

City of Adair Village, Oregon

FINANCIAL STATEMENTS

Year Ended June 30, 2024



CITY OF ADAIR VILLAGE, OREGON

Financial Statements

Year Ended June 30, 2024

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CITY OF ADAIR VILLAGE, OREGON

Financial Statements

Year Ended June 30, 2024

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CITY OF ADAIR VILLAGE, OREGON
Council Members and Principal Administrative Staff
Year Ended June 30, 2024

CITY OF ADAIR VILLAGE, OREGON

<u>City Council</u>	<u>Term Expires</u>
Bill Currier, Mayor	December 31, 2026
Bret Ray	December 31, 2026
Peter Ness	December 31, 2026
John Wilson	December 31, 2028

Administrative

Pat Hare, City Administrator

All council members receive mail at the address listed below:

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Adair Village (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2024, and the respective changes in cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the cash basis financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the cash basis financial statements that collectively comprise the City's basic financial statements. The combining financial statements and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 GAAS. In our opinion, the combining financial statements and individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Report on Other Legal and Regulatory Requirements

Other Reporting Required by Oregon State Regulations

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated October 6, 2026, on our consideration of the City'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.

Aldrich CPAs + Advisors LLP

By:

Andrew Maffia

Andrew Maffia, CPA, Partner
Salem, Oregon
October 6, 2026

BASIC FINANCIAL STATEMENTS

CITY OF ADAIR VILLAGE, OREGON**Statement of Net Position (Cash Basis)**

June 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,737,907	\$ 2,819,561	\$ 4,557,468
Total Assets	<u>1,737,907</u>	<u>2,819,561</u>	<u>4,557,468</u>
NET POSITION			
Restricted for:			
Highways and streets	324,285	-	324,285
Capital projects	-	1,542,278	1,542,278
Unrestricted	<u>1,413,622</u>	<u>1,277,283</u>	<u>2,690,905</u>
Total Net Position	\$ <u><u>1,737,907</u></u>	\$ <u><u>2,819,561</u></u>	\$ <u><u>4,557,468</u></u>

CITY OF ADAIR VILLAGE, OREGON

Statement of Activities (Cash Basis)

Year Ended June 30, 2024

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 610,374	\$ 24,175	\$ -	\$ -	\$ (586,199)	\$ -	\$ (586,199)
Public safety	48,875	-	-	-	(48,875)	-	(48,875)
Public works	60,129	-	112,529	-	52,400	-	52,400
Culture and recreation	65,952	411,668	33,955	-	379,671	-	379,671
Total Governmental Activities	<u>785,330</u>	<u>435,843</u>	<u>146,484</u>	<u>-</u>	<u>(203,003)</u>	<u>-</u>	<u>(203,003)</u>
Business-Type Activities:							
Water	859,232	696,959	-	161,289	-	(984)	(984)
Wastewater	440,393	401,329	40,000	-	-	936	936
Stormwater	32,474	40,057	-	-	-	7,583	7,583
Total Business-Type Activities	<u>1,332,099</u>	<u>1,138,345</u>	<u>40,000</u>	<u>161,289</u>	<u>-</u>	<u>7,535</u>	<u>7,535</u>
Totals	\$ <u>2,117,429</u>	\$ <u>1,574,188</u>	\$ <u>186,484</u>	\$ <u>161,289</u>	<u>(203,003)</u>	<u>7,535</u>	<u>(195,468)</u>
General Revenues:							
Property taxes					271,286	-	271,286
Franchise fees					94,751	-	94,751
Intergovernmental					29,120	-	29,120
Interest earnings					82,032	122,234	204,266
Rents and leases					162,962	-	162,962
Other revenue					856	6,291	7,147
Transfers					(53,084)	53,084	-
Total General Revenues and Transfers					<u>587,923</u>	<u>181,609</u>	<u>769,532</u>
Loan Proceeds					-	60,715	60,715
Change in Net Position					<u>384,920</u>	<u>249,859</u>	<u>634,779</u>
Net Position, beginning, as previously presented					4,202,312	8,716,965	12,919,277
Change in Accounting Principle and Error Correction					<u>(2,849,325)</u>	<u>(6,147,263)</u>	<u>(8,996,588)</u>
Net Position, beginning, as restated					<u>1,352,987</u>	<u>2,569,702</u>	<u>3,922,689</u>
Net Position, ending					\$ <u>1,737,907</u>	\$ <u>2,819,561</u>	\$ <u>4,557,468</u>

See accompanying notes to the basic financial statements.

CITY OF ADAIR VILLAGE, OREGON**Governmental Funds****Balance Sheet (Cash Basis)**June 30, 2024

	<u>General</u>	<u>Street</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ <u>1,413,622</u>	\$ <u>324,285</u>	\$ <u>1,737,907</u>
Total Assets	\$ <u><u>1,413,622</u></u>	\$ <u><u>324,285</u></u>	\$ <u><u>1,737,907</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Fund Balances:			
Restricted	\$ -	\$ 324,285	\$ 324,285
Unassigned	<u>1,413,622</u>	<u>-</u>	<u>1,413,622</u>
Total Fund Balances	<u>1,413,622</u>	<u>324,285</u>	<u>1,737,907</u>
Total Liabilities and Fund Balances	\$ <u><u>1,413,622</u></u>	\$ <u><u>324,285</u></u>	\$ <u><u>1,737,907</u></u>

CITY OF ADAIR VILLAGE, OREGON**Governmental Funds****Statement of Revenues, Expenditures, and Changes in Fund Balances (Cash Basis)**

Year Ended June 30, 2024

	General	Street	Total Governmental Funds
Revenues:			
Taxes:			
Property	\$ 271,286	\$ -	\$ 271,286
Franchise fees, privilege taxes, licenses, and permits	129,676	-	129,676
Intergovernmental	463,993	112,529	576,522
Interest earnings	67,444	14,588	82,032
Rents and leases	162,962	-	162,962
Other revenue	856	-	856
Total Revenues	<u>1,096,217</u>	<u>127,117</u>	<u>1,223,334</u>
Expenditures:			
Current:			
General government	610,374	-	610,374
Public safety	48,875	-	48,875
Public works	-	60,129	60,129
Culture and recreation	65,952	-	65,952
Total Expenditures	<u>725,201</u>	<u>60,129</u>	<u>785,330</u>
Revenues Over (Under) Expenditures	<u>371,016</u>	<u>66,988</u>	<u>438,004</u>
Other Financing Sources (Uses):			
Transfers out	<u>(52,884)</u>	<u>(200)</u>	<u>(53,084)</u>
Total Other Financing Sources (Uses)	<u>(52,884)</u>	<u>(200)</u>	<u>(53,084)</u>
Net Change in Fund Balances	<u>318,132</u>	<u>66,788</u>	<u>384,920</u>
Fund Balances, beginning, as previously presented	(252,173)	264,920	12,747
Adjustments	<u>1,347,663</u>	<u>(7,423)</u>	<u>1,340,240</u>
Fund Balances, beginning, as restated	<u>1,095,490</u>	<u>257,497</u>	<u>1,352,987</u>
Fund Balances, ending	<u>\$ 1,413,622</u>	<u>\$ 324,285</u>	<u>\$ 1,737,907</u>

CITY OF ADAIR VILLAGE, OREGON**Proprietary Funds****Statement of Net Position (Cash Basis)**

June 30, 2024

	Business-Type Activities - Enterprise Funds				
	Water	Wastewater	System Development Fund	Nonmajor Funds	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 373,370	\$ 700,230	\$ 1,542,278	\$ 203,683	\$ 2,819,561
Total Assets	373,370	700,230	1,542,278	203,683	2,819,561
NET POSITION					
Restricted for:					
Capital projects	-	-	1,542,278	-	1,542,278
Unrestricted	373,370	700,230	-	203,683	1,277,283
Total Net Position	\$ 373,370	\$ 700,230	\$ 1,542,278	\$ 203,683	\$ 2,819,561

CITY OF ADAIR VILLAGE, OREGON

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Net Position (Cash Basis)

Year Ended June 30, 2024

	Business-Type Activities - Enterprise Funds				
	Water	Wastewater	System Development Fund	Nonmajor Funds	Total
Operating Revenues:					
Charges for services	\$ 696,959	\$ 401,329	\$ -	\$ 40,057	\$ 1,138,345
Intergovernmental	-	40,000	-	-	40,000
Miscellaneous	6,291	-	-	-	6,291
Total Operating Revenues	703,250	441,329	-	40,057	1,184,636
Operating Expenses:					
Personnel services	268,451	128,291	-	23,558	420,300
Materials and services	198,607	144,989	-	8,916	352,512
Total Operating Expenses	467,058	273,280	-	32,474	772,812
Operating Income (Loss)	236,192	168,049	-	7,583	411,824
Nonoperating Revenues (Expenses):					
Interest income	16,468	30,975	66,383	8,408	122,234
Proceeds from long-term debt	-	60,715	-	-	60,715
Capital outlay	(232,921)	(144,399)	-	-	(377,320)
Debt service	(159,253)	(22,714)	-	-	(181,967)
Total Nonoperating Revenues (Expenses)	(375,706)	(75,423)	66,383	8,408	(376,338)
Income (Loss) Before Capital Contributions and Transfers	(139,514)	92,626	66,383	15,991	35,486
Capital Contributions	161,289	-	-	-	161,289
Transfers In	9,577	-	38,307	9,950	57,834
Transfers Out	(3,500)	(1,000)	-	(250)	(4,750)
Change in Net Position	27,852	91,626	104,690	25,691	249,859
Net Position, beginning, as previously reported	3,000,221	2,553,046	2,665,018	498,680	8,716,965
Adjustments	(2,654,703)	(1,944,442)	(1,227,430)	(320,688)	(6,147,263)
Net Position, beginning, as restated	345,518	608,604	1,437,588	177,992	2,569,702
Net Position, ending	\$ 373,370	\$ 700,230	\$ 1,542,278	\$ 203,683	\$ 2,819,561

CITY OF ADAIR VILLAGE, OREGON
Proprietary Funds
Statement of Cash Flows (Cash Basis)
Year Ended June 30, 2024

	Business-Type Activities - Enterprise Funds				
	Water	Wastewater	System Development Fund	Nonmajor Funds	Total
Cash Flows from Operating Activities:					
Receipts from customers and users	\$ 696,959	\$ 401,329	\$ -	\$ 40,057	\$ 1,138,345
Payments to suppliers	(198,607)	(144,989)	-	(8,916)	(352,512)
Payments to employees	(268,451)	(128,291)	-	(23,558)	(420,300)
Other revenues	6,291	40,000	-	-	46,291
Net Cash Provided by Operating Activities	236,192	168,049	-	7,583	411,824
Cash Flows from Noncapital and Related Financing Activities:					
Transfer in	9,577	-	-	-	9,577
Net Cash Flows Provided by Noncapital and Related Financing Activities	9,577	-	-	-	9,577
Cash Flows from Capital and Related Financing Activities:					
Acquisition of capital assets	(232,921)	(144,399)	-	-	(377,320)
Capital grants received	161,289	-	-	-	161,289
Proceeds from long-term debt	-	60,715	-	-	60,715
Transfers in	-	-	38,307	9,950	48,257
Transfers out	(3,500)	(1,000)	-	(250)	(4,750)
Principal paid	(110,485)	(22,466)	-	-	(132,951)
Interest paid	(48,768)	(248)	-	-	(49,016)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	(234,385)	(107,398)	38,307	9,700	(293,776)
Cash Flows from Investing Activities:					
Investment income received	16,468	30,975	66,383	8,408	122,234
Net Cash Provided by Investing Activities	16,468	30,975	66,383	8,408	122,234
Net Increase in Cash and Cash Equivalents	27,852	91,626	104,690	25,691	249,859
Cash and Cash Equivalents, beginning	345,518	608,604	1,437,588	177,992	2,569,702
Cash and Cash Equivalents, ending	\$ 373,370	\$ 700,230	\$ 1,542,278	\$ 203,683	\$ 2,819,561

CITY OF ADAIR VILLAGE, OREGON

Notes to Basic Financial Statements

Year Ended June 30, 2024

Note 1 - Summary of Accounting Policies

The Financial Reporting Entity

The City of Adair Village (the City) is a municipal corporation, incorporated in 1976 under the authority of Oregon Revised Statutes Section 221, and operating with a five-member elected City Council comprised of the mayor and four council members. As of June 30, 2024, one council position was vacant. 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.

The accompanying financial statements present the City as the primary government. The City has no component units which are legally separate organizations fiscally dependent on the City or for which the City is financially accountable.

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 interfund 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, culture and recreation, water, wastewater, and storm drain services. 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 nonmajor funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The basic financial statements have been prepared in conformity with the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). Under this basis of accounting, revenues are recognized when received in cash and expenditures are recognized when paid. The more significant accounting policies are described below.

Governmental fund financial statements are reported using the cash basis of accounting. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are any payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

As a result of the use of this cash basis of accounting, certain transactions are not recorded in the financial statements. For example, accounts receivable and revenue for billed or provided services that have not been collected in cash are not accrued as revenue or receivables. Additionally, capital assets such as property, equipment, and infrastructure are not reported, and long-term liabilities such as debt and compensated absences are also not reported.

CITY OF ADAIR VILLAGE, OREGON

Notes to Basic Financial Statements

Year Ended June 30, 2024

Note 1 - Summary of Accounting Policies, continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

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 money received pursuant to the State of Oregon Gas Tax Apportionment.

There are three *major proprietary* funds:

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

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

System Development Fund - This fund accounts for the system development charges which are assessed for new construction. SDC fees are the main source of revenue.

There are two *nonmajor proprietary* funds:

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

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 and administrative expenses. 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, the policy is to use restricted resources first, then unrestricted resources as they are needed.

Estimates

The preparation of basic financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

CITY OF ADAIR VILLAGE, OREGON

Notes to Basic Financial Statements

Year Ended June 30, 2024

Note 1 - Summary of Accounting Policies, continued

Cash and Cash Equivalents

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 in the LGIP are stated at share value, which is the value at which the shares can be withdrawn.

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 purposes for which amounts in those funds can be spent. In the fund financial statements, when an expenditure is paid for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is paid for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions. The City reports fund balances in the following categories:

Nonspendable - Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to remain intact.

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

Committed - Amounts with constraints created when the 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 - Amounts that are constrained by the government's intent to use them for a specific purpose but are neither restricted nor committed. The City Council has given the City Administrator the power to assign fund balances.

Unassigned - The residual classification for the General Fund. This classification represents fund balance that is not assigned, committed, or restricted. This classification is also used to report any deficit fund balance amounts in other governmental funds. At year-end, none of the City's governmental funds had a deficit balance.

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 government-wide statement of net position reports \$1,866,563 of restricted net position, all of which is restricted by enabling legislation.

Cash Flow Statements

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

CITY OF ADAIR VILLAGE, OREGON

Notes to Basic Financial Statements

Year Ended June 30, 2024

Note 1 - Summary of Accounting Policies, continued

Property Tax Calendar

Property taxes attach as an enforceable lien on July 1 for real property and personal property. Taxes are levied as of July 1 and payable in three installments on November 15, February 15, and May 15. Real property taxes unpaid on May 16 are considered delinquent. Personal property taxes become delinquent when any installment is not paid by its applicable due date.

Implementation of a New Accounting Standard

During the fiscal year ended June 30, 2024, the City implemented GASB Statement No. 100, *Accounting Changes and Error Corrections*. This statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The City had an error correction and changes in accounting principles in the current year which resulted in the application of this statement. See Note 12 for more information.

Note 2 - Cash and Cash Equivalents

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 cash equivalents.

Cash and cash equivalents at June 30, 2024, consisted of:

Cash and cash equivalents:

Deposits with financial institutions	\$	208,565
Cash on hand		100
State of Oregon Treasurer's short-term investment pool		<u>4,348,803</u>
Total cash and cash equivalents	\$	<u><u>4,557,468</u></u>

Custodial 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. The Federal Deposit Insurance Corporation (FDIC) provides insurance for the City's deposits with financial institutions up to \$250,000 for the combined amount of time and savings deposits and up to \$250,000 for the combined amount of demand deposits, including both interest-bearing and noninterest-bearing demand deposits, at each institution. Deposits in excess of FDIC coverage with institutions participating in the Oregon Public Funds Collateralization Program are collateralized in accordance with the requirements of the program. The pledged securities are held by the Federal Home Loan Bank for the benefit of the Office of the State Treasurer on behalf of the public depositors. As of June 30, 2024, none of the City's bank balances were exposed to custodial credit risk.

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.

CITY OF ADAIR VILLAGE, OREGON

Notes to Basic Financial Statements

Year Ended June 30, 2024

Note 2 - Cash and Cash Equivalents, continued

Investments, continued

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 Annual Comprehensive Financial Report may be obtained at the Oregon State Treasury, 350 Winter St. NE, Salem, Oregon 97310-0840. 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 its exposure to interest rate risk by limiting the maturity of its investments to levels permitted 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 State Pool is unrated. Oregon Revised Statutes require bankers' acceptances to be guaranteed by and carried on the books of a qualified financial institution, eligible for discount by the 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 bankers' acceptances.

Concentration of Credit Risk

At June 30, 2024, 100% of 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, OREGON

Notes to Basic Financial Statements

Year Ended June 30, 2024

Note 3 - Long-Term Obligations

Changes in long-term obligations for the year ended June 30, 2024, were as follows:

	June 30, 2023 Balance	Additions	Reductions	June 30, 2024 Balance	Due Within One Year
Business-type activities:					
Notes payable:					
DEQ Wastewater note	\$ 33,774	\$ -	\$ 22,466	\$ 11,308	\$ 11,308
IFA Water loan 2016	1,990,076	-	99,609	1,890,467	101,582
IFA Water loan 2022	483,341	-	10,876	472,465	12,964
IFA Wastewater loan	2,063,058	60,715	-	2,123,773	-
Total	\$ 4,570,249	\$ 60,715	\$ 132,951	\$ 4,498,013	\$ 125,854

Business-Type Activities

On June 29, 2015, the City entered into a loan agreement with Oregon Department of Environmental Quality (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. The City drew down the last of the loan by June 30, 2020, and began the five-year repayment schedule in the 2020–2021 fiscal year. The DEQ loan included a debt covenant to hold restricted cash in a segregated Loan Reserve Account in trust for the benefit of DEQ. The City did not comply with this debt covenant.

Year Ending June 30,	Principal	Interest
2025	\$ 11,308	\$ 49
	\$ 11,308	\$ 49

In March 2016, the State of Oregon Infrastructure Finance Authority (IFA) awarded the City a \$2,800,000 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 the loan was forgivable, and that portion was forgiven during fiscal year 2018. The interest rate on the remaining balance is 1.98% per annum. Repayment began in the 2020–2021 fiscal year.

Year Ending June 30,	Principal	Interest
2025	\$ 101,582	\$ 37,431
2026	103,593	35,420
2027	105,644	33,369
2028	107,736	31,277
2029	109,869	29,144
2030-2034	582,850	112,214
2035-2039	642,883	52,181
2040	136,310	2,699
	\$ 1,890,467	\$ 333,735

CITY OF ADAIR VILLAGE, OREGON**Notes to Basic Financial Statements**Year Ended June 30, 2024

Note 3 - Long-Term Obligations, continuedBusiness-Type Activities, continued

The IFA awarded the City a \$264,698 forgivable loan and a \$594,983 loan to replace a waterline commonly known as the Hospital Hill Waterline. The original award was executed February 7, 2022, and the amendment, which updated the loan amounts for additional costs, was executed on September 6, 2022. The project was completed in the 2022–2023 fiscal year. The interest rate is 1.54% per annum. Repayment began in the 2023–2024 fiscal year.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 12,964	\$ 7,276
2026	13,164	7,076
2027	13,367	6,874
2028	13,572	6,668
2029	13,782	6,459
2030-2034	72,157	29,044
2035-2039	77,887	23,314
2040-2044	84,072	17,129
2045-2049	90,748	10,453
2050-2052	80,752	3,201
	<u>\$ 472,465</u>	<u>\$ 117,494</u>

In June 2021, the IFA awarded the City a \$2,500,000 loan to make improvements to its existing wastewater treatment plant and related facilities. The project is expected to be completed in the 2024–2025 fiscal year. The interest rate is 2.47% per annum. As of June 30, 2023, the outstanding amount was \$2,063,058. An additional \$60,715 was drawn in fiscal year 2024, totaling \$2,123,773 in outstanding principal. The current repayment schedule appears below.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ -	\$ 135,636
2026	66,510	52,457
2027	68,152	50,814
2028	69,836	49,131
2029	71,561	47,406
2030-2034	385,206	209,628
2035-2039	435,188	159,646
2040-2044	491,655	103,179
2045-2049	535,665	39,385
	<u>\$ 2,123,773</u>	<u>\$ 847,282</u>

CITY OF ADAIR VILLAGE, OREGON

Notes to Basic Financial Statements

Year Ended June 30, 2024

Note 3 - Long-Term Obligations, continued

Pension-Related Debt

In 2001, the City became a member of PERS 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. After the City joined 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 25 years, ending in December 2027.

Balance			Balance
June 30, 2023	Additions	Reductions	June 30, 2024
\$ 4,059	\$ -	\$ 858	\$ 3,201

Interfund Loans

In December 2019, the General Fund borrowed \$150,000 from the Water Fund and \$600,000 from the System Development Fund for the purchase of property. At June 30, 2024, the General Fund owed the Water Fund \$125,512 and the System Development Fund \$502,045. Interest is 2.45% per annum. Principal repayment is expected to occur as follows:

Year Ending June 30,	General Fund Due to	Water Fund Due from	System Development Fund Due from
2025	\$ (32,508)	\$ 6,502	\$ 26,006
2026	(33,305)	6,661	26,644
2027	(34,121)	6,824	27,297
2028	(34,956)	6,991	27,965
2029	(35,813)	7,163	28,650
2030-2035	(234,075)	46,815	187,260
2036-2040	(222,779)	44,556	178,223
	<u>\$ (627,557)</u>	<u>\$ 125,512</u>	<u>\$ 502,045</u>

CITY OF ADAIR VILLAGE, OREGON

Notes to Basic Financial Statements

Year Ended June 30, 2024

Note 3 - Long-Term Obligations, continued

Interfund Loans, continued

In April 2022, an additional interfund loan was made from the System Development Fund to the General Fund in the amount of \$700,000. The first three years are interest-only payments, with principal payments beginning in 2026. Interest is 0.50% per annum. Principal repayment is expected to occur as follows:

Year Ending June 30,	General Fund to System Development Fund
2025	\$ -
2026	39,554
2027	39,752
2028	39,950
2029-2033	202,770
2034-2038	207,889
2039-2042	170,085
	<u>\$ 700,000</u>

Note 4 - Interfund Transfers

Transfers to/from other funds for the year ended June 30, 2024, consist of the following:

Fund	Transfers	
	In	Out
General	\$ -	\$ 52,884
Street	-	200
Water	9,577	3,500
Wastewater	-	1,000
Storm Drain	-	250
System Development Fund	38,307	-
Reserve	9,950	-
	<u>\$ 57,834</u>	<u>\$ 57,834</u>

Transfers were generally made to pay for administrative services provided by other funds and to contribute funds for the payment of debt service.

CITY OF ADAIR VILLAGE, OREGON

Notes to Basic Financial Statements

Year Ended June 30, 2024

Note 5 - Pension Plan

Plan Description

Employees of the City are provided with pensions through the Oregon Public Employees Retirement System (PERS).

PERS consists of a single cost-sharing multiple employer defined benefit pension plan. The Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system.

PERS issues an independently audited Annual Comprehensive Financial Report which includes detailed information about the pension plan's fiduciary net position. PERS prepares its financial statements in accordance with GASB statements and GAAP.

The report can be found at: <https://www.oregon.gov/pers/pages/financials/acfr-previous-years.aspx>

Description of Benefit Terms

All benefits of PERS are established by the Oregon Legislature pursuant to Oregon Revised Statutes (ORS) Chapters 238 and 238A.

Plan Benefits

1) Tier One/Tier Two Retirement Benefit (ORS Chapter 238)

Pension Benefits

The Tier 1/Tier 2 pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (1.67% for general service employees and 2% for police and fire employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

For calendar year 2023, the salary limit was \$225,533; for calendar year 2024, the salary limit was \$232,976. The limits are indexed annually.

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 55 and police and fire members after age 50. Tier 1 General Service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier 2 members are eligible for full benefits at age 60. The plans are closed to new members hired on or after August 29, 2003.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and 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:

- The member was employed by a PERS employer at the time of death,
- The member died within 120 days after termination of PERS-covered employment,
- The member died as a result of injury sustained while employed in a PERS-covered job, or
- The member was on an official leave of absence from a PERS-covered job at the time of death.

CITY OF ADAIR VILLAGE, OREGON

Notes to Basic Financial Statements

Year Ended June 30, 2024

Note 5 - Pension Plan, continued

Death Benefits, continued

A member's beneficiary may choose a monthly payment for life instead of the lump sum or a combination of lump-sum and monthly payments, if eligible. The monthly payment must be a minimum of \$30 per month for deaths that occurred July 30, 2003 and earlier, and \$200 per month for deaths that occur after July 30, 2003.

Disability Benefits

A member with 10 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 PERS-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 the monthly benefit.

Benefit Changes after Retirement

Members may choose to continue participation in their Variable Account after retiring and may experience annual benefit fluctuations caused by changes in the fair value of the underlying global equity investments of that account.

Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes (COLA). The COLA is capped at 2.0%.

2) Oregon Public Service Retirement Plan (Chapter 238A) (OPSRP)

Pension Benefits

This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

General service: 1.5% 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.

Police and fire: 1.8% 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 53 with 25 years of retirement credit.

For calendar year 2023, the salary limit was \$225,533; for calendar year 2024, the salary limit was \$232,976. The limits are indexed annually.

A member of the OPSRP Pension Program becomes 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.

Death Benefits

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% of the pension that would otherwise have been paid to the deceased member. The surviving spouse or other person may elect to delay payment of the death benefit, but payment must commence no later than December 31 of the calendar year in which the member would have reached 70 1/2 years.

Disability Benefits

A member who has accrued 10 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% of the member's salary determined as of the last full month of employment before the disability occurred.

CITY OF ADAIR VILLAGE, OREGON

Notes to Basic Financial Statements

Year Ended June 30, 2024

Note 5 - Pension Plan, continued

Contributions

PERS funding policy provides for monthly member and employer contributions at actuarially determined rates, subject to limits set in statute. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due.

Employer contribution rates during the period were based on the December 31, 2021 actuarial valuation, which became effective July 1, 2023. Tier One/Tier Two employer contribution rates are 27.19%. The OPSRP employer contribution rates are 22.48% for general service employees and 27.27% for police and fire employees. Employer contributions to PERS for the year ended June 30, 2024, were \$79,625.

Actuarial Methods and Assumptions Used in Developing Contribution Rates

The contribution rates (Tier 1/Tier 2 and OPSRP) were developed based on an actuarial valuation as of December 31, 2021, using the following methods and assumptions:

Experience study report	2020, published July 20, 2021
Actuarial cost method	Entry age normal
Inflation rate	2.4%
Long-term expected rate of return	6.9%
Discount rate	6.9%
Administrative expenses:	
Tier One/Tier Two	\$59,000,000 per year is added to the normal cost
OPSRP	\$8,000,000 per year is added to the normal cost
Projected salary increases	3.4% compounded annually
Cost of living adjustments (COLA)	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	<i>Healthy retirees and beneficiaries:</i> Pub-2010 Healthy Retiree, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. <i>Active members:</i> Pub-2010 Employee, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. <i>Disabled retirees:</i> Pub-2010 Disabled Retiree, sex-distinct, generational with Unisex Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits 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. The methods and assumptions shown above are based on the 2020 Experience Study which reviewed experience for the four-year period ending on December 31, 2020.

CITY OF ADAIR VILLAGE, OREGON

Notes to Basic Financial Statements

Year Ended June 30, 2024

Note 5 - Pension Plan, continued

Unfunded Actuarial Liability (UAL) Amortization

The Tier 1/Tier 2 UAL amortization period was reset to 20 years as of December 31, 2013. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll (Tier 1/Tier 2 plus OPSRP payroll) over a closed 20-year period from the valuation in which they are first recognized.

Senate Bill 1049 was signed into law in June 2019 and requires a one-time re-amortization of Tier 1/Tier 2 UAL over a closed 22-year period at the December 31, 2019 rate-setting actuarial valuation.

The OPSRP UAL amortization as of December 31, 2007, is amortized as a level percentage of projected combined valuation payroll (Tier 1/Tier 2 plus OPSRP payroll) over a closed 16-year period. Gains and losses between subsequent odd-year valuations are amortized as a level percentage of combined valuation payroll over 16 years from the valuation in which they are first recognized.

Note 6 - Defined Contribution Plan

Plan Description

Participants in the PERS defined benefit pension plan also participate in the OPSRP Individual Account Program (IAP), a defined contribution plan.

Pension Benefits

The IAP is an individual account-based program under the PERS tax-qualified governmental plan as defined under ORS 238A.400. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes 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, the date IAP is terminated, the date the active member becomes disabled, or the date the active member dies. The accounts fall under Internal Revenue Code Section 401(a).

Upon retirement, a member of the IAP may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, or 20-year period, or an anticipated life span option. Installment amounts vary with market returns as the account remains invested while in distribution. When chosen, the distribution option must result in a \$200 minimum distribution amount, or the frequency of the installments will be adjusted to reach that minimum.

Death Benefits

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, the rollover account balance, and the vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Recordkeeping

PERS contracts with VOYA Financial to maintain IAP participant records.

CITY OF ADAIR VILLAGE, OREGON

Notes to Basic Financial Statements

Year Ended June 30, 2024

Note 6 - Defined Contribution Plan, continued

Contributions

Starting July 1, 2020, Senate Bill 1049 required a portion of member contributions to their IAP accounts to be redirected to the Defined Benefit fund. For calendar year 2023, the threshold was \$3,570 per month; for calendar year 2024, the threshold was \$3,688 per month. For members whose subject salary exceeds the applicable threshold, 0.75% for OPSRP members or 2.5% for Tier One/Tier Two members applies to subject salary and is redirected to EPSA. The EPSA accounts will be used to fund the cost of future pension benefits without changing those benefits, which means reduced contributions to the member's IAP account. Members may elect to make voluntary IAP contributions equal to the amount redirected.

The City makes the employee contributions of 6% of covered payroll to the plan. Contributions for the year ended June 30, 2024, were \$21,252, of which \$2,657 was redirected to EPSA.

Note 7 - Other Postemployment Benefits (OPEB)

Plan Description

The City contributes to the Oregon PERS Retirement Health Insurance Account (RHIA) for each of its eligible employees. The RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by PERS. Contributions are mandatory for each employer that is a member of PERS.

The Oregon Legislature has delegated the authority to the Public Employees Retirement Board to administer and manage the system.

PERS produces an independently audited Annual Comprehensive Financial Report which includes detailed information about the plan's fiduciary net position.

The report can be found at: <https://www.oregon.gov/pers/pages/financials/acfr-previous-years.aspx>

Description of Benefit Terms

All benefits of the System are established by the legislature pursuant to Oregon Revised Statutes Chapters 238 and 238A.

The RHIA is closed to new members hired on or after August 29, 2003.

Other Postemployment Healthcare Benefits

Eligible retired members receive a monthly healthcare benefit for life up to \$60 toward the monthly cost of health insurance.

To be eligible, the member must:

- 1) Have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS
- 2) Receive both Medicare Parts A and B coverage
- 3) Enroll in a PERS-sponsored health plan

Surviving Spouse or Dependent Benefits

A surviving spouse or dependent of a deceased retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she is receiving a retirement benefit or allowance from PERS or was insured at the time the member died and the member retired before May 1, 1991.

CITY OF ADAIR VILLAGE, OREGON

Notes to Basic Financial Statements

Year Ended June 30, 2024

Note 7 - Other Postemployment Benefits (OPEB), continued

Contributions

PERS funding policy provides for periodic member and employer contributions at the rates established by the Public Employees Retirement Board, subject to limits set in statute. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. Employer contribution rates during the period were based on the December 31, 2021 actuarial valuation.

The City contributed 0.05% of PERS-covered salaries for Tier One and Tier Two members to fund the normal cost portion of RHIA benefits. Since the funded status of the RHIA UAL is in excess of 100%, no contributions were required to fund the RHIA UAL. For the year ended June 30, 2024, the City made no additional contributions to the RHIA.

Actuarial Methods and Assumptions Used in Developing Contribution Rates

Except as identified below, actuarial methods and assumptions used in developing the total OPEB liability are the same as those used to develop the total PERS pension liability as discussed in Note 5.

Retiree Healthcare Participation

Healthy retirees are assumed to participate 32% of the time while disabled retirees are assumed to participate 20% of the time.

Note 8 - Single Employer Defined-Benefit Other Postemployment Benefit Plan

As required by ORS 243.303(2) all retirees are allowed to continue coverage (at the retirees' expense) under the group health insurance plan, until age 65 as another postemployment benefit. The difference between the premium actually paid by retirees under the group insurance plan and the premium that they would pay if they were not included in the plan is considered to be an implicit subsidy.

Note 9 - Deferred Compensation Plan

A deferred compensation plan is available to employees wherein they may execute an individual agreement with the City for amounts earned by them not to be paid until a future date when certain circumstances are met. These circumstances include termination by reason of resignation, death, disability, or retirement; an unforeseeable emergency; or by requesting a de minimis distribution from inactive accounts valued less than \$5,000. Payment to the employee will be made over a period not to exceed 15 years. The deferred compensation plan is one which is authorized under Internal Revenue Code Section 457 and has been approved in its specifics by a private ruling from the Internal Revenue Service. The assets of the plan are held by the administrator for the sole benefit of the plan participants and are not considered assets or liabilities of the City.

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, OREGON

Notes to Basic Financial Statements

Year Ended June 30, 2024

Note 10 - Risk Management

There is exposure to various risks: loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The League of Oregon Cities joined together with the Association of Oregon Counties 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 \$2,000,000 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.

Note 11 - Commitments

Construction Commitments

The City had various active construction projects as of June 30, 2024. As of year-end, the City's commitments with contractors are as follows:

Project	Commitment	Expended Through 6/30/2024
Wastewater Treatment Plant Replacement	\$ 2,314,593	\$ 1,671,016
Hazard Mitigation Grant Program Waterline Replacement	346,000	295,248

Lease Commitments

The City has a lease agreement for a copier. The lease requires monthly payments of \$131 over a 60-month term. Lease payments are recognized as expenditures when paid. The lease expires in August 2025.

As of June 30, 2024, future minimum lease payments are as follows:

Year ending June 30,	
2025	\$ 1,572
2026	131
	<u>\$ 1,703</u>

Note 12 - Error Corrections and Restatements

During the fiscal year, the Water Fund identified an outstanding check that had been included in the prior year bank reconciliation but did not represent a valid obligation of the Water Fund. The outstanding check was written off, resulting in an increase to the Water Fund's cash and cash equivalents and an increase to beginning net position in the amount of \$6,055 as of the beginning of the fiscal year. This adjustment corrects beginning balances and is reported as a prior period adjustment.

In previous years, the City reported its financial position and results of operations in accordance with the accrual basis of accounting. On this basis of accounting, the City reported receivables, inventory, capital assets, accounts payable and accrued liabilities, and long-term liabilities. Accordingly, net position as previously reported has been restated to conform with the cash basis of accounting as described in Note 1. Management has determined this change more closely aligns financial reporting with the accounting records maintained by the City.

CITY OF ADAIR VILLAGE, OREGON**Notes to Basic Financial Statements**Year Ended June 30, 2024

Note 12 - Error Corrections and Restatements, continued

At June 30, 2023, the City reported outstanding checks in the amount of \$37,794 which related to payroll paid in July 2023. Given payment did not occur until after year-end, the City should have reported a payroll liability. An adjustment was made to increase cash and payroll liabilities as of June 30, 2023. With the conversion of the basis of accounting to the cash basis in the current fiscal year, the City ultimately increased expenditures in fiscal year 2024 and increased beginning fund balance and net position. This adjustment is included as a change in accounting principle in the tables below.

As a result of this change, beginning net position and fund balances as of June 30, 2023, were restated to reflect the new basis of accounting. The effect of the restatement on fund balance and net position is summarized below:

	As Previously Reported June 30, 2023	Error Corrections	Change in Accounting Principle	As Restated June 30, 2023
Government-wide				
Governmental activities	\$ 4,202,312	\$ -	\$ (2,849,325)	\$ 1,352,987
Business-type activities	8,716,965	6,055	(6,153,318)	2,569,702
Total government-wide	<u>\$ 12,919,277</u>	<u>\$ 6,055</u>	<u>\$ (9,002,643)</u>	<u>\$ 3,922,689</u>
Governmental funds				
General fund	\$ (252,173)	\$ -	\$ 1,347,663	\$ 1,095,490
Street fund	264,920	-	(7,423)	257,497
Total governmental funds	<u>\$ 12,747</u>	<u>\$ -</u>	<u>\$ 1,340,240</u>	<u>\$ 1,352,987</u>
Proprietary funds				
Water	\$ 3,000,221	\$ 6,055	\$ (2,660,758)	\$ 345,518
Wastewater	2,553,046	-	(1,944,442)	608,604
System development fund	2,665,018	-	(1,227,430)	1,437,588
Nonmajor proprietary funds	498,680	-	(320,688)	177,992
Total proprietary funds	<u>\$ 8,716,965</u>	<u>\$ 6,055</u>	<u>\$ (6,153,318)</u>	<u>\$ 2,569,702</u>

CITY OF ADAIR VILLAGE, OREGON**Notes to Basic Financial Statements**

Year Ended June 30, 2024

Note 12 - Error Corrections and Restatements, continued

The error corrections and restatements resulted in the following adjustments to the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the City as of June 30, 2023:

	Prior Year Report	Adjustments	Restated Balances
Assets:			
Cash and cash equivalents	\$ 3,878,840	\$ 43,849	\$ 3,922,689
Receivables	1,511,254	(1,511,254)	-
OPEB asset	2,377	(2,377)	-
Capital assets:			
Land and construction in progress	3,807,172	(3,807,172)	-
Other capital assets (net of accumulated depreciation)	10,192,373	(10,192,373)	-
Total assets	19,392,016	(15,469,327)	3,922,689
Deferred Outflows of Resources:			
Deferred outflows related to pensions	233,478	(233,478)	-
Deferred outflows related to OPEB	1,424	(1,424)	-
Total Deferred Outflows of Resources	234,902	(234,902)	-
Liabilities:			
Current liabilities:			
Accounts payable	142,296	(142,296)	-
Payroll liabilities	2,461	(2,461)	-
Accrued expenses	4,585	(4,585)	-
Accrued compensated absences	17,922	(17,922)	-
Accrued interest	84,057	(84,057)	-
Utility security deposits	50,391	(50,391)	-
Long-term liabilities:			
Due within one year	134,523	(134,523)	-
Due in more than one year	4,893,273	(4,893,273)	-
Total Liabilities	5,329,508	(5,329,508)	-
Deferred Inflows of Resources:			
Deferred lease resources	1,246,349	(1,246,349)	-
Deferred inflows related to pensions	127,707	(127,707)	-
Deferred inflows related to OPEB	4,077	(4,077)	-
Total Deferred Inflows of Resources	1,378,133	(1,378,133)	-
Net Position:			
Net investment in capital assets	8,065,402	(8,065,402)	-
Restricted for:			
Streets	264,920	(7,423)	257,497
Capital projects	2,665,018	(1,227,430)	1,437,588
Unrestricted	1,923,937	303,667	2,227,604
Total Net Position	\$ 12,919,277	\$ (8,996,588)	\$ 3,922,689

SUPPLEMENTARY INFORMATION

CITY OF ADAIR VILLAGE, OREGON**General Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Cash Basis)**

Year Ended June 30, 2024

	Original and Final Budget	Actual	Variance with Final Budget
Revenues:			
Taxes			
Property	\$ 264,500	\$ 271,286	\$ 6,786
Franchise fees, privilege taxes, licenses, and permits	80,000	129,676	49,676
Intergovernmental	333,000	463,993	130,993
Charges for services	10,000	-	(10,000)
Rents and leases	164,020	162,962	(1,058)
Interest earnings	20,000	67,444	47,444
Other revenue	1,200	856	(344)
Total Revenues	872,720	1,096,217	223,497
Expenditures:			
City administration	386,053	302,968	83,085
Parks	94,219	65,952	28,267
Public safety	51,176	48,875	2,301
Nondepartmental	296,000	294,437	1,563
Capital outlay	65,000	-	65,000
Debt service	15,000	12,969	2,031
Contingency	250,000	-	250,000
Total Expenditures	1,157,448	725,201	432,247
Revenues Over (Under) Expenditures	(284,728)	371,016	655,744
Other Financing Sources (Uses):			
Transfers out	(56,384)	(52,884)	3,500
Total Other Financing Sources (Uses)	(56,384)	(52,884)	3,500
Net Change in Fund Balance	(341,112)	318,132	659,244
Fund Balances, beginning, as previously presented	800,000	1,107,115	307,115
Adjustments	-	(11,625)	(11,625)
Fund Balances, beginning, as restated	800,000	1,095,490	295,490
Fund Balance, ending	\$ 458,888	\$ 1,413,622	\$ 954,734

CITY OF ADAIR VILLAGE, OREGON**Street Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Cash Basis)**

Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Intergovernmental	\$ 105,000	\$ 112,529	\$ 7,529
Interest earnings	<u>-</u>	<u>14,588</u>	<u>14,588</u>
Total Revenues	<u>105,000</u>	<u>127,117</u>	<u>22,117</u>
Expenditures:			
Street maintenance and operations	83,995	60,129	23,866
Capital outlay	2,500	-	2,500
Contingency	<u>150,000</u>	<u>-</u>	<u>150,000</u>
Total Expenditures	<u>236,495</u>	<u>60,129</u>	<u>176,366</u>
Revenues Over (Under) Expenditures	<u>(131,495)</u>	<u>66,988</u>	<u>198,483</u>
Other Financing Sources (Uses):			
Transfers in	200	-	(200)
Transfers out	<u>(200)</u>	<u>(200)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(200)</u>	<u>(200)</u>
Net Change in Fund Balance	<u>(131,495)</u>	<u>66,788</u>	<u>198,283</u>
Fund Balances, beginning, as previously presented	200,000	264,920	64,920
Adjustments	<u>-</u>	<u>(7,423)</u>	<u>(7,423)</u>
Fund Balances, beginning, as restated	<u>200,000</u>	<u>257,497</u>	<u>57,497</u>
Fund Balance, ending	\$ <u><u>68,505</u></u>	\$ <u><u>324,285</u></u>	\$ <u><u>255,780</u></u>

CITY OF ADAIR VILLAGE, OREGON**Water Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Cash Basis)**

Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Charges for services	\$ 726,500	\$ 696,959	\$ (29,541)
Interest earnings	-	16,468	16,468
Other revenue	<u>101,500</u>	<u>167,580</u>	<u>66,080</u>
Total Revenues	<u>828,000</u>	<u>881,007</u>	<u>53,007</u>
Expenditures:			
Water operations	547,837	467,058	80,779
Capital outlay	248,750	232,921	15,829
Debt service	140,000	159,253	(19,253)
Contingency	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total Expenditures	<u>1,036,587</u>	<u>859,232</u>	<u>177,355</u>
Revenues Over (Under) Expenditures	<u>(208,587)</u>	<u>21,775</u>	<u>230,362</u>
Other Financing Sources (Uses):			
Transfers in	9,577	9,577	-
Transfers out	<u>(3,500)</u>	<u>(3,500)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>6,077</u>	<u>6,077</u>	<u>-</u>
Net Change in Fund Balance	<u>(202,510)</u>	<u>27,852</u>	<u>230,362</u>
Fund Balances, beginning, as previously presented	400,000	361,427	(38,573)
Adjustments	<u>-</u>	<u>(15,909)</u>	<u>(15,909)</u>
Fund Balances, beginning, as restated	<u>400,000</u>	<u>345,518</u>	<u>(54,482)</u>
Fund Balance, ending	\$ <u><u>197,490</u></u>	\$ <u><u>373,370</u></u>	\$ <u><u>175,880</u></u>

CITY OF ADAIR VILLAGE, OREGON**Wastewater Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Cash Basis)**

Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Intergovernmental	\$ 40,000	\$ 40,000	\$ -
Charges for services	401,000	401,329	329
Interest earnings	-	30,975	30,975
Total Revenues	<u>441,000</u>	<u>472,304</u>	<u>31,304</u>
Expenditures:			
Wastewater operations	338,315	273,280	65,035
Capital outlay	211,250	144,399	66,851
Debt service	30,000	22,714	7,286
Contingency	150,000	-	150,000
Total Expenditures	<u>729,565</u>	<u>440,393</u>	<u>289,172</u>
Revenues Over (Under) Expenditures	<u>(288,565)</u>	<u>31,911</u>	<u>320,476</u>
Other Financing Sources (Uses):			
Proceeds from long-term debt	200,000	60,715	(139,285)
Transfers out	(1,000)	(1,000)	-
Total Other Financing Sources (Uses)	<u>199,000</u>	<u>59,715</u>	<u>(139,285)</u>
Net Change in Fund Balance	<u>(89,565)</u>	<u>91,626</u>	<u>181,191</u>
Fund Balances, beginning, as previously presented	450,000	586,994	136,994
Adjustments	-	21,610	21,610
Fund Balances, beginning, as restated	<u>450,000</u>	<u>608,604</u>	<u>158,604</u>
Fund Balance, ending	\$ <u><u>360,435</u></u>	\$ <u><u>700,230</u></u>	\$ <u><u>339,795</u></u>

CITY OF ADAIR VILLAGE, OREGON**System Development Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Cash Basis)**

Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
System development charges	\$ 59,538	\$ -	\$ (59,538)
Interest earnings	<u>-</u>	<u>66,383</u>	<u>66,383</u>
Total Revenues	<u>59,538</u>	<u>66,383</u>	<u>6,845</u>
Revenues Over (Under) Expenditures	<u>59,538</u>	<u>66,383</u>	<u>6,845</u>
Other Financing Sources:			
Transfers in	<u>-</u>	<u>38,307</u>	<u>38,307</u>
Total Other Financing Sources	<u>-</u>	<u>38,307</u>	<u>38,307</u>
Net Change in Fund Balance	59,538	104,690	45,152
Fund Balance, beginning	<u>1,349,259</u>	<u>1,437,588</u>	<u>88,329</u>
Fund Balance, ending	\$ <u><u>1,408,797</u></u>	\$ <u><u>1,542,278</u></u>	\$ <u><u>133,481</u></u>

CITY OF ADAIR VILLAGE, OREGON
Nonmajor Enterprise Funds
Combining Statement of Net Position (Cash Basis)
June 30, 2024

ASSETS	<u>Storm Drain</u>	<u>Reserve</u>	<u>Total</u>
Current Assets:			
Cash and cash equivalents	\$ <u>57,111</u>	\$ <u>146,572</u>	\$ <u>203,683</u>
Total Assets	<u>57,111</u>	<u>146,572</u>	<u>203,683</u>
NET POSITION			
Unrestricted	<u>57,111</u>	<u>146,572</u>	<u>203,683</u>
Total Net Position	\$ <u><u>57,111</u></u>	\$ <u><u>146,572</u></u>	\$ <u><u>203,683</u></u>

CITY OF ADAIR VILLAGE, OREGON**Nonmajor Enterprise Funds****Combining Statement of Revenues, Expenses, and Changes in Net Position (Cash Basis)**

Year Ended June 30, 2024

	<u>Storm Drain</u>	<u>Reserve</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ <u>40,057</u>	\$ <u>-</u>	\$ <u>40,057</u>
Total Operating Revenues	<u>40,057</u>	<u>-</u>	<u>40,057</u>
Operating Expenses:			
Personnel services	23,558	-	23,558
Materials and services	<u>8,916</u>	<u>-</u>	<u>8,916</u>
Total Operating Expenses	<u>32,474</u>	<u>-</u>	<u>32,474</u>
Operating Income (Loss)	<u>7,583</u>	<u>-</u>	<u>7,583</u>
Nonoperating Revenues (Expenses):			
Interest income	<u>2,346</u>	<u>6,062</u>	<u>8,408</u>
Total Nonoperating Revenues (Expenses)	<u>2,346</u>	<u>6,062</u>	<u>8,408</u>
Income Before Capital Contributions and Transfers	9,929	6,062	15,991
Transfers In	-	9,950	9,950
Transfers Out	<u>(250)</u>	<u>-</u>	<u>(250)</u>
Change in Net Position	<u>9,679</u>	<u>16,012</u>	<u>25,691</u>
Net Position, beginning, as previously presented	368,120	130,560	498,680
Adjustments	<u>(320,688)</u>	<u>-</u>	<u>(320,688)</u>
Net Position, beginning, as restated	<u>47,432</u>	<u>130,560</u>	<u>177,992</u>
Net Position, ending	\$ <u><u>57,111</u></u>	\$ <u><u>146,572</u></u>	\$ <u><u>203,683</u></u>

CITY OF ADAIR VILLAGE, OREGON
Nonmajor Enterprise Funds
Combining Statement of Cash Flows (Cash Basis)
Year Ended June 30, 2024

	Business-Type Activities - Enterprise Funds		
	Storm Drain	Reserve	Total
Cash Flows from Operating Activities:			
Receipts from customers and users	\$ 40,057	\$ -	\$ 40,057
Payments to suppliers	(8,916)	-	(8,916)
Payments to employees	(23,558)	-	(23,558)
Net Cash Provided (Used) by Operating Activities	7,583	-	7,583
Cash Flows from Capital and Related Financing Activities:			
Transfers in	-	9,950	9,950
Transfers out	(250)	-	(250)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	(250)	9,950	9,700
Cash Flows from Investing Activities:			
Investment income received	2,346	6,062	8,408
Net Cash Provided by Investing Activities	2,346	6,062	8,408
Net Increase in Cash and Cash Equivalents	9,679	16,012	25,691
Cash and Cash Equivalents, beginning	47,432	130,560	177,992
Cash and Cash Equivalents, ending	\$ 57,111	\$ 146,572	\$ 203,683

CITY OF ADAIR VILLAGE, OREGON**Storm Drain Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Cash Basis)**

Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Charges for services	\$ 40,200	\$ 40,057	\$ (143)
Interest earnings	<u>-</u>	<u>2,346</u>	<u>2,346</u>
Total Revenues	<u>40,200</u>	<u>42,403</u>	<u>2,203</u>
Expenditures:			
Storm drain operations	33,510	32,474	1,036
Contingency	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total Expenditures	<u>58,510</u>	<u>32,474</u>	<u>26,036</u>
Revenues Over (Under) Expenditures	<u>(18,310)</u>	<u>9,929</u>	<u>28,239</u>
Other Financing Sources (Uses):			
Transfers out	<u>(250)</u>	<u>(250)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(250)</u>	<u>(250)</u>	<u>-</u>
Net Change in Fund Balance	<u>(18,560)</u>	<u>9,679</u>	<u>28,239</u>
Fund Balances, beginning, as previously presented	45,000	51,020	6,020
Adjustments	<u>-</u>	<u>(3,588)</u>	<u>(3,588)</u>
Fund Balances, beginning, as restated	<u>45,000</u>	<u>47,432</u>	<u>2,432</u>
Fund Balance, ending	\$ <u>26,440</u>	\$ <u>57,111</u>	\$ <u>30,671</u>

CITY OF ADAIR VILLAGE, OREGON**Reserve Fund****Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Cash Basis)**

Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Interest earnings	\$ <u>-</u>	\$ <u>6,062</u>	\$ <u>6,062</u>
Total Revenues	<u>-</u>	<u>6,062</u>	<u>6,062</u>
Revenues Over (Under) Expenditures	<u>-</u>	<u>6,062</u>	<u>6,062</u>
Other Financing Sources:			
Transfers in	<u>500</u>	<u>9,950</u>	<u>9,450</u>
Total Other Financing Sources	<u>500</u>	<u>9,950</u>	<u>9,450</u>
Net Change in Fund Balance	500	16,012	15,512
Fund Balance, beginning	<u>126,900</u>	<u>130,560</u>	<u>3,660</u>
Fund Balance, ending	\$ <u><u>127,400</u></u>	\$ <u><u>146,572</u></u>	\$ <u><u>19,172</u></u>

COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

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

We have audited the basic financial statements of the City of Adair Village (the City) as of and for the year ended June 30, 2024, and have issued our report thereon dated October 6, 2026. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions, and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- 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, 279C).

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

- ORS 294.438 requires the financial summary portion of the LB-1 agree to the amounts presented on the detail budget sheets. Differences were identified as follows:

	<u>Per Detail Budget Sheets</u>	<u>Per LB-1</u>	<u>Difference</u>
2022-2023 Resources	\$ 6,833,777	\$ 6,468,292	\$ 365,485
2022-2023 Requirements	6,833,778	6,468,292	365,486
2023-2024 Resources	8,805,196	8,406,195	399,001
2023-2024 Requirements	8,805,196	5,979,201	2,825,995
2024-2025 Resources	7,463,896	6,788,642	675,254
2024-2025 Requirements	7,463,896	7,368,139	95,757

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS, CONTINUED

- ORS 294 requires the LB-1 resources and requirements to match. Differences were identified as follows:

	<u>Resources</u>	<u>Requirements</u>	<u>Difference</u>
2023-2024 LB-1	\$ 8,406,195	\$ 5,979,201	\$ 2,426,994
2024-2025 LB-1	6,788,642	7,368,139	(579,497)

- Due to the delay in completing the June 30, 2023 financial statement audit, the historical information for the year ended June 30, 2022, presented in the 2023–2024 detail budget document did not agree to the amounts reported in the budgetary comparison schedules contained in the annual financial reports for that year as required by ORS 294.358.
- Due to the budgeting of interfund loan principal and interest payments as transfers instead of debt service in the adopted budget, the budgetary presentations did not agree with the expenditure classifications required by Oregon Local Budget Law. ORS 294.388 requires estimates of expenditures and other requirements to be presented by the appropriate category, including debt service, and Oregon Department of Revenue guidance provides that debt service funds are used to budget for the payment of principal and interest on long term debt.
- Expenditures in the following funds exceeded appropriations for the year ended June 30, 2024:

<u>Fund</u>	<u>Budget Category</u>	<u>Budget</u>	<u>Actual</u>	<u>Overexpenditure</u>
Water	Debt service	\$140,000	\$159,253	\$19,253

- The DEQ wastewater loan has a debt covenant to hold restricted cash in a segregated Loan Reserve Account in trust for the benefit of DEQ. The City did not comply with this debt covenant in fiscal year 2024.

OAR 162-010-0230 Internal Control

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

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 a 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 or significant deficiencies may exist that were not identified.

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS,
CONTINUED**

Restriction on Use

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

Aldrich CPAs + Advisors LLP

By:

Andy Maffia

Andrew Maffia, CPA, Partner
Salem, Oregon
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