, 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, schedule of the proportionate share of the net pension liability, schedule of contributions, the schedule of changes in total OPEB liability and related ratios – CIS Plan, schedule of proportionate share of the net OPEB liability – RHIA and the schedules of contributions for RHIA, as listed in the table of contents under required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

### *Supplemental and Other Information*

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

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

### **Other Reporting Required by Oregon Minimum Standards**

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated November 8, 2019, on our consideration of City of Adair Village, Oregon's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon



Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.



For Merina+Co  
Tualatin, Oregon  
November 8, 2019





**CITY OF ADAIR VILLAGE  
MANAGEMENT DISCUSSION AND ANALYSIS**  
*For the year ended June 30, 2019*

Our discussion and analysis of the City of Adair Village's financial position provides an overview of the City's financial activities for the fiscal year ended June 30, 2019.

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

**FINANCIAL HIGHLIGHTS**

The City's net position increased \$149,642, or 3.19 percent, as a result of this year's:

- Net position of our governmental activities increased by \$107,059 or 7.29 percent.
- Net position of our business-type activities increased by \$42,583 or 1.32 percent.
- The total cost of all the City's programs in 2019 was \$1,211,835; in 2018 this cost was \$931,128.

**CITY'S ACTIVITIES HIGHLIGHTS**

**General Fund**

In the General Fund, contract services were higher than previous years due to planning and building, but permit fees were also higher to offset the additional cost. As construction continues in the City this elevated level of planning and building services is expected to continue.

**Street Fund**

The Street Fund had similar revenue and expenditures when compared to the prior year. The City is allowing the fund balance to accumulate in that fund in order to conduct some larger street projects in the future.

**Water, Wastewater, and Storm Drain Utilities**

All three utilities saw about a five percent increase in operating revenues due to population increases.

Repairs in the Wastewater Fund continue to put a strain on that utility. Additional adjustments to rates may be necessary to fund needed repairs and maintenance.

A rate increase has been approved for the Storm Drain Fund as new state and federal regulations are increasing costs for that utility.

**Governmental Fund Balances**

Fund balance in the General Fund increased about 14 percent and the Street Fund increased approximately 18 percent in the fiscal year ending June 30, 2019.

The General Fund increase was largely due to receiving about \$70,000 more in planning and

building fees than what was received in the prior year. That additional revenue will be spent providing planning and building services in fiscal year 2020.

The Street Fund did not spend any money on street improvements this year, but instead continued basic repairs in an effort to save money for several future, larger projects.

## **CITY COUNCIL GOALS**

Preparing for the fiscal year ending in 2019, the City Council focused on funding for major projects and identifying immediate needs. Many of the Council goals from the previous budget years have remained the same because they had not been completed. Through the budgetary process the council and staff focused on the year ending June 30, 2019 with these objectives:

### **Administration**

#### **Develop policies that will increase efficiencies and protect the City**

Objective: Adopt policies to enhance fiscal responsibility

Objective: Completing audits in a timely manner

Objective: Look at staffing needs

### **Public Works**

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

Objective: Finish water tank project

Objective: Monitor/Track water loss

Objective: System maintenance plans

Objective: Upgrade streets and sidewalks

Objective: Stay within DEQ compliance

Objective: Funding for water plant

Objective: Funding for wastewater plant

### **Industrial Site**

#### **Redevelop Industrial Site to Expand Local Employment Opportunities**

Objective: Industrial site economic planning

Objective: Engage DEQ for mitigation

Objective: Start cleanup process

### **Downtown Development**

#### **Develop a Downtown with Commercial/Retail Opportunities**

Objective: Restoration of barracks interior

Objective: Public use of barracks

Objective: Downtown district planning

Objective: Ownership of County property

Objective: Ownership of apartments

### **Public Safety**

#### **Provide Stable and Consistent Services**

Objective: Develop emergency plan

Objective: Renew Contract with Benton County

### **Community Development**

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

Objective: Facilitate residential growth

Objective: Trails and connectivity

Objective: Correct economic demographics

Objective: Better event coordination

Objective: Zip code specific to Adair Village

Objective: Frontage road closure  
Objective: Improve city appearance

## **USING THIS ANNUAL REPORT**

This annual report consists of a set of financial statements. The Statement of Net Position and the Statement of Activities provide information concerning the activities of the City as a whole and present a view of the monetary standing of the City for the fiscal year end date of June 30, 2019. Fund financial statements provide information on both governmental and proprietary, or business-type funds (Storm Drain, Wastewater, Water, System Development Charges and Reserve). A review of these statements will provide information on the City's revenues, expenditures, capital assets and liabilities and ultimately compare where we were financially when the year started and where we are at the end of the fiscal year.

### **Reporting the City as a Whole**

The Statement of Net Position and the Statement of Activities provide the background information to determine how the City's financial situation has changed since the previous year. These statements use "accrual-based accounting," which is similar to accounting procedures used in the private sector. Accrual-based accounting records the City's assets and liabilities according to when they were due, not when they were actually paid or received.

These statements report the City's "net position" and how it changed. This allows one to determine the City's fiscal health, or financial position. Net position represents the difference between what the City owes and what the City owns. Increase or decrease in net position, taken in conjunction with the actual activities undertaken by the City, determine whether the City's financial health is increasing or decreasing. Actual "activities" include any changes to the City's property tax base through an increase in population and any additions, improvements, or deterioration to the City's capital assets (buildings, land, and equipment).

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

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

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

Table 1 below shows the City's net position by Governmental and Business-type Activities and provides a comparison to last year's net position. Overall, the City's net position increased from \$4,691,364 to \$4,841,006 this year. This increase was primarily due to conservative spending and increases in revenue due to growth.

**Table 1  
Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 446,118	\$ 389,205	\$ 1,184,497	\$ 971,109	\$ 1,630,615	\$ 1,360,314
Capital assets	1,333,340	1,281,257	4,642,252	4,704,592	5,975,592	5,985,849
	<u>1,779,458</u>	<u>1,670,462</u>	<u>5,826,749</u>	<u>5,675,701</u>	<u>7,606,207</u>	<u>7,346,163</u>
Deferred outflows						
related to pensions	47,006	34,333	120,888	83,949	167,894	118,282
related to OPEB	498	266	1,278	650	1,776	916
	<u>47,504</u>	<u>34,599</u>	<u>122,166</u>	<u>84,599</u>	<u>169,670</u>	<u>119,198</u>
Current liabilities	52,272	34,375	63,041	88,566	115,313	122,941
Non-current liabilities	169,660	167,570	2,546,968	2,366,472	2,716,628	2,534,042
	<u>221,932</u>	<u>201,945</u>	<u>2,610,009</u>	<u>2,455,038</u>	<u>2,831,941</u>	<u>2,656,983</u>
Deferred inflows						
related to pensions	28,478	33,804	73,237	82,658	101,715	116,462
related to OPEB	340	159	875	393	1,215	552
	<u>28,818</u>	<u>33,963</u>	<u>74,112</u>	<u>83,051</u>	<u>102,930</u>	<u>117,014</u>
Net position:						
Net investment in capital assets	1,241,117	1,281,257	2,342,691	2,491,552	3,583,808	3,772,809
Restricted for:						
Streets	112,466	95,378	-	-	112,466	95,378
System development	-	-	430,230	343,572	430,230	343,572
Unrestricted	222,629	92,518	491,873	387,087	714,502	479,605
Total net position	<u>\$ 1,576,212</u>	<u>\$ 1,469,153</u>	<u>\$ 3,264,794</u>	<u>\$ 3,222,211</u>	<u>\$ 4,841,006</u>	<u>\$ 4,691,364</u>

Net position increased 3.19 percent. Unrestricted net position – the portion of that area used to finance day-to-day operation without outside restraints, such as debt covenants, legislation, or other legal requirements – increased 48.98 percent overall.

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

**Table 2**  
**Change in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 103,385	\$ 31,916	\$ 792,691	\$ 749,161	\$ 896,076	\$ 781,077
Grants and contributions	-	-	94,452	526,300	94,452	526,300
General revenues:						
Property taxes	123,288	120,613	-	-	123,288	120,613
Highway fund allocation	62,974	54,029	-	-	62,974	54,029
Intergovernmental	27,437	27,136	-	-	27,437	27,136
Franchise fees	40,689	46,337	-	-	40,689	46,337
Earnings on investments	37,040	16,140	-	-	37,040	16,140
Rents and leases	72,126	83,897	-	-	72,126	83,897
Miscellaneous	7,395	5,290	-	-	7,395	5,290
<b>TOTAL REVENUES</b>	<b>474,334</b>	<b>385,358</b>	<b>887,143</b>	<b>1,275,461</b>	<b>1,361,477</b>	<b>1,660,819</b>
Program expenses:						
Governmental activities:						
General government	231,933	234,610	-	-	231,933	234,610
Public safety	39,131	36,041	-	-	39,131	36,041
Street maintenance	66,098	61,445	-	-	66,098	61,445
Culture & recreation	21,332	26,689	-	-	21,332	26,689
Interest on long-term debt	3,925	1,260	-	-	3,925	1,260
Proprietary activities:						
Water	-	-	537,828	355,140	537,828	355,140
Wastewater	-	-	253,529	195,545	253,529	195,545
Other business-type activities	-	-	58,059	20,398	58,059	20,398
<b>TOTAL EXPENSES</b>	<b>362,419</b>	<b>360,045</b>	<b>849,416</b>	<b>571,083</b>	<b>1,211,835</b>	<b>931,128</b>
Transfers	(4,856)	(53,412)	4,856	53,412	-	-
<b>Increase (decrease) in net position</b>	<b>107,059</b>	<b>(28,099)</b>	<b>42,583</b>	<b>757,790</b>	<b>149,642</b>	<b>729,691</b>
Net position - beginning, as originally stated	1,469,153	1,497,854	3,222,211	2,465,896	4,691,364	3,963,750
Cumulative effect of GASB 75	-	(602)	-	(1,475)	-	(2,077)
Net position - beginning, restated	1,469,153	1,497,252	3,222,211	2,464,421	4,691,364	3,961,673
<b>Net position - ending</b>	<b>\$ 1,576,212</b>	<b>\$ 1,469,153</b>	<b>\$ 3,264,794</b>	<b>\$ 3,222,211</b>	<b>\$ 4,841,006</b>	<b>\$ 4,691,364</b>

The City's total revenues decreased by \$299,342; total expenses increased by \$280,707 and net position increased by \$149,642. Specifics on these changes can be found under "City's Activity Highlights" above.

## GENERAL BUDGETARY HIGHLIGHTS

- The City Council adopted a conservative fiscal year 2018-2019 budget. Due to spending at a level that was even more conservative than budgeted, the Fund Balance of the General Fund ended the year \$37,481 higher than was budgeted. The primary reason for the increase was the additional planning and building fees that will be spent in fiscal year 2020.
- A full year of debt service was scheduled on the barracks loan, but only a half-year of debt service was due this year.

Areas of legal appropriations are Administration, Parks, Public Safety, Non-departmental, transfers, debt service and contingencies.

## CAPITAL ASSETS

At June 30, 2019, the City had \$5,975,592 invested in land, buildings and improvements, streets and equipment. This represents a decrease (net of depreciation) of \$10,257, as additions did not offset depreciation. Additional information on capital assets is available in Note 2.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land & const. in progress	\$ 132,757	\$ 132,757	\$ 77,086	\$ 77,086	\$ 209,843	\$ 209,843
Building & improvements	853,041	773,657	838,054	838,054	1,691,095	1,611,711
Water and sewer system	-	-	6,388,588	6,277,768	6,388,588	6,277,768
Streets	1,074,979	1,074,979	-	-	1,074,979	1,074,979
Park improvements	93,505	93,505	-	-	93,505	93,505
Equipment	13,810	-	669,570	669,570	683,380	669,570
Less: accumulated depr.	(834,752)	(793,641)	(3,331,046)	(3,157,886)	(4,165,798)	(3,951,527)
	<u>\$ 1,333,340</u>	<u>\$ 1,281,257</u>	<u>\$ 4,642,252</u>	<u>\$ 4,704,592</u>	<u>\$ 5,975,592</u>	<u>\$ 5,985,849</u>

## DEBT OUTSTANDING

As of year-end the City had total debt outstanding of \$2,400,386. Of the amount outstanding, \$8,602 is a liability calculated by OPERS when the City joined the State and Local Government Rate Pool in 2001. That liability is being amortized over 25 years. The current amount is allocated between governmental activities and business-type activities \$2,408 and \$6,194 respectively. The City also owes \$92,223 from an original \$100,000 loan to renovate a barracks building.

The rest of the long-term debt is for water and wastewater projects. Outstanding debt for water projects at June 30, 2019 was \$2,232,902 compared to the prior-year balance of \$2,117,943. The increase of \$114,959 from the prior fiscal year was primarily due to the addition of the loan to pay for new water projects. Outstanding debt for wastewater projects at June 30, 2019 was \$66,659, a decrease of \$28,438 from the prior fiscal year. Additional information on long-term debt is available in Note 3.



## **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, 2020. Estimates were made for a range of revenues, including property taxes, shared state revenues, grants, franchise fees, leases, and charges for utility service. No new staff is anticipated, but cost-of-living and step increases were budgeted for existing staff. This will keep overall personnel costs affordable.

Water utility rates were updated in 2015 and are reviewed each year in preparation for the budget process, as will the City's Wage Schedule. The Wastewater rates saw a small increase for fiscal year 2018-19 to help begin funding future projects. Storm Drain rates will increase slightly beginning January 1, 2020 as projects are identified that will need to be completed to keep the City in compliance with state and federal laws. No rate changes were budgeted in the Water Fund. Considerable funds were committed and will continue to be committed to a number of infrastructure planning projects, especially the Water and Wastewater facilities, in preparation for long-term improvements to all systems.

This Page Intentionally Left Blank

CITY OF ADAIR VILLAGE, OREGON

BASIC FINANCIAL STATEMENTS



**CITY OF ADAIR VILLAGE, OREGON**  
**STATEMENT OF NET POSITION**  
*June 30, 2019*

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$420,035	\$1,078,961	\$1,498,996
Receivables:			
Accounts	22,995	105,536	128,531
Taxes	3,088	-	3,088
Prepaid expenses	-	-	-
Capital assets:			
Land and construction in process	132,757	77,086	209,843
Other capital assets (net of accumulated depreciation)	1,200,583	4,565,166	5,765,749
<b>Total Assets</b>	<b>1,779,458</b>	<b>5,826,749</b>	<b>7,606,207</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	47,006	120,888	167,894
Deferred outflows related to OPEB	498	1,278	1,776
<b>Total Deferred Outflows of Resources</b>	<b>47,504</b>	<b>122,166</b>	<b>169,670</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	20,963	8,674	29,637
Payroll liabilities	8,101	18,803	26,904
Accrued compensated absences	2,605	8,920	11,525
Accrued interest	1,835	26,644	28,479
Long-term debt due within one year	18,768	-	18,768
Noncurrent liabilities			
Net pension liability	93,364	240,102	333,466
Transition liability	2,408	6,194	8,602
Net OPEB liability	433	1,111	1,544
Long-term debt due in more than one year	73,455	2,299,561	2,373,016
<b>Total Liabilities</b>	<b>221,932</b>	<b>2,610,009</b>	<b>2,831,941</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	28,478	73,237	101,715
Deferred inflows related to OPEB	340	875	1,215
<b>Total Deferred Inflows of Resources</b>	<b>28,818</b>	<b>74,112</b>	<b>102,930</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,241,117	2,342,691	3,583,808
Restricted for:			
Streets	112,466	-	112,466
Capital projects	-	430,230	430,230
Unrestricted	222,629	491,873	714,502
<b>Total Net Position</b>	<b>\$1,576,212</b>	<b>\$3,264,794</b>	<b>\$4,841,006</b>

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

**CITY OF ADAIR VILLAGE, OREGON**  
**STATEMENT OF ACTIVITIES**  
*for the year ended June 30, 2019*

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
<b>GOVERNMENTAL ACTIVITIES</b>			
General government	\$ 231,933	\$ 103,385	\$ -
Public safety	39,131	-	-
Street maintenance and construction	66,098	-	-
Culture and recreation	21,332	-	-
Interest on long-term debt	3,925	-	-
<b>Total governmental activities</b>	<b>362,419</b>	<b>103,385</b>	<b>-</b>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Water	537,828	555,674	-
Wastewater	253,529	218,787	-
System development charges	32,793	-	94,452
Other business-type activities	25,266	18,230	-
<b>Total business-type activities</b>	<b>849,416</b>	<b>792,691</b>	<b>94,452</b>
<b>Total Primary Government</b>	<b>\$ 1,211,835</b>	<b>\$ 896,076</b>	<b>\$ 94,452</b>

General revenues:

Property taxes, levied for general purposes

Highway taxes

Intergovernmental revenues

Franchise fees

Interest earnings

Rents and leases

Miscellaneous

**Total general revenues**

Transfers between Governmental and Business-type Activities

Change in net position

**Net position--beginning**

**Net position--ending**

**CITY OF ADAIR VILLAGE, OREGON**  
**STATEMENT OF ACTIVITIES**  
*for the year ended June 30, 2019*

<b>Net (Expense) Revenue and Changes in Net</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
\$ (128,548)	\$ -	\$ (128,548)	
(39,131)	-	(39,131)	
(66,098)	-	(66,098)	
(21,332)	-	(21,332)	
(3,925)	-	(3,925)	
<b>(259,034)</b>	<b>-</b>	<b>(259,034)</b>	
-	17,846	17,846	
-	(34,742)	(34,742)	
-	61,659	61,659	
-	(7,036)	(7,036)	
<b>-</b>	<b>37,727</b>	<b>37,727</b>	
<b>(259,034)</b>	<b>37,727</b>	<b>(221,307)</b>	
123,288	-	123,288	
62,974	-	62,974	
27,437	-	27,437	
40,689	-	40,689	
37,040	-	37,040	
72,126	-	72,126	
7,395	-	7,395	
<b>370,949</b>	<b>-</b>	<b>370,949</b>	
(4,856)	4,856	-	
107,059	42,583	149,642	
1,469,153	3,222,211	4,691,364	
<b>\$ 1,576,212</b>	<b>\$ 3,264,794</b>	<b>\$ 4,841,006</b>	

**CITY OF ADAIR VILLAGE, OREGON**  
**GOVERNMENTAL FUNDS - BALANCE SHEET**  
*June 30, 2019*

	General Fund	Street Fund	Total Gov. Funds
<b>ASSETS</b>			
Cash and investments	\$ 311,229	\$ 108,806	\$ 420,035
Receivables			
Accounts	17,792	5,203	22,995
Taxes	3,088	-	3,088
<b>Total Assets</b>	<b>\$ 332,109</b>	<b>\$ 114,009</b>	<b>\$ 446,118</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 20,963	\$ -	\$ 20,963
Payroll liabilities	6,558	1,543	8,101
<b>Total Liabilities</b>	<b>27,521</b>	<b>1,543</b>	<b>29,064</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	2,625	-	2,625
<b>Total Deferred Inflows of Resources</b>	<b>2,625</b>	<b>-</b>	<b>2,625</b>
<b>FUND BALANCES</b>			
<b>Nonspendable:</b> Prepaid items	-	-	-
<b>Restricted for:</b>			
Street maintenance and improvements	-	112,466	112,466
<b>Unassigned:</b>	301,963	-	301,963
<b>Total Fund Balances</b>	<b>301,963</b>	<b>112,466</b>	<b>414,429</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 332,109</b>	<b>\$ 114,009</b>	<b>\$ 446,118</b>
<b>Fund balance</b>			<b>\$ 414,429</b>
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$834,752.			1,333,340
Other long-term assets are not available to pay for current-period expenditures and, therefore are unavailable in the funds:			
Property taxes earned but not available			2,625
Deferred outflows of resources			47,504
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.			(2,605)
Interest accrued on long-term debt			(1,835)
Long-term liabilities - not reported in the funds:			
Deferred inflows of resources			(28,818)
Long-term debt			(92,223)
OPEB liability			(433)
Transition liability			(2,408)
Net pension liability			(93,364)
<b>Net Position of Governmental Activities</b>			<b>\$ 1,576,212</b>

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



**CITY OF ADAIR VILLAGE, OREGON**  
**GOVERNMENTAL FUNDS -**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
*for the year ended June 30, 2019*

	<b>General Fund</b>	<b>Street Fund</b>	<b>Total Gov. Funds</b>
<b>REVENUES</b>			
Property taxes	\$ 127,593	\$ -	\$ 127,593
Highway taxes	-	62,974	62,974
Franchise fees	40,689	-	40,689
Intergovernmental revenues	27,437	-	27,437
Property leases/rents	72,126	-	72,126
Permits and fees	103,385	-	103,385
Interest earnings	37,040	-	37,040
Miscellaneous	7,395	-	7,395
<b>Total Revenues</b>	<b>415,665</b>	<b>62,974</b>	<b>478,639</b>
<b>EXPENDITURES</b>			
Current operating:			
Administration	121,784	-	121,784
Parks	21,409	-	21,409
Public safety	38,919	-	38,919
Non-departmental	89,369	-	89,369
Street maintenance & operations	-	43,385	43,385
Debt service:			
Principal	7,777	-	7,777
Interest	3,350	-	3,350
Capital outlay	93,221	-	93,221
<b>Total Expenditures</b>	<b>375,829</b>	<b>43,385</b>	<b>419,214</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>39,836</b>	<b>19,589</b>	<b>59,425</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	15,000	-	15,000
Transfers out	(17,355)	(2,501)	(19,856)
<b>Total other financing sources (uses)</b>	<b>(2,355)</b>	<b>(2,501)</b>	<b>(4,856)</b>
Net change in fund balances	37,481	17,088	54,569
<b>Fund Balances - beginning of the year</b>	<b>264,482</b>	<b>95,378</b>	<b>359,860</b>
<b>Fund Balances - end of year</b>	<b>\$ 301,963</b>	<b>\$ 112,466</b>	<b>\$ 414,429</b>

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

**CITY OF ADAIR VILLAGE, OREGON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
*for the year ended June 30, 2019*

<b>Net change in fund balances--total governmental funds</b>	<b>\$</b>	<b>54,569</b>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds expense capital assets when purchased,		
governmental activities report depreciation expense:		
Current year depreciation		(41,111)
Purchases reported as expenditures on the fund statements		93,194
Revenues in the Statement of Activities that do not		
provide current financial resources are not reported		
as revenues in the funds.		
Property taxes		(4,305)
Long-term debt payments are treated as expenditures in governmental		
funds, but but are treated as decreases in long-		
term liabilities on the Statement of Net Position.		
of bond principal is an expenditure in the		
governmental funds, but the repayment reduces long-term		
liabilities in the Statement of Net Position.		
Principal payments		7,777
Compensated absences		(1,043)
Interest expense		(575)
Change in pension transition liability		501
Change in OPEB expense		76
Change in pension expense		(2,024)
<b>Change in Net Position of Governmental Activities</b>		<b>\$ 107,059</b>

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

**CITY OF ADAIR VILLAGE, OREGON  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 June 30, 2019**

	Water	Wastewater	Systems Development	Nonmajor Proprietary Funds	Totals
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 642,718	\$ -	\$ 309,165	\$ 127,078	\$ 1,078,961
Accounts receivable, net	76,798	26,328	-	2,410	105,536
Due from other funds	20,984	-	-	-	20,984
<b>Total current assets</b>	<b>740,500</b>	<b>26,328</b>	<b>309,165</b>	<b>129,488</b>	<b>1,205,481</b>
Noncurrent assets:					
Capital assets:					
Land and construction in process	77,086	-	-	-	77,086
Other capital assets (net of accumulated depreciation)	3,626,243	931,915	-	7,008	4,565,166
<b>Total noncurrent assets</b>	<b>3,703,329</b>	<b>931,915</b>	<b>-</b>	<b>7,008</b>	<b>4,642,252</b>
<b>Total Assets</b>	<b>4,443,829</b>	<b>958,243</b>	<b>309,165</b>	<b>136,496</b>	<b>5,847,733</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows of resources - pensions	76,340	36,142	-	8,406	120,888
Deferred outflows of resources - OPEB	807	382	-	89	1,278
<b>Total deferred outflows of resources</b>	<b>77,147</b>	<b>36,524</b>	<b>-</b>	<b>8,495</b>	<b>122,166</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	5,213	1,299	849	1,313	8,674
Payroll liabilities	11,979	5,553	-	1,271	18,803
Accrued interest payable	26,644	-	-	-	26,644
Due to other funds	-	20,984	-	-	20,984
Accrued compensated absences	5,666	2,678	-	576	8,920
<b>Total current liabilities</b>	<b>49,502</b>	<b>30,514</b>	<b>849</b>	<b>3,160</b>	<b>84,025</b>
Noncurrent liabilities:					
Note payable - long-term portion	2,232,902	66,659	-	-	2,299,561
Net OPEB liability	702	332	-	77	1,111
Net pension liability	151,624	71,783	-	16,695	240,102
Pension transition liability	3,911	1,852	-	431	6,194
<b>Total noncurrent liabilities</b>	<b>2,389,139</b>	<b>140,626</b>	<b>-</b>	<b>17,203</b>	<b>2,546,968</b>
<b>Total Liabilities</b>	<b>2,438,641</b>	<b>171,140</b>	<b>849</b>	<b>20,363</b>	<b>2,630,993</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to:					
Pension	46,249	21,896	-	5,092	73,237
OPEB	552	262	-	61	875
<b>Total Deferred Inflows of Resources</b>	<b>46,801</b>	<b>22,158</b>	<b>-</b>	<b>5,153</b>	<b>74,112</b>
<b>NET POSITION</b>					
Net investment in capital assets	1,470,427	865,256	-	7,008	2,342,691
Restricted for capital projects	-	-	308,316	121,914	430,230
Unrestricted	565,107	(63,787)	-	(9,447)	491,873
<b>Total Net Position</b>	<b>\$ 2,035,534</b>	<b>\$ 801,469</b>	<b>\$ 308,316</b>	<b>\$ 119,475</b>	<b>\$ 3,264,794</b>

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

**CITY OF ADAIR VILLAGE, OREGON**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
*for the year ended June 30, 2019*

	Water	Wastewater	Systems Development	Nonmajor Proprietary Funds	Totals
<b>OPERATING REVENUES</b>					
Charges for services	\$ 555,674	\$ 218,787	\$ -	\$ 18,230	\$ 792,691
<b>OPERATING EXPENSES</b>					
Personnel services	213,171	99,462	-	24,840	337,473
Materials and services	167,873	92,457	32,793	-	293,123
Depreciation	111,858	60,876	-	426	173,160
<b>Total operating expenses</b>	<b>492,902</b>	<b>252,795</b>	<b>32,793</b>	<b>25,266</b>	<b>803,756</b>
<b>Operating income (loss)</b>	<b>62,772</b>	<b>(34,008)</b>	<b>(32,793)</b>	<b>(7,036)</b>	<b>(11,065)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest expense	(44,926)	(734)	-	-	(45,660)
System development revenue	-	-	94,452	-	94,452
<b>Total non-operating revenue</b>	<b>(44,926)</b>	<b>(734)</b>	<b>94,452</b>	<b>-</b>	<b>48,792</b>
<b>Net income (loss) before contributions</b>	<b>17,846</b>	<b>(34,742)</b>	<b>61,659</b>	<b>(7,036)</b>	<b>37,727</b>
<b>CONTRIBUTIONS</b>					
Transfers in	-	-	-	39,999	39,999
Transfers out	(12,263)	(6,445)	-	(16,435)	(35,143)
<b>Total contributions</b>	<b>(12,263)</b>	<b>(6,445)</b>	<b>-</b>	<b>23,564</b>	<b>4,856</b>
<b>Change in net position</b>	<b>5,583</b>	<b>(41,187)</b>	<b>61,659</b>	<b>16,528</b>	<b>42,583</b>
Net position--beginning	2,029,951	842,656	246,657	102,947	3,222,211
<b>Net position--end of year</b>	<b>\$ 2,035,534</b>	<b>\$ 801,469</b>	<b>\$ 308,316</b>	<b>\$ 119,475</b>	<b>\$ 3,264,794</b>

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

**CITY OF ADAIR VILLAGE, OREGON**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
*for the year ended June 30, 2019*

	Water	Wastewater	Systems Development	Nonmajor Proprietary Funds	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 548,182	\$ 217,017	\$ -	\$ 17,860	\$ 783,059
Payments to suppliers	(168,283)	(91,844)	(31,944)	(1,580)	(293,651)
Payments to employees	(194,332)	(93,494)	-	(20,321)	(308,147)
Other receipts	-	-	-	-	-
<b>Net cash provided (used) by operating activities</b>	<b>185,567</b>	<b>31,679</b>	<b>(31,944)</b>	<b>(4,041)</b>	<b>181,261</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers to other funds	(16,276)	(2,432)	-	(16,435)	(35,143)
Proceeds from other funds	-	-	-	39,999	39,999
<b>cash provided (used) by capital and related financing activities</b>	<b>(16,276)</b>	<b>(2,432)</b>	<b>-</b>	<b>23,564</b>	<b>4,856</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
System development revenue	-	-	94,452	-	94,452
Payment of principal on long-term debt	(5,702)	(28,438)	-	-	(34,140)
Payment of interest on long-term debt	(42,556)	(809)	-	-	(43,365)
Issuance of long-term debt	120,661	-	-	-	120,661
Acquisition of capital assets	(110,820)	-	-	-	(110,820)
<b>cash provided (used) by capital and related financing activities</b>	<b>(38,417)</b>	<b>(29,247)</b>	<b>94,452</b>	<b>-</b>	<b>26,788</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>130,874</b>	<b>-</b>	<b>62,508</b>	<b>19,523</b>	<b>212,905</b>
<b>Cash and investments--beginning of the year</b>	<b>511,844</b>	<b>-</b>	<b>246,657</b>	<b>107,555</b>	<b>866,056</b>
<b>Cash and investments--end of the year</b>	<b>\$ 642,718</b>	<b>\$ -</b>	<b>\$ 309,165</b>	<b>\$ 127,078</b>	<b>\$ 1,078,961</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 62,772	\$ (34,008)	\$ (32,793)	\$ (7,036)	\$ (11,065)
Adjustments to reconcile operating income to net cash provided by operating activities:					
<b>Cash flows reported in other categories:</b>					
Depreciation expense	111,858	60,877	-	426	173,161
<b>Change in assets and liabilities:</b>					
Receivables	(7,492)	(1,770)	-	(370)	(9,632)
Prepaid expenses	7,032	1,524	-	592	9,148
Accounts payable and accrued liabilities	(158)	728	849	1,348	2,767
Accrued compensated absences	2,257	1,060	-	236	3,553
OPEB-related expenses	(96)	(50)	-	(12)	(158)
Pension-related expenses	9,394	3,318	-	775	13,487
<b>Net cash provided (used) by operating activities</b>	<b>\$ 185,567</b>	<b>\$ 31,679</b>	<b>\$ (31,944)</b>	<b>\$ (4,041)</b>	<b>\$ 181,261</b>

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

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **The Financial Reporting Entity**

The City of Adair Village is a municipal corporation, incorporated in 1976 under the authority of Oregon Revised Statutes Section 221, and operates with a five-member elected City Council comprised of the mayor and four council members. The City Council appoints the City Administrator, who is responsible for the day to day management of the City. The City operates water and wastewater systems and maintains city streets and parks.

Accounting principles generally accepted in the United States of America require that these basic financial statements present the City (the primary government) and all component units, if any. Component units, as defined by the Governmental Accounting Standards Board (GASB) Statement No. 61, are separate organizations that are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. There are no component units.

#### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all the non-fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The effect of inter-fund activity has been removed from these statements.

The statement of activities reports the activities by function. The major functions are general government, public safety, street maintenance and construction, 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

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available (susceptible to accrual). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, revenues are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pension costs, and claims and judgments, are recorded only when payment is due. Also, inventory is expensed when purchased, capital outlay is expensed rather than capitalized, and depreciation on capital assets is not recorded.

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

There are two *major governmental* funds:

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

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.

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

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

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

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

**Budgets**

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

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

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

**Appropriation Level**

Department	Debt Service
Capital Outlay	Operating Contingency
Inter-fund Transactions	

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

Budget amounts shown in the basic financial statements reflect the original budget amount and final budget amount. Expenditures of the various funds were within authorized appropriations for the year ended June 30, 2019, except for the General Fund, Public Safety which went over budget by \$1,237, and The Wastewater Fund, Operations, which went over budget by \$5,934.

**Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the



## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

##### **Deposits and Investments**

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

##### **Receivables and Payables**

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

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

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

##### **Capital Assets**

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

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

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

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

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

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

**Supply Inventories**

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

**Compensated Absences**

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

**Unavailable Revenue**

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

**Deferred Outflows /Inflows of Resources**

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

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

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

#### **Pensions**

For purposes of measuring the net pension (asset) liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

#### **Other Postemployment Benefits (OPEB)**

OPERS: For the purposes of measuring the net OPEB liability/asset, deferred outflows of resources and deferred inflows of resources to OPEB, and OPEB expense, information about the fiduciary net position of the OPERS and additions to/deductions from OPERS' fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, POERS recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value.

The City's Health Insurance continuation plan (CIS): For the purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources to OPEB, and OPEB expense, the City has relied on actuarial reports. The City allows retired employees to purchase health insurance at the same rates as active employees. The related expense is recognized as the City pays health insurance premiums.

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

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

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

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

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

Nonspendable for resources that cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. At year end the City's nonspendable fund balance consisted of prepaid payroll expenses.

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

Restricted for amounts with constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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

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

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

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

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

#### **Cash Flow Statements**

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

#### **Property Tax Calendar**

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

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**1. CASH AND INVESTMENTS**

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

Cash and Investments at June 30, 2019 (recorded at cost) consisted of:

Cash on hand	\$ 100
Deposits with financial institution	93,286
LGIP	<u>1,405,610</u>
	<u>\$ 1,498,996</u>

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

Governmental activities	\$ 420,035
Business-type activities	<u>1,078,961</u>
	<u>\$ 1,498,996</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, 2019, the bank balance was \$116,428. 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 (LGIP), various interest-bearing bonds of Oregon municipalities, certificates of deposit, and certain commercial paper among other investments.

There is participation in the LGIP, an open-ended, no-load diversified portfolio created under ORS 294.805 to 294.895. The LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company and is not rated. The State's investment policies are governed by the Oregon Revised Statutes and the Oregon Investment Council. The State Treasurer is the investment officer for the Pool and is responsible for all funds in the Pool. These funds must be invested and managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the Pool are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board (OSTFB), which establishes diversification percentages and specifies the types and maturities of investments. The Oregon Audits Division of the Secretary of State's Office audits the Pool annually. A copy of the State's Comprehensive Annual Financial Report may be obtained at the Oregon State Treasury, 350 Winter St. NE, Salem, Oregon

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

97310-0840. Value of pool shares approximates fair value. At year end the City's only investment was in the LGIP.

#### **Interest Rate Risk**

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

#### **Credit Risk**

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

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

#### **Concentration of Credit Risk**

At June 30, 2019, 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**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**2. CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended June 30, 2019 is as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Ending Balance</b>
<b>Capital Assets, non-depreciable:</b>			
Land	\$ 132,757	\$ -	\$ 132,757
Total capital assets, non-depreciable	<u>132,757</u>	<u>-</u>	<u>132,757</u>
<b>Capital assets, depreciable:</b>			
Buildings and improvements	773,657	79,384	853,041
Equipment	-	13,810	13,810
Streets	1,074,979	-	1,074,979
Park improvements	93,505	-	93,505
Total capital assets, depreciable	<u>1,942,141</u>	<u>93,194</u>	<u>2,035,335</u>
<b>Total</b>	<u>2,074,898</u>	<u>93,194</u>	<u>2,168,092</u>
<b>Less accumulated depreciation for:</b>			
Buildings and improvements	(193,225)	(15,473)	(208,698)
Streets	(549,495)	(22,073)	(571,568)
Park improvements	(50,921)	(3,565)	(54,486)
Total accumulated depreciation	<u>(793,641)</u>	<u>(41,111)</u>	<u>(834,752)</u>
Net depreciable capital assets	<u>1,148,500</u>	<u>52,083</u>	<u>1,200,583</u>
<b>Net capital assets</b>	<u>\$ 1,281,257</u>	<u>\$ 52,083</u>	<u>\$ 1,333,340</u>

Depreciation expense was allocated as follows:

<b>Governmental activities:</b>	<b>Depreciation</b>
General government	\$ 19,038
Streets	22,073
Total depreciation expense - governmental activities	<u>\$ 41,111</u>

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

Capital asset activity for business-type activities for the year ended June 30, 2019 is as follows:

<b>Business-type activities</b>	<u><b>Beginning Balance</b></u>	<u><b>Additions</b></u>	<u><b>Ending Balance</b></u>
<b>Capital Assets, non-depreciable:</b>			
Land	\$ 77,086	\$ -	\$ 77,086
Total capital assets, non-depreciable	<u>77,086</u>	<u>-</u>	<u>77,086</u>
<b>Capital assets, depreciable:</b>			
Buildings and improvements	838,054	-	838,054
Water, Wastewater, and Stormdrain systems	6,277,768	110,820	6,388,588
Machinery and equipment	669,570	-	669,570
Total capital assets, depreciable	<u>7,785,392</u>	<u>110,820</u>	<u>7,896,212</u>
 Total	 <u>7,862,478</u>	 <u>110,820</u>	 <u>7,973,298</u>
<b>Less accumulated depreciation for:</b>			
Buildings and improvements	(630,753)	(5,604)	(636,357)
Water, Wastewater, and Stormdrain systems	(2,026,541)	(144,519)	(2,171,060)
Machinery and equipment	(500,592)	(23,037)	(523,629)
Total accumulated depreciation	<u>(3,157,886)</u>	<u>(173,160)</u>	<u>(3,331,046)</u>
 Net depreciable capital assets	 <u>4,627,506</u>	 <u>(62,340)</u>	 <u>4,565,166</u>
 <b>Net capital assets</b>	 <u><b>\$ 4,704,592</b></u>	 <u><b>\$ (62,340)</b></u>	 <u><b>\$ 4,642,252</b></u>

Depreciation expense was allocated as follows:

<b>Business-type activities:</b>	
Water	\$ 111,858
Sewer	60,876
Stormwater	<u>426</u>
Total depreciation expense - business-type activities	<u><u>\$ 173,160</u></u>



**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**3. LONG-TERM OBLIGATIONS**

Changes in long-term obligations for the year ended June 30, 2019 were as follows:

	<b>Interest Rates</b>	<b>Beginning Balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Ending Balance</b>	<b>Due within One year</b>
<i>Governmental activities:</i>						
Compensated absences		\$ 1,563	\$ 3,875	\$ (2,833)	\$ 2,605	\$ 2,605
Note payable	3.98%	100,000	-	(7,777)	92,223	18,768
Pension-related debt		2,910	-	(502)	2,408	-
Total governmental activities		<u>\$ 104,473</u>	<u>\$ 3,875</u>	<u>\$ (11,112)</u>	<u>\$ 97,236</u>	<u>\$ 21,373</u>
<i>Business-type activities:</i>						
Compensated absences		\$ 5,367	\$ 11,459	\$ (7,906)	\$ 8,920	\$ 8,920
Notes payable:						
DEQ note	1.04%	28,438	-	(28,438)	-	-
DEQ note	0.88%	66,659	-	-	66,659	-
IFA loan	1.98%	2,112,241	120,661	-	2,232,902	-
Bonds payable:						
1980 Water bonds	5%	5,702	-	(5,702)	-	-
Pension-related debt		7,116	-	(922)	6,194	-
Total business-type activities		<u>\$ 2,225,523</u>	<u>\$ 132,120</u>	<u>\$ (42,968)</u>	<u>\$ 2,314,675</u>	<u>\$ 8,920</u>

**Notes Payable**

On June 29, 2015, the City entered into a loan agreement with the DEQ to continue planning improvements to the wastewater treatment facility. The loan is in the amount of \$100,000, payable at an interest rate of 0.88%. The City grants DEQ a security interest in and irrevocably pledges its net operating revenues to secure repayment of the loan. As of June 30, 2019, the City had spent \$66,659 of the loan. Repayment must be made within five years of completing the project. The project is expected to be completed by June 30, 2020.

In March 2016, the State of Oregon Infrastructure Financing Authority (IFA) awarded the City a \$2.8 million loan to replace its existing water storage facility at Voss Hill Reservoir and perform some additional water system upgrades. The Voss Hill Reservoir project was completed by June 30, 2018. Approximately \$515,000 of loan was forgivable, and that portion was forgiven during fiscal year 2018. The interest rate on the remaining balance is 1.98% per annum. As of June 30, 2019, the outstanding amount was \$2,232,902. The State of Oregon has given the City permission to spend the remaining loan balance on related small water projects. The City is required to make interest-only payments until the final drawdown. Repayment is expected to begin in the 2019-2020 fiscal year.

In March 2018 the City entered into a loan agreement with US Bank for \$100,000 to be used to fund a remodel of a Camp Adair barracks. The loan will be repaid over five years from general revenues. The interest rate is 3.98 percent with the following debt service schedule:

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

	Principal
2019-2020	\$ 18,768
2020-2021	19,522
2021-2022	20,307
2022-2023	21,123
2023-2024	12,503
Total	\$ 92,223

**Pension Related Debt**

In 2001 the City became a member of OPERS Local Government Rate Pool (LGRP). Pooling allows separate employers to be part of one group for the purpose of determining employer pension costs and contribution rates. Subsequent to the City joining the LGRP, the Oregon legislature merged the LGRP with the State/Community College Pool, forming the State and Local Government Rate Pool (SLGRP). In 2001, the City elected to become a member of the SLGRP.

Upon joining the LGRP in 2001, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP and is reduced by contributions and increased by interest charges at an assumed interest rate, originally 8%, which was reduced to 7.75% in 2013 and to 7.5% in 2015. The transition liability is amortized over twenty-five years, ending in December 2027.

For June 30, 2018, OPERS provided the balance of the transition liability and the amount the City paid in principal and interest for the fiscal year ending June 30, 2018. In prior years the balance was not considered material and was not included in the financial statements.

Balance June 30, 2018	Decrease	Balance June 30, 2019
\$ 10,026	\$ (1,424)	\$ 8,602

**4. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The other postemployment benefits (OPEB) for the City combines two separate plans. The City provides an implicit rate subsidy for a retiree post-employment healthcare plan, which is administered by Citycounty Insurance Services (CIS) Trust, and a contribution to the State of Oregon's PERS cost-sharing multiple-employer defined benefit plan.

**1. Post-Employment Healthcare Plan (CIS)**

**Plan Description & Benefits Provided:**

The City has a Post-Employment Healthcare Plan option available for retirees. It is a substantive postemployment benefits plan offered under Oregon Revised Statutes (ORS) 243. ORS 243.303 requires the City provide retirees and their dependents with an opportunity to participate in group health and dental insurance from the date of retirement to age 65, and the rate would be calculated using claims experience from retirees and active employees for health plan rating purposes. Providing the same rate

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

to retirees as provided to current employees constitutes an implicit rate subsidy for OPEB. This single-employer "plan" is not a stand-alone plan and therefore does not issue its own financial statements.

**Employees covered by benefit terms:**

At July 1, 2018, the City had four general service employees covered by the benefit terms.

**OPEB Liability:**

The City's total Post-Employment Healthcare Plan OPEB liability as of June 30, 2019 is \$3,656.

Actuarial assumptions and other inputs: The total OPEB liability was determined by an actuarial valuation, as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date.

The discount rate was based on a 20-year general obligation bond yield published by The Bond Buyer.

Healthy Mortality rates used were based on the tables as detailed below:

<u>Employee Class</u>	<u>Mortality Tables</u>
All eligible employees	RP-2014 Health Annuitant, sex distinct mortality tables blended 50/50 blue collar and white collar, set back one year for males. Mortality is projected on a generational basis using the Unisex Social Security Data Scale.

**Changes in Total OPEB Liability:**

	<u>Total OPEB Liability</u>
BALANCE, June 30, 2018	\$ 2,313
Changes for the year:	
Service cost	845
Interest on total OPEB liability	113
Effect of economic/demographic rains or losses	862
Changes in assumptions or other inputs	<u>(477)</u>
Net changes	<u>1,343</u>
BALANCE, June 30, 2019	<u>\$ 3,656</u>

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

*Sensitivity of the total OPEB liability to changes in the discount rate:*

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 4,127	\$ 3,656	\$ 3,231

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates:*

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current health care trend rates:

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$ 3,030	\$ 3,656	\$ 4,416

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

- For the year ended June 30, 2019, the City recognized an OPEB expense of \$971. At June 30, 2019, the City reported deferred inflows of resources related to OPEB from the following source:

	Outflows of Resources	Inflows of Resources
Differences between actual and expected experience	\$ 775	\$ -
Changes of assumptions or inputs	\$ -	\$ (611)
	\$ 775	\$ (611)

Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	Annual Recognition:
2020	\$ 13
2021	13
2022	13
2023	13
2024	13
Thereafter	99
	\$ 164

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

#### 2. Oregon Public Employees' Retirement Systems (OPERS) Retirement Health Insurance Account (RHIA)

**Plan Description** - The City contributes to the PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. ORS 238.420 established this trust fund and authorizes the Oregon Legislature to establish and amend the benefit provisions. PERS issues a publicly available financial report that includes financial statements and required supplementary information which can be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, telephone (503) 598-7377, or by URL <http://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

**Benefits Provided** – RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible employees. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the RHIA established by the City, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. The plan has been closed to new entrants since January 1, 2004.

**Contributions** – Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. Participating cities are contractually required to contribute to RHIA at a rate assessed each year by PERS.

The City's contractually required contribution rate for fiscal year 2018-19, was 0.50 percent of covered payroll for Tier 1 and Tier 2 members and 0.43 percent for OPSRP members of covered payroll. The required contribution is actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year. Contributions to the OPEB plan from the City were \$1,001 for fiscal year 2018-19. Employees are not required to contribute to the OPEB plan.

#### **OPEB Assets, Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:**

At June 30, 2019, the City reported an asset of \$2,112 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation date as of December 31, 2016. The City's proportionate share of the RHIA net OPEB asset has been determined based on the City's contributions to the RHIA program (as reported by PERS) during the Measurement Period ending on the corresponding Measurement Date. The City's proportionate share at June 30, 2018 and June 30, 2017 was 0.00182% and 0.00175901%, respectively.

For the year ended June 30, 2019, the City recognized an OPEB income of \$209. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

	Outflows of Resources	Inflows of Resources
Differences between actual and expected experience	\$ -	\$ (120)
Changes of assumptions		(7)
Net difference between projected and actual earnings on investments		(455)
Change in proportionate share	-	(22)
Contributions made subsequent to the measurement date	1,001	-
Total	\$ 1,001	\$ (604)

\$1,001 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	Annual Recognition:
2020	\$ (202)
2021	(201)
2022	(155)
2023	(46)
	\$ (604)

**Actuarial Methods & Assumptions** – The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial methods and assumptions:

Valuation date	December 31, 2016
Measurement date	June 30, 2018
Actuarial cost method	Entry Age Normal
Experience study 2016, published July 26, 2017	
Actuarial assumptions:	
Inflation rate	2.50%
Long-term expected rate of return	7.20%
Discount rate	7.20%
Projected salary increases	3.50%
Retiree healthcare participation:	
Healthy retirees	38%
Disabled retirees	20%
Healthcare cost trend rate	Not applicable

**Mortality:** Healthy retirees and beneficiaries: RP-2000 Sex-distinct, generational per Scale BB, with collar adjustments and set-backs as describe in the valuation. Active members: Mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retirees: Mortality rates

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**Discount rate** – The discount rate used to measure the total OPEB liability at June 30, 2018 was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the RHIA plan's fiduciary net position was projected to be available to make all projected future benefit payment of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments for the RHIA plan was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Depletion Date Projection** – GASB 75 generally requires that a blended discount rate be used to measure the Total OPEB Liability. The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses.

**Assumed Asset Allocation:**

Asset Class/Strategy	Range	Range	Target
Cash	0.0%	3.0%	0.0%
Debt Securities	15.0%	25.0%	20.0%
Public Equity	32.5%	42.5%	37.5%
Private Equity	13.5%	21.5%	17.5%
Real Estate	9.5%	15.5%	12.5%
Alternative Investments	0.0%	12.5%	12.5%
Opportunity Portfolio	0.0%	3.0%	0.0%
Total			<u>100.0%</u>

**Long-Term Expected Rate of Return** – To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

Asset Class	Target	Return (Geometric)
Core Fixed Income	8.00 %	3.49 %
Short-Term Bonds	8.00 %	3.42 %
Bank/Leveraged Loans	3.00 %	5.09 %
High Yield Bonds	1.00 %	6.45 %
Large/Mid Cap US Equities	15.75 %	6.30 %
Small Cap US Equities	1.30 %	6.69 %
Micro Cap US Equities	1.30 %	6.80 %
Developed Foreign Equities	13.13 %	6.71 %
Emerging Foreign Equities	4.12 %	7.45 %
Non-US Small Cap Equities	1.88 %	7.01 %
Private Equity	17.50 %	7.82 %
Real Estate (Property)	10.00 %	5.51 %
Real Estate (REITS)	2.50 %	6.37 %
Hedge Fund of Funds - Diversified	2.50 %	4.09 %
Hedge Fund - Event-driven	0.63 %	5.86 %
Timber	1.88 %	5.62 %
Farmland	1.88 %	6.15 %
Infrastructure	3.75 %	6.60 %
Commodities	1.88 %	3.84 %
Assumed Inflation - Mean		2.50 %

**Sensitivity of the City's proportionate share of the net OPEB asset to changes in the discount rate:**

The following presents the City's proportionate share of the net OPEB liability/(asset), as well as what the City's proportionate share of the net OPEB liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (6.20%) or one percentage point higher (8.20%).

	1% Decrease	Discount Rate	1% Increase
Total OPEB Liability	\$ (1,230)	\$ (2,112)	\$ (2,863)

The RHIA plan is unaffected by health care cost trends since the benefit is limited to a \$60 monthly payment toward Medicare companion insurance premiums. Consequently, disclosure of a healthcare cost trend analysis is not applicable.

**OPEB plan fiduciary net position:**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued OPERS financial report.



**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**Aggregate Net OPEB Liability/Asset, Pension Expense, & Net Deferred Outflow/Inflow of Resourced Related to OPEB:**

The tables below present the aggregate balance of the City's net OPEB liability/(asset), OPEB expense, and net deferred inflows and outflows as of June 30, 2019:

	Outflows of Resources	Inflows of Resources	Liability/ (Asset)	OPEB Exp/(Inc)
Postemployment Healthcare Plan (CIS)	\$ 775	\$ (611)	\$ 3,656	\$ 971
RHIA	1,001	(604)	(2,112)	(209)
Total	\$ 1,776	\$ (1,215)	\$ 1,544	\$ 762

**5. PENSION PLAN**

**Plan Description**

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

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan ("OPSRP") is effective for all new employees hired on or after August 29, 2003. Employees hired prior to that date belong to the Tier One/Tier Two Retirement Benefit Program. The new plan consists of a defined benefit program (the "Pension Program") and a defined contribution portion (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life pension funded by employer contributions.

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

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

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

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, 2017 is 22.52% of salary covered under the plan for Tier 1 and Tier 2 (PERS) employees and 14.69% for employees covered under the Oregon Public Services Retirement Plan (OPSRP). The City pays the employee 6% contribution for the City Administrator. The PERS Board has statutory authority to revise employer contributions as necessary to ensure the promised benefits will be funded on a sound basis. Employer contribution rates for the period were based on the December 31, 2015 actuarial valuation, as subsequently modified by 2013 legislated changes in benefit provisions.

#### **Benefits Provided**

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

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

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

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions with interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met: (1) member was employed by a OPERS employer at the at the time of death; (2) member died within 120 days after termination of OPERS-covered employment; (3) member died as a result of injury sustained while employed in a OPERS-covered job; or (4) member was on an official leave of absence from a OPERS-covered job at the time of death.

A member with ten or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member for disability benefits regardless of the length of OPERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining monthly benefit.

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law the cap on the cost-of-living changes in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefits and 0.15 percent on annual benefits above \$60,000.

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

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

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

For police and fire members, 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 52 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

For general service members, 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65 or age 58 with 30 years of retirement credit.

Members become vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

A member who has accrued ten or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. The cap on the cost-of-living changes in fiscal year 2015 and beyond will vary based on the amount of the annual benefit.

#### **Contributions**

OPERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the OPERS Defined Benefit Plan and the Other Postemployment Benefit Plans.

Contributions to the plan for the years ending June 30, 2019 and 2018 were \$33,193 and \$30,491, respectively. A five-year Schedule of Contributions can be found in the Required Supplementary Information, which immediately follows these notes.

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

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

At June 30, 2019 the City reported liabilities of \$333,466 for its proportionate share of the plan pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The proportionate share was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members of the cost sharing pool, actuarially determined. At June 30, 2019 and 2018, the City's proportion was 0.00220129 and 0.00187443 percent respectively.

For the year ended June 30, 2019, the City recognized pension expense of \$48,805 for the defined benefit portion of the pension plan as a result of implementing GASB 68. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 11,344	\$ -
Changes of assumptions	77,530	-
Net difference between projected and actual earnings on investments	-	14,808
Changes in proportion	43,891	80,704
Differences between employer contributions and proportionate share of contributions	1,936	6,203
Contributions subsequent to the MD	33,193	-
<b>Total</b>	<b>\$ 167,894</b>	<b>\$ 101,715</b>

Deferred outflows of resources related to pensions of \$33,193 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ending June 30, 2020. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense/(income) as follows:

<b>Year ended June 30,</b>	<b>Amount</b>
2020	\$ 26,245
2021	17,183
2022	(17,434)
2023	3,786
2024	3,206
	<u>\$ 32,986</u>

The employer contribution rates effective July 1, 2017 through June 30, 2019 were set using the entry age normal actuarial cost method.

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

For the ORS 238 Tier One/Tier Two component of the OPERS defined benefit plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), and (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over twenty years.

For the ORS 238A OPSRP Pension Program component of the OPERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an actuarially determined amount for funding a disability benefit component, and (3) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over sixteen years.

**Actuarial Methods and Assumptions**

- Valuation Date December 31, 2016
- Measurement Date June 30, 2018
- Experience Study Report 2016, published July 26, 2017
- Actuarial cost method Entry Age Normal
- Actuarial assumptions
  - Inflation rate 2.50 percent
  - Investment rate of return 7.20 percent
  - Discount rate 7.20 percent
  - Projected salary increases 3.50 percent
  - Cost of living adjustments (COLA) Blend of 2.00% COLA and graded COLA (1.25%/0/15%) in accordance with Moro decision; blended based on service
- Mortality
  - Healthy retirees and beneficiaries:  
RP-2014 Healthy annuitant, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.
  - Active members:  
RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.
  - Disabled retirees:  
RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years.

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

The methods and assumptions shown above are based on the 2016 Experience Study which reviewed experience for the four-year period ending on December 31, 2016.

The discount rate used to measure the total pension liability was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the defined benefit pension plan was applied to all periods of projected benefit payments to determine the total pension liability.

The following represents the City's proportionate share of the pension asset calculated using the discount rate of 7.20 percent, as well as what the City's share of the net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability (asset)	\$ 557,285	\$ 333,466	\$ 148,722

The long term expected rate of return is based on a consistent set of underlying assumptions for each asset class and includes adjustment for the inflation assumption. These assumptions are not based on historical return, but instead are based on a forward-looking capital market economic model. To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

Asset Class	Target Allocation	Compounded Annual Return (Geometric)
Core Fixed Income	8.00%	3.49%
Short-Term Bonds	8.00%	3.42%
Bank/Leveraged Loans	3.00%	5.09%
High Yield Bonds	1.00%	6.45%
Large/Mid Cap US Equities	15.75%	6.30%
Small Cap US Equities	1.30%	6.69%
Micro Cap US Equities	1.30%	6.80%
Developed Foreign Equities	13.13%	6.71%
Emerging Foreign Equities	4.12%	7.45%
Non-US Small Cap Equities	1.88%	7.01%
Private Equities	17.50%	7.82%
Real Estate (Property)	10.00%	5.51%
Real Estate (REITS)	2.50%	6.37%
Hedge Fund of Funds-Diversified	2.50%	4.09%
Hedge Fund-Event-driven	0.63%	5.86%
Timber	1.88%	5.62%
Farmland	1.88%	6.15%
Infrastructure	3.75%	6.60%
Commodities	1.88%	3.84%
Total	100.00%	
Assumed Inflation - Mean		2.50%

At June 30, 2019, the City's payable to OPERS for defined benefit contributions was approximately \$5,386. This amount represents legally required contributions to the plan for services incurred in the current fiscal year.

**6. DEFERRED COMPENSATION PLAN**

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

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

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2019

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

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

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

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

There is exposure to various risks: loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The League of Oregon Cities joined together with the Association of Oregon Cities to form Citycounty Insurance Services (CIS), 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. CIS 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 CIS to help mitigate these risks, and commercial insurance is carried for other risks of loss, including workers' compensation. Settled claims have not exceeded insurance coverage in any of the last three fiscal years.

#### **9. SUBSEQUENT EVENTS**

In October 2019, the City Council elected to move forward with buying a piece of property in the City's downtown area. The City is going to internally fund the purchase, borrowing \$150,000 from the Water Fund and \$600,000 from the SDC Fund. The total purchase price is \$752,743 and will be paid from the General Fund.



CITY OF ADAIR VILLAGE, OREGON

REQUIRED SUPPLEMENTARY INFORMATION



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

<b>Measurement Date</b>	<b>Proportion of the net pension liability/(asset)**</b>	<b>Proportionate share of the net pension liability (asset)**</b>	<b>Covered payroll</b>	<b>Proportionate share of the net pension liability (asset) as a percentage of its covered payroll</b>	<b>Plan fiduciary net position as a percentage of the total pension liability</b>
2018	0.00220129%	\$ 333,466	\$ 231,747	143.89%	82.10%
2017	0.00187443%	252,674	210,725	119.91%	83.10%
2016	0.00329581%	494,778	190,519	259.70%	80.50%
2015	0.00270964%	155,573	240,959	64.56%	91.90%
2014	0.00395830%	(89,723)	241,844	-37.10%	103.60%
2013	0.00395830%	201,998	234,073	86.30%	91.97%

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

<b>Year ended June 30,</b>	<b>Statutorily required contribution**</b>	<b>Contributions in relation to the statutorily required contribution**</b>	<b>Contribution deficiency (excess)</b>	<b>Covered payroll</b>	<b>Contributions as a percent of covered payroll</b>
2019	\$ 33,193	\$ 33,193	\$ -	\$ 247,755	13.40%
2018	21,612	21,612	-	231,747	9.33%
2017	21,225	21,225	-	210,725	10.07%
2016	20,646	20,646	-	190,519	10.84%
2015	30,740	30,740	-	240,959	12.76%
2014	31,402	31,402	-	241,844	12.98%

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

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

**CITY OF ADAIR VILLAGE, OREGON**  
**Schedule of the Changes in the Total OPEB Liability and Related Ratios - CIS Plan**  
**for the last two fiscal years\***

<b>Year ended June 30,</b>	<b>Beginning Total OPEB Liability</b>	<b>Service Cost</b>	<b>Interest on Total OPEB Liability</b>	<b>Effect of Economic/ Demographic Changes or Inputs</b>	<b>Effect of Assumptions Changes or Inputs</b>	<b>Ending Total OPEB Liability</b>	<b>Covered Payroll</b>	<b>Liability as a percent of covered payroll</b>
2019	\$ 2,313	\$ 845	\$ 113	\$ 862	\$ (477)	\$ 3,656	\$247,755	1.4757%
2018	1,594	882	71	-	(234)	2,313	231,747	0.9981%

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

\*\*The actuarial information for each fiscal year was provided by Milliman. The City does not currently have any retirees on its health plan.

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

<b>Measurement Date</b>	<b>Proportion of the net OPEB liability/(asset)**</b>	<b>Proportionate share of the net OPEB liability (asset)**</b>	<b>Covered payroll</b>	<b>Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll</b>	<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>
2018	0.00189192%	\$ (2,112)	\$ 231,747	-0.91%	124.00%
2017	0.00177983%	(734)	210,725	-0.35%	108.90%
2016	0.00175901%	483	190,519	0.25%	94.20%

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

<b>Year ended June 30,</b>	<b>Statutorily required contribution**</b>	<b>Contributions in relation to the statutorily required contribution**</b>	<b>Contribution deficiency (excess)</b>	<b>Covered payroll</b>	<b>Contributions as a percent of covered payroll</b>
2019	\$ 1,001	\$ 1,001	\$ -	\$ 247,755	0.40%
2018	916	916	-	231,747	0.40%
2017	876	876	-	210,725	0.42%

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

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

**CITY OF ADAIR VILLAGE, OREGON**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
*for the year ended June 30, 2019*

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
<b>REVENUES</b>				
Property taxes:				
Current	\$ 118,000	\$ 118,000	\$ 122,686	\$ 4,686
Prior years	1,700	1,700	4,907	3,207
Franchise fees	46,000	46,000	40,689	(5,311)
Intergovernmental:				
State revenue sharing	7,800	7,800	8,418	618
Liquor tax	17,000	17,000	15,049	(1,951)
Cigarette/Marijuana tax	1,000	1,000	3,970	2,970
Building/property lease	109,020	109,020	72,126	(36,894)
Planning fees	15,000	45,000	97,693	52,693
Ordinances and court fines	1,500	1,500	5,692	4,192
Refunds	200	200	6,602	6,402
Interest income	7,500	7,500	37,040	29,540
Miscellaneous	7,500	7,500	793	(6,707)
<b>Total revenues</b>	<b>332,220</b>	<b>362,220</b>	<b>415,665</b>	<b>53,445</b>
<b>EXPENDITURES</b>				
Administration	135,803	165,803	121,784	44,019
Parks	33,815	33,815	21,409	12,406
Public safety	37,682	37,682	38,919	(1,237)
Non-departmental	115,050	115,050	89,369	25,681
Capital outlay	100,000	115,000	93,221	21,779
Debt service	22,254	22,254	11,127	11,127
Contingency	46,000	46,000	-	46,000
<b>Total expenditures</b>	<b>490,604</b>	<b>535,604</b>	<b>375,829</b>	<b>159,775</b>
<b>Change in fund balance before other financing sources (uses)</b>	<b>(158,384)</b>	<b>(173,384)</b>	<b>39,836</b>	<b>213,220</b>
<b>Other financing sources (uses)</b>				
Transfer in	-	15,000	15,000	-
Transfer out	(17,355)	(17,355)	(17,355)	-
<b>Total other financing sources (uses)</b>	<b>(17,355)</b>	<b>(2,355)</b>	<b>(2,355)</b>	<b>-</b>
Reserve for future expenditure	(99,261)	(99,261)	-	99,261
<b>Change in fund balance</b>	<b>(275,000)</b>	<b>(275,000)</b>	<b>37,481</b>	<b>312,481</b>
<b>Fund balance - beginning of the year</b>	<b>275,000</b>	<b>275,000</b>	<b>264,482</b>	<b>(10,518)</b>
<b>Fund balance - end of the year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 301,963</b>	<b>\$ 301,963</b>

**CITY OF ADAIR VILLAGE, OREGON**  
**STREET FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
*for the year ended June 30, 2019*

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
<b>REVENUES</b>				
State gas tax	\$ 61,500	\$ 61,500	\$ 62,974	\$ 1,474
Miscellaneous	200	200	-	(200)
<b>Total revenues</b>	<b>61,700</b>	<b>61,700</b>	<b>62,974</b>	<b>1,274</b>
<b>EXPENDITURES</b>				
Street maintenance & operations	45,709	45,709	43,385	2,324
<b>Total expenditures</b>	<b>45,709</b>	<b>45,709</b>	<b>43,385</b>	<b>2,324</b>
<b>Change in fund balance</b>				
<b>before other financing sources (uses)</b>	<b>15,991</b>	<b>15,991</b>	<b>19,589</b>	<b>3,598</b>
<b>Other financing (uses)</b>				
Transfer out	(2,501)	(2,501)	(2,501)	-
Reserve for future expenditure	(73,690)	(73,690)	-	73,690
<b>Change in fund balance</b>	<b>(60,200)</b>	<b>(60,200)</b>	<b>17,088</b>	<b>77,288</b>
<b>Fund balance - beginning of the year</b>	<b>60,200</b>	<b>60,200</b>	<b>95,378</b>	<b>35,178</b>
<b>Fund balance - end of the year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 112,466</b>	<b>\$ 112,466</b>

This Page Intentionally Left Blank



CITY OF ADAIR VILLAGE, OREGON

SUPPLEMENTARY INFORMATION



**CITY OF ADAIR VILLAGE, OREGON**  
**WATER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
*for the year ended June 30, 2019*

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
<b>REVENUES</b>				
Charges for services	\$ 559,000	\$ 559,000	\$ 553,342	\$ (5,658)
Miscellaneous	1,500	1,500	2,332	832
<b>Total revenues</b>	<b>560,500</b>	<b>560,500</b>	<b>555,674</b>	<b>(4,826)</b>
<b>EXPENDITURES</b>				
Water operations	385,329	385,329	369,516	15,813
Capital outlay	200,000	200,000	110,793	89,207
Debt service	135,000	135,000	48,258	86,742
Contingency	-	-	-	-
<b>Total expenditures</b>	<b>720,329</b>	<b>720,329</b>	<b>528,567</b>	<b>191,762</b>
<b>Change in fund balance before other financing sources (uses)</b>	<b>(159,829)</b>	<b>(159,829)</b>	<b>27,107</b>	<b>186,936</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	200,000	200,000	120,661	(79,339)
Transfers out	(12,263)	(12,263)	(12,263)	-
Reserve for future expenditure	(477,908)	(477,908)	-	477,908
<b>Total other financing sources (uses)</b>	<b>(290,171)</b>	<b>(290,171)</b>	<b>108,398</b>	<b>398,569</b>
<b>Change in fund balance</b>	<b>(450,000)</b>	<b>(450,000)</b>	<b>135,505</b>	<b>585,505</b>
<b>Fund balance - beginning of the year</b>	<b>450,000</b>	<b>450,000</b>	<b>587,803</b>	<b>137,803</b>
<b>Fund balance - end of the year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>723,308</b>	<b>\$ 723,308</b>

Capital assets, net of depreciation	3,703,329
Accrued compensated absences	(5,666)
Net pension liability	(151,624)
Deferred outflows of resources - pension	76,340
Deferred outflows of resources - OPEB	807
Accrued interest	(26,644)
Net OPEB liability	(702)
Long-term debt	(2,232,902)
Transition liability	(3,911)
Deferred inflows of resources - pension	(46,249)
Deferred inflows of resources - OPEB	(552)
<b>Total net position</b>	<b>\$ 2,035,534</b>

**CITY OF ADAIR VILLAGE, OREGON**  
**WASTEWATER FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
*for the year ended June 30, 2019*

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
<b>REVENUES</b>				
Charges for services	\$ 220,420	\$ 220,420	\$ 218,787	\$ (1,633)
Miscellaneous	1,000	1,000	-	(1,000)
<b>Total revenues</b>	<b>221,420</b>	<b>221,420</b>	<b>218,787</b>	<b>(2,633)</b>
<b>EXPENDITURES</b>				
Wastewater operations	181,657	181,657	187,591	(5,934)
Debt service	51,470	51,470	29,247	22,223
Contingency	6,500	6,500	-	6,500
<b>Total expenditures</b>	<b>239,627</b>	<b>239,627</b>	<b>216,838</b>	<b>22,789</b>
<b>Change in fund balance</b>				
<b>before other financing sources (uses)</b>	<b>(18,207)</b>	<b>(18,207)</b>	<b>1,949</b>	<b>20,156</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	30,000	30,000	-	(30,000)
Transfers in	-	-	-	-
Transfer out	(6,445)	(6,445)	(6,445)	-
Reserve for future expenditure	(11,348)	(11,348)	-	11,348
<b>Total other financing sources (uses)</b>	<b>12,207</b>	<b>12,207</b>	<b>(6,445)</b>	<b>(18,652)</b>
<b>Change in fund balance</b>				
<b>Fund balance - beginning of the year</b>	<b>6,000</b>	<b>6,000</b>	<b>2,988</b>	<b>(3,012)</b>
<b>Fund balance - end of the year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(1,508)</b>	<b>\$ (1,508)</b>

Capital assets, net of depreciation	931,915
Accrued compensated absences	(2,678)
Net pension liability	(71,783)
Deferred outflows of resources - pension	36,142
Deferred outflows of resources - OPEB	382
Long-term debt	(66,659)
Net OPEB liability	(332)
Transition liability	(1,852)
Deferred inflows of resources - pension	(21,896)
Deferred inflows of resources - OPEB	(262)
Total net position	<u>\$ 801,469</u>

**CITY OF ADAIR VILLAGE, OREGON**  
**SYSTEMS DEVELOPMENT FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
*for the year ended June 30, 2019*

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
<b>REVENUES</b>				
Charges for services	\$ 59,876	\$ 59,876	\$ 94,452	\$ 34,576
<b>Total revenues</b>	<b>59,876</b>	<b>59,876</b>	<b>94,452</b>	<b>34,576</b>
<b>EXPENDITURES</b>				
Engineering Services	-	60,000	32,793	27,207
Total expenditures	-	60,000	32,793	27,207
<b>Change in fund balance before other financing sources (uses)</b>	<b>59,876</b>	<b>(124)</b>	<b>61,659</b>	<b>61,783</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Reserve for future expenditure	(315,735)	(255,735)	-	255,735
<b>Total other financing sources (uses)</b>	<b>(315,735)</b>	<b>(255,735)</b>	<b>-</b>	<b>255,735</b>
<b>Change in fund balance</b>	<b>(255,859)</b>	<b>(255,859)</b>	<b>61,659</b>	<b>317,518</b>
Fund balance - beginning of the year	255,859	255,859	246,657	(9,202)
<b>Fund balance - end of the year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 308,316</b>	<b>\$ 308,316</b>

**CITY OF ADAIR VILLAGE, OREGON**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR PRIORITARY FUNDS**  
*June 30, 2019*

	Storm Drain Fund	Reserve Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 5,164	\$ 121,914	\$ 127,078
Accounts receivable, net	2,410	-	2,410
<b>Total current assets</b>	<b>7,574</b>	<b>121,914</b>	<b>129,488</b>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	7,008	-	7,008
<b>Total noncurrent assets</b>	<b>7,008</b>	<b>-</b>	<b>7,008</b>
<b>Total Assets</b>	<b>14,582</b>	<b>121,914</b>	<b>136,496</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pensions	8,406	-	8,406
Deferred outflows of resources - OPEB	89	-	89
<b>Total Deferred Outflows of Resources</b>	<b>8,495</b>	<b>-</b>	<b>8,495</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	1,313	-	1,313
Payroll liabilities	1,271	-	1,271
Accrued vacation	576	-	576
<b>Total current liabilities</b>	<b>3,160</b>	<b>-</b>	<b>3,160</b>
Noncurrent liabilities:			
Net OPEB liability	77	-	77
Net pension liability	16,695	-	16,695
Transition liability	431	-	431
<b>Total noncurrent liabilities</b>	<b>17,203</b>	<b>-</b>	<b>17,203</b>
<b>Total Liabilities</b>	<b>20,363</b>	<b>-</b>	<b>20,363</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to:			
Pension	5,092	-	5,092
OPEB	61	-	61
<b>Total Deferred Inflows of Resources</b>	<b>5,153</b>	<b>-</b>	<b>5,153</b>
<b>NET POSITION</b>			
Investment in capital assets	7,008	-	7,008
Restricted for capital assets	-	121,914	121,914
Unrestricted	(9,447)	-	(9,447)
<b>Total Net Position</b>	<b>\$ (2,439)</b>	<b>\$ 121,914</b>	<b>\$ 119,475</b>

**CITY OF ADAIR VILLAGE, OREGON**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**NONMAJOR PRIORITARY FUNDS**  
*for the year ended June 30, 2019*

	Storm Drain Fund	Reserve Fund	Total
<b>REVENUES</b>			
Charges for services	\$ 18,230	\$ -	\$ 18,230
<b>EXPENSES</b>			
Storm drain operations	24,840	-	24,840
Depreciation	426	-	426
<b>Total expenses</b>	<b>25,266</b>	<b>-</b>	<b>25,266</b>
<b>Operating income</b>	<b>(7,036)</b>	<b>-</b>	<b>(7,036)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Transfers in	-	39,999	39,999
Transfers out	(1,435)	(15,000)	(16,435)
Total non-operating revenues (expenses)	(1,435)	24,999	23,564
<b>Change in net position</b>	<b>(8,471)</b>	<b>24,999</b>	<b>16,528</b>
Net position--beginning	6,032	96,915	102,947
<b>Net position--end of year</b>	<b>\$ (2,439)</b>	<b>\$ 121,914</b>	<b>\$ 119,475</b>

**CITY OF ADAIR VILLAGE, OREGON**  
**COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY FUNDS**  
*for the year ended June 30, 2019*

	Storm Drain	Reserve Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 17,860	\$ -	\$ 17,860
Payments to suppliers	(1,580)	-	(1,580)
Payments to employees	(20,321)	-	(20,321)
<b>Net cash provided (used) by operating activities</b>	<b>(4,041)</b>	<b>-</b>	<b>(4,041)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	-	39,999	39,999
Transfers to other funds	(1,435)	(15,000)	(16,435)
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(1,435)</b>	<b>24,999</b>	<b>23,564</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	-	-	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest earnings	-	-	-
<b>Net cash provided by investing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(5,476)</b>	<b>24,999</b>	<b>19,523</b>
<b>Cash and investments--beginning of the year</b>	<b>10,640</b>	<b>96,915</b>	<b>107,555</b>
<b>Cash and investments--end of the year</b>	<b>\$ 5,164</b>	<b>\$ 121,914</b>	<b>\$ 127,078</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ (7,036)	\$ -	\$ (7,036)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	426	-	426
<b>Change in assets and liabilities:</b>			
Receivables	(370)	-	(370)
Prepaid expenses	592	-	592
Accounts payable and accrued liabilities	1,348	-	1,348
Accrued compensated absences	236	-	236
OPEB-related expenses	(12)	-	(12)
Pension-related expenses	775	-	775
<b>Net cash provided (used) by operating activities</b>	<b>\$ (4,041)</b>	<b>\$ -</b>	<b>\$ (4,041)</b>



**CITY OF ADAIR VILLAGE, OREGON**  
**STORM DRAIN FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
*for the year ended June 30, 2019*

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
<b>REVENUES</b>				
Charges for services	\$ 21,900	\$ 21,900	\$ 18,230	\$ (3,670)
Miscellaneous	200	200	-	(200)
<b>Total revenues</b>	<b>22,100</b>	<b>22,100</b>	<b>18,230</b>	<b>(3,870)</b>
<b>EXPENDITURES</b>				
Storm drain operations	27,149	27,149	23,841	3,308
Contingency	4,100	4,100	-	4,100
<b>Total expenditures</b>	<b>31,249</b>	<b>31,249</b>	<b>23,841</b>	<b>7,408</b>
<b>Change in fund balance before other financing sources (uses)</b>	<b>(9,149)</b>	<b>(9,149)</b>	<b>(5,611)</b>	<b>3,538</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(1,435)	(1,435)	(1,435)	-
Reserve for future expenditure	(416)	(416)	-	416
<b>Total other financing sources (uses)</b>	<b>(1,851)</b>	<b>(1,851)</b>	<b>(1,435)</b>	<b>416</b>
<b>Change in fund balance</b>	<b>(11,000)</b>	<b>(11,000)</b>	<b>(7,046)</b>	<b>3,954</b>
<b>Fund balance - beginning of the year</b>	<b>11,000</b>	<b>11,000</b>	<b>12,036</b>	<b>1,036</b>
<b>Fund balance - end of the year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>4,990</b>	<b>\$ 4,990</b>

Capital assets, net of depreciation	7,008
Accrued compensated absences	(576)
Net OPEB liability	(77)
Transition liability	(431)
Net pension liability	(16,695)
Deferred outflows of resources - pension	8,406
Deferred outflows of resources - OPEB	89
Deferred inflows of resources - pension	(5,092)
Deferred inflows of resources - OPEB	(61)
<b>Total net position</b>	<b>\$ (2,439)</b>

CITY OF ADAIR VILLAGE, OREGON  
RESERVE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
*for the year ended June 30, 2019*

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	\$ 39,999	\$ 39,999	\$ 39,999	\$ -
Transfers out	-	(15,000)	(15,000)	-
Reserve for future expenditure	(136,915)	(121,915)	-	121,915
<b>Total other financing sources (uses)</b>	<b>(96,916)</b>	<b>(96,916)</b>	<b>24,999</b>	<b>121,915</b>
<b>Change in fund balance</b>	<b>(96,916)</b>	<b>(96,916)</b>	<b>24,999</b>	<b>121,915</b>
<b>Fund balance - beginning of the year</b>	<b>96,916</b>	<b>96,916</b>	<b>96,915</b>	<b>(1)</b>
<b>Fund balance - end of the year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 121,914</b>	<b>\$ 121,914</b>

CITY OF ADAIR VILLAGE, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE  
REGULATIONS



**INDEPENDENT AUDITOR’S REPORT  
 ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
 REPORTING ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
 ACCORDANCE WITH *OREGON STATE REGULATION***

Honorable Mayor and City Council  
 City of Adair Village, Oregon

We have audited the basic financial statements of City of Adair Village, Oregon, as of and for the year ended June 30, 2019 and have issued our report thereon dated November 8, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State.

**Compliance**

As part of obtaining reasonable assurance about whether City of Adair Village, Oregon’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

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

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. In connection with our testing, nothing came to our attention that caused us to believe City of Adair Village, Oregon was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in the Oregon Administrative Rules 162-10-000 through 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations* except as follows.

Expenditures in excess of appropriations:

<u>Fund</u>	<u>Appropriation Level</u>	<u>Excess of Appropriations</u>
General Fund	Public Safety	1,237
Wastewater Fund	Wastewater Operations	5,934

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

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

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

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Minimum Standards of Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Merina+Co  
Tualatin, Oregon  
November 8, 2019