

# CITY OF ADAIR VILLAGE, OREGON

## *FINANCIAL REPORT*

*for the year ended June 30, 2015*





CITY OF ADAIR VILLAGE, OREGON

CITY COUNCIL

TERM EXPIRES

Bill Currier, Mayor

December 31, 2016

Susan Canfield

December 31, 2016

Nicole Real

December 31, 2016

Dusty Andrews

December 31, 2018

Charline King

December 31, 2018

All council members receive mail at the address listed below.

ADMINISTRATIVE

Pat Hare, City Administrator – Current

Drew Foster, City Administrator – Retired

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

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# 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><i>Government-wide Statements:</i></b>	
Statement of Net Position	13
Statement of Activities	14
<b><i>Fund Financial Statements:</i></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	23
<b>Required Supplementary Information:</b>	
Schedule of the Proportionate Share of the Net Pension Liability	47
Schedule of Contributions	47
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund	48
Street Fund	49

**Supplementary Information:**

***Major Proprietary Funds:***

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
Water Fund	51
Wastewater Fund	52
Systems Development Fund	53

***Nonmajor Proprietary Funds:***

Combining Statement of Net Position	54
Combining Statement of Revenues, Expenses, and Changes in Net Position	55
Combining Statement of Cash Flows	56
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
Storm Drain Fund	57
Reserve Fund	58

**Other Information:**

Schedule of Property Tax Collections	59
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**Reports on Legal and Other Regulatory Requirements:**

Independent Auditors' Report Required by Oregon State Regulations	61
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## **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 the City of Adair Village, Oregon, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Adair Village, Oregon's basic financial statements as listed in the table of contents.

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

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

### **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 the City of Adair Village, Oregon, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Change in Accounting Principle**

As discussed in Note 11 to the financial statements, the City of Adair Village, Oregon adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to management's discussion and analysis, schedule of the proportionate share of the net pension liability, and schedule of contributions, as listed in the table of contents under the 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Adair Village, Oregon's basic financial statements. The Principal Officials section, 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 relate 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.

The principal officials sections 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 them.

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

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated March 1, 2017, on our consideration of the 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.

*Merina & Company*

Merina & Company, LLP  
West Linn, Oregon  
March 1, 2017

**CITY OF ADAIR VILLAGE**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
*For the year ended June 30, 2015*

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, 2015.

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

### **FINANCIAL HIGHLIGHTS**

The City's net position decreased \$13,529, or (0.33) percent, as a result of this year's:

- Net position of our governmental activities decreased by \$55,707 or (3.38) percent.
- Net position of our business-type activities increased by \$42,178 or 1.73 percent.
- The total cost of all the City's programs in 2015 was \$1,085,577; in 2014 this cost was \$1,194,508.

### **CITY'S ACTIVITIES HIGHLIGHTS**

#### **Code Enforcement/Law Enforcement**

The City went out to bid for a Community Service Officer and Ken Real from T&K Enterprises was selected. This position will be monitored throughout the year for efficiency and effectiveness. The council will review the progress and adjust the contract as need each year.

The City is now contracting with Benton County for police services and this will also be monitored for efficiency and effectiveness. The City Council wants to ensure that the community has enough enforcement. The contract can be increased to add hours if needed.

#### **Water and Wastewater Utilities**

The Water Utility continued to operate at a slight deficit caused by disposal of capital assets. The City Council is looking at improvements to both the Water and Wastewater facilities to improve efficiencies, and has budgeted step increases to the Wastewater fees for next fiscal year. The Water Utility experiences significant water leakage. A \$2.8 million water improvement project is in the planning stages, with construction expected to begin in the next fiscal year.

#### **Governmental Fund Balances**

Fund balances in both the General Fund and the Street Fund decreased slightly in the fiscal year ending June 30, 2015. Revenues were down in the General Fund compared to the prior fiscal year which included a one-time revenue for the sale of police assets. Gas tax revenue was up slightly. Expenditures were up in the General Fund due to an increase in contracted services. Expenditures were up slightly in the Street Fund due to additional street improvements.

**CITY OF ADAIR VILLAGE  
MANAGEMENT DISCUSSION AND ANALYSIS  
For the year ended June 30, 2015**

**CITY COUNCIL GOALS**

Preparing for the fiscal year ending in 2015, the City Council focused on funding for major projects and identifying immediate needs. Through the budgetary process the council and staff focused on the year ending June 30<sup>th</sup> 2015 with these objectives:

**Public Works**

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

- Objective: Full staffing of public works
- Objective: Public works maintenance
- Objective: Identify and reduce water loss
- Objective: Continue role in local and regional wetland issues
- Objective: Upgrade streets and sidewalks
- Objective: Protection of water rights
- 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: Industrial site cleanup

**Downtown Development**

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

- Objective: City "Welcome" signs
- Objective: Restoration of barracks interior
- Objective: Public use of barracks
- Objective: Downtown district planning
- Objective: Ownership of County property
- Objective: Ownership of apartments
- Objective: Reuse of block building

**Public Safety**

**Provide Stable and Consistent Police Services**

- Objective: Develop emergency plan
- Objective: Consistent ordinance enforcement

**Community Development**

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

- Objective: Facilitate residential growth
- Objective: Trails and connectivity
- Objective: Current and complete website
- Objective: Finish audit and closeouts
- Objective: Correct economic demographics
- Objective: Better event coordination
- Objective: Zip code specific to Adair Village
- Objective: Frontage road closure
- Objective: Improve city appearance

**CITY OF ADAIR VILLAGE**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
*For the year ended June 30, 2015*

## **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, 2015. Fund financial statements provide information on both governmental and proprietary, or business-type funds (Storm Drain, Wastewater, and Water). 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 represent 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.

**CITY OF ADAIR VILLAGE**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
*For the year ended June 30, 2015*

**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 decreased from \$4,265,210 (before restatement) to \$4,081,085. This decrease was primarily due to the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which accounted for a decrease in net position of \$170,596.

**Table 1**  
**Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014 (as restated)	2015	2014 (as restated)	2015	2014 (as restated)
Current and other assets	\$ 274,027	\$ 269,057	\$ 500,581	\$ 456,074	\$ 774,608	\$ 725,131
Capital assets	1,385,551	1,436,513	2,518,742	2,547,641	3,904,293	3,984,154
	<u>1,659,578</u>	<u>1,705,570</u>	<u>3,019,323</u>	<u>3,003,715</u>	<u>4,678,901</u>	<u>4,709,285</u>
Deferred outflows related to pensions	12,378	7,974	36,366	23,428	48,744	31,402
Current liabilities	32,299	11,922	206,867	113,085	239,166	125,007
Non-current liabilities	-	51,296	230,040	469,770	230,040	521,066
	<u>32,299</u>	<u>63,218</u>	<u>436,907</u>	<u>582,855</u>	<u>469,206</u>	<u>646,073</u>
Deferred inflows related to pensions	45,038	-	132,316	-	177,354	-
Net position:						
Invested in capital assets	1,385,551	1,436,513	2,199,779	2,159,585	3,585,330	3,596,098
Restricted for:						
Streets	70,645	73,098	-	-	70,645	73,098
System development	-	-	208,557	208,557	208,557	208,557
Unrestricted	138,423	140,715	78,130	76,146	216,553	216,861
Total net position	<u>\$ 1,594,619</u>	<u>\$ 1,650,326</u>	<u>\$ 2,486,466</u>	<u>\$ 2,444,288</u>	<u>\$ 4,081,085</u>	<u>\$ 4,094,614</u>

Net position decreased 0.33 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 – was virtually unchanged, going from \$216,861 down to \$216,553.

**CITY OF ADAIR VILLAGE**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
*For the year ended June 30, 2015*

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

**Table 2**  
**Change in Revenues and Expense**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 54,980	\$ 139,385	\$ 712,969	\$ 677,999	767,949	817,384
Grants	3,808	2,410	-	-	3,808	2,410
General revenues:						
Property taxes	105,908	95,906	-	-	105,908	95,906
Highway fund allocation	48,801	48,283	-	-	48,801	48,283
Intergovernmental	18,873	20,091	-	-	18,873	20,091
Franchise fees	42,142	-	-	-	42,142	-
Earnings on investments	3,203	3,102	-	-	3,203	3,102
Miscellaneous	13,954	58,252	102,093	60,909	116,047	119,161
<b>TOTAL REVENUES</b>	<b>291,669</b>	<b>367,429</b>	<b>815,062</b>	<b>738,908</b>	<b>1,106,731</b>	<b>1,106,337</b>
Program expenses:						
Governmental activities:						
General government	195,998	143,200	-	-	195,998	143,200
Public safety	43,823	71,989	-	-	43,823	71,989
Street maintenance	67,769	42,536	-	-	67,769	42,536
Culture & recreation	30,205	17,103	-	-	30,205	17,103
Proprietary activities:						
Water	-	-	493,849	535,342	493,849	535,342
Wastewater	-	-	243,965	370,807	243,965	370,807
Other business-type activities	-	-	9,968	13,531	9,968	13,531
<b>TOTAL EXPENSES</b>	<b>337,795</b>	<b>274,828</b>	<b>747,782</b>	<b>919,680</b>	<b>1,085,577</b>	<b>1,194,508</b>
Loss on disposals	(9,581)	(29,381)	(25,102)	-	(34,683)	(29,381)
Increase (decrease) in net asset	(55,707)	63,220	42,178	(180,772)	(13,529)	(117,552)
Net position - beginning	1,693,648	1,693,648	2,571,562	2,752,334	4,265,210	4,445,982
Cumulative effect of GASB 68	(43,322)	-	(127,274)	-	(170,596)	-
<b>Net position - ending</b>	<b>\$ 1,594,619</b>	<b>\$ 1,756,868</b>	<b>\$ 2,486,466</b>	<b>\$ 2,571,562</b>	<b>\$ 4,081,085</b>	<b>\$ 4,328,430</b>

The City's total revenues increased by \$394; total expenses decreased by \$108,931 and net position decreased by \$13,529. Specifics on these changes can be found under "City's Activity Highlights" above.

**CITY OF ADAIR VILLAGE  
MANAGEMENT DISCUSSION AND ANALYSIS**  
*For the year ended June 30, 2015*

**GENERAL BUDGETARY HIGHLIGHTS**

- The City Council adopted a conservative fiscal year 2014-2015 budget. Due to spending at a level that was even more conservative than budgeted, the Fund Balance of the General Fund \$128,216 higher than was budgeted.
- The beginning fund balance was higher than budgeted, and some of the budgeted capital outlay was not spent during the year.

Areas of legal appropriations are personal services, material and services, capital outlay, transfers, debt service and contingencies. The General Fund is broken out into personnel services, materials and services, and capital outlay.

**CAPITAL ASSETS**

At the end of June 30, 2015, the City had \$3,904,293 invested in land, buildings and improvements, streets and equipment. This represents a decrease (net of depreciation) of \$79,861 or 2.0 percent. Depreciation expense was \$164,522 for the year. 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	
	2015	2014	2015	2014	2015	2013
Land & Const. in Progress	\$ 132,757	\$ 132,757	\$ 196,428	\$ 79,557	\$ 329,185	\$ 212,314
Building & Improvements	773,657	778,587	745,029	745,029	1,518,686	1,523,616
Water and Sewer System	-	-	3,730,084	3,744,934	3,730,084	3,744,934
Streets	1,072,745	1,075,533	-	-	1,072,745	1,075,533
Park Improvements	76,005	88,194	-	-	76,005	88,194
Equipment	-	14,563	640,641	720,775	640,641	735,338
Less: Accumulat	(669,613)	(653,121)	(2,793,440)	(2,742,654)	(3,463,053)	(3,395,775)
	<u>\$ 1,385,551</u>	<u>\$ 1,436,513</u>	<u>\$ 2,518,742</u>	<u>\$ 2,547,641</u>	<u>\$ 3,904,293</u>	<u>\$ 3,984,154</u>

**DEBT OUTSTANDING**

As of year-end the City had total debt outstanding of \$319,782. All of the debt is for water and wastewater projects. Outstanding debt for water projects at June 30, 2015 was \$99,979, a decrease of \$28,990 from the prior fiscal year. Outstanding debt for sewer projects at June 30, 2015 was \$219,803, a decrease of \$39,284 from the prior fiscal year.



CITY OF ADAIR VILLAGE  
MANAGEMENT DISCUSSION AND ANALYSIS  
*For the year ended June 30, 2015*

**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, 2016. Estimates were made for a range of revenues, including property taxes, shared state revenues, grants, franchise fees, leases, and charges for utility service. Staffing changes are projected for next year as the Assistant City Administrator position will not be filled. This will reduce overall personnel costs, however the pay for the City Administrator position will be higher for this fiscal year and there are some anticipated pay increases, further reducing any major changes to the personnel staffing levels. Water and Wastewater utility rates were updated in 2015 and are reviewed each year in preparation for the budget process, as will the City's Wage Schedule. No rate changes were budgeted in the Water or Storm Drain Funds. 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.

Pat Hare, City Administrator – Current – Drew Foster City Administrator – Retired  
Name & Title

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CITY OF ADAIR VILLAGE, OREGON

BASIC FINANCIAL STATEMENTS

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**CITY OF ADAIR VILLAGE, OREGON**  
**STATEMENT OF NET POSITION**  
*June 30, 2015*

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$218,481	\$294,874	\$513,355
Receivables:			-
Accounts	23,837	138,768	162,605
Taxes	8,924	-	8,924
Net pension asset	22,785	66,939	89,724
Capital assets:			
Land and construction in process	132,757	196,428	329,185
Other capital assets (net of accumulated depreciation)	1,252,794	2,322,314	3,575,108
<b>Total Assets</b>	<b>1,659,578</b>	<b>3,019,323</b>	<b>4,678,901</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	12,378	36,366	48,744
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	24,144	91,585	115,729
Payroll liabilities	7,583	20,027	27,610
Accrued compensated absences	572	2,184	2,756
Accrued interest	-	4,148	4,148
Long-term debt due within one year	-	88,923	88,923
Noncurrent liabilities			
Long-term debt due in more than one year	-	230,040	230,040
<b>Total Liabilities</b>	<b>32,299</b>	<b>436,907</b>	<b>469,206</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	45,038	132,316	177,354
<b>NET POSITION</b>			
Net investment in capital assets	1,385,551	2,199,779	3,585,330
Restricted for:			
Streets	70,645	-	70,645
System Development	-	208,557	208,557
Unrestricted	138,423	78,130	216,553
<b>Total Net Position</b>	<b>\$1,594,619</b>	<b>\$2,486,466</b>	<b>\$4,081,085</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, 2015*

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>	
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>
<b>GOVERNMENTAL ACTIVITIES</b>			
General government	\$ 195,998	\$ 54,980	\$ -
Public safety	43,823	-	-
Street maintenance and construction	67,769	-	-
Culture and recreation	30,205	-	3,808
<b>Total governmental activities</b>	<b>337,795</b>	<b>54,980</b>	<b>3,808</b>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Water	493,849	501,888	-
Wastewater	243,965	192,770	-
Other business-type activities	9,968	18,311	-
<b>Total business-type activities</b>	<b>747,782</b>	<b>712,969</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 1,085,577</b>	<b>\$ 767,949</b>	<b>\$ 3,808</b>

General revenues:	
Property taxes, levied for general purposes	
Highway taxes	
Intergovernmental revenues	
Franchise fees	
Interest earnings	
Loss on disposal of assets	
Miscellaneous	
	<b>Total general revenues</b>
Change in net position	
	<b>Net position--as previously reported</b>
	<b>Cumulative effect to implement GASB Statement No. 68</b>
	<b>Net position--beginning, restated</b>
	<b>Net position--ending</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, 2015

<b>Net (Expense) Revenue and Changes in Net Position</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
	\$ (141,018)	\$ -	\$ (141,018)
	(43,823)	-	(43,823)
	(67,769)	-	(67,769)
	(26,397)	-	(26,397)
	<b>(279,007)</b>	<b>-</b>	<b>(279,007)</b>
	-	8,039	8,039
	-	(51,195)	(51,195)
	-	8,343	8,343
	<b>-</b>	<b>(34,813)</b>	<b>(34,813)</b>
	<b>(279,007)</b>	<b>(34,813)</b>	<b>(313,820)</b>
	105,908	-	105,908
	48,801	-	48,801
	18,873	-	18,873
	42,142	-	42,142
	3,203	-	3,203
	(9,581)	(25,102)	(34,683)
	13,954	102,093	116,047
	<b>223,300</b>	<b>76,991</b>	<b>300,291</b>
	(55,707)	42,178	(13,529)
	1,693,648	2,571,562	4,265,210
	(43,322)	(127,274)	(170,596)
	1,650,326	2,444,288	4,094,614
	<b>\$ 1,594,619</b>	<b>\$ 2,486,466</b>	<b>\$ 4,081,085</b>

CITY OF ADAIR VILLAGE, OREGON  
GOVERNMENTAL FUNDS - BALANCE SHEET  
June 30, 2015

	General Fund	Street Fund	Total Gov. Funds
<b>ASSETS</b>			
Cash and investments	\$ 149,273	\$ 69,208	218,481
Receivables			
Accounts	19,296	4,541	23,837
Taxes	8,924	-	8,924
<b>Total Assets</b>	<b>\$ 177,493</b>	<b>\$ 73,749</b>	<b>\$ 251,242</b>
<b>LIABILITIES</b>			
Accounts payable	22,269	1,875	24,144
Payroll liabilities	6,354	1,229	7,583
<b>Total Liabilities</b>	<b>28,623</b>	<b>3,104</b>	<b>31,727</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable property tax revenue	7,922	-	7,922
<b>Total Deferred Inflows of Resources</b>	<b>7,922</b>	<b>-</b>	<b>7,922</b>
<b>FUND BALANCES</b>			
<b>Restricted for:</b>			
Street maintenance and improvements	-	70,645	70,645
<b>Unassigned:</b>			
	140,948	-	140,948
<b>Total Fund Balances</b>	<b>140,948</b>	<b>70,645</b>	<b>211,593</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 177,493</b>	<b>\$ 73,749</b>	<b>\$ 219,515</b>
<b>Fund balance</b>			<b>\$ 211,593</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 \$669,613.			1,385,551
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			7,922
Net pension asset			22,785
Deferred outflows of resources related to pension			12,378
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the funds.			
			(572)
Long-term liabilities - not reported in the funds:			
Deferred inflows of resources related to pensions			(45,038)
<b>Net Position of Governmental Activities</b>			<b>\$ 1,594,619</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, 2015

	General Fund	Street Fund	Total Gov. Funds
<b>REVENUES</b>			
Property taxes	\$ 104,747	\$ -	\$ 104,747
Highway taxes	-	48,801	48,801
Franchise fees	42,142	-	42,142
Intergovernmental revenues	18,873	-	18,873
Grants	3,808	-	3,808
Property leases/rents	49,260	-	49,260
Permits and fees	5,720	-	5,720
Interest earnings	3,203	-	3,203
Miscellaneous	13,953	-	13,953
<b>Total Revenues</b>	<b>241,706</b>	<b>48,801</b>	<b>290,507</b>
<b>EXPENDITURES</b>			
Current operating:			
Personal services	79,938	17,187	97,125
Materials and services	193,707	15,320	209,027
Capital outlay	5,222	18,747	23,969
<b>Total Expenditures</b>	<b>278,867</b>	<b>51,254</b>	<b>330,121</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(37,161)</b>	<b>(2,453)</b>	<b>(39,614)</b>
Net change in fund balances	(37,161)	(2,453)	(39,614)
<b>Fund Balances - beginning of the year</b>	<b>178,109</b>	<b>73,098</b>	<b>251,207</b>
<b>Fund Balances - end of year</b>	<b>\$ 140,948</b>	<b>\$ 70,645</b>	<b>\$ 211,593</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, 2015*

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<b>Net change in fund balances--total governmental funds</b>	<b>\$ (39,614)</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	(41,381)
In the Statement of Activities, the loss on the disposition of capital assets is reported. The loss is not a use of current resources and thus is not reported in the funds.	
	(9,581)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Property taxes	1,161
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Compensated absences	261
Change in pension expense	33,447
<div style="text-align: right;"><b>Change in Net Position of Governmental Activities \$ (55,707)</b></div>	

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, 2015

	Water	Wastewater	Systems Development	Nonmajor Proprietary Funds	Totals
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 60,218	\$ -	\$ 192,139	\$ 42,517	\$ 294,874
Accounts receivable, net	64,174	72,568	-	2,026	138,768
Due from other funds	74,547	-	-	-	74,547
<b>Total current assets</b>	<b>198,939</b>	<b>72,568</b>	<b>192,139</b>	<b>44,543</b>	<b>508,189</b>
Noncurrent assets:					
Net pension asset	39,193	25,456	-	2,290	66,939
Capital assets:					
Land and construction in process	196,428	-	-	-	196,428
Other capital assets (net of accumulated depreciation)	1,159,625	1,155,684	-	7,005	2,322,314
<b>Total noncurrent assets</b>	<b>1,395,246</b>	<b>1,181,140</b>	<b>-</b>	<b>9,295</b>	<b>2,585,681</b>
<b>Total Assets</b>	<b>1,594,185</b>	<b>1,253,708</b>	<b>192,139</b>	<b>53,838</b>	<b>3,093,870</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows of resources - pensions	21,293	13,829	-	1,244	36,366
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	42,795	48,328	-	462	91,585
Payroll liabilities	12,496	6,581	-	950	20,027
Accrued interest payable	2,075	2,073	-	-	4,148
Due to other funds	-	74,547	-	-	74,547
Accrued compensated absences	1,287	774	-	123	2,184
Current portion of long-term debt	29,440	59,483	-	-	88,923
<b>Total current liabilities</b>	<b>88,093</b>	<b>191,786</b>	<b>-</b>	<b>1,535</b>	<b>281,414</b>
Noncurrent liabilities:					
Note payable - long-term portion	-	120,930	-	-	120,930
Bonds payable - long-term portion	69,719	39,391	-	-	109,110
<b>Total noncurrent liabilities</b>	<b>69,719</b>	<b>160,321</b>	<b>-</b>	<b>-</b>	<b>230,040</b>
<b>Total Liabilities</b>	<b>157,812</b>	<b>352,107</b>	<b>-</b>	<b>1,535</b>	<b>511,454</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Inflows of resources - pensions	77,473	50,317	-	4,526	132,316
<b>NET POSITION</b>					
Net investment in capital assets	1,256,894	935,880	-	7,005	2,199,779
Restricted for capital projects	-	-	192,139	16,418	208,557
Unrestricted	123,299	(70,767)	-	25,598	78,130
<b>Total Net Position</b>	<b>\$ 1,380,193</b>	<b>\$ 865,113</b>	<b>\$ 192,139</b>	<b>\$ 49,021</b>	<b>\$ 2,486,466</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, 2015

	Water	Wastewater	Systems Development	Nonmajor Proprietary Funds	Totals
<b>OPERATING REVENUES</b>					
Charges for services	\$ 501,888	\$ 192,770	\$ -	\$ 18,311	\$ 712,969
Deposits for new service	2,081	-	-	-	2,081
Wastewater partnership	-	100,000	-	-	100,000
Miscellaneous	12	-	-	-	12
<b>Total operating revenues</b>	<b>503,981</b>	<b>292,770</b>	<b>-</b>	<b>18,311</b>	<b>815,062</b>
<b>OPERATING EXPENSES</b>					
Personnel services	123,178	58,991	-	9,351	191,520
Materials and services	300,235	118,144	-	320	418,699
Depreciation	63,819	59,023	-	297	123,139
<b>Total operating expenses</b>	<b>487,232</b>	<b>236,158</b>	<b>-</b>	<b>9,968</b>	<b>733,358</b>
<b>Operating income (loss)</b>	<b>16,749</b>	<b>56,612</b>	<b>-</b>	<b>8,343</b>	<b>81,704</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Investment revenue	-	-	-	-	-
Interest expense	(6,616)	(7,808)	-	-	(14,424)
Loss on disposal of capital assets	(3,200)	(21,396)	-	(506)	(25,102)
System development revenue	-	-	-	-	-
<b>Total non-operating revenue</b>	<b>(9,816)</b>	<b>(29,204)</b>	<b>-</b>	<b>(506)</b>	<b>(39,526)</b>
<b>Change in net position</b>	<b>6,933</b>	<b>27,408</b>	<b>-</b>	<b>7,837</b>	<b>42,178</b>
Net position--as previously reported	1,447,781	886,104	192,139	45,538	2,571,562
Cumulative effect to implement GASB Statement No. 68	(74,521)	(48,399)	-	(4,354)	(127,274)
Net position--beginning, restated	1,373,260	837,705	192,139	41,184	2,444,288
<b>Net position--end of year</b>	<b>\$ 1,380,193</b>	<b>\$ 865,113</b>	<b>\$ 192,139</b>	<b>\$ 49,021</b>	<b>\$ 2,486,466</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, 2015

	Water	Wastewater	Systems Development	Nonmajor Proprietary Funds	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 484,872	\$ 185,665	\$ -	\$ 17,791	\$ 688,328
Payments to suppliers	(271,376)	(70,861)	-	142	(342,095)
Payments to employees	(181,833)	(97,850)	-	(12,708)	(292,391)
Other receipts	12	50,000	-	-	50,012
<b>Net cash provided (used) by operating activities</b>	<b>31,675</b>	<b>66,954</b>	<b>-</b>	<b>5,225</b>	<b>103,854</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers to other funds		(19,482)	-	-	(19,482)
Proceeds from other funds	19,482	-	-	-	19,482
<b>Net cash provided (used) by capital and related financing activities</b>	<b>19,482</b>	<b>(19,482)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Payment of principal on long-term debt	(29,810)	(39,283)	-	-	(69,093)
Payment of interest on long-term debt	(6,384)	(8,189)	-	-	(14,573)
Disposition of capital assets	-	-	-	-	-
Acquisition of capital assets	(119,342)	-	-	-	(119,342)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(155,536)</b>	<b>(47,472)</b>	<b>-</b>	<b>-</b>	<b>(203,008)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(104,379)</b>	<b>-</b>	<b>-</b>	<b>5,225</b>	<b>(99,154)</b>
<b>Cash and investments--beginning of the year</b>	<b>164,597</b>	<b>-</b>	<b>192,139</b>	<b>37,292</b>	<b>-</b>
<b>Cash and investments--end of the year</b>	<b>\$ 60,218</b>	<b>\$ -</b>	<b>\$ 192,139</b>	<b>\$ 42,517</b>	<b>\$ (99,154)</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 16,749	\$ 56,612	\$ -	\$ 8,343	\$ 81,704
Adjustments to reconcile operating income to net cash provided by operating activities:					
<b>Cash flows reported in other categories:</b>					
Depreciation expense	63,819	59,023	-	297	123,139
<b>Change in assets and liabilities:</b>					
Receivables	(19,097)	(57,105)	-	(520)	(76,722)
Prepaid expenses	-	-	-	-	-
Inventory	-	-	-	-	-
Accounts payable and accrued liabilities	29,944	47,017	-	675	77,636
Accrued compensated absences	(2,205)	(1,226)	-	(208)	(3,639)
Pension-related expenses	(57,535)	(37,367)	-	(3,362)	(98,264)
<b>Net cash provided (used) by operating activities</b>	<b>\$ 31,675</b>	<b>\$ 66,954</b>	<b>\$ -</b>	<b>\$ 5,225</b>	<b>\$ 103,854</b>

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

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## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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

#### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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.



## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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

There are three *major proprietary* funds:

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

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

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

There are two *non-major proprietary* funds:

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

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

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.

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

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**

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

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. Expenses of the various funds were within authorized appropriations for the year ended June 30, 2015, except for the General Fund, which overspent its materials and services appropriation by \$517 and the Water Fund, which overspend its materials and services appropriation by \$9,426.

**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 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,

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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.

#### **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 fair market value at the date of donation.

Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset, are capitalized. The costs of 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, 2015

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.

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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.

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.

#### **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 purposes 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 did not have any nonspendable fund balance.

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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,

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

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.

**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, 2015 (recorded at cost) consisted of:

Cash on hand	\$ 100
Cash with fiscal agent	549
Deposits with financial institutions	8,328
LGIP	504,378
	<u>\$ 513,355</u>

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

Governmental activities	\$ 218,481
Business-type activities	294,874
	<u>\$ 513,355</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, 2015, the bank balance was \$23,525. 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

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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 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.



**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**Concentration of Credit Risk**

At June 30, 2015, 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.

**2. CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended June 30, 2015 is as follows:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<b>Capital Assets, non-depreciable:</b>				
Land	\$ 132,757	\$ -	\$ -	\$ 132,757
Construction in Progress	-	-	-	-
Total capital assets, non-depreciable	<u>132,757</u>	<u>-</u>	<u>-</u>	<u>132,757</u>
<b>Capital assets, depreciable:</b>				
Buildings and improvements	778,587	-	(4,930)	773,657
Equipment	14,563	-	(14,563)	-
Streets	1,075,533	-	(2,788)	1,072,745
Park improvements	88,194	-	(12,189)	76,005
Total capital assets, depreciable	<u>1,956,877</u>	<u>-</u>	<u>(34,470)</u>	<u>1,922,407</u>
Total	<u>2,089,634</u>	<u>-</u>	<u>(34,470)</u>	<u>2,055,164</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(132,270)	(15,407)	851	(146,826)
Equipment	(14,563)	-	14,563	-
Streets	(462,639)	(21,850)	767	(483,722)
Park improvements	(43,649)	(4,124)	8,708	(39,065)
Total accumulated depreciation	<u>(653,121)</u>	<u>(41,381)</u>	<u>24,889</u>	<u>(669,613)</u>
Net depreciable capital assets	<u>1,303,756</u>	<u>(41,381)</u>	<u>(9,581)</u>	<u>1,252,794</u>
<b>Net capital assets</b>	<u>\$1,436,513</u>	<u>\$ (41,381)</u>	<u>\$ (9,581)</u>	<u>\$1,385,551</u>
<b>Governmental activities:</b>			<b>Depreciation</b>	
General government			\$ 19,531	
Streets			21,850	
Total depreciation expense - governmental activities			<u>\$ 41,381</u>	

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

Capital asset activity for business-type activities for the year ended June 30, 2015 is as follows:

<b>Business-type activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<b>Capital Assets, non-depreciable:</b>				
Land	\$ 79,557	\$ -	\$ (2,471)	\$ 77,086
Construction in Progress	-	119,342	-	119,342
Total capital assets, non-depreciable	<u>79,557</u>	<u>119,342</u>	<u>(2,471)</u>	<u>196,428</u>
<b>Capital assets, depreciable:</b>				
Buildings and improvements	745,029	-	-	745,029
Water, Wastewater, and Stormdrain systems	3,744,934	-	(14,850)	3,730,084
Machinery and equipment	720,775	-	(80,134)	640,641
Total capital assets, depreciable	<u>5,210,738</u>	<u>-</u>	<u>(94,984)</u>	<u>5,115,754</u>
Total	<u>5,290,295</u>	<u>119,342</u>	<u>(97,455)</u>	<u>5,312,182</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(618,845)	(3,278)	-	(622,123)
Water, Wastewater, and Stormdrain systems	(1,658,428)	(93,583)	6,251	(1,745,760)
Machinery and equipment	(465,383)	(26,278)	66,104	(425,557)
Total accumulated depreciation	<u>(2,742,656)</u>	<u>(123,139)</u>	<u>72,355</u>	<u>(2,793,440)</u>
Net depreciable capital assets	<u>2,468,082</u>	<u>(123,139)</u>	<u>(22,629)</u>	<u>2,322,314</u>
<b>Net capital assets</b>	<u>\$ 2,547,639</u>	<u>\$ (3,797)</u>	<u>\$ (25,100)</u>	<u>\$ 2,518,742</u>
<b>Business-type activities:</b>				
Water		\$ 63,819		
Sewer		59,023		
Stormwater		297		
Total depreciation expense - business-type activities		<u>\$ 123,139</u>		

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**3. LONG-TERM OBLIGATIONS**

Changes in long-term obligations for the year ended June 30, 2015 were as follows:

	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due within One year</u>
<i>Governmental activities:</i>						
Compensated absences		\$ 833	\$ 2,868	\$ (3,129)	\$ 572	\$ -
Total governmental activities		<u>\$ 833</u>	<u>\$ 2,868</u>	<u>\$ (3,129)</u>	<u>\$ 572</u>	<u>\$ -</u>
<i>Business-type activities:</i>						
Compensated absences		\$ 5,823	\$ 13,665	\$(17,304)	\$ 2,184	\$ -
<i>Notes payable:</i>						
DEQ note		180,000	-	(19,588)	160,412	39,483
<i>Bonds payable:</i>						
1980 Water bonds	5%	25,199	-	(4,400)	20,799	4,440
1997 Water bonds	4.5-5.75%	105,000	-	(25,000)	80,000	25,000
Bond discount		(1,230)	-	410	(820)	-
1997 Wastewater bonds	4.5-5.75%	80,000	-	(20,000)	60,000	20,000
Bond discount		(913)	-	304	(609)	-
Total business-type activities		<u>\$ 393,879</u>	<u>\$ 13,665</u>	<u>\$(85,578)</u>	<u>\$ 321,966</u>	<u>\$ 88,923</u>

**Bonds Payable**

On June 10, 1980, revenue water bonds were issued, (series 1980) in the amount of \$100,000. Proceeds from this bond issue were used to fund construction of a water distribution system. This issue calls for varying principal and interest annual repayments, which includes interest at 5.00 percent. The unobligated net revenue of the Water Fund is pledged to the payment of principal and interest. Although this bond is exchangeable upon ninety (90) days' notice, no action has been taken to call any portion of the outstanding bond as of June 30, 2015.

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

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015-2016	\$ 5,877	\$ 4,440	\$ 1,437
2016-2017	5,877	4,480	1,397
2017-2018	5,877	4,520	1,357
2018-2019	9,876	7,359	2,517
Total	<u>\$ 27,507</u>	<u>\$ 20,799</u>	<u>\$ 6,708</u>

On October 7, 1997, revenue water bonds were issued, (series 1997) in the amount of \$345,000. Proceeds from this bond issue were used to fund improvements to the Water Plant. This issue calls for varying principal and interest annual repayments, which includes interest

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

that varies between 4.50 percent to 5.75 percent, depending on the maturity date of the bond. The bonds were sold at a discount of \$8,189 and mature over a twenty-year period. The unobligated net revenue of the Water Fund is pledged to the payment of principal and interest.

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

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015-2016	\$ 28,881	\$ 25,000	\$ 3,881
2016-2017	27,443	25,000	2,443
2017-2018	30,863	30,000	863
Total	<u>\$ 87,187</u>	<u>\$ 80,000</u>	<u>\$ 7,187</u>

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

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

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015-2016	\$ 22,875	\$ 20,000	\$ 2,875
2016-2017	21,725	20,000	1,725
2017-2018	20,575	20,000	575
Total	<u>\$ 65,175</u>	<u>\$ 60,000</u>	<u>\$ 5,175</u>

On February 16, 2012, a loan agreement was entered into with the Oregon Department of Environmental Quality, Clean Water State Revolving Fund for improvements to the wastewater treatment facility. The loan is in the amount of \$180,000, payable at an interest rate of 1.04%. Repayment of the loan began in August 2014 after all disbursements were made. The City grants DEQ a security interest in and irrevocably pledges its net operating revenues to secure repayment of the loan.

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

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

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015-2016	\$ 41,048	\$ 39,482	\$ 1,566
2016-2017	41,048	39,894	1,154
2017-2018	41,048	40,310	738
2018-2019	41,044	40,726	318
Total	<u>\$ 164,188</u>	<u>\$ 160,412</u>	<u>\$ 3,776</u>

**4. REVENUE BOND RESERVE FUNDS**

The 1997 Water and Wastewater Revenue Bonds agreements require the establishment of fund reserve accounts. The reserve accounts for both the Water and Wastewater Funds are to be used to make the bond payments in the event that revenue from user fees is insufficient. As of June 30, 2015, the reserve requirements of the 1997 Water and Wastewater Revenue Bonds is sufficiently funded.

**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.

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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

Members of PERS are required to contribute 6% of their salary covered under the plan. The City is required by ORS 238.225 to contribute at an actuarially determined rate. The rate effective July 1, 2015 is 14.79% of salary covered under the plan for Tier 1 and Tier 2 (PERS) employees and 11.99% 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.

#### **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 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.

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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.

#### 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.

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

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.

Employer contributions rates during the period were based on the December 31, 2011 actuarial valuation, as subsequently modified by 2013 legislated changes in benefit provisions. The City's rates for the year ended June 30, 2015 were 13.09% for OPERS and 12.99% for OPSRP. The contribution requirements for plan members and the City are established by ORS Chapter 238 and may be amended by an act of the legislature.

Contributions to the plan for the years ending June 30, 2015 and 2014 were \$48,744 and \$47,558, respectively. A two-year Schedule of Contributions can be found in the Required Supplementary Information, which immediately follows these notes.

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

At June 30, 2015 the City reported assets of \$89,724 for its proportionate share of the plan pension asset. The net pension asset was measured as of June 30, 2014 and the total pension asset 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, 2015 and 2014, the City's proportion was 0.003958 percent.

For the year ended June 30, 2015, the City recognized pension expense/(income) of \$(82,966) for the defined benefit portion of the pension plan as a result of implementing GASB 68. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investment	\$ -	\$ 173,130
Changes in proportion and differences between City contributions and proportionate share of contributions	-	4,224
City contributions subsequent to the measurement date	48,744	-
<b>Total</b>	<b><u>\$ 48,744</u></b>	<b><u>\$ 177,354</u></b>

Deferred outflows of resources related to pensions of \$48,744 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, 2016. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense/(income) as follows:

<u>Year ended June 30,</u>	<u>Inflows of Resources</u>
2016	\$ (44,200)
2017	(44,200)
2018	(44,200)
2019	(44,200)
2020	(554)
	<b><u>\$ (177,354)</u></b>

The employer contribution rates effective July 1, 2013 through June 30, 2015 were set using the entry age normal actuarial cost method.

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

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

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, 2013, rolled to June 30, 2015
- Measurement Date June 30, 2015
- Experience Study Report 2014, published September 2015
- Actuarial cost method Entry Age Normal
- Amortization method Amortized as a level percentage of payroll; Tier One/Tier Two UAL (20 year) and OPSRP pension UAL (16 year); Amortization periods are closed
  
- Equivalent single amortization period Twenty years
- Asset valuation method Market value of assets
- Actuarial assumptions
  - Inflation rate 2.75 percent
  - Investment rate of return 7.75 percent
  - Projected salary increases 3.75 percent
- Mortality
  - Healthy retirees and beneficiaries:  
RP-2000 Sex-distinct, generational per Scale AA with collar adjustments and set-backs as described 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 are a percentage (65% for males, 90% for females) of the RP-2000 static combined disability mortality sex-distinct table.

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

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014.

The discount rate used to measure the total pension liability was 7.75 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 7.75 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:

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's proportionate share of the net pension liability (asset)	\$ 190,002	\$ (89,723)	\$ (326,305)

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 2013 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, 2015**

<u>Asset Class</u>	<u>Target</u>	<u>Return (Geometric)</u>
Core Fixed Income	7.20 %	4.50 %
Short-Term Bonds	8.00	3.70
Intermediate-Term Bonds	3.00	4.10
High Yield Bonds	1.80	6.66
Large Cap US Equities	11.65	7.20
Mid Cap US Equities	3.88	7.30
Small Cap US Equities	2.27	7.45
Developed Foreign Equities	14.21	6.90
Emerging Foreign Equities	5.49	7.40
Private Equity	20.00	8.26
Opportunity Funds/Absolute Return	5.00	6.01
Real Estate (Property)	13.75	6.51
Real Estate (REITS)	2.50	6.76
Commodities	1.25	6.07
Assumed Inflation - Mean		2.75

At June 30, 2015, the City's payable to OPERS for defined benefit contributions was approximately \$4,585. This amount represents legally required contributions to the plan for services incurred in the current fiscal year.

**Changes in Plan Provisions Subsequent to Measurement Date**

The Oregon Supreme Court on April 30, 2015 ruled that the provisions of Senate Bill 861, signed in law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. OPERS will make restoration payments to those benefit recipients.

OPERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and has not been included in the net pension liability (asset) proportionate shares provided by OPERS.

Certain aspects of how the court decision will be implemented administratively were not yet finalized by OPERS, but it is estimated that the City will have a net pension liability of about \$156,000 as a result of the decision, instead of the asset reported above.

## CITY OF ADAIR VILLAGE

### NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2015

#### **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.

#### **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 City County Insurance Services (CCIS), a public entity risk pool currently operating as a common risk management and insurance program for approximately 265 municipal corporations and associated entities in the State of Oregon. CCIS is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$2 million for each insured event. Insurance is carried through CCIS to help mitigate these risks, and commercial insurance is carried for other risks of loss, including workers' compensation. Settled claims have not exceeded insurance coverage in any of the last three fiscal years.

**CITY OF ADAIR VILLAGE**

**NOTES TO BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015**

**9. DEFICIT FUND BALANCE**

At June 30, 2015, the Wastewater Fund had a negative budgetary ending fund balance of \$56,888. Rates charged to customers have been adjusted and this fund will be monitored to bring it back to a positive balance.

**10. INTERFUND BALANCES AND TRANSFERS**

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

Due from other funds:	
Water Fund	<u>\$74,547</u>
Due to other funds:	
Sewer Fund	<u>\$74,547</u>

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

**11. RESTATEMENT OF NET POSITION**

The City has restated its net position for the adoption of the provisions of GASB Statement No. 68.

**12. SUBSEQUENT EVENTS**

In March 2016, the Infrastructure Financing Authority awarded the City a \$2.8 million loan to replace its existing water storage facility at Voss Hill Reservoir. Approximately \$515,000 of loan is forgivable. The City has spent about \$1 million of the award.

CITY OF ADAIR VILLAGE, OREGON

REQUIRED SUPPLEMENTARY INFORMATION

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

<b>Year ended June 30,</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>
2015	0.00395830%	(89,723)	241,844	-37.10%	103.60%
2014	0.00395830%	201,998	234,073	86.30%	91.97%

**CITY OF ADAIR VILLAGE, OREGON**  
**Schedule of Contributions**  
**for the last two 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>
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**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
*for the year ended June 30, 2015*

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
<b>REVENUES</b>				
Property taxes:				
Current	\$ 98,000	\$ 98,000	\$ 103,124	\$ 5,124
Prior years	1,215	1,215	1,623	408
Franchise fees	45,000	45,000	42,142	(2,858)
Intergovernmental:				
State revenue sharing	7,500	7,500	5,572	(1,928)
Liquor tax	12,000	12,000	12,173	173
Cigarette tax	1,200	1,200	1,128	(72)
Park grant	36,500	36,500	3,808	(32,692)
Building/property lease	50,100	50,100	49,260	(840)
Building and electrical permits	19,440	19,440	2,418	(17,022)
Planning fees	2,000	2,000	550	(1,450)
Ordinances and court fines	-	-	2,752	2,752
Other fees and fines	3,600	3,600	-	(3,600)
Refunds	2,000	2,000	719	(1,281)
Interest income	3,000	3,000	3,203	203
Miscellaneous	17,500	17,500	13,234	(4,266)
<b>Total revenues</b>	<b>299,055</b>	<b>299,055</b>	<b>241,706</b>	<b>(57,349)</b>
<b>EXPENDITURES</b>				
Personnel services	82,633	82,633	79,938	2,695
Materials and services	193,190	193,190	193,707	(517)
Capital outlay	73,000	73,000	5,222	67,778
Contingency	32,500	32,500	-	32,500
<b>Total expenditures</b>	<b>381,323</b>	<b>381,323</b>	<b>278,867</b>	<b>102,456</b>
<b>Change in fund balance</b>	<b>(82,268)</b>	<b>(82,268)</b>	<b>(37,161)</b>	<b>45,107</b>
<b>Fund balance - beginning of the year</b>	<b>95,000</b>	<b>95,000</b>	<b>178,109</b>	<b>83,109</b>
<b>Fund balance - end of the year</b>	<b>\$ 12,732</b>	<b>\$ 12,732</b>	<b>140,948</b>	<b>\$ 128,216</b>

CITY OF ADAIR VILLAGE, OREGON  
STREET FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
for the year ended June 30, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
<b>REVENUES</b>				
State gas tax	\$ 50,000	\$ 50,000	\$ 48,801	\$ (1,199)
Miscellaneous	200	200	-	(200)
<b>Total revenues</b>	<b>50,200</b>	<b>50,200</b>	<b>48,801</b>	<b>(1,399)</b>
<b>EXPENDITURES</b>				
Personnel services	18,653	18,653	17,187	1,466
Materials and services	23,750	23,750	15,320	8,430
Capital outlay	26,160	26,160	18,747	7,413
Contingency	15,000	15,000	-	15,000
<b>Total expenditures</b>	<b>83,563</b>	<b>83,563</b>	<b>51,254</b>	<b>32,309</b>
<b>Change in fund balance</b>	<b>(33,363)</b>	<b>(33,363)</b>	<b>(2,453)</b>	<b>(33,708)</b>
<b>Fund balance - beginning of the year</b>	<b>55,000</b>	<b>55,000</b>	<b>73,098</b>	<b>18,098</b>
<b>Fund balance - end of the year</b>	<b>\$ 21,637</b>	<b>\$ 21,637</b>	<b>\$ 70,645</b>	<b>\$ (15,610)</b>

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CITY OF ADAIR VILLAGE, OREGON

SUPPLEMENTARY INFORMATION

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CITY OF ADAIR VILLAGE, OREGON  
WATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
for the year ended June 30, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
<b>REVENUES</b>				
Charges for services	\$ 483,000	\$ 483,000	\$ 503,969	\$ 20,969
Interest earnings	3,000	3,000	-	(3,000)
Miscellaneous	1,000	1,000	12	(988)
<b>Total revenues</b>	<b>487,000</b>	<b>487,000</b>	<b>503,981</b>	<b>16,981</b>
<b>EXPENDITURES</b>				
Personal services	196,408	196,408	182,917	13,491
Materials and services	387,110	387,110	396,536	(9,426)
Capital outlay	28,100	28,100	23,040	5,060
Debt service	36,500	36,500	36,196	304
Contingency	75,000	75,000	-	75,000
<b>Total expenditures</b>	<b>723,118</b>	<b>723,118</b>	<b>638,689</b>	<b>84,429</b>
<b>Change in fund balance</b>	<b>(236,118)</b>	<b>(236,118)</b>	<b>(134,708)</b>	<b>101,410</b>
<b>Fund balance - beginning of the year</b>	<b>329,000</b>	<b>329,000</b>	<b>278,356</b>	<b>(50,644)</b>
<b>Fund balance - end of the year</b>	<b>\$ 92,882</b>	<b>\$ 92,882</b>	<b>143,648</b>	<b>\$ 50,766</b>

Capital assets, net of depreciation	1,356,053
Accrued compensated absences	(1,287)
Net pension asset	39,193
Deferred outflows of resources - pension	21,293
Accrued interest	(2,075)
Long-term debt	(99,159)
Deferred inflows of resources - pension	(77,473)
<b>Total net position</b>	<b>\$ 1,380,193</b>

CITY OF ADAIR VILLAGE, OREGON  
WASTEWATER FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
for the year ended June 30, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
<b>REVENUES</b>				
Charges for services	\$ 198,000	\$ 198,000	\$ 192,770	\$ (5,230)
Property lease	575	575	-	(575)
Project partnerships	50,000	50,000	100,000	50,000
Miscellaneous	1,000	1,000	-	(1,000)
<b>Total revenues</b>	<b>249,575</b>	<b>249,575</b>	<b>292,770</b>	<b>43,195</b>
<b>EXPENDITURES</b>				
Personal services	101,591	101,591	97,585	4,006
Materials and services	232,350	232,350	118,143	114,207
Capital outlay	14,300	14,300	-	14,300
Debt service	47,715	47,715	47,472	243
Contingency	26,000	26,000	-	26,000
<b>Total expenditures</b>	<b>421,956</b>	<b>421,956</b>	<b>263,200</b>	<b>158,756</b>
<b>Change in fund balance</b>	<b>(172,381)</b>	<b>(172,381)</b>	<b>29,570</b>	<b>201,951</b>
<b>Fund balance - beginning of the year</b>	<b>190,000</b>	<b>190,000</b>	<b>(86,458)</b>	<b>(276,458)</b>
<b>Fund balance - end of the year</b>	<b>\$ 17,619</b>	<b>\$ 17,619</b>	<b>(56,888)</b>	<b>\$ (74,507)</b>

Capital assets, net of depreciation	1,155,684
Accrued compensated absences	(774)
Net pension asset	25,456
Deferred outflows of resources - pension	13,829
Accrued interest	(2,073)
Long-term debt	(219,804)
Deferred inflows of resources - pension	(50,317)
Total net position	<u>\$ 865,113</u>



CITY OF ADAIR VILLAGE, OREGON  
 SYSTEMS DEVELOPMENT FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
*for the year ended June 30, 2015*

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
<b>REVENUES</b>				
Charges for services	\$ 12,235	\$ 12,235	\$ -	\$ (12,235)
<b>Total revenues</b>	<b>12,235</b>	<b>12,235</b>	<b>-</b>	<b>(12,235)</b>
<b>Change in fund balance</b>	<b>12,235</b>	<b>12,235</b>	<b>-</b>	<b>(12,235)</b>
Fund balance - beginning of the year	191,965	191,965	192,139	174
<b>Fund balance - end of the year</b>	<b>\$ 204,200</b>	<b>\$ 204,200</b>	<b>\$ 192,139</b>	<b>\$ (12,061)</b>

CITY OF ADAIR VILLAGE, OREGON  
 COMBINING STATEMENT OF NET POSITION  
 NONMAJOR PRIORITARY FUNDS  
 June 30, 2015

	Storm Drain Fund	Reserve Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 26,099	\$ 16,418	\$ 42,517
Accounts receivable, net	2,026	-	2,026
<b>Total current assets</b>	<b>28,125</b>	<b>16,418</b>	<b>44,543</b>
Noncurrent assets:			
Net pension asset	2,290	-	2,290
Capital assets, net of accumulated depreciation	7,005	-	7,005
<b>Total noncurrent assets</b>	<b>9,295</b>	<b>-</b>	<b>9,295</b>
<b>Total Assets</b>	<b>37,420</b>	<b>16,418</b>	<b>53,838</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pensions	1,244	-	1,244
<b>LIABILITIES</b>			
Accounts payable	462	-	462
Payroll liabilities	950	-	950
Accrued vacation	123	-	123
<b>Total Liabilities</b>	<b>1,535</b>	<b>-</b>	<b>1,535</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pensions	4,526	-	4,526
<b>NET POSITION</b>			
Investment in capital assets	7,005	-	7,005
Restricted for capital assets	-	16,418	16,418
Unrestricted	25,598	-	25,598
<b>Total Net Position</b>	<b>32,603</b>	<b>16,418</b>	<b>49,021</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, 2015

	Storm Drain Fund	Reserve Fund	Total
<b>REVENUES</b>			
Charges for services	\$ 18,311	\$ -	\$ 18,311
<b>EXPENSES</b>			
Personnel services	9,351	-	9,351
Materials and services	320	-	320
Depreciation	297	-	297
<b>Total expenses</b>	<b>9,968</b>	<b>-</b>	<b>9,968</b>
<b>Operating income</b>	<b>8,343</b>	<b>-</b>	<b>8,343</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Loss on disposal of capital assets	(506)	-	(506)
<b>Change in net position</b>	<b>7,837</b>	<b>-</b>	<b>7,837</b>
Net position--as previously reported	29,120	16,418	45,538
Cumulative effect to implement GASB	(4,354)	-	(4,354)
Net position--beginning, restated	24,766	16,418	41,184
<b>Net position--end of year</b>	<b>\$ 32,603</b>	<b>\$ 16,418</b>	<b>\$ 49,021</b>

CITY OF ADAIR VILLAGE, OREGON  
 COMBINING STATEMENT OF CASH FLOWS - NONMAJOR PROPRIETARY FUNDS  
 for the year ended June 30, 2015

	Storm Drain	Reserve Fund	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 17,791	\$ -	\$ 17,791
Payments to suppliers	142	-	142
Payments to employees	(12,708)	-	(12,708)
<b>Net cash provided (used) by operating activities</b>	<b>5,225</b>	<b>-</b>	<b>5,225</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>5,225</b>	<b>-</b>	<b>5,225</b>
<b>Cash and investments--beginning of the year</b>	<b>20,874</b>	<b>16,418</b>	<b>37,292</b>
<b>Cash and investments--end of the year</b>	<b>\$ 26,099</b>	<b>\$ 16,418</b>	<b>\$ 42,517</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 8,343	\$ -	\$ 8,343
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	297	-	297
<b>Change in assets and liabilities:</b>			
Receivables	(520)	-	(520)
Accounts payable and accrued liabilities	675	-	675
Accrued compensated absences	(208)	-	(208)
Pension-related expenses	(3,362)	-	(3,362)
<b>Net cash provided (used) by operating activities</b>	<b>\$ 5,225</b>	<b>\$ -</b>	<b>\$ 5,225</b>

CITY OF ADAIR VILLAGE, OREGON  
 STORM DRAIN FUND  
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
 for the year ended June 30, 2015

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
<b>REVENUES</b>				
Charges for services	\$ 17,000	\$ 17,000	\$ 18,311	\$ 1,311
Miscellaneous	250	250	-	(250)
<b>Total revenues</b>	<b>17,250</b>	<b>17,250</b>	<b>18,311</b>	<b>1,061</b>
<b>EXPENDITURES</b>				
Personal services	14,031	14,031	12,921	1,110
Materials and services	11,100	11,100	320	10,780
Capital outlay	1,440	1,440	-	1,440
Contingency	3,000	3,000	-	3,000
<b>Total expenditures</b>	<b>29,571</b>	<b>29,571</b>	<b>13,241</b>	<b>16,330</b>
<b>Change in fund balance</b>	<b>(12,321)</b>	<b>(12,321)</b>	<b>5,070</b>	<b>17,391</b>
<b>Fund balance - beginning of the year</b>	<b>13,140</b>	<b>13,140</b>	<b>21,643</b>	<b>8,503</b>
<b>Fund balance - end of the year</b>	<b>\$ 819</b>	<b>\$ 819</b>	<b>26,713</b>	<b>\$ 25,894</b>

Capital assets, net of depreciation	7,005
Accrued compensated absences	(123)
Net pension asset	2,290
Deferred outflows of resources - pension	1,244
Deferred inflows of resources - pension	(4,526)
Total net position	<u>\$ 32,603</u>

CITY OF ADAIR VILLAGE, OREGON  
RESERVE FUND  
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
*for the year ended June 30, 2015*

	Original Budget	Final Budget	Actual Amounts	Variance with final budget
Fund balance - beginning of the year	\$ 15,418	\$ 15,418	\$ 16,418	\$ 1,000
Fund balance - end of the year	\$ 15,418	\$ 15,418	\$ 16,418	\$ 1,000

CITY OF ADAIR VILLAGE, OREGON

OTHER INFORMATION

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**CITY OF ADAIR VILLAGE, OREGON**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES**  
**OF PROPERTY TAXES COLLECTED**  
*June 30, 2015*

<b>TAX YEAR</b>	<b>IMPOSED LEVY OR BALANCE UNCOLLECTED AT 7/1/2014</b>	<b>DISCOUNTS AND ADJUSTMENTS</b>	<b>CASH COLLECTIONS BY COUNTY TREASURER</b>	<b>BALANCE UNCOLLECTED AT 6/30/2015</b>
<b>CURRENT</b>				
2014-15	\$ 109,476	\$ (2,975)	103,062	\$ 3,439
<b>PRIOR YEARS</b>				
2013-14	1,835	(10)	391	1,434
2012-13	2,756	(9)	587	2,160
2011-12	1,359	(6)	289	1,064
2010-11	109	(8)	23	78
Prior	965	(11)	205	749
Total	<u>\$ 116,500</u>	<u>\$ (3,019)</u>	<u>\$ 104,557</u>	<u>\$ 8,924</u>

RECONCILIATION TO REVENUE:

Cash Collections by County Treasurer	\$ 104,557
Accrual of receivables:	
June 30, 2014	(812)
June 30, 2015	1,002
Total revenue	<u>\$ 104,747</u>

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CITY OF ADAIR VILLAGE, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE  
REGULATIONS

**INDEPENDENT AUDITOR'S REPORT  
REQUIRED BY OREGON STATE REGULATION**

We have audited the basic financial statements of the City of Adair Village, Oregon, as of and for the year ended June 30, 2015 and have issued our report thereon dated March 1, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the City of Adair Village, Oregon'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 the Oregon Administrative Rules 162-10-000 through 162-10-330 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. 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:

- 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.

In connection with our testing, nothing came to our attention that caused us to believe the 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:

1. The General Fund exceeded its materials and services appropriation by \$517.
2. The Water Fund exceeded its materials and services appropriation by \$9,426.

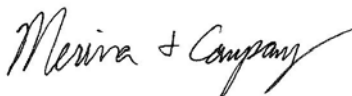
### **OAR 162-10-0230 Internal Control**

In planning and performing our audit, we considered the 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 the City of Adair Village, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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



Merina & Company, LLP  
West Linn, Oregon  
March 1, 2017

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