



# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2011**

Prepared by:  
The City of Fairview  
Finance Department



**CITY OF FAIRVIEW, OREGON**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2011**

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## **INTRODUCTORY SECTION**

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January 26, 2012

Honorable Mayor Mike Weatherby, City Council Members, and Citizens of Fairview,

The Finance Department is pleased to submit the Comprehensive Financial Report (CAFR) of the City of Fairview, Oregon for the fiscal year ended June 30, 2011.

Management accepts full responsibility for the contents of the CAFR. The accuracy of the information provided in this report is reasonably assumed due to a comprehensive framework of internal controls. The goal of the internal control framework is to minimize opportunity, as opportunity can not only permit but also promote fraudulent activity. However, internal controls also have inherent limitations. The cost of implementing the internal controls framework should not exceed the estimated benefit. Therefore, a reasonable, but not absolute level of assurance is achieved.

Independent assurance of the reliability of the financial statements is crucial. Therefore, an independent financial audit was conducted by Dickey and Tremper, LLP. The auditor issued an unqualified opinion on the City's financial statements.

Immediately following the independent auditor's report in the financial section of the CAFR is Management's Discussion and Analysis (MD&A). The Letter of Transmittal provides subjective information and should be read not independently, but in conjunction with the MD&A. These reports complement one another and when utilized together provide a comprehensive overview.

## **CITY PROFILE**

The City of Fairview is located in northwestern Oregon's Multnomah County, twelve miles east of Portland. It covers an area of approximately three square miles with an estimated population of 8,920 as of June 30, 2011. (This number was reduced from 9,745 by the 2010 Census.)

Fairview was incorporated in 1908 and operates under the provisions of a charter first enacted in 1911 and most recently amended in 2004. The City operates under the Council-Administrator form of government. The Council is comprised of a Mayor and six elected Council members. The Mayor and Council members each serve four-year terms.

The City Administrator is the administrative head of the City and oversees implementation of Council policies, as well as the day-to-day operation of the City. Four departments collaborate to provide services to the citizens of Fairview. The Administration, Finance, Police, and Public Works departments directly provide residents with a wide range of municipal services. These services include police services, water, sewer collection, stormwater management, parks, planning and development, code enforcement, municipal court, general administrative services and special community events. Fire services and sewage treatment are contracted with the City of Gresham, while building services and inspections are contracted with Building Codes Consultancy, a private

company.

Fairview's annual budget guides the City's spending. The budget is prepared in accordance with the Oregon Local Budget Law. The budgeting process includes the appointment of a fourteen member Budget Committee, public hearings providing an opportunity for citizen feedback, and approval of the final budget by City Council.

Budgetary controls for all funds is maintained by major category expense, such as personal services, materials and services, capital outlay, debt service, and transfers. Contingency line items are budgeted in the general operating fund, street fund, and major operating funds (water funds, sanitary sewer funds, and stormwater fund).

For additional statistics and information about the City of Fairview, please refer to the Statistical Section of this report.

### **ECONOMIC CONDITION**

Residential growth within the City of Fairview has been virtually non-existent over the past several years, as the City approaches residential build-out and the weak economy has stalled new construction. The lack of new residential construction limits future increases in residential property tax revenue.

In 2005, the City experienced growth of 1.9 percent, while in 2006 had growth of only 1.7 percent and 2007 continued to decline with only 1.1 percent growth. The City issued one permit for new residential construction during Fiscal Year 2009-10 and zero permits were issued for new residential construction during Fiscal Year 2010-11. The year 2000 was a particularly mentionable year, with residential growth within the City of Fairview exceeding 20 percent.

Fortunately, the City still possesses significant opportunity for commercial and industrial growth. Eventually, this growth will increase both tax and operating revenues.

The major issue related to property tax revenue for the City of Fairview is the fact that Real Market Values growth has fallen to barely 2% for fiscal year 2010-11 and fiscal year 2011-12. As real market values drop and fail to grow, property tax revenue declines or falls flat; however, operating costs for the City and demands for services from citizens continue to increase.

Fairview's close proximity to Portland and Gresham (Oregon's fourth largest City) provides residents with diverse employment opportunities. However, the unemployment rate within Multnomah County for Fiscal Year 2010-11 of 9.5 percent was slightly lower than the state average of 10.5 percent and higher than the national average of 9.1 percent.

While there are over 120 businesses within the Fairview, historically two employers have provided the majority of the City's employment; however, now there are five major employers. Of the approximately 2,600 people employed within the City of Fairview, over 35 percent have been employed by the City's top five employers: Reynolds School District, NACCO Materials Handling Group, Townsend Farms, Knight Transportation, and Target.

## **MAJOR FINANCIAL INITIATIVES**

### ***Fire and Police Dispatch Services***

The City of Fairview currently contracts with the City of Portland's Bureau of Emergency Communications (BOEC-911) for police and fire dispatch services. The cost of BOEC services for Fiscal Year 2010-11 was \$217,332. BOEC dispatch services for Fiscal Year 2011-12 are budgeted to cost \$253,000. BOEC has informed the users' of their system that due to increased costs associated with the new dispatch system they implemented in 2011, that costs for Fiscal Year 2012-13 will increase significantly. At this time, it is unknown what "significantly" equates to in dollars.

### ***Fire Protection Services***

Fairview maintains an intergovernmental agreement with the City of Gresham to provide fire protection services to its residents. A new ten year agreement was negotiated in 2006. The amount paid to Gresham for fire protection services during Fiscal Year 2010-11 was \$715,649. The cost of fire protection services for Fiscal Year 2011-12 is budgeted to cost \$750,055. Over the life of the ten year agreement, costs will rise over \$311,000, an increase of nearly 60 percent from Fiscal Year 2005-06.

### ***INCODE Financial System***

Over a five year period, the City set aside funds for the purchase of a new integrated financial software system. In addition, the City hired a Management Analyst to manage the implementation of the system. Tyler Technologies' INCODE system was chosen to be the new software system for the City. As of June 30, 2011, the City had implemented INCODE General Ledger, Payroll, Accounts Payable, Utility Billing, Cash Receipting, Building Permits, Accounts Receivable, Business Licenses, and Court. The cost for these modules was approved at \$127,000.

### ***Well #9 Construction***

Through the American Recovery and Reinvestment Act (ARRA) loans program, the City received funds to facilitate the construction of new drinking water well (Well #9). As of June 30, 2011, the well construction was complete with production tests being conducted and a security fence being designed to be built in Fiscal Year 2011-12. This Well is anticipated to supply the city with approximately 1,000-1,500 gallons per minute of drinking water. The total cost of the project was approved at \$1.65 million. The ARRA loan program provided \$1.25 million worth of funding: \$625,000 in a forgivable loan and \$625,000 in a low interest loan.

## **ECONOMIC CLIMATE AND FUTURE**

The City of Fairview, due to its close attention to revenues and expenditures has positioned itself to absorb some of the economic impacts of the current financial crisis without significantly impacting services to citizens. For Fiscal Year 2011-12, the City was forced to eliminate two and a half positions from the General Fund. Despite the elimination of these positions and not implementing any new programs, the City still budgeted to utilize at least \$190,000 of reserve dollars (savings) to maintain current service levels. Utilizing savings to provide services is not something that can be

sustained. Council Financial Guidelines are clear that “Fund Balance (savings) shall not be used to pay for ongoing revenues and expenditures.” The fund balance is to be used for one time expenditures such as specific economic development projects, civic projects, or new construction. It is clear that property tax revenue is flat and has the significant potential to actually decline due to falling real market home values. As property tax revenue falls, new construction stays flat, unemployment remains high, and state shared revenues continue to fall, the City must stay vigilant in monitoring its spending in order to continue to provide its key services to the citizens of Fairview. Council has issued the directive to staff to contain costs and operate within the City’s means without using reserves. With these thoughts in our minds, we move forward into the next budget season.

**AWARDS AND ACKNOWLEDGEMENTS**

*Awards*

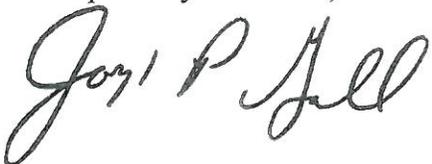
The Government Finance Officers’ Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Fairview for its comprehensive annual financial report for the fiscal year ended June 30, 2010. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

*Acknowledgements*

The preparation of the Comprehensive Annual Financial Report was a City-wide effort. Thank you to all departments of the City for their diligence and extra efforts in compiling data and clarifying reports. Sincere appreciation is also extended to the Mayor, City Council, and Budget Committee for their continuing leadership and support.

Respectfully Submitted,



Joseph P. Gall, ICMA-CM, MBA  
City Administrator



Samantha Nelson, MBA  
Finance Director

**CITY OF FAIRVIEW  
OFFICIALS OF THE CITY  
AS OF JUNE 30, 2011**

**MAYOR AND CITY COUNCIL**

<u>Name and Address</u>	<u>Term Expires December 31,</u>
Mike Weatherby, Mayor	2013
Dan Kreamier	2012
Barbara Jones	2014
Ken Quinby	2012
Steve Owen	2014
Lisa Barton-Mullins	2014
Larry Cooper	2014

**City Administration**

Joseph Gall, City Administrator

Samantha Nelson, Finance Director  
Allan Barry, Public Works Director  
Ken Johnson, Chief of Police  
Beery, Elsner & Hammond, LLP, Legal Council

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fairview  
Oregon

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Danison*

President

*Jeffrey R. Emer*

Executive Director



# Citizens of Fairview

## City Council

Budget Committee  
 Planning Commission  
 Parks & Recreation Advisory Council  
 Arts & Community Events Committee  
 Public Safety Advisory Committee  
 Economic Development Advisory Committee

### Administration

*Joseph Gall*

- Mayor/City Council
- Election Management
- Communications Program
- Intergovernmental Relations
- Human Resource Program
- Records Management
- City Attorney Services
- Strategic Planning Program

### City Attorney

*Beery, Elsner & Hammond*

### Municipal Court Judge

*M. Patton Echols*

### Judge Pro Tem

*Scott Downing*

### Police

*Ken Johnson*

- Patrol Services
- Photo Red Light Program
- Crime Investigation Program
- Police Reserve Program
- Crime Prevention Program
- Records Management
- Evidence & Property Management
- 911 Services (BOEC)
- Fire Service (Gresham Fire)
- Alarm Permits/Monitoring
- School Resource Officer Program
- EMGET Program
- Emergency Management
- Chaplaincy

### Finance

*Samantha Nelson*

- Budget Management
- Payroll Services
- Benefits Management
- Financial Services
- Risk Management Program
- Utility Billing Services
- Information Technology Program
- Grants Management
- Municipal Court Services

### Community Services/Public Works

*Allan Berry*

- |                                 |   |
|---------------------------------|---|
| • Development Services          | • Water Services                          |
| • Long Range Planning           | • Sewer Services                          |
| • Economic Development          | • Stormwater Management Program           |
| • Code Compliance Program       | • Construction Management                 |
| • Business Licensing Program    | • Capital Planning Program                |
| • Building Services             | • Parks CIP and Maintenance               |
| • Natural Resources             | • Facilities Management                   |
| • Special Event Management      | • Road Operations and Maintenance Program |
| • Community Garden Program      | • CDBG Program                            |
| • Parks & Recreation Programing | • GIS Mapping Services                    |
| • Flood Hazard Program          |   |
| • Solid Waste & Recycling       |   |



## **FINANCIAL SECTION**

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**Dickey and Tremper, LLP**  
Certified Public Accountants and Business Advisors

110 SE First Street  
P.O. Box 1533  
Pendleton, OR 97801  
Phone: (541) 276-6862  
Toll Free: 1-800-332-6862  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and  
Members of the City Council  
City of Fairview, Oregon

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 Fairview, Oregon, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Fairview, Oregon's management. 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the 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 Fairview, Oregon, as of June 30, 2011, the respective changes in financial position and, cash flows, where applicable thereof, and the respective budgetary comparisons for the General Fund and State Tax Street Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 26, 2012, on our consideration of the City of Fairview, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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## **INDEPENDENT AUDITOR'S REPORT (Continued)**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages a through p be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairview's financial statements taken as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, other financial schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and other financial schedules are the responsibility of management and were derived from and directly relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the basic financial statements and, accordingly, we express no opinion on them.

*Dickey and Tremper, LLP*  
**Dickey and Tremper, LLP**  
**Certified Public Accountants**

January 26, 2012



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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CITY OF FAIRVIEW  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2011

As the financial management for the City of Fairview, Oregon we offer this narrative overview and analysis of the City's financial activities during the Fiscal Year. It is intended to be an easily readable analysis that focuses on the Year's financial activities, significant changes in the City's financial position, deviations from the approved budget, and individual fund issues or concerns. This Management's Discussion and Analysis is based on presently known facts and conditions that exist as of the date of the independent auditor's report. Additional information outside the scope of the analysis can be found in the Letter of Transmittal and individual financial statements.

The Management's Discussion and Analysis should be read in conjunction with the additional information provided in the Letter of Transmittal and the Basic Financial Statements included in the Comprehensive Annual Financial Report.

FINANCIAL HIGHLIGHTS

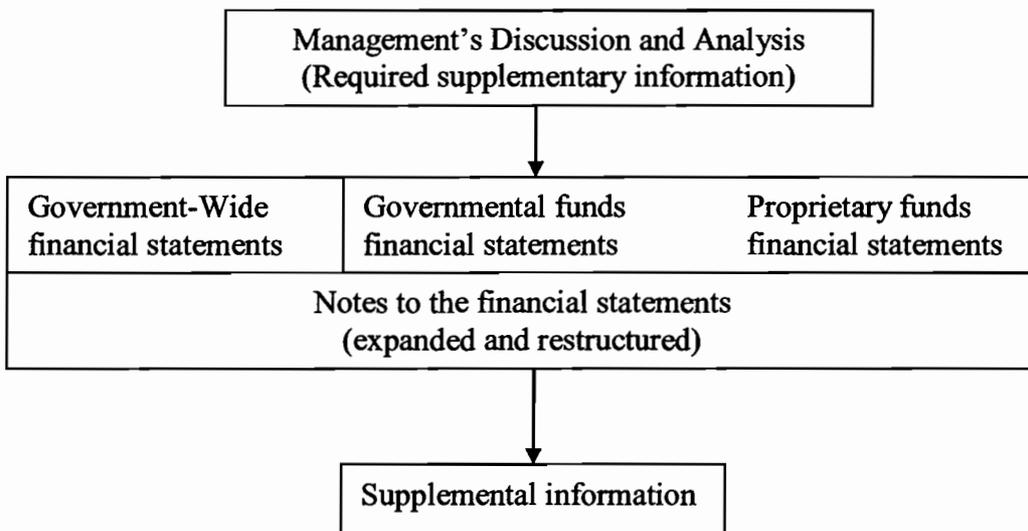
- The City's total net assets at June 30, 2011 are \$39.5 million; a decrease of \$184,138 from the prior Year. The reason for this decrease is primarily due to decreases in revenue received in the General Fund as well as the use of reserves to meet operating expenses of the General Fund to maintain existing services.
- The assets of the City exceeded its liabilities at the close of the Fiscal Year by over \$39.5 million (net assets). Of this amount, \$7.28 million is unrestricted and available for spending to meet the City's ongoing obligations to citizens and creditors.
- The expenditures for the general fund were \$345,419 (7.8%) less than the final budgeted expenditures. This is due to several factors: 1) continued curtailed spending imposed by management due to the less than anticipated levels of resources received by the City, 2) staff changes resulting in benefit related savings, and 3) contingency expense not being completely utilized.
- The capital assets of the City decreased by \$747,010. This decrease is primarily due to depreciation expenses and decreased capital asset improvement projects for Fiscal Year 2010-2011.
- Long-term debt increased by \$369,656. This increase is primarily due to debt related to the Well #9 project.
- Governmental activities program revenue decreased by \$5,800. This decrease is primarily due to decreasing franchise fee revenues and decreasing interest and investment earnings.

- Business-type activities revenue decreased by \$5,692. This is primarily due to decreased Capital Grants and Contributions. Another contributing factor was the City Council, in recognition of the difficult economic times, did not increase utility rates for Fiscal Year 2010-11.

**OVERVIEW OF FINANCIAL STATEMENTS**

With the implementation of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements- and Management’s Discussion and Analysis- for State and Local Governments, the City’s presentation of its Annual Financial Report’s financial section has changed significantly. A graphic is provided below to help in understanding how the financial section is presented.

This discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The basic financial statements are comprised of three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the financial statements*. The financial section also contains supplementary information in addition to the basic financial statements.



*Government-Wide Financial Statements-* The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent Fiscal Year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused compensated leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Governmental activities of the City include the following:

- General Government
- Public Safety
- Community Development and Planning
- Parks
- Highways and Street
- Public Works

The business-type activities of the City include the following:

- Water Operations
- Sewer Operations
- Stormwater Operations

The government-wide financial statements can be found on pages 1 and 2.

*Fund Financial Statements-* A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories:

- Governmental Funds
- Proprietary Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term funding decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on pages 5 and 7.

The City maintains eight governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance for the major governmental funds. The three major funds are General Fund, Street Fund, and the Fairview Lake Sewer LID Debt Fund. The five non-major governmental funds are Administrative Excise Charge Fund, Building Fund, Grants/Project Fund, Equipment Replacement Fund, and SDC Parks/Open Spaces Fund. The Facilities Maintenance Fund no longer qualifies as a special revenue fund for external reporting purposes under GASB 54 and was combined with the General Fund as a sub-fund in these statements. The City continues to treat this fund as a special revenue fund for budgetary purposes. Data from the other governmental funds are combined into a single, aggregated presentation under Other Governmental Funds. Individual fund data for each non-major governmental fund is provided in the form of combining statements starting on page 34.

The City adopts an annual appropriated budget for all governmental funds. A budgetary comparison has been provided for each fund to demonstrate compliance with the adopted budget.

The governmental fund financial statements can be found on pages 4 and 6.

The City maintains one type of Proprietary Fund:

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City has six enterprise funds that it uses to account for its water, sewer, and stormwater utilities.

The proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds, all of which are

considered to be major funds, are reported separately as proprietary fund financial statements in the basic financial statements.

The City also adopts an annual appropriated budget for all proprietary funds. To demonstrate compliance with the budget, budgetary comparison statements have been provided for the enterprise funds beginning on page 54 through 63.

The proprietary fund financial statement can be found on pages 10 through 13.

*Notes to the Basic Financial Statements-* The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the financial statements and should be read in conjunction with them.

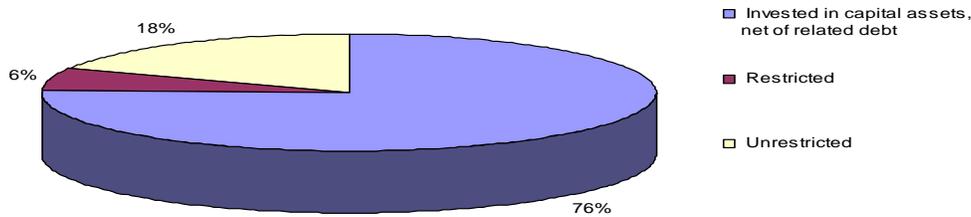
*Other information-* A budgetary comparison schedule is provided for all governmental funds and combining statements and budgetary schedules are presented for Water operations, Sanitary Sewer operations, and Stormwater operations. Supplementary information is found beginning on page 34.

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets over time may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately \$39.5 million at the end of Fiscal Year 2010-11. This is a decrease of \$184,138 from the previous Year. The reason for this decrease is primarily due to increased liabilities due to the construction of Well #9. The following table shows a comparative summary of net assets as Fiscal Year end:

	City of Fairview Summary of Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2010	2011	2010	2011	2010	2011
<b>ASSETS</b>						
Current and other Assets	\$ 5,824,012	\$ 5,980,368	\$ 4,370,663	\$ 5,055,354	\$ 10,194,675	\$ 11,035,722
Capital Assets	9,187,998	8,839,675	25,113,294	24,714,607	34,301,292	33,554,282
Total Assets	15,012,010	14,820,043	29,483,957	29,769,961	44,495,967	44,590,004
<b>LIABILITIES</b>						
Current and Other liabilities	342,296	346,449	528,327	432,693	870,623	779,142
Long-term liabilities	485,000	572,287	3,421,278	3,703,647	3,906,278	4,275,934
Total Liabilities	827,296	918,736	3,949,605	4,136,340	4,776,901	5,055,076
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	8,702,998	8,839,675	21,692,016	21,045,862	30,395,014	29,885,537
Restricted	713,362	1,010,278	1,329,702	1,349,554	2,043,064	2,359,832
Unrestricted	4,768,354	4,051,354	2,512,634	3,238,205	7,280,988	7,289,559
<b>Total Net Assets</b>	<b>\$ 14,184,714</b>	<b>\$ 13,901,307</b>	<b>\$ 25,534,352</b>	<b>\$ 25,633,621</b>	<b>\$ 39,719,066</b>	<b>\$ 39,534,928</b>

**Net Assets June 30, 2011**



The largest portion of the City's net assets (76%) is reflected in its investments in capital assets (i.e. land, buildings, improvements, vehicles and equipment, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens and consequently, they are not available for current spending. Although the City's capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (6%) represent resources that are subject to external restrictions on how they may be used. The restricted assets include funds reserved for debt service and capital projects associated with system development charges. The remaining balance (18%) is unrestricted net assets. These funds may be used to meet the City's ongoing obligations to citizens and creditors. This percentage is unchanged from Fiscal Year 2009-10.

The City's capital assets decreased by approximately \$747,000 from \$34.3 million to \$33.5 million which equates to a 2% decrease in total assets. This is largely due to depreciation of capital assets.

**Governmental Activities** decreased the City's total assets by \$283,400. The primary elements of this decrease are as follows:

- Capital Grants and Contributions decreased by \$126,900.
- Franchise Fees decreased by approximately \$58,000 as a one-time settlement from Verizon did not occur as it did in the prior year.
- Interest and Investment earnings decreased by \$7,295. The recession continues to impact financial markets including the Local Government Investment Pool (LGIP) resulting in continued declines in this type of revenue.

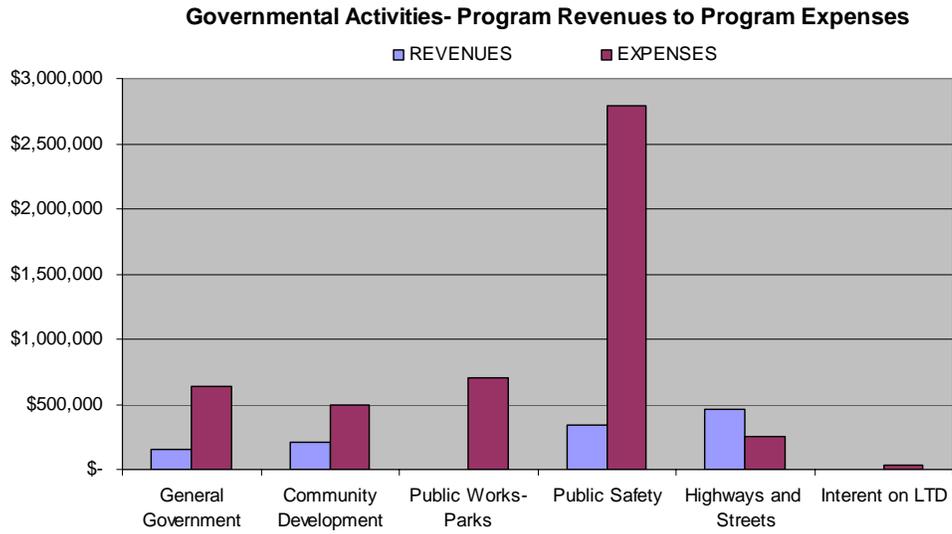
- Operating expenses associated with the Police Department increased by almost \$249,000. This was due to a new Police Association contract which granted the Police Association the PERS 6% Employer Pick-up. This benefit had been granted to the Teamster Union members in 2008.

The table below provides a comparative summary of the changes in net assets:

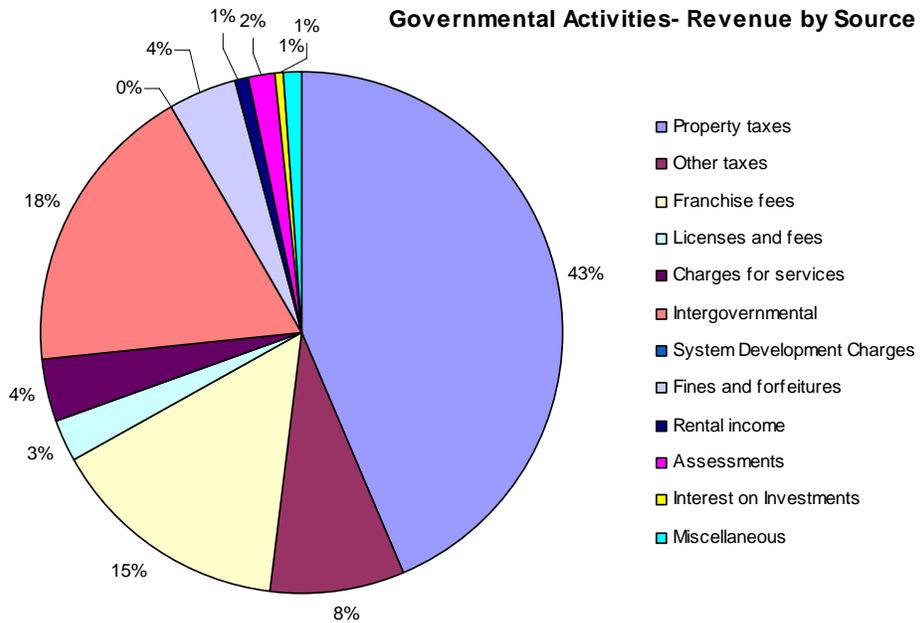
**City of Fairview  
Summary of Changes of Net Assets**

	Governmental		Business-Type		Total	
	2010	2011	2010	2011	2010	2011
<b>REVENUES</b>						
Program Revenues:						
Charges for Services	\$ 475,984	\$ 530,887	\$ 3,403,482	\$ 3,455,230	\$ 3,879,466	\$ 3,986,117
Operating Grants and Cont.	499,621	565,853	-	18,625	499,621	584,478
Capital Grants and Cont.	205,556	78,620	87,670	11,605	293,226	90,225
General Revenues:						
Property Taxes	1,944,603	1,981,172	-	-	1,944,603	1,981,172
Other Taxes	1,386,811	1,328,840	-	-	1,386,811	1,328,840
Miscellaneous	38,401	55,878	-	-	38,401	55,878
Sale of Assets	8,500	-	-	-	8,500	-
Interest & Invest. Earnings	32,620	25,325	26,722	22,079	59,342	47,404
<b>Total Revenues</b>	<b>4,592,096</b>	<b>4,566,575</b>	<b>3,517,874</b>	<b>3,507,539</b>	<b>8,109,970</b>	<b>8,074,114</b>
<b>EXPENSES</b>						
General Government	750,782	642,181	-	-	750,782	642,181
Public Safety	2,543,015	2,791,575	-	-	2,543,015	2,791,575
Community Development	508,744	490,772	-	-	508,744	490,772
Streets	406,372	249,413	-	-	406,372	249,413
Public Works	509,578	707,535	-	-	509,578	707,535
Interest on Long Term Debt	33,916	29,343	-	-	33,916	29,343
Water	-	-	981,385	1,035,048	981,385	1,035,048
Sewer	-	-	1,633,283	1,715,523	1,633,283	1,715,523
Stormwater	-	-	616,830	596,862	616,830	596,862
<b>Total Expenses</b>	<b>4,752,407</b>	<b>4,910,819</b>	<b>3,231,498</b>	<b>3,347,433</b>	<b>7,983,908</b>	<b>8,258,252</b>
Excess (deficiency) before transfers:	(160,311)	(344,244)	286,376	160,106	126,062	(184,138)
<b>Transfers</b>	<b>(69,299)</b>	<b>60,837</b>	<b>69,299</b>	<b>(60,837)</b>	<b>-</b>	<b>-</b>
Change in Net Assets	(229,610)	(283,407)	355,675	99,269	126,062	(184,138)
Net Assets, beginning	14,414,324	14,184,714	25,178,677	25,534,352	39,593,001	39,719,066
<b>Net Assets, ending</b>	<b>\$ 14,184,714</b>	<b>\$ 13,901,307</b>	<b>\$ 25,534,352</b>	<b>\$ 25,633,621</b>	<b>\$ 39,719,066</b>	<b>\$ 39,534,928</b>

The following chart compares program revenues and expenses for individual governmental activities for Fiscal Year 2010-11.



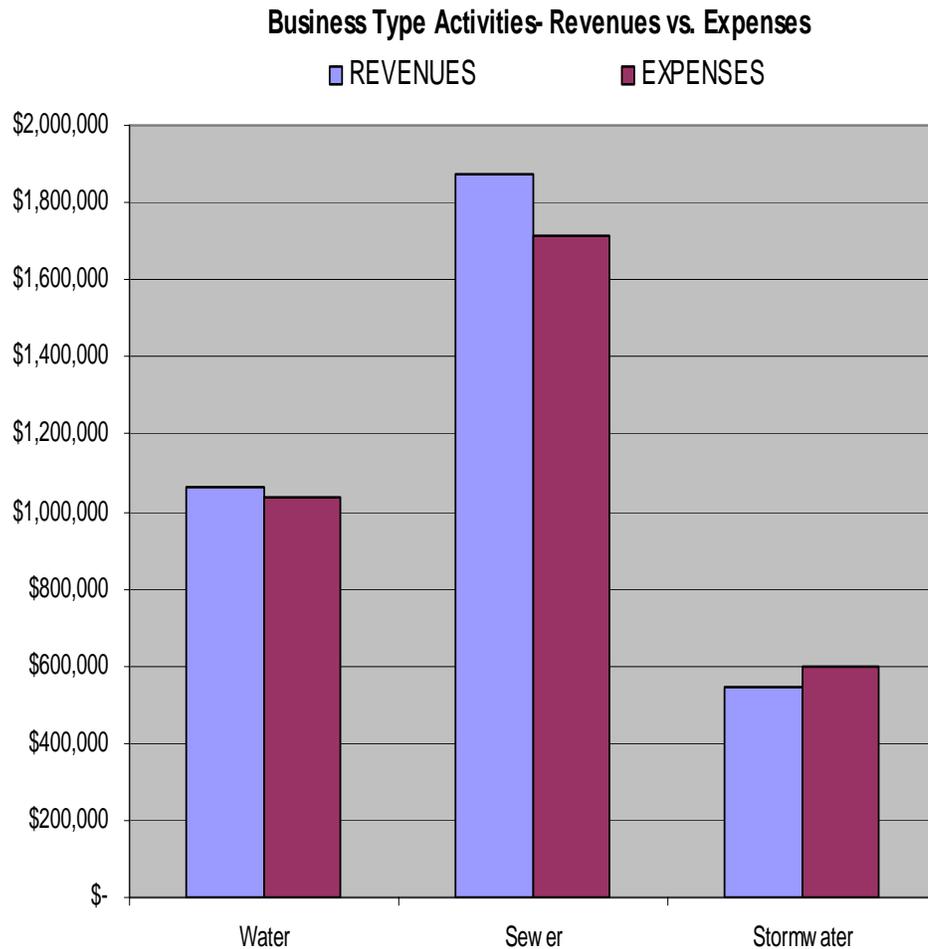
The next chart shows the share of revenues supporting governmental activities.



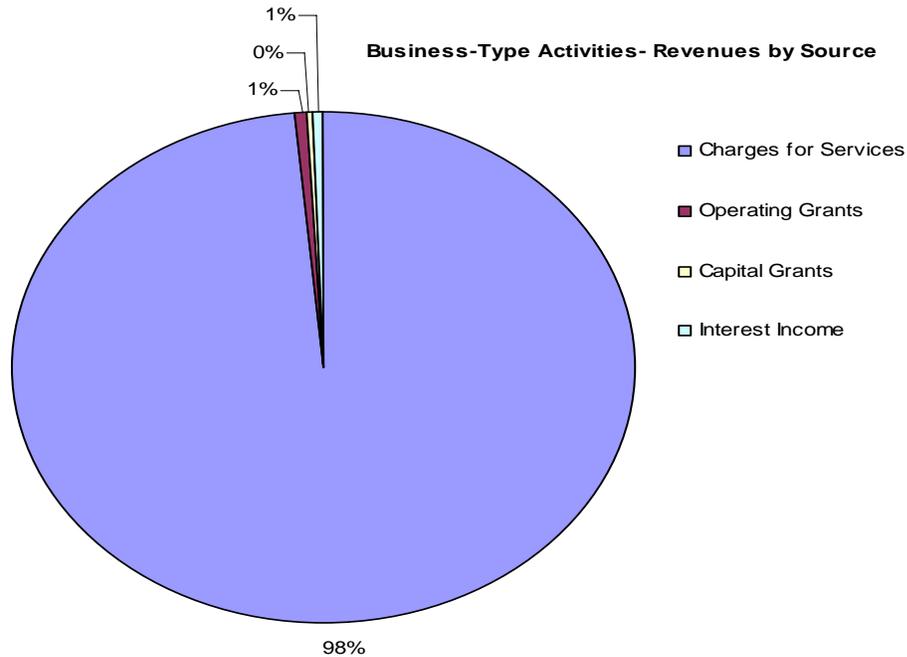
**Business-type Activities** increased the City's net assets by over \$99,000. This is primarily due to the following:

- Collections of utility fees increased over \$51,000 (1.5%) due to efficiencies implemented with online credit card payment options and the new Incode Utility Billing Software.
- Transfers to other funds for Equipment Replacement and Facilities Maintenance decreased by over \$8,000.

The following chart compares program revenues to expenses by business-type activity for the Fiscal Year 2010-11. This is attributed to cost allocation with the Proprietary funds and General Fund.



The following chart shows that 98% of revenues for business-type activities are generated from charges for services rendered.



#### FUND-BASED FINANCIAL ANALYSIS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City’s governmental funds reported is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financial resources available for spending at the end of the fiscal year.

As of Fiscal Year 2010-11, the City’s governmental funds reported a combined ending fund balance of \$4.9 million. Over \$3.4 million or 70% of the balance is unreserved for spending at the City’s discretion. The remainder fund balance is restricted, committed, or assigned and is not available for future discretionary spending because it has already been designated for debt service and highway and street fund infrastructure improvements.

The combined ending fund balance for Fiscal Year 2010-11 is approximately \$9,381 less than the prior year and is primarily due to increased expenses, decreased revenues, and an account in the Fairview Lake Sewer LID fund being delinquent.

The *General Fund* is the chief operating fund of the City. Activities included in this fund are Administration, Finance, Public Works Community Services/Development, Public Safety, and Public Works Parks. At the end of Fiscal Year 2010-11, the total unassigned fund balance in the General Fund was over \$3.4 million. This is a \$305,100 decrease from Fiscal Year 2009-10. This decrease is primarily due to the impact of decreased

revenues and increased expenses associated with PERS and general operating requirements.

The *Facilities Maintenance Fund* accounts for the routine repair and maintenance of the City facilities. Revenue consists of contributions from the General Fund and the public works enterprise funds. This fund is reported as a combined with the General Fund as sub-fund per GASB 54. For budgetary purposes, the City treats this fund as a stand alone special revenue fund. The ending fund balance was \$99,349. This is an increase of \$194. This minimal increase is due to the receipt of interest on investments.

The *Fairview Lake Sewer LID Fund* accounts for the cost of debt service on the Fairview Lake Sewer Construction Project. Principal sources of revenue are the interest earned on investments and payments received from benefitted properties. The Year end fund balance was \$372,573. This is an increase of almost \$42,000 from Fiscal Year 2009-10 and is due to collection of early payoff by assessed property owners being applied directly to principal in prior Years. This practice of paying additional funds to principal resulted in the City being obligated to pay solely interest expense on this debt until its retirement date.

The *State Tax Street Fund* provides for maintenance and construction of City streets and alley ways. Principal sources of revenue are state shared gas revenue apportioned from the State of Oregon and county shared revenue apportioned from Multnomah County. The Year end fund balance was \$314,958. This is an increase of almost \$225,000. This increase is primarily due to a 99% decrease in capital outlay project expenses during the Fiscal Year 2010-11.

The *Administrative Excise Charge Fund* accounts for the cost of public infrastructure such as the City Hall and other City buildings. Revenue consists of administrative excise charged for residential and commercial development. The Year end fund balance was \$5,404. This is an increase of \$3,698. This increase is primarily due to the collection an administrative excise charge tax on several permits issued during the Fiscal Year.

The *Equipment Replacement Fund* accounts for the cost of routine replacement of Police and Public Works vehicles and equipment as well as other City equipment. Revenue for this fund comes from the General Fund, Street Fund, Water Fund, Sewer Fund, and Stormwater Fund. Equipment that benefits all departments is funded by those departments. The Year end fund balance was \$317,705. This is a \$54,498 decrease and is the result of the purchase of a truck for the police department, a truck for the public works department, and modules for the Incode Financial Software system.

The *Building Fund* accounts for the revenues and expenses associated with the issuing of building permits for new construction and remodels for buildings within the City limits of Fairview. This is a new fund for Fiscal Year 2010-11. The General Fund supported this fund in its first Year by transferring \$35,063 to it for operating expenses. The ending fund balance of the Building Fund was \$40,490. This is primarily due to an increase in

permits being issued for remodeling and upgrading projects in homes and commercial buildings.

The *Grant/Projects Fund* provides for the identifying and tracking of grant match contributions, grant revenues, and grant expenditures. It is also used to identify and track individual capital projects or other program grants and donations. The ending fund balance was \$25,000. These dollars are assigned to the state grant project for the 40 mile loop (this project is slated for the future). Other grant partners for this project include the Port of Portland and City of Troutdale.

The *Parks/Open Spaces Fund* accounts for the funding for basic park facilities required to meet the needs of a growing City population. Revenue consists of Parks System Development charges paid by all residential development at the time of building permit issuance and the interest paid on investments. The Year end fund balance was \$295,660. This was an increase of \$3,121. This is primarily due to system development charges received during the Year and as well as interest revenue. No Parks/Open Spaces funds were utilized in projects during Fiscal Year 2010-11.

**Debt Service Funds** account for revenues and expenditures related to the repayment of long term indebtedness. All fund balances are restricted for future debt service payments. These restrictions do not adversely affect the availability of fund resources for future use.

The City’s only active debt service fund is the *Fairview Lake Sewer LID Fund* detailed on the previous page.

**Proprietary Funds.** The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail.

Unrestricted net assets of each proprietary fund and its percent to total unrestricted net assets of all proprietary funds are as follows:

Water Utility	\$	633,395	20%
Sewer Utility	\$	2,056,236	63%
Stormwater Utility	\$	548,574	17%

The total proprietary fund unrestricted net assets increased by over \$725,000. This is primarily due to reimbursement funding received from the American Recovery and Reinvestment Act (ARRA) loan program for the construction of Well #9 as well as deferring some sanitary sewer projects to Fiscal Year 2011-12.

### GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there was a \$95,159 increase of appropriations between the original and final amended budgets. The main adjustments to original appropriations were:

- \$79,500 (increase general fund) supplemental appropriation related to higher than anticipated Business Income Tax revenue
- \$13,822 (increase general fund) supplemental appropriations to recognize the receipt of a JAG Grant, jointly received by the City of Fairview and the City of Troutdale for crime mapping
- \$1,087 (increase general fund) supplemental appropriation in recognition of donations received specifically for the police department bike helmet program
- \$41,800 (decrease general fund) supplemental appropriation for unexpected expenditures related to the Fairview Police Association Contract agreements for PERS and clothing allowance
- \$20,935 (decrease general fund) supplemental appropriation for unexpected expenditures for City legal services
- \$16,629 (decrease general fund) supplemental appropriation for unexpected expenditures related to Human Resource Administration (labor negotiations, staff changes)
- \$6,657 (decrease general fund) supplemental appropriations for unexpected contract services related to waste hauler rate study
- \$3,400 (decrease general fund) supplemental appropriation for unexpected expenditures for updated City website design and management

General fund revenue was \$180,813 dollars less than budgeted. This is primarily due to decreases in franchise fees received by the City. General fund expenditures were \$345,419 under budget which is primarily due to the City only utilizing \$54,341 dollars of the contingency expenditure budget at \$208,608 and expenditure reductions related to unanticipated staff changes.

### CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011 amounts to \$33.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, non-building improvements (i.e. parks and trails), equipment, and infrastructure (i.e. streets, water, sewer, and stormwater systems). Of all capital assets, approximately 26% is associated with governmental activities and approximately 74% with business-type activities.

In total, the City's capital assets decreased by more than \$747,000, or approximately 2% from the prior Year. Governmental activities decreased by \$348,323 and business-type activities account for an additional decrease of \$398,690. These decreases are attributable to depreciation expenses. Major capital asset events during the fiscal year included the following:

- Well #9 Construction
- Public Works Truck
- Police Department Detective Vehicle
- Security System Additions
- Incode Integrated Financial System

**City of Fairview**  
**Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities		Business-Type Activities	
	Beginning Balances	2011	Beginning Balances	2011
Land	\$ 1,492,753	\$ 1,492,753	\$ 981,430	\$ 981,430
Construct. in Progress	-	-	1,043,048	21,905
Land Improvements	643,193	610,854	-	-
Dams and Weirs	339,638	326,053	-	-
Buildings	2,990,559	2,916,614	334,865	325,525
Machinery & Equipment	215,469	281,949	107,756	130,416
Infrastructure	3,506,386	3,211,452	22,646,195	23,255,331
<b>Total</b>	<b>\$ 9,187,998</b>	<b>\$ 8,839,675</b>	<b>\$ 25,113,294</b>	<b>\$ 24,714,607</b>

Governmental Accounting Standards Board (GASB) Statement Number 34 requires the City to report and depreciate new infrastructure assets (roads, bridges, runways, traffic signals, etc.) effective Fiscal Year 2003-04. These infrastructure assets are likely to be the largest asset class of the City. Neither historical cost nor related depreciation has historically been reported in the financial statements for governmental activities. The City of Fairview reports its infrastructure on its current financial statements.

Additional information on the City's capital assets can be found in the Note III.C to the basic financial statements.

**LONG TERM DEBT**

As of year-end, the City had a total debt of \$4.1 million. Governmental activities account for \$485,000 of the debt while business-type activities account for the remaining \$3.6 million of debt outstanding. Of that amount, \$271,178 is due within one Year.

The City had total non-current liabilities (not due within one Year) of \$3.88 million. Of this amount, \$485,000 is in special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment. Revenue bonds

account for \$675,000 of the total debt outstanding. This debt is secured solely by specified revenue sources (i.e. water or sewer rates revenue). A note payable for \$1.94 million to the City of Gresham for sewer capacity is also outstanding and this debt is secured solely by the sewer revenues. The Water Fund has a note payable of \$1.04 million to the State of Oregon for funds to finance the drilling of an additional well to increase water system capacity.

	City of Fairview			
	Outstanding Debt, Revenue Bonds			
	Governmental Activities		Business-Type Activities	
	2010	2011	2010	2011
Full Faith and Credit Bonds	\$ -	\$ -	\$ -	\$ -
Limited Tax Issuance	485,000	485,000	-	-
Water Revenue bond	-	-	775,000	675,000
City of Gresham Note Payable	-	-	2,108,445	1,947,934
State of Oregon Note Payable	-	-	537,833	1,045,811
Total:	\$ 485,000	\$ 485,000	\$ 3,421,278	\$ 3,668,745

The City's total debt increased by \$247,467 during Fiscal Year 2010-11. The increase is attributable to the additional debt incurred to the State of Oregon for the Well #9 construction project.

Additional information on the City's long-term debt can be found in the notes to the financial statements in section III.E.

#### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The financial condition of the City of Fairview is beginning a slow decline. The City continues to have a strong financial reserve; however, for the second Year in row it has had to utilize its reserves in order to maintain existing service levels. The use of the reserves in itself is not an issue; however, the City has no foreseeable plan to replace the reserves that have been used or will be used during Fiscal Year 2011-12. The following issues were considered in the compilation of the Fiscal Year 2011-12 budget:

- It is assumed that **property tax revenues** to the City will increase by 3% over Fiscal Year 2010-11 collections. This 3% is from increased values of currently assessed properties and is consistent with the maximum 3% increase allowed under Measure 50. This number is based on historical numbers and given the current economic climate it is assumed that 6% of total tax assessments will be uncollectible in the current tax Year.
- Fairview's **permanent tax rate** is \$3.4902 per \$1,000 of assessed value, one of the lower rates for cities in the region. General revenues from the City's permanent tax rate combined with limitations in the State's property tax structure are falling short of the rising costs of public safety services.

- The cost of **Fire Services and Bureau of Emergency Communications (BOEC)** 911 dispatch service costs are continuing to increase.
- The **two full time positions** reduced in the Fiscal Year 2009-10 budget remained unchanged. These included the Community Development Code Enforcement position and the Finance Department Office Assistant position. Overall personnel costs make up approximately 33% of the General Fund budget for Fiscal Year 2011-12.
- **Healthcare costs** continue to be a significant benefit expense for employees and is estimated to increase a minimum of 8% in the next Year.
- The City will enter into negotiations with the **Teamster Union** whose contract expires on December 31, 2011. It is anticipated the City will incur some additional cost in the process of negotiating this contract.
- **PERS** rates increased for Fiscal Year 2011-12 with additional expenses totaling over \$36,700.
- The City will slightly increase **utility user fees** in January 2012. City Council, in the spring of 2012, will be reviewing rate requirements and evaluating the need to increase rates to fund ongoing infrastructure maintenance and construction.
- Each operating fund has **contingency** amounts budgeted. Council directed budget guidelines to stipulate 5% of operating expenditures are budgeted in an emergency contingency line for each operating fund. The General Fund contingency line is again fully funded at \$250,000.
- The City budgeted to use **reserves** in order to maintain existing service levels for Fiscal Year 2011-12. This will be the third Year the City utilizes reserves and the City Council has directed that the City cannot continue this practice into a fourth Year without a concrete plan to replace the reserves used.

#### REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances and to show the City's accountability for the money it receives. Questions about the report or requests for additional financial information should be addressed to:

Samantha D. Nelson  
 Finance Director  
 City of Fairview  
 1300 NE Village Street  
 Fairview, Oregon 97024  
 nelsons@ci.fairview.or.us

## **BASIC FINANCIAL STATEMENTS**

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**CITY OF FAIRVIEW, OREGON**  
**STATEMENT OF NET ASSETS**  
**June 30, 2011**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,919,274	\$ 3,149,243	\$ 7,068,517
Investments	99,000	-	99,000
Receivables:			
Accounts	257,404	532,524	789,928
Property taxes	116,634	-	116,634
Assessments	577,778	-	577,778
Bond issuance costs	-	24,924	24,924
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	1,010,278	1,348,663	2,358,941
Capital assets:			
Land	1,492,753	981,430	2,474,183
Construction in progress	-	21,905	21,905
Depreciable assets, net of depreciation	<u>7,346,922</u>	<u>23,711,272</u>	<u>31,058,194</u>
 Total assets	 <u>14,820,043</u>	 <u>29,769,961</u>	 <u>44,590,004</u>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	317,469	387,518	704,987
Deposits	22,037	15,438	37,475
Accrued interest payable	4,890	29,737	34,627
Unearned revenue	2,053	-	2,053
Long-term obligations:			
Due within one year	74,194	300,845	375,039
Due in more than one year	<u>498,093</u>	<u>3,402,802</u>	<u>3,900,895</u>
 Total liabilities	 <u>918,736</u>	 <u>4,136,340</u>	 <u>5,055,076</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	8,839,675	21,045,862	29,885,537
Restricted for:			
System development	295,660	1,204,739	1,500,399
Debt service	372,573	144,815	517,388
Highways and streets	314,958	-	314,958
Grants and projects	27,087	-	27,087
Unrestricted	<u>4,051,354</u>	<u>3,238,205</u>	<u>7,289,559</u>
 Total net assets	 <u>\$ 13,901,307</u>	 <u>\$ 25,633,621</u>	 <u>\$ 39,534,928</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF FAIRVIEW, OREGON**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 642,181	\$ 100,854	\$ 4,282	\$ 52,021	\$ (485,024)	\$ -	\$ (485,024)
Public safety	2,791,575	243,874	95,935	-	(2,451,766)	-	(2,451,766)
Highways and streets	249,413	239	465,636	-	216,462	-	216,462
Public works	707,535	-	-	1,599	(705,936)	-	(705,936)
Community development	490,772	185,920	-	25,000	(279,852)	-	(279,852)
Interest on long-term obligations	29,343	-	-	-	(29,343)	-	(29,343)
<b>Total governmental activities</b>	<b>4,910,819</b>	<b>530,887</b>	<b>565,853</b>	<b>78,620</b>	<b>(3,735,459)</b>	<b>-</b>	<b>(3,735,459)</b>
<b>Business-type activities:</b>							
Water	1,035,048	1,056,153	3,585	2,699	-	27,389	27,389
Sewer	1,715,523	1,868,430	-	7,204	-	160,111	160,111
Stormwater	596,862	530,647	15,040	1,702	-	(49,473)	(49,473)
<b>Total business-type activities</b>	<b>3,347,433</b>	<b>3,455,230</b>	<b>18,625</b>	<b>11,605</b>	<b>-</b>	<b>138,027</b>	<b>138,027</b>
<b>Total primary government</b>	<b>\$ 8,258,252</b>	<b>\$ 3,986,117</b>	<b>\$ 584,478</b>	<b>\$ 90,225</b>	<b>(3,735,459)</b>	<b>138,027</b>	<b>(3,597,432)</b>
<b>General revenues:</b>							
Property taxes levied for:							
General purposes					1,981,172	-	1,981,172
Franchise and public services taxes					1,328,840	-	1,328,840
Interest and investment earnings					25,325	22,079	47,404
Miscellaneous					55,878	-	55,878
Transfers					60,837	(60,837)	-
<b>Total general revenues, special items, and transfers</b>					<b>3,452,052</b>	<b>(38,758)</b>	<b>3,413,294</b>
<b>Change in net assets</b>					<b>(283,407)</b>	<b>99,269</b>	<b>(184,138)</b>
<b>Net assets, beginning</b>					<b>14,184,714</b>	<b>25,534,352</b>	<b>39,719,066</b>
<b>Net assets, ending</b>					<b>\$ 13,901,307</b>	<b>\$ 25,633,621</b>	<b>\$ 39,534,928</b>

The notes to the basic financial statements are an integral part of this statement.



## **FUND FINANCIAL STATEMENTS**

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### **Major Governmental Funds**

#### **Combined General Fund**

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, hotel-motel tax, and state shared revenues. The Facilities Maintenance Fund is combined with the General Fund for financial statement reporting. It accounts for the routine repair and maintenance of City facilities. Revenues consist of contributions from other funds and interest earned on the cash balance of the fund.

#### **State Tax Street Fund**

The State Tax Street Fund accounts for the cost of maintaining City streets and alley ways. Principal sources of revenue are state shared gas revenue apportioned from the State of Oregon and county shared revenue apportioned from Multnomah County.

#### **Fairview Lake Sewer LID Debt Fund**

The Fairview Lake Sewer LID Debt Fund accounts for the cost of debt service on the Fairview Lake Sewer Construction Project. Principal sources of revenue are the interest earned on investments and payments received from benefited properties.

**CITY OF FAIRVIEW, OREGON**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2011**

	Combined General Fund	State Tax Street Fund	Fairview Lake Sewer LID Fund	Other Governmental Funds	Totals
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,541,342	\$ 301,685	\$ 372,573	\$ 713,952	\$ 4,929,552
Investments	99,000	-	-	-	99,000
Receivables:					
Property taxes	116,634	-	-	-	116,634
Accounts	164,736	42,322	-	8	207,066
Fines and forfeitures	50,338	-	-	-	50,338
Assessments	-	-	577,778	-	577,778
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 3,972,050</u>	<u>\$ 344,007</u>	<u>\$ 950,351</u>	<u>\$ 713,960</u>	<u>\$ 5,980,368</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 280,406	\$ 10,722	\$ -	\$ 26,341	\$ 317,469
Deposits	350	18,327	-	3,360	22,037
Deferred revenue	157,307	-	577,778	-	735,085
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>438,063</u>	<u>29,049</u>	<u>577,778</u>	<u>29,701</u>	<u>1,074,591</u>
<b>FUND BALANCES</b>					
Restricted	2,087	314,958	372,573	320,660	1,010,278
Committed	-	-	-	5,404	5,404
Assigned	108,349	-	-	358,195	466,544
Unassigned	3,423,551	-	-	-	3,423,551
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>3,533,987</u>	<u>314,958</u>	<u>372,573</u>	<u>684,259</u>	<u>4,905,777</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 3,972,050</u>	<u>\$ 344,007</u>	<u>\$ 950,351</u>	<u>\$ 713,960</u>	<u>\$ 5,980,368</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF FAIRVIEW, OREGON**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2011**

**Fund balances - total governmental funds** **\$ 4,905,777**

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 8,839,675

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the fund statements. 733,032

Accrued compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. (87,287)

Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the fund statements. (4,890)

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the fund statements. (485,000)

**Net assets of governmental activities** **\$ 13,901,307**

**CITY OF FAIRVIEW, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2011**

	Combined General Fund	State Tax Street Fund	Fairview Lake Sewer LID Fund	Other Governmental Funds	Totals
<b>REVENUES</b>					
Property taxes	\$ 1,982,975	\$ -	\$ -	\$ -	\$ 1,982,975
Other taxes	384,310	-	-	-	384,310
Franchise fees	687,501	-	-	-	687,501
Licenses and fees	30,967	750	-	83,023	114,740
Charges for services	163,085	239	-	4,701	168,025
Intergovernmental	341,028	476,988	-	25,000	843,016
Fines and forfeitures	184,248	-	-	2,011	186,259
System development charges	-	-	-	1,599	1,599
Rental income	42,856	-	-	-	42,856
Assessments	-	-	69,494	-	69,494
Interest on investments	19,208	989	1,857	3,271	25,325
Miscellaneous	51,017	162	-	-	51,179
<b>TOTAL REVENUES</b>	<b>3,887,195</b>	<b>479,128</b>	<b>71,351</b>	<b>119,605</b>	<b>4,557,279</b>
<b>EXPENDITURES</b>					
Current:					
General government	555,318	-	29	-	555,347
Public safety	2,781,333	-	-	-	2,781,333
Public works	348,799	-	-	-	348,799
Community development	357,137	-	-	78,665	435,802
Highways and streets	-	247,318	-	-	247,318
Capital outlay	43,704	1,971	-	147,518	193,193
Debt service	-	-	29,343	-	29,343
<b>TOTAL EXPENDITURES</b>	<b>4,086,291</b>	<b>249,289</b>	<b>29,372</b>	<b>226,183</b>	<b>4,591,135</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(199,096)</b>	<b>229,839</b>	<b>41,979</b>	<b>(106,578)</b>	<b>(33,856)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	3,700	-	-	124,389	128,089
Transfers out	(66,238)	(5,110)	-	-	(71,348)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(62,538)</b>	<b>(5,110)</b>	<b>-</b>	<b>124,389</b>	<b>56,741</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(261,634)</b>	<b>224,729</b>	<b>41,979</b>	<b>17,811</b>	<b>22,885</b>
<b>FUND BALANCE, Beginning</b>	<b>3,827,887</b>	<b>90,229</b>	<b>330,594</b>	<b>666,448</b>	<b>4,915,158</b>
Prior period adjustment	(32,266)	-	-	-	(32,266)
<b>FUND BALANCE, Beginning, as restated</b>	<b>3,795,621</b>	<b>90,229</b>	<b>330,594</b>	<b>666,448</b>	<b>4,882,892</b>
<b>FUND BALANCE, Ending</b>	<b>\$ 3,533,987</b>	<b>\$ 314,958</b>	<b>\$ 372,573</b>	<b>\$ 684,259</b>	<b>\$ 4,905,777</b>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF FAIRVIEW, OREGON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2011**

<b>Net change in fund balance - governmental funds</b>	\$	22,885
<p>Amounts reported for governmental activities in the Statement of Activities are different because of the following:</p>		
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:</p>		
Deferred revenues		9,296
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources, and are not reported as expenditures in governmental funds:</p>		
Change in compensated absences		32,735
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets are allocated over the useful lives and reported as depreciation expense:</p>		
Capital asset additions	\$ 144,282	-
Depreciation expense	<u>(492,605)</u>	-
		<u>(348,323)</u>
<b>Change in net assets - governmental activities</b>	<b>\$</b>	<b><u>(283,407)</u></b>

**CITY OF FAIRVIEW, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,980,000	\$ 1,980,000	\$ 1,982,975	\$ 2,975
Other taxes	272,000	351,500	384,310	32,810
Franchise fees	766,098	766,098	687,501	(78,597)
Licenses and fees	37,550	37,550	30,967	(6,583)
Charges for services	188,098	188,098	163,085	(25,013)
Intergovernmental	342,397	356,219	341,028	(15,191)
Fines and forfeitures	287,930	287,930	184,248	(103,682)
Rental income	44,375	44,375	42,856	(1,519)
Interest on investments	36,283	36,283	18,690	(17,593)
Miscellaneous	17,600	19,437	51,017	31,580
<b>TOTAL REVENUES</b>	<u>3,972,331</u>	<u>4,067,490</u>	<u>3,886,677</u>	<u>(180,813)</u>
<b>EXPENDITURES</b>				
Current:				
General government	522,587	580,126	555,318	24,808
Public safety	2,787,670	2,865,348	2,781,333	84,015
Public works	376,726	379,677	348,799	30,878
Community development	391,386	402,691	357,137	45,554
Capital outlay	45,550	45,550	39,680	5,870
Contingency	208,608	154,294	-	154,294
<b>TOTAL EXPENDITURES</b>	<u>4,332,527</u>	<u>4,427,686</u>	<u>4,082,267</u>	<u>345,419</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(360,196)</u>	<u>(360,196)</u>	<u>(195,590)</u>	<u>164,606</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(66,238)</u>	<u>(66,238)</u>	<u>(66,238)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(66,238)</u>	<u>(66,238)</u>	<u>(66,238)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(426,434)</u>	<u>(426,434)</u>	<u>(261,828)</u>	<u>164,606</u>
<b>FUND BALANCE, Beginning</b>	3,469,324	3,469,324	3,728,732	259,408
Prior period adjustment	-	-	(32,266)	(32,266)
<b>FUND BALANCE, Beginning, as restated</b>	<u>3,469,324</u>	<u>3,469,324</u>	<u>3,696,466</u>	<u>227,142</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 3,042,890</u>	<u>\$ 3,042,890</u>	<u>\$ 3,434,638</u>	<u>\$ 391,748</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF FAIRVIEW, OREGON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**STATE TAX STREET FUND**  
**For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and fees	\$ 1,250	\$ 1,250	\$ 750	\$ (500)
Charges for services	100	100	239	139
Intergovernmental	498,890	498,890	476,988	(21,902)
Interest on investments	710	710	989	279
Miscellaneous	-	-	162	162
<b>TOTAL REVENUES</b>	<u>500,950</u>	<u>500,950</u>	<u>479,128</u>	<u>(21,822)</u>
<b>EXPENDITURES</b>				
Current:				
Highways and streets:				
Personal services	167,918	167,969	157,850	10,119
Materials and services	105,211	107,164	89,468	17,696
Capital outlay	133,650	133,650	1,971	131,679
Contingency	16,000	13,996	-	13,996
<b>TOTAL EXPENDITURES</b>	<u>422,779</u>	<u>422,779</u>	<u>249,289</u>	<u>173,490</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>78,171</u>	<u>78,171</u>	<u>229,839</u>	<u>151,668</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(5,110)	(5,110)	(5,110)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(5,110)</u>	<u>(5,110)</u>	<u>(5,110)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	73,061	73,061	224,729	151,668
<b>FUND BALANCE, Beginning</b>	<u>32,698</u>	<u>32,698</u>	<u>90,229</u>	<u>57,531</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 105,759</u>	<u>\$ 105,759</u>	<u>\$ 314,958</u>	<u>\$ 209,199</u>

The notes to the basic financial statements are an integral part of this statement.



## **FUND FINANCIAL STATEMENTS**

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### **Proprietary Funds**

The City of Fairview uses three Proprietary Funds comprised entirely of Enterprise Funds.

Enterprise Funds are used to report activities for which a fee is charged to external users for goods and services and to account for the acquisition, operation, and maintenance of the water, sewer, and stormwater facilities. These funds are entirely or predominately self-supported through user charges to the customer. Funds included are:

- **Water**
- **Sewer**
- **Stormwater**

For budgetary purposes (see budget schedules in Supplemental Information), the above funds are accounted for in the following separate funds:

- **All Water Funds**
  - Water
  - Water SDC
- **All Sewer Funds**
  - Sanitary Sewer
  - Sewer SDC
- **All Stormwater Funds**
  - Stormwater
  - Stormwater SDC

**CITY OF FAIRVIEW, OREGON**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2011**

	<b>Business - type Activities - Enterprise Funds</b>			
	Water Funds	Sewer Funds	Stormwater Funds	Total
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 692,415	\$ 1,988,947	\$ 467,881	\$ 3,149,243
Receivables:				
Accounts	<u>132,579</u>	<u>304,176</u>	<u>95,769</u>	<u>532,524</u>
Total current assets	<u>824,994</u>	<u>2,293,123</u>	<u>563,650</u>	<u>3,681,767</u>
Noncurrent assets:				
Restricted cash and cash equivalents	503,079	575,784	269,800	1,348,663
Bond issuance costs	24,924	-	-	24,924
Capital assets:				
Land	531,270	228,550	221,610	981,430
Construction in progress	4,420	17,485	-	21,905
Depreciable assets, net of depreciation	<u>11,306,659</u>	<u>8,439,316</u>	<u>3,965,297</u>	<u>23,711,272</u>
Total noncurrent assets	<u>12,370,352</u>	<u>9,261,135</u>	<u>4,456,707</u>	<u>26,088,194</u>
Total assets	<u>\$ 13,195,346</u>	<u>\$ 11,554,258</u>	<u>\$ 5,020,357</u>	<u>\$ 29,769,961</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Accounts payable	\$ 177,172	\$ 205,097	\$ 5,249	\$ 387,518
Accrued interest payable	12,692	17,045	-	29,737
Deposits	13,438	2,000	-	15,438
Current portion of long-term debt	<u>116,238</u>	<u>177,011</u>	<u>7,596</u>	<u>300,845</u>
Total current liabilities	<u>319,540</u>	<u>401,153</u>	<u>12,845</u>	<u>733,538</u>
Long-term debt, net of current portion:				
Compensated absences payable	1,983	1,912	1,340	5,235
Notes and contracts payable	1,045,811	1,781,756	-	2,827,567
Bonds payable	<u>570,000</u>	<u>-</u>	<u>-</u>	<u>570,000</u>
Total long-term liabilities	<u>1,617,794</u>	<u>1,783,668</u>	<u>1,340</u>	<u>3,402,802</u>
Total liabilities	<u>1,937,334</u>	<u>2,184,821</u>	<u>14,185</u>	<u>4,136,340</u>
Net assets:				
invested in capital assets, net of related debt	10,121,538	6,737,417	4,186,907	21,045,862
Restricted for system development	358,264	575,784	270,691	1,204,739
Restricted for debt service	144,815	-	-	144,815
Unrestricted	<u>633,395</u>	<u>2,056,236</u>	<u>548,574</u>	<u>3,238,205</u>
Total net assets	<u>11,258,012</u>	<u>9,369,437</u>	<u>5,006,172</u>	<u>25,633,621</u>
Total liabilities and net assets	<u>\$ 13,195,346</u>	<u>\$ 11,554,258</u>	<u>\$ 5,020,357</u>	<u>\$ 29,769,961</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF FAIRVIEW, OREGON**  
**STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2011**

	<b>Business - type Activities - Enterprise Funds</b>			
	Water Funds	Sewer Funds	Stormwater Funds	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,056,153	\$ 1,868,430	\$ 530,647	\$ 3,455,230
Miscellaneous	3,585	-	15,040	18,625
<b>TOTAL OPERATING REVENUES</b>	<u>1,059,738</u>	<u>1,868,430</u>	<u>545,687</u>	<u>3,473,855</u>
<b>OPERATING EXPENSES</b>				
Personal services	352,458	336,934	218,781	908,173
Materials and services	407,982	952,796	144,942	1,505,720
Depreciation	234,472	354,794	233,139	822,405
<b>TOTAL OPERATING EXPENSES</b>	<u>994,912</u>	<u>1,644,524</u>	<u>596,862</u>	<u>3,236,298</u>
<b>OPERATING INCOME (LOSS)</b>	<u>64,826</u>	<u>223,906</u>	<u>(51,175)</u>	<u>237,557</u>
<b>NON-OPERATING INCOME (EXPENSES)</b>				
Interest on investments	5,739	12,861	3,479	22,079
Interest expense	(40,136)	(70,999)	-	(111,135)
<b>TOTAL NON-OPERATING INCOME (EXPENSES)</b>	<u>(34,397)</u>	<u>(58,138)</u>	<u>3,479</u>	<u>(89,056)</u>
<b>NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS</b>	<u>30,429</u>	<u>165,768</u>	<u>(47,696)</u>	<u>148,501</u>
<b>CAPITAL CONTRIBUTIONS</b>				
System development charges	2,699	7,204	1,702	11,605
Capital asset transfers	9,663	9,663	9,663	28,989
<b>TRANSFERS</b>				
Transfers out	(38,060)	(37,590)	(14,176)	(89,826)
<b>CHANGE IN NET ASSETS</b>	<u>4,731</u>	<u>145,045</u>	<u>(50,507)</u>	<u>99,269</u>
<b>NET ASSETS, Beginning</b>	<u>11,253,281</u>	<u>9,224,392</u>	<u>5,056,679</u>	<u>25,534,352</u>
<b>NET ASSETS, Ending</b>	<u>\$ 11,258,012</u>	<u>\$ 9,369,437</u>	<u>\$ 5,006,172</u>	<u>\$ 25,633,621</u>

The notes to the basic financial statements are an integral part of this statement.

**CITY OF FAIRVIEW, OREGON**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2011**

	<u>Business-type Activities - Enterprise Funds</u>			
	Water Funds	Sewer Funds	Stormwater Funds	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 1,087,352	\$ 1,837,550	\$ 507,292	3,432,194
Payments to suppliers	(496,380)	(967,547)	(178,961)	(1,642,888)
Payments to employees	(242,674)	(231,700)	(151,276)	(625,650)
Payments for interfund services used	(78,845)	(122,178)	(41,230)	(242,253)
Net cash provided from (used by) operating activities	<u>269,453</u>	<u>516,125</u>	<u>135,825</u>	<u>921,403</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers out	(25,072)	(25,072)	(5,397)	(55,541)
Net cash provided from (used by) non-capital financing activities	<u>(25,072)</u>	<u>(25,072)</u>	<u>(5,397)</u>	<u>(55,541)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
System development charges	2,699	7,204	812	10,715
Proceeds from issuance of debt	507,978	-	-	507,978
Acquisition of capital assets	(367,216)	(27,514)	-	(394,730)
Principal paid on long-term obligations	(100,000)	(160,511)	-	(260,511)
Interest paid on long-term obligations	(31,053)	(72,403)	-	(103,456)
Net cash provided from (used by) capital and related financing activities	<u>12,408</u>	<u>(253,224)</u>	<u>812</u>	<u>(240,004)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on investments	5,739	12,861	3,478	22,078
Net cash provided from (used by) investing activities	<u>5,739</u>	<u>12,861</u>	<u>3,478</u>	<u>22,078</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	262,528	250,690	134,718	647,936
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	932,966	2,314,041	602,963	3,849,970
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<u>\$ 1,195,494</u>	<u>\$ 2,564,731</u>	<u>\$ 737,681</u>	<u>\$ 4,497,906</u>
<b>COMPRISED AS FOLLOWS:</b>				
Cash and cash equivalents	\$ 692,415	\$ 1,988,947	\$ 467,881	\$ 3,149,243
Restricted cash and cash equivalents	503,079	575,784	269,800	1,348,663
	<u>\$ 1,195,494</u>	<u>\$ 2,564,731</u>	<u>\$ 737,681</u>	<u>\$ 4,497,906</u>
<b>Reconciliation of operating income (loss) to net cash provided from (used by) operating activities</b>				
Operating income (loss)	\$ 64,826	\$ 223,906	\$ (51,175)	\$ 237,557
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	234,472	354,794	233,139	822,405
(Increase) decrease in assets:				
Receivables	14,276	(30,880)	(23,415)	(40,019)
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	(57,692)	(31,922)	(7,902)	(97,516)
Deposits	13,338	-	(14,980)	(1,642)
Compensated absences payable	233	227	158	618
Net cash provided from (used by) operating activities	<u>\$ 269,453</u>	<u>\$ 516,125</u>	<u>\$ 135,825</u>	<u>\$ 921,403</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>				
Transfer of capital assets between funds	\$ 9,663	\$ 9,663	\$ 9,663	\$ 28,988
Transfer of compensated absences between funds	<u>\$ (12,988)</u>	<u>\$ (12,518)</u>	<u>\$ (8,779)</u>	<u>\$ (34,285)</u>

The notes to the basic financial statements are an integral part of this statement.

## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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**CITY OF FAIRVIEW**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The City of Fairview, Oregon (the City) is organized under the general laws of the State of Oregon. The City Council, composed of the Mayor and six Council members, comprises the legislative branch of the City. Individual departments are under the direction of the City Administrator, who is appointed by the City Council.

The accompanying financial statements present all activities, funds and component units for which the City is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of this criteria, there are no component units of the City.

**B. Government – Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the City (the primary government) and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-types activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the functions of the City, the elimination of which would distort the direct costs and program revenues reported for the various functions concerned.

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 are charges to customers for sales and services. Operating expenses for proprietary funds included 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.

Governmental funds are funded by a variety of resources, which include Restricted, Committed, Assigned, or Unassigned sources. Unless specifically tracked, expenditures are assumed to begin with Restricted, Committed, Assigned, and lastly, Unassigned.

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

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. 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, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Other revenue items are considered to be measurable and available when received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

The bases of accounting described above are in accordance with accounting principles generally accepted in the United States of America.

The City reports the following major governmental funds:

*General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, hotel-motel tax, and state shared revenues. Expenditures are primarily for general government operations, public safety (police), and community development.

*State Tax Street Fund* accounts for the cost of maintaining City streets and alley ways. Principal sources of revenue are state shared gas revenue apportioned from the State of Oregon and county shared revenue apportioned from Multnomah County.

*Fairview Lake Sewer LID Debt Fund* accounts for the cost of debt service on the Fairview Lake Sewer Construction Project. Principal sources of revenue are the interest earned on investments and payments received from benefited properties.

The City reports the following major proprietary funds:

*Water Fund* accounts for the costs of material and services directly related to the operation and maintenance of the City's water system. The Water Fund can also assist in the payment of water related capital improvements. Principal sources of revenue are user fees collected for water, connection charges for water hook-ups, system development charges, and the interest earned on investments.

*Sewer Fund* accounts for the cost of services directly related to the operation and maintenance of the City's sanitary sewer system and the treatment of the City's sewage at the City of Gresham's wastewater treatment plant. The Sewer Fund can also assist in the payment of sewer related capital improvements. Principal sources of revenue are user fees for sewer service, connection charges for sewer hook-ups, system development charges, and the interest earned on investments.

*Stormwater Fund* accounts for the cost of services directly related to the operation and maintenance of the City's Stormwater system. The Stormwater Fund can also assist in the payment of stormwater related capital improvements. Principal sources of revenue are user fees collected for Storm Water, erosion control permit fees for monitoring construction, system development charges, and the interest earned on investments.

The City also includes the following fund types as other governmental funds:

*Special revenue funds* are primarily operating funds that account for revenue derived from specific taxes or other revenue sources, which are legally restricted to finance particular functions or activities. When a special revenue fund is not an operating fund, transfers are made from the special revenue fund to the operating funds authorized to make expenditures.

*Capital projects funds* account for expenditures on major construction projects or equipment acquisition. The principal sources of revenues are system development charges and capital grants.

## **D. Assets, Liabilities, and Equity**

### **1. Cash, Cash Equivalents, and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the Local Government Investment Pool, and short-term

investments with original maturities of three months or less from the date of acquisition.

The City maintains a common cash and investment pool that is available for use by all funds. Interest earned on the pooled cash and investments is allocated monthly based on each fund's ending cash and investments balance as a portion of the City's total pooled cash and investments.

The City's investment policies are governed by state statute. The state statutes authorize the City to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, high-grade commercial paper and the State Treasurer's Investment Pool.

Investments in the Local Government Investment Pool are stated at amortized cost, which approximates fair value. All other investments are reported at fair value.

## **2. Receivables and Payables**

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Property taxes receivable which have been collected within 60 days after year-end are considered measurable and available and, therefore, are recognized as revenue. The remaining balance is recorded as deferred revenue because it is not deemed available to finance operations of the current period. An allowance for doubtful accounts is not deemed necessary, as uncollectible taxes become a lien on the property. Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

The State of Oregon has a constitutional limit on property taxes for schools and non-school general governments. The maximum allowable combined tax rate for all non-school general governments is \$10 per \$1,000, compression occurs, resulting in proportionately reduced tax collection by each taxing district. The City of Fairview was unable to levy \$178 for 2010-2011 as a result of compression.

The City's permanent rate of \$3.4902 per \$1,000 does not change. Annual growth in property tax receipts occurs through allowed annual increases to assessed values which cannot exceed 3% per year, unless there is new construction on existing property.

Assessment liens receivable in the Debt Service funds are recognized at the time property owners are assessed for property improvements. Assessment liens receivable are offset by deferred revenue in the fund financial statements and accordingly, have not been recognized as revenue. Assessment interest receivable

is recorded when earned; the assessment interest revenue is recognized when it becomes measurable and available.

Other receivables, including accounts, entitlements and shared revenues are reported in accordance with the policies and enumerated in paragraph C above. An allowance for uncollectible accounts has not been established.

### 3. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### 4. Capital Assets

Capital Assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, pathways, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures as purchased, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of donation.

Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more, and an estimated useful life of greater than one year. 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. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets and is provided on the straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	45-75
Improvements other than buildings	10-40
Machinery and equipment	5-15
Vehicles	5-10
Utility systems	50-75
Infrastructure	20-80

One-half year of depreciation is taken in the year the assets are acquired or retired. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

## **5. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are treated as period costs in the year of issue and are shown as other financing uses.

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.

## **6. Compensated Absences**

Accumulated vested vacation pay, holiday pay, and comp time is accrued as it is earned. For governmental funds, the noncurrent portion (the amount estimated to be used in subsequent fiscal years) is maintained separately and represents a reconciling item between the fund-level and government-wide presentations. Only the current portion is reported in the governmental funds, and it is calculated based on historical trends. Compensated absences are liquidated by the funds to which payroll expenses are allocated, which includes the General, Building, State Street, Water, Sewer, and Stormwater funds.

Sick pay, which does not vest, is recognized in all funds when leave is taken.

## **7. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that met the definition of GASB 54: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy 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.

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash and include inventories and prepaid amounts.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the City Council passes a resolution that places specific constraints on how the resources may be used. The City Council can modify or rescind the resolution at any time through passage of an additional resolution.

Fund balance is reported as assigned when resources are constrained by the government's intent to use them for a specific purpose, but are neither restricted nor committed. Intent is expressed when the City council approves which resources should be assigned to expenditures of particular purposes during the adoption of the annual budget. The City's Finance Director uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the City's fund financial statements.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned.

When the option is available to use restricted or unrestricted resources for any purpose, the City expends restricted resources first. When the option is available to use committed, assigned, or unassigned resources for any purpose, the City expends committed resources before assigned resources, and assigned resources before unassigned resources. Fund balances by classification for the year ended June 30, 2011 were as follows:

<u>Fund Balances:</u>	<u>General</u>	<u>Street</u>	<u>FairviewLake Sewer LID Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Restricted:</b>					
Highways and streets	\$ -	\$314,958	\$ -	\$ -	\$ 314,958
Capital projects	-	-	-	295,660	295,660
Grants and projects	2,087	-	-	25,000	27,087
Debt service	-	-	372,573	-	372,573
<b>Committed</b>					
Capital projects	-	-	-	5,404	5,404
<b>Assigned:</b>					
Facilities maintenance	99,349	-	-	-	99,349
Community center	9,000	-	-	-	9,000
Community development	-	-	-	40,490	40,490
Capital projects	-	-	-	317,705	317,705
Unassigned	<u>3,423,551</u>	-	-	-	<u>3,423,551</u>
<b>Total Fund Balances</b>	<u><u>\$3,533,987</u></u>	<u><u>\$314,958</u></u>	<u><u>\$ 372,573</u></u>	<u><u>\$ 684,259</u></u>	<u><u>\$ 4,905,777</u></u>

## 8. Restricted Net Assets

Assets whose use is restricted for construction, debt service or by other agreement are segregated on the Government-wide Statement of Net Assets and the Proprietary Fund Statement of Net Assets. It is the City's policy to use restricted assets first on qualifying projects.

## **9. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenditures, expenses and other disclosures. Accordingly, actual results could differ from those estimates.

## **II. NEW ACCOUNTING PRONOUNCEMENTS**

GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established a new fund balance classifications for governmental funds. It changed the previous terminology of Reserved and Unreserved to five new classifications, which are Nonspendable, Restricted, Committed, Assigned, and Unassigned. GASB Statement 54 added additional note disclosures for the new classifications and refined the definitions of the various governmental fund types. For more information concerning this change see Note I, section 7.

## **III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### **A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for all funds, except for the proprietary funds. The annual budget for proprietary funds is adopted on the modified accrual basis of accounting, which is not consistent with GAAP, in order to comply with Oregon Local Budget Law. The Facilities Maintenance Fund is budgeted as a separate fund for Oregon Budget Law, but is combined with the General Fund under GAAP.

Oregon Local Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the annual budget. The process under which the budget is adopted is described in the following paragraphs.

Each April, the City Administrator submits a proposed budget to the Budget Committee (consisting of the City Council and an equal number of citizens of the City). The City is required to budget all funds. The City's budget is prepared for each fund on the modified accrual basis of accounting. Interfund loans are budgeted as sources and uses in accordance with state budget laws. Estimated receipts and expenditures are budgeted by fund, program and object. Information on the past years' actual receipts and expenditures, current-year estimates are included in the budget document.

The Budget Committee conducts public hearings for the purpose of obtaining citizens' comments, and then approves a budget. This budget is then reviewed by the Multnomah County Tax Supervising and Conservation Commission. After their approval, the budget is submitted to the City Council for final adoption. The approved expenditures for each fund may not be increased by more than 10% by the Council without returning to the Budget Committee for a second approval. After the City Council adopts the budget and certifies the total of ad valorem taxes to be levied, no additional tax levy may be made for that fiscal year.

The City Council legally adopts the budget by resolution before July 1. The resolution establishes appropriations for each fund and expenditures cannot legally exceed these appropriations. The level of control established by the resolution for each fund is at the object group level (i.e. personal services, materials and services, capital outlay, debt service, interfund transfers, and contingency). Appropriations lapse as of the fiscal year-end.

The City Council may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets as authorized by Oregon Revised Statutes. Unexpected additional resources may be added to the budget and appropriated for expenditure through the use of a supplemental budget. The supplemental budget process requires a hearing before the public, publication in the newspaper, and approval of City Council. Oregon Local Budget Law also provides certain specific exceptions to the supplemental budget process to increase appropriations. Expenditures may not legally exceed budgeted appropriation as adopted and adjusted. Exceptions to budget law are also available for expenditures associated with debt issued during the budget year. Management may transfer budget amounts between individual line items within the object group, but cannot make changes to the object groups themselves, which is the legal level of control.

During the fiscal year ended June 30, 2011, appropriation increases and transfers were approved, and supplemental budgets were adopted.

### **III. DETAILED NOTES ON ALL FUNDS**

#### **A. Deposits and Investments**

**Deposits.** The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which includes standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the City at June 30, 2011. If bank deposits at year end are not entirely insured or collateralized by the City or by its agent in the City's name, the City must disclose the custodial credit risk that exists. The City's deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. For deposits in excess of federal depository insurance, Oregon Revised Statutes require that public officials report to the Office of the State Treasurer (OST) all bank depositories in which they deposit public funds and bank depositories will then report financial information and total public funds deposits quarterly to OST. OST will then calculate the required collateral that must be pledged by the bank based on this information and the depository's FDIC assigned capitalization category. For the fiscal year ended June 30, 2011, the carrying amount of the City's deposits was a negative \$29,506 and the bank balance was \$37,555. All deposits are held in the name of the City. The full bank balance was covered by federal depository insurance.

Custodial credit risk for deposits is the risk that, in the event of bank failure, a government's deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk.

**Investments.** The City of Fairview has invested funds in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool during the year. The Oregon Short-Term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the administrative

responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an unrated external investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry as defined by GASB Statement No. 40.

In addition, The Oregon State Treasury LGIP distributes investment income on an amortized cost basis and the participant's equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the City's cash position.

**Credit Risk.** State statutes authorize the City to invest primarily in general obligations of the US Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers, and the State Treasurer's investment pool, among others. The City has no formal investment policy that further restricts its investment choices.

**Concentration of Credit Risk.** The City is required to provide information about the concentration of credit risk associated with its investments in one issuer that represent 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The City has no such investments.

**Interest Rate Risk.** The City has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

The City of Fairview also invested in a Time Certificate of Deposit. This investment is carried at fair value.

Investments held by the City at June 30, 2011 are as follows:

	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Carrying Amount/ Fair Value</u>
Local Government Investment Pool	1 day	99%	\$ 9,456,714
Time Certificate of Deposits	One year	1%	99,000
		<u>100%</u>	<u>9,555,714</u>
Less amounts classified as cash equivalents			<u>(9,456,714)</u>
<b>Total Investments</b>			<u><u>\$ 99,000</u></u>

A reconciliation of cash and cash equivalents as shown on the Statement of Net Assets is as follows:

Cash on hand	\$ 250
Carrying amounts of deposits	(29,506)
Local Government Investment Pool	<u>9,456,714</u>
Total cash and cash equivalents	<u>\$ 9,427,458</u>

**B. Receivables**

Receivables as of fiscal-year end for the governmental activities individual major funds as follows:

	General	State Tax Street	Fairview Lake Sewer LID	Total Governmental Activities
Property taxes	\$ 116,634	\$ -	\$ -	\$ 116,634
Accounts	36,545	75	-	36,620
Intergovernmental	128,191	42,247	-	170,438
Fines and forfeitures	76,713	-	-	76,713
Assessments	-	-	577,778	577,778
Gross receivables	<u>358,083</u>	<u>42,322</u>	<u>577,778</u>	<u>978,183</u>
Less: allowance for uncollectible accounts	<u>(26,375)</u>	-	-	<u>(26,375)</u>
Net total receivables	<u>\$ 331,708</u>	<u>\$ 42,322</u>	<u>\$ 577,778</u>	<u>\$ 951,808</u>

Receivables as of year-end for the business-type activities individual major funds are as follows:

	Water	Sewer	Stormwater	Total Business-Type Activities
Accounts	<u>\$ 132,579</u>	<u>\$ 304,176</u>	<u>\$ 95,769</u>	<u>\$ 532,524</u>

Uncollected property taxes in governmental funds are shown on the statement of net assets as receivables. Property taxes are assessed and attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable on November 15. They may be paid in installments due November 15, February 15, and May 15. Taxes unpaid as of May 16 are considered delinquent. Taxes are billed and collected by Multnomah County, and remittance to the City is made at periodic intervals.

For the fiscal year 2010-2011, the City levied property taxes in the amount of \$2,016,195. After reductions for offsets and increases for additional taxes and penalties this resulted in a net levy of \$2,016,017. The tax rate for the fiscal year was \$3.4902, per \$1,000 of assessed value. The assessed valuation for the City as of January 1, 2011 was \$577,673,035.

\$1,000 of assessed value. The assessed valuation for the City as of January 1, 2011 was \$577,673,035.

Following is a summary of property tax transactions for the year ended June 30, 2011:

City	Balances					Balances June 30, 2011
	July 1, 2010	2010-11 Levy	Adjustments (Discounts)	Interest	Collections	
2010-11	\$ -	\$ 2,016,083	\$ (63,811)	\$ 930	\$ (1,887,815)	\$ 65,387
2009-10	72,351	-	(3,986)	1,473	(42,200)	27,638
2008-09	29,127	-	(1,207)	1,550	(14,193)	15,277
2007-08	12,801	-	(177)	1,529	(8,351)	5,802
2006-07	5,150	-	(163)	924	(5,151)	760
2005-06	691	-	(49)	122	(444)	320
2004-05	450	-	(54)	41	(122)	315
Prior years	1,233	-	(48)	36	(86)	1,135
	<u>\$ 121,803</u>	<u>\$ 2,016,083</u>	<u>\$ (69,495)</u>	<u>\$ 6,605</u>	<u>\$ (1,958,362)</u>	<u>\$ 116,634</u>

Assessment liens receivable represent the uncollected amounts levied against benefited property for costs of local improvements. Since the assessments are liens against the benefited property, an allowance for uncollectible amounts is not necessary.

Other accounts and intergovernmental receivables are considered to be fully collectible. Accordingly, no provision for estimated uncollectible accounts has been established.

### C. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,492,753	\$ -	\$ -	\$ 1,492,753
Total capital assets, not being depreciated	<u>1,492,753</u>	<u>-</u>	<u>-</u>	<u>1,492,753</u>
Capital assets, being depreciated:				
Land improvements	971,555	-	(1,388)	970,167
Dams and weirs	407,565	-	-	407,565
Buildings	3,710,366	-	-	3,710,366
Equipment	1,335,542	144,282	-	1,479,824
Infrastructure	6,598,331	-	-	6,598,331
Total capital assets, being depreciated	<u>13,023,359</u>	<u>144,282</u>	<u>(1,388)</u>	<u>13,166,253</u>
Accumulated depreciation for:				
Land improvements	(328,362)	(32,339)	1,388	(359,313)
Dams and weirs	(67,927)	(13,585)	-	(81,512)
Building	(719,807)	(73,945)	-	(793,752)
Equipment	(1,120,073)	(77,802)	-	(1,197,875)
Infrastructure	(3,091,945)	(294,934)	-	(3,386,879)
Total accumulated depreciation	<u>(5,328,114)</u>	<u>(492,605)</u>	<u>1,388</u>	<u>(5,819,331)</u>
Total capital assets, being depreciated, net	<u>7,695,245</u>	<u>(348,323)</u>	<u>-</u>	<u>7,346,922</u>
Governmental activities capital assets, net	<u>\$ 9,187,998</u>	<u>\$ (348,323)</u>	<u>\$ -</u>	<u>\$ 8,839,675</u>

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

General government	\$ 84,895
Community development	54,970
Public safety	19,500
Public works	<u>333,240</u>
Total depreciation expense - governmental activities	<u>\$ 492,605</u>

Capital asset activity for the business-type activities for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 981,430	\$ -	\$ -	\$ 981,430
Construction in progress	1,043,048	384,703	(1,405,846)	21,905
Total capital assets, not being depreciated	<u>2,024,478</u>	<u>384,703</u>	<u>(1,405,846)</u>	<u>1,003,335</u>
Capital assets, being depreciated:				
Buildings	373,592	-	-	373,592
Equipment	272,109	39,016	-	311,125
Infrastructure	32,581,975	1,405,845	-	33,987,820
Total capital assets, being depreciated	<u>33,227,676</u>	<u>1,444,861</u>	<u>-</u>	<u>34,672,537</u>
Less accumulated depreciation for:				
Building	(38,727)	(9,340)	-	(48,067)
Equipment	(164,353)	(16,356)	-	(180,709)
Infrastructure	(9,935,780)	(796,709)	-	(10,732,489)
Total accumulated depreciation	<u>(10,138,860)</u>	<u>(822,405)</u>	<u>-</u>	<u>(10,961,265)</u>
Total capital assets, being depreciated, net	<u>23,088,816</u>	<u>622,456</u>	<u>-</u>	<u>23,711,272</u>
Business-type activities capital assets, net	<u>\$ 25,113,294</u>	<u>\$ 1,007,159</u>	<u>\$ (1,405,846)</u>	<u>\$ 24,714,607</u>

Depreciation expense for the business-type activities was charged to functions/programs of the City as follows:

Water	\$ 234,472
Sewer	354,794
Stormwater	<u>233,139</u>
Total depreciation expense - business-type activities	<u>\$ 822,405</u>

**D. Deferred revenue**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. The government-wide financial statements report only deferred revenue for amounts that have been received, but not earned. At the end of the current fiscal year, there was \$2,053 in unearned deferred revenue. The various components of deferred revenue reported in the governmental funds were as follows:

	General	Fairview Lake Sewer LID	Totals
Property taxes	\$ 94,416	\$ -	\$ 94,416
Fines and forfeitures	60,838	-	60,838
Unearned revenues	2,053	-	2,053
Special assessments	-	577,778	577,778
	<u>\$ 157,307</u>	<u>\$ 577,778</u>	<u>\$ 735,085</u>

**E. Long-term obligations**

**1. Special Assessment Debt With Governmental Commitment – Governmental Activities**

The City has limited tax improvement bonds that were used to finance the construction costs of sewer improvements. The receipts from assessments levied against benefitted properties are pledged to the retirement of special assessment debt. Payment of such debt would require the general credit of the City to the extent that liens foreclosed against properties in the special assessment districts are not enough to cover related principal and interest requirements. The City prepaid a portion of the bonds and now only has the final principal payment of \$485,000 due May 1, 2015. Interest, at 6.05%, is payable semiannually in amounts of \$14,671 until the final payment is due.

Future maturities are as follows:

Year Ending June 30	Principal	Interest
2012	\$ -	\$ 29,343
2013	-	29,343
2014	-	29,343
2015	485,000	29,342
	<u>\$ 485,000</u>	<u>\$ 117,371</u>

## 2. Bonds Payable – Business-Type Activities – Water Fund

The Water Fund has revenue refunding bonds payable used to advance refund prior issued revenue bonds that were issued to finance improvements to the City's water system. The bond principal is payable annually and the interest is payable semiannually with interest rates from 2.0% to 4.3%. Final payment is due April 1, 2021.

Future maturities of the bonds are as follows:

Year Ending June 30	Principal	Interest
2012	\$ 105,000	\$ 27,302
2013	110,000	23,365
2014	115,000	19,075
2015	120,000	14,475
2016	120,000	9,555
2017	105,000	4,515
	<u>\$ 675,000</u>	<u>\$ 98,287</u>

## 3. Note Payable – Business-Type Activities – Wastewater Fund

The Sewer Fund has a note payable used to finance the purchase of additional capacity from the City of Gresham, Oregon Wastewater Treatment Plant. The City of Gresham refinanced their bonds and adjusted the terms to the City, passing through their lower interest rates. The note requires semiannual payments of \$116,457, including interest at 3.50%. The final payment is due April 1, 2021.

Future maturities are as follows:

Year Ending June 30	Principal	Interest
2012	\$ 166,178	\$ 66,736
2013	169,045	60,869
2014	178,119	54,795
2015	184,407	48,507
2016	190,918	41,995
2017-2021	1,059,267	103,981
	<u>\$ 1,947,934</u>	<u>\$ 376,883</u>

#### 4. Notes Payable – Business-Type Activities – Water Fund

The Water Fund has a note payable used to finance the drilling of an additional well to increase water system capacity. The note is payable to the State of Oregon as part of the Safe Drinking Water Revolving Loan program. As of June 30, 2011 the City has drawn down \$1,045,811 of the \$1,250,000 total amount approved. Of the \$1,250,000 approved, the first \$625,000 borrowed is conditionally forgivable. The City expects to meet the forgiveness conditions. Any non-forgiven portions of the note will be payable over a term of no more than 20 years, at an interest rate of 3%. Amortization of the note is not currently available.

#### 5. Changes in Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2011, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Limited Tax Issuances	\$ 485,000	\$ -	\$ -	\$ 485,000	\$ -
Compensated Absences	120,023	87,287	120,023	87,287	74,194
Governmental activity					
Long-term obligations	<u>\$ 605,023</u>	<u>\$ 87,287</u>	<u>\$ 120,023</u>	<u>\$ 572,287</u>	<u>\$ 74,194</u>
Business - type activities:					
Compensated Absences	\$ -	\$ 34,902	\$ -	\$ 34,902	\$ 29,667
Revenue Bonds Payable	775,000	-	100,000	675,000	105,000
Notes Payable	2,646,278	507,978	160,511	2,993,745	166,178
Business-type activity					
Long-term obligations	<u>\$ 3,421,278</u>	<u>\$ 542,880</u>	<u>\$ 260,511</u>	<u>\$ 3,703,647</u>	<u>\$ 300,845</u>

#### G. Transfers

The governmental funds transferred out amounts to the proprietary funds for capital asset acquisitions. The proprietary funds transferred out the governmental funds for transfers of compensated absences payable. The Net transfers between governmental activities and business-type activities in the government-wide financial statements consist of transfers out of the governmental activities and transfers into the business-type activities in the amount of \$60,837.

A reconciliation of transfers in the fund financial statements is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities		
General	\$ 3,700	\$ 66,238
State Tax Street	-	5,110
Other funds	123,189	-
Compensated absences transfer	34,285	
Capital asset transfer	-	28,989
Business-type activities		
Water	9,663	38,060
Sewer	9,663	37,590
Wastewater	9,663	14,176
	<u>\$ 190,163</u>	<u>\$ 190,163</u>

As part of the budget preparation and adoption, the City anticipates making interfund transfers to move resources between funds to provide resources for specific expenditures that are not supported by other revenues.

#### IV. Other Information

##### A. Risk Management

The City is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; and errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage for the past three years. Management believes that all claims are within the policy limits of the insurance coverage.

##### B. Defined Benefit Pension Plan – Public Employees Retirement System

###### 1. Plan Description

The City of Fairview contributes to the Oregon Public Employees Retirement Fund (OPERF), a cost sharing, multiple employer Defined Benefit Pension Plan, administered by the State of Oregon Public Employees Retirement System (PERS). 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 the benefit provisions to the PERS Board of Trustees.

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, and applies to any inactive PERS members who return to employment following a six month or greater break in service. The new plan consists of a defined benefit program (the “Pension Program”) and a defined contribution portion (the Individual Account Program or “IAP”). The Pension Program portion of OPSRP provides a life pension funded by

employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on the type of service (general versus police or fire).

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

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by OPERB may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700, by calling 1-503-598-7377, or by accessing the PERS website at [www.per.state.or.us](http://www.per.state.or.us).

## **2. Funding Policy**

Plan members are required to contribute 6% of their annual covered salary, which for the fiscal year ended June 30, 2009 the City began to pay on behalf of all Teamster and Non-represented employees. The City is required by ORS 238.225 to contribute at an actuarially determined rate; the current rate is 6.13% of annual covered payroll for Tier I and Tier II employees. Public employees hired after August 29, 2003, after a six month waiting period, become members of the Oregon Public Service Retirement Plan (OPSRP). The rate for OPSRP is set at 6.25% of covered payroll for police employees and 3.54% for all others. The contribution requirement of plan members and their employers are established under ORS Chapter 238, and may be amended by the PERS Board of Trustees. The City's contributions to PERS for the years ending June 30, 2011, 2010, and 2009 were \$273,081, \$265,989, and \$361,128, respectively, equal to the required contributions each year.

The pension liability (asset) was determined in accordance with Government Accounting Standards Board Statement No. 27. Since all actuarially determined contributions have been paid, the pension liability (asset) is zero.

## **C. Commitments and Contingencies**

### **1. Construction in Progress**

The City is committed for the ongoing Cedar Street Sewer rehab project. Costs incurred as of June 30, 2011 are \$17,485. with total estimated costs of \$475,319. As of June 30, 2011 the project is approximately 3.7% complete.

The City is also committed for a Fencing Construction project at the Well #9 site. As of June 30, 2011, the City had incurred costs of \$4,420, with a total budget of \$59,174. The project is approximately 7% complete.

## **2. Construction Contracts**

The City approved a construction contract with Pacific Contracting Resources, Inc for improvements to Salish Ponds Wetland Park. The contract amount is \$253,022. The City has previously worked with Wallis Engineering on the design aspects of the project.

The City approved a contract with Cemex for the Wistful Vista paving project for \$35,000. The street is currently unimproved and has significant maintenance costs in its current condition.

## **3. Subsequent Events**

The City entered into a contract with Redflex to provide a photo red light enforcement program. The payments to Redflex will depend on the number of paid citations resulting from the camera enforcement.

The City approved an intergovernmental agreement with the City of Wood Village to provide management services related to processing of applications fees for participation in an enterprise zone. The City will receive 50% of collected application fees.



## **SUPPLEMENTAL INFORMATION**

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## COMBINING STATEMENTS

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### Non-Major Governmental Funds

**Special Revenue Funds-** These funds account for revenue from specific sources that are legally restricted to expenditures for specified purposes. Funds included in this category are:

- *Administrative Excise Charge* – accounts for the cost of public infrastructure such as the City Hall and other City buildings. Revenue consists administrative excise charged for residential and commercial development.
- *Building* – accounts for costs of plan examinations, building inspections, and enforcement of building codes. Revenues consist principally of permit revenues and transfers from the General Fund.
- *Grants/Projects* – accounts for grant revenues and expenses, as well as tracking individual capital projects and other program grants/donations.

The following fund does not qualify as Special Revenue fund for external financial reporting under GASB 54 and was combined with the General Fund as a sub-fund. The City continues to treat this fund as a Special Revenue fund for budgetary purposes.

- *Facilities Maintenance* – accounts for the routine repair and maintenance of city facilities. Revenue consists of contributions from Public Works and Community Development for facility maintenance and the interest earned on the cash balance of the fund.

**Capital Project Funds-** These funds account for revenue from specific sources that are legally restricted to expenditures for specified purposes. Funds included in this category are:

- *Equipment Replacement* – accounts for the cost of routine replacement of Police and vehicles, Public Works vehicles and other city equipment. Revenue for police vehicles comes from the General Fund Public Safety Department and revenue for Public Works vehicles comes from the General Fund Public Works, State Tax Street Fund, Water Fund, Sewer Fund and Stormwater Fund. Equipment that benefits all departments is funded by those departments.
- *SDC Parks / Open Spaces* – accounts for the funding for basic park facilities required to meet the needs of a growing city population. Revenue consists of Parks System Development Charge paid by all residential development at the time a building permit is issued for construction, the interest earned on investments, and transfers from the General Fund.

**CITY OF FAIRVIEW, OREGON  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2011**

	Special Revenue	Capital Projects	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 79,629	\$ 634,323	\$ 713,952
Receivables:			
Accounts	8	-	8
Total assets	\$ 79,637	\$ 634,323	\$ 713,960
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 5,383	\$ 20,958	\$ 26,341
Deposits	3,360	-	3,360
Total liabilities	8,743	20,958	29,701
<b>FUND BALANCES</b>			
Restricted	25,000	295,660	320,660
Committed	5,404	-	5,404
Assigned	40,490	317,705	358,195
Total fund balances	70,894	613,365	684,259
Total liabilities and fund balances	\$ 79,637	\$ 634,323	\$ 713,960

**CITY OF FAIRVIEW, OREGON**  
**SUB-COMBINING BALANCE SHEET**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**June 30, 2011**

Special Revenue Funds

	Administrative Excise Charge Fund	Building Fund	Grants / Projects Fund	Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,404	\$ 49,225	\$ 25,000	\$ 79,629
Receivables:				
Accounts	-	8	-	8
 Total assets	<u>\$ 5,404</u>	<u>\$ 49,233</u>	<u>\$ 25,000</u>	<u>\$ 79,637</u>
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ -	\$ 5,383	\$ -	\$ 5,383
Deposits	-	3,360	-	3,360
 Total liabilities	<u>-</u>	<u>8,743</u>	<u>-</u>	<u>8,743</u>
<b>FUND BALANCES</b>				
Restricted	-	-	25,000	25,000
Committed	5,404	-	-	5,404
Assigned	-	40,490	-	40,490
 Total fund balances	<u>5,404</u>	<u>40,490</u>	<u>25,000</u>	<u>70,894</u>
 Total liabilities and fund balances	<u>\$ 5,404</u>	<u>\$ 49,233</u>	<u>\$ 25,000</u>	<u>\$ 79,637</u>

**CITY OF FAIRVIEW, OREGON**  
**SUB-COMBINING BALANCE SHEET**  
**NON-MAJOR CAPITAL PROJECTS FUNDS**  
**June 30, 2011**

	Capital Projects Funds		
	Equipment Replacement Fund	SDC Parks/Open SpacesFund	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 338,663	\$ 295,660	\$ 634,323
Total assets	\$ 338,663	\$ 295,660	\$ 634,323
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 20,958	\$ -	\$ 20,958
Total liabilities	20,958	-	20,958
<b>FUND BALANCES</b>			
Restricted	-	295,660	295,660
Assigned	317,705	-	317,705
Total fund balances	317,705	295,660	613,365
Total liabilities and fund balances	\$ 338,663	\$ 295,660	\$ 634,323

**CITY OF FAIRVIEW, OREGON**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2011**

	Special Revenue	Capital Projects	Totals
<b>REVENUES</b>			
Licenses and fees	\$ 83,023	\$ -	\$ 83,023
Charges for services	4,695	6	4,701
Intergovernmental	25,000	-	25,000
Fines and forfeitures	-	2,011	2,011
System development charges	-	1,599	1,599
Interest on investments	72	3,199	3,271
<b>TOTAL REVENUES</b>	<u>112,790</u>	<u>6,815</u>	<u>119,605</u>
<b>EXPENDITURES</b>			
Current:			
Community development	78,665	-	78,665
Capital outlay	-	147,518	147,518
<b>TOTAL EXPENDITURES</b>	<u>78,665</u>	<u>147,518</u>	<u>226,183</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>34,125</u>	<u>(140,703)</u>	<u>(106,578)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	35,063	89,326	124,389
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>35,063</u>	<u>89,326</u>	<u>124,389</u>
<b>NET CHANGE IN FUND BALANCE</b>	69,188	(51,377)	17,811
<b>FUND BALANCE, Beginning</b>	<u>1,706</u>	<u>664,742</u>	<u>666,448</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 70,894</u>	<u>\$ 613,365</u>	<u>\$ 684,259</u>

**CITY OF FAIRVIEW, OREGON**  
**SUB-COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**For the Fiscal Year Ended June 30, 2011**

	Special Revenue Funds			Totals
	Administrative Excise Charge Fund	Building Fund	Grants / Projects Fund	
<b>REVENUES</b>				
Licenses and fees	\$ -	\$ 83,023	\$ -	\$ 83,023
Charges for services	3,680	1,015	-	4,695
Intergovernmental	-	-	25,000	25,000
Interest on investments	18	54	-	72
<b>TOTAL REVENUES</b>	<u>3,698</u>	<u>84,092</u>	<u>25,000</u>	<u>112,790</u>
<b>EXPENDITURES</b>				
Current:				
Community development	-	78,665	-	78,665
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>78,665</u>	<u>-</u>	<u>78,665</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>3,698</u>	<u>5,427</u>	<u>25,000</u>	<u>34,125</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	35,063	-	35,063
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>35,063</u>	<u>-</u>	<u>35,063</u>
<b>NET CHANGE IN FUND BALANCE</b>	3,698	40,490	25,000	69,188
<b>FUND BALANCE, Beginning</b>	<u>1,706</u>	<u>-</u>	<u>-</u>	<u>1,706</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 5,404</u>	<u>\$ 40,490</u>	<u>\$ 25,000</u>	<u>\$ 70,894</u>

**CITY OF FAIRVIEW, OREGON**  
**SUB-COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE**  
**NON-MAJOR CAPITAL PROJECTS FUNDS**  
**For the Fiscal Year Ended June 30, 2011**

	Capital Projects Funds		
	Equipment Replacement Fund	SDC Parks/Open Spaces Fund	Totals
<b>REVENUES</b>			
Charges for services	\$ 6	\$ -	\$ 6
Fines and forfeitures	2,011	-	2,011
System development charges	-	1,599	1,599
Interest on investments	1,677	1,522	3,199
<b>TOTAL REVENUES</b>	<u>3,694</u>	<u>3,121</u>	<u>6,815</u>
<b>EXPENDITURES</b>			
Capital outlay	147,518	-	147,518
<b>TOTAL EXPENDITURES</b>	<u>147,518</u>	<u>-</u>	<u>147,518</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(143,824)</u>	<u>3,121</u>	<u>(140,703)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	89,326	-	89,326
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>89,326</u>	<u>-</u>	<u>89,326</u>
<b>NET CHANGE IN FUND BALANCE</b>	(54,498)	3,121	(51,377)
<b>FUND BALANCE, Beginning</b>	<u>372,203</u>	<u>292,539</u>	<u>664,742</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 317,705</u>	<u>\$ 295,660</u>	<u>\$ 613,365</u>

**CITY OF FAIRVIEW, OREGON  
COMBINING BALANCE SHEET  
COMBINED GENERAL FUND  
June 30, 2011**

	General Fund	Facilities Maintenance Fund	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,438,574	\$ 102,768	\$ 3,541,342
Investments	99,000	-	99,000
Receivables:			
Property taxes	116,634	-	116,634
Accounts	164,736	-	164,736
Fines and forfeitures, net	50,338	-	50,338
 Total assets	 <u>\$ 3,869,282</u>	 <u>\$ 102,768</u>	 <u>\$ 3,972,050</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 276,987	\$ 3,419	\$ 280,406
Deposits	350	-	350
Deferred revenue	157,307	-	157,307
 Total liabilities	 <u>434,644</u>	 <u>3,419</u>	 <u>438,063</u>
<b>FUND BALANCES</b>			
Restricted	2,087	-	2,087
Assigned	9,000	99,349	108,349
Unassigned	3,423,551	-	3,423,551
 Total fund balances	 <u>3,434,638</u>	 <u>99,349</u>	 <u>3,533,987</u>
 Total liabilities and fund balances	 <u>\$ 3,869,282</u>	 <u>\$ 102,768</u>	 <u>\$ 3,972,050</u>

See auditor's report.

**CITY OF FAIRVIEW, OREGON  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE  
 COMBINED GENERAL FUND  
 For the Fiscal Year Ended June 30, 2011**

	General Fund	Facilities Maintenance Fund	Totals
<b>REVENUES</b>			
Property taxes	\$ 1,982,975	\$ -	\$ 1,982,975
Other taxes	384,310	-	384,310
Franchise fees	687,501	-	687,501
Licenses and fees	30,967	-	30,967
Charges for services	163,085	-	163,085
Intergovernmental	341,028	-	341,028
Fines and forfeitures	184,248	-	184,248
Rental income	42,856	-	42,856
Interest on investments	18,690	518	19,208
Miscellaneous	51,017	-	51,017
<b>TOTAL REVENUES</b>	<u>3,886,677</u>	<u>518</u>	<u>3,887,195</u>
<b>EXPENDITURES</b>			
Current:			
General government	555,318	-	555,318
Public safety	2,781,333	-	2,781,333
Public works	348,799	-	348,799
Community development	357,137	-	357,137
Capital outlay	39,680	4,024	43,704
<b>TOTAL EXPENDITURES</b>	<u>4,082,267</u>	<u>4,024</u>	<u>4,086,291</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(195,590)</u>	<u>(3,506)</u>	<u>(199,096)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	3,700	3,700
Transfers out	(66,238)	-	(66,238)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(66,238)</u>	<u>3,700</u>	<u>(62,538)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(261,828)</u>	<u>194</u>	<u>(261,634)</u>
<b>FUND BALANCE, Beginning</b>	3,728,732	99,155	3,827,887
Prior period adjustment	(32,266)	-	(32,266)
<b>FUND BALANCE, Beginning, as restated</b>	<u>3,696,466</u>	<u>99,155</u>	<u>3,795,621</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 3,434,638</u>	<u>\$ 99,349</u>	<u>\$ 3,533,987</u>

See auditor's report.



## **BUDGETARY COMPARISON SCHEDULES**

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Pursuant to the provisions of Oregon Revised Statute 297.465, Oregon Administrative Rule #162-010-0130, *Minimum Standards for Audits of Oregon Municipal Corporations*, requires an individual schedule of revenues, expenditures/expenses, and changes in fund balances/net assets, budget and actual be displayed for each fund where legally adopted budgets are required.

In accordance with GASB Statement #34, the City's General and State Tax Street Funds are presented as part of the basic governmental fund financial statements. All other budgetary comparisons are displayed in the following pages as supplemental information.



**SCHEDULE OF EXPENDITURES OF PERSONAL SERVICES AND  
MATERIALS AND SERVICES - BUDGET AND ACTUAL,  
BY DEPARTMENT (NON-GAAP BUDGETARY BASIS)**

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▪ **General Fund**

**CITY OF FAIRVIEW, OREGON**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES -**  
**BUDGET AND ACTUAL, BY CATEGORY**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
Personal services:				
General government	\$ 390,623	\$ 403,016	\$ 392,125	\$ 10,891
Public safety	1,556,933	1,594,516	1,558,304	36,212
Public works	232,403	231,627	218,196	13,431
Community development	<u>254,883</u>	<u>255,685</u>	<u>241,624</u>	<u>14,061</u>
Total personal services	<u>2,434,842</u>	<u>2,484,844</u>	<u>2,410,249</u>	<u>74,595</u>
Materials and services:				
General government	131,964	177,110	163,193	13,917
Public safety	1,230,737	1,270,832	1,223,029	47,803
Public works	144,323	148,050	130,603	17,447
Community development	<u>136,503</u>	<u>147,006</u>	<u>115,513</u>	<u>31,493</u>
Total materials and services	<u>1,643,527</u>	<u>1,742,998</u>	<u>1,632,338</u>	<u>110,660</u>
Capital outlay:				
General government	10,675	10,675	9,090	1,585
Public safety	3,875	3,875	4,844	(969)
Public works	30,250	30,250	25,496	4,754
Community development	<u>750</u>	<u>750</u>	<u>250</u>	<u>500</u>
Total capital outlay	<u>45,550</u>	<u>45,550</u>	<u>39,680</u>	<u>5,870</u>
Contingency	<u>208,608</u>	<u>154,294</u>	<u>-</u>	<u>154,294</u>
<b>TOTAL EXPENDITURES</b>	<u>4,332,527</u>	<u>4,427,686</u>	<u>4,082,267</u>	<u>345,419</u>
<b>OTHER FINANCING USES</b>				
Transfers out	<u>66,238</u>	<u>66,238</u>	<u>66,238</u>	<u>-</u>
<b>TOTAL OTHER FINANCING USES</b>	<u>66,238</u>	<u>66,238</u>	<u>66,238</u>	<u>-</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ 4,398,765</u>	<u>\$ 4,493,924</u>	<u>\$ 4,148,505</u>	<u>\$ 345,419</u>

See auditor's report.

**SCHEDULES OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

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**Governmental Funds**

**Special Revenue Funds**

- Administrative Excise Charge
- Building
- Grant/Projects
- Facilities Maintenance

**Capital Project Funds**

- Parks/Open Spaces
- Equipment Replacement

**Debt Service Funds**

- Fairview Lake Sewer LID

**CITY OF FAIRVIEW, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**ADMINISTRATIVE EXCISE CHARGE FUND**  
**For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 1,000	\$ 1,000	\$ 3,680	\$ 2,680
Interest on investments	5	5	18	13
<b>TOTAL REVENUES</b>	<u>1,005</u>	<u>1,005</u>	<u>3,698</u>	<u>2,693</u>
<b>NET CHANGE IN FUND BALANCE</b>	1,005	1,005	3,698	2,693
<b>FUND BALANCE, Beginning</b>	<u>515</u>	<u>515</u>	<u>1,706</u>	<u>1,191</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 1,520</u>	<u>\$ 1,520</u>	<u>\$ 5,404</u>	<u>\$ 3,884</u>

**CITY OF FAIRVIEW, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**BUILDING FUND**  
**For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and fees	\$ 52,800	\$ 52,800	\$ 83,023	\$ 30,223
Charges for services	140	140	1,015	875
Interest on investments	-	-	54	54
<b>TOTAL REVENUES</b>	<u>52,940</u>	<u>52,940</u>	<u>84,092</u>	<u>31,152</u>
<b>EXPENDITURES</b>				
Current:				
Community development:				
Personal services	42,717	42,717	42,529	188
Materials and services	45,261	45,261	36,136	9,125
Capital outlay	25	25	-	25
<b>TOTAL EXPENDITURES</b>	<u>88,003</u>	<u>88,003</u>	<u>78,665</u>	<u>9,338</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(35,063)</u>	<u>(35,063)</u>	<u>5,427</u>	<u>40,490</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	35,063	35,063	35,063	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>35,063</u>	<u>35,063</u>	<u>35,063</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	40,490	40,490
<b>FUND BALANCE, Beginning</b>	-	-	-	-
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,490</u>	<u>\$ 40,490</u>

**CITY OF FAIRVIEW, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**GRANT/PROJECTS FUND**  
**For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
<b>REVENUES</b>				
Intergovernmental	\$ 387,043	\$ 387,043	\$ 25,000	\$ (362,043)
<b>TOTAL REVENUES</b>	<u>387,043</u>	<u>387,043</u>	<u>25,000</u>	<u>(362,043)</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>362,043</u>	<u>362,043</u>	-	<u>362,043</u>
<b>TOTAL EXPENDITURES</b>	<u>362,043</u>	<u>362,043</u>	<u>-</u>	<u>362,043</u>
<b>NET CHANGE IN FUND BALANCE</b>	25,000	25,000	25,000	-
<b>FUND BALANCE, Beginning</b>	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 25,000</u>	<u>\$ (25,000)</u>

**CITY OF FAIRVIEW, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**FACILITIES MAINTENANCE FUND**  
**For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Interest on investments	\$ 852	\$ 852	\$ 518	\$ (334)
<b>TOTAL REVENUES</b>	<u>852</u>	<u>852</u>	<u>518</u>	<u>(334)</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>4,024</u>	<u>5,976</u>
<b>TOTAL EXPENDITURES</b>	<u>10,000</u>	<u>10,000</u>	<u>4,024</u>	<u>5,976</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(9,148)</u>	<u>(9,148)</u>	<u>(3,506)</u>	<u>5,642</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>3,700</u>	<u>3,700</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>3,700</u>	<u>3,700</u>
<b>NET CHANGE IN FUND BALANCE</b>	(9,148)	(9,148)	194	9,342
<b>FUND BALANCE, Beginning</b>	<u>85,200</u>	<u>85,200</u>	<u>99,155</u>	<u>13,955</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 76,052</u>	<u>\$ 76,052</u>	<u>\$ 99,349</u>	<u>\$ 23,297</u>

**CITY OF FAIRVIEW, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**SDC PARKS / OPEN SPACES FUND**  
**For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
System development charges	\$ -	\$ -	\$ 1,599	\$ 1,599
Interest on investments	2,863	2,863	1,522	(1,341)
<b>TOTAL REVENUES</b>	<u>2,863</u>	<u>2,863</u>	<u>3,121</u>	<u>258</u>
<b>EXPENDITURES</b>				
Current:				
Materials and services	25,200	25,200	-	25,200
Capital outlay	50,000	50,000	-	50,000
<b>TOTAL EXPENDITURES</b>	<u>75,200</u>	<u>75,200</u>	<u>-</u>	<u>75,200</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(72,337)</u>	<u>(72,337)</u>	<u>3,121</u>	<u>75,458</u>
<b>NET CHANGE IN FUND BALANCE</b>	(72,337)	(72,337)	3,121	75,458
<b>FUND BALANCE, Beginning</b>	<u>286,320</u>	<u>286,320</u>	<u>292,539</u>	<u>6,219</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 213,983</u>	<u>\$ 213,983</u>	<u>\$ 295,660</u>	<u>\$ 81,677</u>

**CITY OF FAIRVIEW, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**EQUIPMENT REPLACEMENT FUND**  
**For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ 6	\$ 6
Fines and forfeitures	2,900	2,900	2,011	(889)
Interest on investments	3,372	3,372	1,677	(1,695)
<b>TOTAL REVENUES</b>	<u>6,272</u>	<u>6,272</u>	<u>3,694</u>	<u>(2,578)</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>125,526</u>	<u>150,526</u>	<u>147,518</u>	<u>3,008</u>
<b>TOTAL EXPENDITURES</b>	<u>125,526</u>	<u>150,526</u>	<u>147,518</u>	<u>3,008</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(119,254)</u>	<u>(144,254)</u>	<u>(143,824)</u>	<u>430</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>88,126</u>	<u>88,126</u>	<u>89,326</u>	<u>1,200</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>88,126</u>	<u>88,126</u>	<u>89,326</u>	<u>1,200</u>
<b>NET CHANGE IN FUND BALANCE</b>	(31,128)	(56,128)	(54,498)	1,630
<b>FUND BALANCE, Beginning</b>	<u>337,165</u>	<u>362,165</u>	<u>372,203</u>	<u>10,038</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 306,037</u>	<u>\$ 306,037</u>	<u>\$ 317,705</u>	<u>\$ 11,668</u>

**CITY OF FAIRVIEW, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**FAIRVIEW LAKE SEWER LID FUND**  
**For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Assessments	\$ 104,804	\$ 104,804	\$ 69,494	\$ (35,310)
Interest on investments	3,287	3,287	1,857	(1,430)
<b>TOTAL REVENUES</b>	<u>108,091</u>	<u>108,091</u>	<u>71,351</u>	<u>(36,740)</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Materials and services	400	400	29	371
Debt service	191,371	191,371	29,343	162,028
<b>TOTAL EXPENDITURES</b>	<u>191,771</u>	<u>191,771</u>	<u>29,372</u>	<u>162,399</u>
<b>NET CHANGE IN FUND BALANCE</b>	(83,680)	(83,680)	41,979	125,659
<b>FUND BALANCE, Beginning</b>	<u>328,680</u>	<u>328,680</u>	<u>330,594</u>	<u>1,914</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 245,000</u>	<u>\$ 245,000</u>	<u>\$ 372,573</u>	<u>\$ 127,573</u>

The accompanying notes are an integral part of this statement.

**SCHEDULES OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

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**Proprietary Funds**

**Enterprise Funds**

- All Water Funds
  - Water
  - Water SDC
- All Sewer Funds
  - Sewer
  - Sewer SDC
- All Stormwater Funds
  - Stormwater
  - Stormwater SDC

**CITY OF FAIRVIEW, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**WATER FUND**  
**For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 1,098,000	\$ 1,098,000	\$ 1,056,153	\$ (41,847)
Interest on investments	9,513	9,513	3,882	(5,631)
Miscellaneous	-	-	3,585	3,585
<b>TOTAL REVENUES</b>	<u>1,107,513</u>	<u>1,107,513</u>	<u>1,063,620</u>	<u>(43,893)</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	364,661	368,106	352,223	15,883
Materials and services	405,440	430,289	404,845	25,444
Capital outlay	285,075	604,075	370,355	233,720
Debt service	281,053	281,053	131,053	150,000
Contingency	100,000	71,706	-	71,706
<b>TOTAL EXPENDITURES</b>	<u>1,436,229</u>	<u>1,755,229</u>	<u>1,258,476</u>	<u>496,753</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(328,716)</u>	<u>(647,716)</u>	<u>(194,856)</u>	<u>452,860</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	-	319,000	630,948	311,948
Transfers out	(25,072)	(25,072)	(25,072)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(25,072)</u>	<u>293,928</u>	<u>605,876</u>	<u>311,948</u>
<b>NET CHANGE IN FUND BALANCE</b>	(353,788)	(353,788)	411,020	764,808
<b>FUND BALANCE, Beginning</b>	<u>951,339</u>	<u>951,339</u>	<u>491,150</u>	<u>(460,189)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 597,551</u>	<u>\$ 597,551</u>	<u>\$ 902,170</u>	<u>\$ 304,619</u>

**CITY OF FAIRVIEW, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**WATER SDC FUND**  
**For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
System development charges	\$ -	\$ -	\$ 2,699	\$ 2,699
Interest on investments	34	34	1,858	1,824
<b>TOTAL REVENUES</b>	<u>34</u>	<u>34</u>	<u>4,557</u>	<u>4,523</u>
<b>EXPENDITURES</b>				
Current:				
Materials and services	200	200	-	200
Capital outlay	-	350,305	-	350,305
Contingency	3,237	3,237	-	3,237
<b>TOTAL EXPENDITURES</b>	<u>3,437</u>	<u>353,742</u>	<u>-</u>	<u>353,742</u>
<b>NET CHANGE IN FUND BALANCE</b>	(3,403)	(353,708)	4,557	358,265
<b>FUND BALANCE, Beginning</b>	<u>3,403</u>	<u>353,708</u>	<u>353,707</u>	<u>(1)</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 358,264</u>	<u>\$ 358,264</u>

See auditor's report.

**CITY OF FAIRVIEW, OREGON  
RECONCILIATION TO GENERALLY ACCEPTED  
ACCOUNTING PRINCIPLES  
ALL WATER FUNDS  
For the Fiscal Year Ended June 30, 2011**

**BUDGETARY BASIS FUND BALANCE (NON-GAAP):**

Water	\$ 902,170
Water SDC	<u>358,264</u>
	1,260,434

Adjustments:

Capital assets, net of depreciation	11,842,349
Bond issuance costs	24,924
Deferred revenue	(122,970)
Compensated absences payable	(13,222)
Accrued interest payable	(12,692)
Long-term debt	<u>(1,720,811)</u>

**GENERALLY ACCEPTED ACCOUNTING  
PRINCIPLES BASIS (GAAP) NET ASSETS**

**\$ 11,258,012**

**CITY OF FAIRVIEW, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SEWER FUND**  
**For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 1,820,500	\$ 1,820,500	\$ 1,868,430	\$ 47,930
Interest on investments	15,072	15,072	9,884	(5,188)
<b>TOTAL REVENUES</b>	<u>1,835,572</u>	<u>1,835,572</u>	<u>1,878,314</u>	<u>42,742</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	341,033	345,290	336,708	8,582
Materials and services	1,034,760	1,046,127	951,496	94,631
Capital outlay	72,075	72,075	28,812	43,263
Debt service	232,914	232,914	232,914	-
Contingency	150,000	134,376	-	134,376
<b>TOTAL EXPENDITURES</b>	<u>1,830,782</u>	<u>1,830,782</u>	<u>1,549,930</u>	<u>280,852</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>4,790</u>	<u>4,790</u>	<u>328,384</u>	<u>323,594</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(25,072)	(25,072)	(25,072)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(25,072)</u>	<u>(25,072)</u>	<u>(25,072)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(20,282)	(20,282)	303,312	323,594
<b>FUND BALANCE, Beginning</b>	<u>1,507,163</u>	<u>1,507,163</u>	<u>1,782,713</u>	<u>275,550</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 1,486,881</u>	<u>\$ 1,486,881</u>	<u>\$ 2,086,025</u>	<u>\$ 599,144</u>

See auditor's report.

**CITY OF FAIRVIEW, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**SEWER SDC FUND**  
**For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
System development charges	\$ -	\$ -	\$ 7,204	\$ 7,204
Interest on investments	5,661	5,661	2,977	(2,684)
<b>TOTAL REVENUES</b>	<u>5,661</u>	<u>5,661</u>	<u>10,181</u>	<u>4,520</u>
<b>EXPENDITURES</b>				
Current:				
Materials and services	200	200	-	200
Contingency	100,000	100,000	-	100,000
<b>TOTAL EXPENDITURES</b>	<u>100,200</u>	<u>100,200</u>	<u>-</u>	<u>100,200</u>
<b>NET CHANGE IN FUND BALANCE</b>	(94,539)	(94,539)	10,181	104,720
<b>FUND BALANCE, Beginning</b>	<u>566,102</u>	<u>566,102</u>	<u>565,603</u>	<u>(499)</u>
<b>FUND BALANCE, Ending</b>	<u><u>\$ 471,563</u></u>	<u><u>\$ 471,563</u></u>	<u><u>\$ 575,784</u></u>	<u><u>\$ 104,221</u></u>

**CITY OF FAIRVIEW, OREGON  
RECONCILIATION TO GENERALLY ACCEPTED  
ACCOUNTING PRINCIPLES  
ALL SEWER FUNDS  
For the Fiscal Year Ended June 30, 2011**

<b>BUDGETARY BASIS FUND BALANCE (NON-GAAP):</b>	
Sewer	\$ 2,086,025
Sewer SDC	<u>575,784</u>
	2,661,809
 Adjustments:	
Capital assets, net of depreciation	8,685,351
Compensated absences payable	(12,745)
Accrued interest payable	(17,044)
Long-term debt	<u>(1,947,934)</u>
 <b>GENERALLY ACCEPTED ACCOUNTING  PRINCIPLES BASIS (GAAP) NET ASSETS</b>	 <b><u>\$ 9,369,437</u></b>

**CITY OF FAIRVIEW, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**STORMWATER FUND**  
**For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 479,500	\$ 479,500	\$ 530,647	\$ 51,147
Interest on investments	3,228	3,228	2,079	(1,149)
Miscellaneous	-	-	15,040	15,040
<b>TOTAL REVENUES</b>	<u>482,728</u>	<u>482,728</u>	<u>547,766</u>	<u>65,038</u>
<b>EXPENDITURES</b>				
Current:				
Personal services	223,359	226,915	218,627	8,288
Materials and services	190,177	196,089	144,470	51,619
Capital outlay	96,050	96,050	469	95,581
Contingency	40,000	30,532	-	30,532
<b>TOTAL EXPENDITURES</b>	<u>549,586</u>	<u>549,586</u>	<u>363,566</u>	<u>186,020</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(66,858)</u>	<u>(66,858)</u>	<u>184,200</u>	<u>251,058</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(5,397)	(5,397)	(5,397)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(5,397)</u>	<u>(5,397)</u>	<u>(5,397)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(72,255)	(72,255)	178,803	251,058
<b>FUND BALANCE, Beginning</b>	<u>320,852</u>	<u>320,852</u>	<u>378,707</u>	<u>57,855</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 248,597</u>	<u>\$ 248,597</u>	<u>\$ 557,510</u>	<u>\$ 308,913</u>

**CITY OF FAIRVIEW, OREGON**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**STORMWATER SDC FUND**  
**For the Fiscal Year Ended June 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
<b>REVENUES</b>				
System development charges	\$ -	\$ -	\$ 1,702	\$ 1,702
Interest on investments	490	490	1,400	910
<b>TOTAL REVENUES</b>	<u>490</u>	<u>490</u>	<u>3,102</u>	<u>2,612</u>
<b>EXPENDITURES</b>				
Current:				
Materials and services	200	200	-	200
Capital outlay	-	218,541	-	218,541
Contingency	49,338	49,338	-	49,338
<b>TOTAL EXPENDITURES</b>	<u>49,538</u>	<u>268,079</u>	<u>-</u>	<u>268,079</u>
<b>NET CHANGE IN FUND BALANCE</b>	(49,048)	(267,589)	3,102	270,691
<b>FUND BALANCE, Beginning</b>	<u>49,048</u>	<u>267,589</u>	<u>267,589</u>	<u>-</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,691</u>	<u>\$ 270,691</u>

**CITY OF FAIRVIEW, OREGON  
RECONCILIATION TO GENERALLY ACCEPTED  
ACCOUNTING PRINCIPLES  
ALL STORMWATER FUNDS  
For the Fiscal Year Ended June 30, 2011**

**BUDGETARY BASIS FUND BALANCE (NON-GAAP):**

Stormwater	\$ 557,510
Stormwater SDC	<u>270,691</u>
	828,201

Adjustments:

Capital assets, net of depreciation	4,186,907
Compensated absences payable	<u>(8,936)</u>

**GENERALLY ACCEPTED ACCOUNTING  
PRINCIPLES BASIS (GAAP) NET ASSETS**

\$ 5,006,172

## **OTHER FINANCIAL SCHEDULES**

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**CITY OF FAIRVIEW, OREGON**  
**SCHEDULE OF OUTSTANDING DEBT PRINCIPAL**  
**AND INTEREST TRANSACTIONS**  
**For the Fiscal Year Ended June 30, 2011**

	Interest Rates	Date of Issue	Original Amount	Principal			Interest Matured and Paid	
				Outstanding July 1, 2010	Issued	Matured and Paid		
<b>Governmental Funds</b>								
2000 Special assessment debt with governmental commitment	6.05%	6/27/2000	\$ 2,848,000	\$ 485,000	\$ -	\$ -	\$ 485,000	\$ 29,343
<b>Enterprise Funds</b>								
2001 Note payable	3.50%	11/21/2000	\$ 3,137,353	2,108,445	-	160,511	1,947,934	72,403
2004 Water revenue refunding bonds	2.0-4.3%	7/20/2004	\$ 1,340,000	775,000	-	100,000	675,000	31,053
Safe Drinking Water Revolving Loan Fund - \$625,000 Forgivable	0.0-3.0%	9/16/2009	\$ 1,250,000	537,833	507,978	-	1,045,811	-
				<u>3,421,278</u>	<u>507,978</u>	<u>260,511</u>	<u>3,668,745</u>	<u>103,456</u>
<b>Total</b>				<u>\$ 3,906,278</u>	<u>\$ 507,978</u>	<u>\$ 260,511</u>	<u>\$ 4,153,745</u>	<u>\$ 132,799</u>

**CITY OF FAIRVIEW, OREGON**  
**SCHEDULE OF GOVERNMENTAL ACTIVITIES**  
**DEBT SERVICE FUTURE REQUIREMENTS**  
**June 30, 2011**

<u>Year of Maturity</u>	2000	
	<u>Special Assessment Debt with Governmental Commitment</u>	
	<u>Principal</u>	<u>Interest</u>
2011-12	\$ -	\$ 29,343
2012-13	-	29,343
2013-14	-	29,343
2014-15	485,000	29,342
	<u>\$ 485,000</u>	<u>\$ 117,371</u>

**CITY OF FAIRVIEW, OREGON**  
**SCHEDULE OF BUSINESS-TYPE ACTIVITIES**  
**DEBT SERVICE FUTURE REQUIREMENTS**  
**June 30, 2011**

Year of Maturity	2001 Note Payable		2004 Water Revenue Refunding Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2011-12	\$ 166,178	\$ 66,736	\$ 105,000	\$ 27,302	\$ 271,178	\$ 94,038
2012-13	172,045	60,869	110,000	23,365	282,045	84,234
2013-14	178,119	54,795	115,000	19,075	293,119	73,870
2014-15	184,407	48,507	120,000	14,475	304,407	62,982
2015-16	190,918	41,995	120,000	9,555	310,918	51,550
2016-17	197,659	35,255	105,000	4,515	302,659	39,770
2017-18	204,638	28,276	-	-	204,638	28,276
2018-19	211,863	21,051	-	-	211,863	21,051
2019-20	219,343	13,571	-	-	219,343	13,571
2020-21	222,764	5,828	-	-	222,764	5,828
	<u>\$ 1,947,934</u>	<u>\$ 376,883</u>	<u>\$ 675,000</u>	<u>\$ 98,287</u>	<u>\$ 2,622,934</u>	<u>\$ 475,170</u>

Amortization of the Safe Drinking Water Revolving Loan Fund is not yet available.

## STATISTICAL INFORMATION SECTION (UNAUDITED)

This part of the City of Fairview's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health. This section contains the following tables and information.

- ◆ **Financial Trends** – These schedules contain information to help the reader understand how the City's financial performance and well-being have changed over time.
- ◆ **Revenue Capacity** – These schedules contain information to help the reader assess the City's most significant local revenue sources; property taxes, charges for services and business taxes.
- ◆ **Debt Capacity** – These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.
- ◆ **Economic and Demographic Information** – These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.
- ◆ **Operating Information** – These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

**Sources:** Unless otherwise noted, the information contained in these schedules is derived from the annual financial report for the relevant year. Note that the City implemented Governmental Accounting Standards Board Statement No. 34 in 2004; therefore schedules presenting government-wide information include only information beginning in that fiscal year and going forward.



**CITY OF FAIRVIEW, OREGON**  
**NET ASSETS BY COMPONENT**  
 Last Eight Fiscal Years <sup>1</sup>  
 (accrual basis of accounting)

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental activities</b>								
Invested in capital assets, net of related debt	3,624,723	5,271,474	6,849,621	6,901,153	7,166,926	7,173,599	8,702,998	8,839,675
Restricted	1,001,111	832,630	515,286	865,470	738,296	2,351,415	713,363	1,010,278
Unrestricted	2,498,694	3,324,443	4,260,408	5,543,652	6,788,176	4,899,310	4,768,353	4,051,354
Total governmental activities new assets	<u>7,124,528</u>	<u>9,428,547</u>	<u>11,625,315</u>	<u>13,310,275</u>	<u>14,693,398</u>	<u>14,414,324</u>	<u>14,184,714</u>	<u>13,901,307</u>
<b>Business - type activities</b>								
Invested in capital assets, net of related debt	18,252,849	21,460,056	21,793,187	22,011,589	21,253,464	20,857,090	21,692,016	21,045,862
Restricted	1,196,111	1,027,194	1,334,724	1,343,933	1,476,792	1,634,806	1,329,702	1,349,554
Unrestricted	2,998,577	2,611,678	2,330,957	2,291,315	2,326,665	2,686,781	2,512,634	3,238,205
Total business - type activities net assets	<u>22,447,537</u>	<u>25,098,928</u>	<u>25,458,868</u>	<u>25,646,837</u>	<u>25,056,921</u>	<u>25,178,677</u>	<u>25,534,352</u>	<u>25,633,621</u>
<b>Primary government</b>								
Invested in capital assets, net of related debt	21,877,572	26,731,530	28,642,808	28,912,742	28,420,390	28,030,689	30,395,014	29,885,537
Restricted	2,197,222	1,869,824	1,850,010	2,209,403	2,215,088	3,986,221	2,043,065	2,369,832
Unrestricted	5,497,271	5,936,121	6,591,365	7,834,967	9,114,841	7,576,091	7,280,987	7,289,559
Total primary government net assets	<u>29,572,065</u>	<u>34,527,475</u>	<u>37,084,183</u>	<u>38,957,112</u>	<u>39,750,319</u>	<u>39,593,001</u>	<u>39,719,066</u>	<u>39,534,928</u>

<sup>1</sup> Information derived from current and prior years' Annual Financial Reports, subsequent to the implementation of GASB Statement No. 34.

**CITY OF FAIRVIEW, OREGON**  
**CHANGES IN NET ASSETS**  
**Last Eight Fiscal Years <sup>1</sup>**  
**(accrual basis of accounting)**

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
<b>Expenses</b>								
<b>Governmental activities:</b>								
General government	935,890	675,652	606,174	588,204	605,847	873,688	750,782	642,181
Public safety	1,630,607	1,743,908	1,838,511	2,091,625	2,297,416	2,514,166	2,543,015	2,791,575
Community Development / Parks	1,201,466	1,024,704	778,912	563,475	525,588	594,797	508,744	490,772
Streets / Public Works <sup>2</sup>	499,924	171,014	851,892	444,568	-	-	-	-
Streets	-	-	-	-	487,720	457,400	406,372	249,413
Public Works	-	-	-	-	371,702	559,737	509,578	707,535
Interest on long-term obligations	166,436	304,941	63,974	156,507	91,903	109,079	33,916 <sup>3</sup>	29,343
<b>Total governmental activities expenses</b>	<b>4,434,323</b>	<b>3,920,219</b>	<b>4,139,463</b>	<b>3,844,379</b>	<b>4,380,176</b>	<b>5,108,867</b>	<b>4,752,407</b>	<b>4,910,819</b>
<b>Business - type activities:</b>								
Water	916,722	890,082	1,232,822	1,087,809	1,064,294	999,614	981,385	1,035,048
Sewer	1,569,207	1,458,121	1,785,154	2,352,087	1,905,419	1,663,595	1,633,283	1,715,523
Stormwater	516,802	540,177	594,011	566,172	748,052	640,600	616,830	596,862
<b>Total business - type activities expenses</b>	<b>3,002,731</b>	<b>2,888,380</b>	<b>3,611,987</b>	<b>4,006,068</b>	<b>3,717,765</b>	<b>3,303,809</b>	<b>3,231,498</b>	<b>3,347,433</b>
<b>Total government expenses</b>	<b>7,437,054</b>	<b>6,808,599</b>	<b>7,751,450</b>	<b>7,850,447</b>	<b>8,097,941</b>	<b>8,412,676</b>	<b>7,983,905</b>	<b>8,258,252</b>
<b>Program Revenues</b>								
<b>Governmental activities:</b>								
<b>Charges for services:</b>								
General government	305,782	203,299	242,773	19,049 <sup>3</sup>	29,587	26,477	48,443	100,854
Public safety	217,077	222,060	274,396	297,660	330,048	278,673	245,555	243,874
Community Development / Parks	913,290	361,472	529,541	833,140	304,190	236,685	181,851	185,920
Streets / Public Works <sup>2</sup>	413,649	431,601	465,352	448,793	-	-	-	-
Streets	-	-	-	-	13,950	985	135	239
Public Works	-	-	-	-	-	-	-	-
Operating grants and contributions	11,120	9,071	153,539	164,910	482,497	443,780	499,621	565,853
Capital grants and contributions	111,845	207,163	1,364,107	137,835	113,608	282,661	205,556	78,620
<b>Total governmental activities program revenues</b>	<b>1,972,763</b>	<b>1,434,666</b>	<b>3,029,708</b>	<b>1,901,387</b>	<b>1,273,880</b>	<b>1,269,261</b>	<b>1,181,161</b>	<b>1,175,360</b>
<b>Business - type activities:</b>								
<b>Charges for services:</b>								
Water	903,500	845,931	916,824	993,217	1,006,170	1,099,500	1,041,314	1,056,153
Sewer	1,188,165	1,207,888	1,311,206	1,478,554	1,611,398	1,809,535	1,855,075	1,868,430
Stormwater	332,164	350,948	378,622	401,113	416,919	478,768	507,093	530,647
Operating grants and contributions	-	-	-	-	-	-	-	18,625
Capital grants and contributions	628,219	361,451	1,222,941	1,089,813	59,546	87,358	87,670	11,605
<b>Total business - type activities program revenues</b>	<b>3,052,048</b>	<b>2,766,218</b>	<b>3,829,593</b>	<b>3,962,697</b>	<b>3,094,033</b>	<b>3,475,161</b>	<b>3,491,152</b>	<b>3,485,460</b>
<b>Total government program revenues</b>	<b>5,024,811</b>	<b>4,200,884</b>	<b>6,859,301</b>	<b>5,864,084</b>	<b>4,367,913</b>	<b>4,744,422</b>	<b>4,672,313</b>	<b>4,660,820</b>
<b>Net (expense) / revenue</b>								
Governmental activities	(2,461,560)	(2,485,553)	(1,109,755)	(1,942,992)	(3,106,296)	(3,839,606)	(3,571,246)	(3,735,459)
Business - type activities	49,317	(122,162)	217,606	(43,371)	(623,732)	171,352	259,654	138,027
<b>Total net expenses</b>	<b>(2,412,243)</b>	<b>(2,607,715)</b>	<b>(892,149)</b>	<b>(1,986,363)</b>	<b>(3,730,028)</b>	<b>(3,668,254)</b>	<b>(3,311,592)</b>	<b>(3,597,432)</b>

(continued)

(continued)	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
<b>General Revenues and Other Changes in Net Assets</b>								
Governmental activities:								
Taxes								
Property taxes, levied for general purposes	1,288,411	1,391,811	1,509,103	1,601,333	1,769,984	1,879,580	1,944,603	1,981,172
Special assessments, levied for debt service	415,383	807,585	427,355	394,131	-	-	-	-
Other Taxes	-	-	-	262,165	-	-	-	-
Franchise and public service taxes	868,324	1,283,753	1,187,884	622,693	1,441,293	1,332,579	1,386,811	1,328,840
Transfer of assets <sup>4</sup>	-	407,565	-	-	-	-	-	-
Miscellaneous <sup>5</sup>	-	-	-	-	79,714	66,948	38,401	55,878
Intergovernmental Revenue	-	-	-	856,469	-	-	-	-
Interest and investment earnings	45,098	92,689	182,181	285,292	287,472	140,770	32,620	25,325 <sup>6</sup>
Gain (loss) on sale of property	-	-	-	-	22,000	11,470	8,500	-
Transfers <sup>6</sup>	-	-	-	-	136,497	129,185	(69,299)	60,837
<b>Total governmental activities</b>	<b>2,617,216</b>	<b>3,983,403</b>	<b>3,306,523</b>	<b>4,022,083</b>	<b>3,736,960</b>	<b>3,560,532</b>	<b>3,341,636</b>	<b>3,452,052</b>
Business - type activities:								
Taxes								
Property taxes	-	-	-	-	-	-	-	-
Sale of Land	-	-	-	51,100	-	-	-	-
Interest and investment earnings	64,071	82,203	142,334	180,240	170,314	79,589	26,722	22,079 <sup>6</sup>
Transfers <sup>6</sup>	-	-	-	-	(136,497)	(129,185)	69,299	(60,837)
<b>Total business - type activities</b>	<b>64,071</b>	<b>82,203</b>	<b>142,334</b>	<b>231,340</b>	<b>33,817</b>	<b>(49,596)</b>	<b>96,021</b>	<b>(38,758)</b>
<b>Total government expenses</b>	<b>2,681,287</b>	<b>4,065,606</b>	<b>3,448,857</b>	<b>4,253,423</b>	<b>3,770,777</b>	<b>3,510,936</b>	<b>3,437,657</b>	<b>3,413,294</b>
<b>Change in Net Assets</b>								
Governmental activities	155,656	1,497,850	2,196,768	2,079,091	630,664	(279,074)	(229,610)	(283,407)
Business - type activities	113,388	(39,959)	359,940	187,969	(589,915)	121,756	355,675	99,269
<b>Total government</b>	<b>269,044</b>	<b>1,457,891</b>	<b>2,556,708</b>	<b>2,267,060</b>	<b>40,749</b>	<b>(157,318)</b>	<b>126,065</b>	<b>(184,138)</b>

Notes:

- <sup>1</sup> Information presented for years ended subsequent to the implementation of GASB Statement No. 34.
- <sup>2</sup> Prior to fiscal year ended 6/30/08, public works and street expenses were reported jointly.
- <sup>3</sup> General Government charges for service appears low, as Administrative Excise Charge Fund transfers were reported as a portion of this figure in previous years. These transfers were treated as charges for service in previous years, but are actually transfers to fund future expenditures.
- <sup>4</sup> Multnomah County Drainage District transfer of Fairview Lake water rights permits and weir control structure.
- <sup>5</sup> Miscellaneous items may include (but are not limited to) special assessments levied for debt service and other taxes.
- <sup>6</sup> Prior to fiscal year ended 6/30/08, transfers were not reported as an individual line item.
- <sup>7</sup> Decrease in interest on long-term obligations due to the payoff of City Hall debt.
- <sup>8</sup> Decrease in interest and investment earnings due to market conditions.

**CITY OF FAIRVIEW, OREGON**  
**FUND BALANCE OF GOVERNMENTAL FUNDS**  
 Last Eight Fiscal Years <sup>1</sup>  
 (modified accrual basis of accounting)

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011 <sup>2</sup>
<b>General fund</b>								
Unreserved	1,641,286	2,106,918	2,992,551	4,049,043	4,782,622	3,688,440	3,728,732	-
Restricted								2,087
Committed								-
Assigned								108,349
Unassigned								3,423,551
<b>Total general fund</b>	<u>1,641,286</u>	<u>2,106,918</u>	<u>2,992,551</u>	<u>4,049,043</u>	<u>4,782,622</u>	<u>3,688,440</u>	<u>3,728,732</u>	<u>3,533,987</u>
<b>All other governmental funds</b>								
Reserved	1,001,111	887,474	515,286	865,470	462,194	2,069,733	420,824	-
Unreserved, reported in:								
Special revenue funds	980,834	1,287,701	1,386,587	1,617,391	1,562,987	889,740	765,603	-
Restricted								1,008,191
Committed								5,404
Assigned								358,195
Unassigned								-
<b>Total all other governmental funds</b>	<u>1,981,945</u>	<u>2,175,175</u>	<u>1,901,873</u>	<u>2,482,861</u>	<u>2,025,181</u>	<u>2,959,473</u>	<u>1,186,427</u>	<u>1,371,790</u>

<sup>1</sup> Information presented for years ended subsequent to the implementation of GASB Statement No. 34.

<sup>2</sup> Information presented utilizing new fund balance classifications as required by GASB Statement No. 54.

**CITY OF FAIRVIEW, OREGON**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**

Last Eight Fiscal Years <sup>1</sup>  
(modified accrual basis of accounting)

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues:</b>								
Property taxes	1,288,411	1,391,811	1,509,103	1,601,333	1,748,663	1,856,566	1,943,702	1,982,975
Governmental agencies	869,430	929,612	1,190,481	1,155,154	687,903	652,263	806,707	843,016
Grants <sup>2</sup>	111,845	206,154	254,844	164,737	-	-	-	-
Licenses, permits, and fees	1,147,476	467,131	721,010	833,140	882,805	674,328	590,052	500,649
Fines and forfeitures	140,967	141,810	196,690	261,140	261,091	211,839	186,415	153,993
Franchise fees	432,439	452,564	523,931	622,693	690,213	688,034	782,054	687,501
Special assessments	415,383	807,585	427,355	394,131	96,756	176,427	72,668	69,494
Interest income	45,098	92,689	182,181	285,292	287,472	140,770	32,621	25,325
Charges for services <sup>3</sup>	-	-	-	-	117,025	133,988	120,242	168,025
Rental income <sup>4</sup>	-	-	-	-	16,927	18,727	39,802	42,856
Miscellaneous	83,228	147,824	112,417	84,884	79,715	66,948	38,095	51,179
<b>Total Revenues</b>	<b>4,534,277</b>	<b>4,637,180</b>	<b>5,118,012</b>	<b>5,402,504</b>	<b>4,868,570</b>	<b>4,619,890</b>	<b>4,612,358</b>	<b>4,525,013</b>
<b>Expenditures</b>								
General Government / Administration	998,216	953,744	988,465	508,955	513,956	790,589	664,278	555,347
Community Development	743,867	540,171	628,406	514,476	452,940	563,086	444,848	435,802
Public Safety	1,550,914	1,663,340	1,836,169	2,032,972	2,252,808	2,468,099	2,489,183	2,781,333
Public Works	878,814	903,709	883,052	72,889	32,968	211,135	172,189	348,799
Streets	36,810	47,007	53,390	42,230	338,896	301,315	275,612	247,318
Parks	-	-	-	-	-	-	-	-
Debt service								
Principal	627,294	2,074,445	931,000	110,000	540,000	125,000	1,625,000	-
Interest	347,334	295,831	222,894	151,214	127,262	109,528	40,153	29,343
Capital outlay	365,268	333,560	653,063	561,968	401,343	361,980	645,444	193,193
<b>Total Expenditures</b>	<b>5,548,517</b>	<b>6,811,807</b>	<b>6,196,438</b>	<b>3,994,704</b>	<b>4,660,173</b>	<b>4,930,732</b>	<b>6,356,707</b>	<b>4,591,135</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(1,014,240)</b>	<b>(2,174,627)</b>	<b>(1,078,426)</b>	<b>1,407,800</b>	<b>208,397</b>	<b>(310,842)</b>	<b>(1,744,349)</b>	<b>(66,122)</b>
<b>Other financing sources (uses)</b>								
Proceeds from bond sale	-	1,339,337	-	-	-	-	-	-
Proceeds from sale of property	-	-	-	-	22,000	14,455	8,500	-
Transfers in	1,972,682	1,897,164	2,213,631	754,605	318,355	2,100,493	127,797	128,089
Transfers out	(537,839)	(403,013)	(522,872)	(524,925)	(181,858)	(1,963,996)	(124,702)	(71,348)
<b>Total other financing sources (uses)</b>	<b>1,434,843</b>	<b>2,833,488</b>	<b>1,690,759</b>	<b>229,680</b>	<b>158,497</b>	<b>150,952</b>	<b>11,595</b>	<b>56,741</b>
<b>Net change in fund balances</b>	<b>420,603</b>	<b>658,861</b>	<b>612,333</b>	<b>1,637,480</b>	<b>366,894</b>	<b>(159,890)</b>	<b>(1,732,754)</b>	<b>(9,381)</b>
<b>Debt service as a percentage of non-capital expenditures</b>	19%	37%	21%	7%	15%	5%	28%	1%

<sup>1</sup> Information presented for years ended subsequent to the implementation of GASB Statement No. 34.  
<sup>2</sup> Beginning in 2008, grants are included with governmental agencies.  
<sup>3</sup> Prior to 2008, charges for services were included with licenses, permits, & fees.  
<sup>4</sup> Prior to 2008, rental income was included with miscellaneous.  
<sup>5</sup> Calculation = (debt service principal + interest) / (total expenditures - capital asset additions)  
<sup>6</sup> Includes prior period adjustment of (\$32,266) for court fine deferred revenue.

CITY OF  
FAIRVIEW, OREGON

Program Revenues by Function/Program  
Last Eight Fiscal Years  
(accrual basis of accounting)

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental activities</b>								
General government	\$ 316,902	\$ 209,179	\$ 287,357	\$ 30,222	\$ 79,063	\$ 75,288	\$ 89,054	\$ 157,157
Public safety	217,077	223,151	422,239	451,397	367,614	348,396	340,913	339,809
Community development/Parks	1,025,135	568,635	636,541	844,140	304,190	410,535	300,096	210,920
Streets	413,649	433,701	-	-	486,957	435,042	451,098	465,875 <sup>1</sup>
Streets/Public Works	-	-	1,683,571	575,628	-	-	-	-
Public Works/Parks	-	-	-	-	-	-	-	1,599 <sup>1</sup>
<b>Total governmental activities</b>	<b>1,972,763</b>	<b>1,434,666</b>	<b>3,029,708</b>	<b>1,901,387</b>	<b>1,237,824</b>	<b>1,269,261</b>	<b>1,181,161</b>	<b>1,175,360</b>
<b>Business-type activities</b>								
Water	1,074,532	1,019,697	1,245,126	1,219,418	1,019,090	1,132,328	1,053,046	1,062,437
Sewer	1,588,872	1,321,430	1,808,673	2,027,405	1,654,898	1,831,491	1,930,663	1,875,634
Stormwater	388,644	425,091	775,794	715,874	420,045	511,342	507,443	547,389
<b>Total business-type activities</b>	<b>3,052,048</b>	<b>2,766,218</b>	<b>3,829,593</b>	<b>3,962,697</b>	<b>3,094,033</b>	<b>3,475,161</b>	<b>3,491,152</b>	<b>3,485,460</b>
<b>Total Primary government</b>	<b>\$ 5,024,811</b>	<b>\$ 4,200,884</b>	<b>\$ 6,859,301</b>	<b>\$ 5,864,084</b>	<b>\$ 4,331,857</b>	<b>\$ 4,744,422</b>	<b>\$ 4,672,313</b>	<b>\$ 4,660,820</b>

<sup>1</sup> "Parks" revenue was included in "Community Development/Parks" prior to 2011. Beginning in 2011, "Parks" is included in "Public Works/Parks".

**CITY OF FAIRVIEW, OREGON**  
**TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)

Fiscal Year	Total Taxes	Property Taxes	Payment in		Hotel / Motel Tax <sup>3</sup>	Other Taxes <sup>4</sup>
			Lieu of Tax <sup>2</sup>	Lieu of Tax <sup>2</sup>		
2002	1,581,807.33	1,058,397.65 <sup>1</sup>	25,000.00	25,000.00	40,898.53	457,511.15
2003	1,697,279.55	1,180,048.64 <sup>1</sup>	15,000.00	15,000.00	42,364.09	459,866.82
2004	1,894,142.31	1,273,411.13 <sup>1</sup>	15,000.00	15,000.00	51,257.33	554,473.85
2005	2,012,074.72	1,376,811.41 <sup>1</sup>	15,000.00	15,000.00	39,832.92	580,430.39
2006	2,156,943.76	1,494,102.65 <sup>1</sup>	15,000.00	15,000.00	39,288.89	608,552.22
2007	2,250,919.25	1,586,332.25 <sup>1</sup>	15,000.00	15,000.00	39,037.18	610,549.82
2008	2,397,922.39	1,723,663.10 <sup>1</sup>	25,000.00	25,000.00	43,157.22	606,102.07
2009	2,452,819.53	1,831,565.66 <sup>1</sup>	25,000.00	25,000.00	38,362.38	557,891.49
2010	2,557,753.71	1,918,702.10 <sup>5</sup>	25,000.00	25,000.00	36,510.70	577,540.91
2011	2,688,241.09	1,951,247.74 <sup>6</sup>	25,000.00	25,000.00	37,950.11	674,043.24

Source:

City of Fairview current and prior year budget actuals

Note:

<sup>1</sup> Current tax authority plus 3% and estimated new construction, minus 6% uncollectible.

The tax rate is \$3.4902 per thousand of taxable assessed value.

<sup>2</sup> Payment in lieu of tax (PILOT) made by Fairview Oaks / Woods Apartments

<sup>3</sup> 6% tax on transient occupancy (includes Portland - Fairview RV Park)

<sup>4</sup> "Other Taxes" consist of: cigarette tax, liquor tax, 911 tax, and state gas tax

<sup>5</sup> In FY 2010, current tax authority plus 3%, minus 6.5% uncollectible.

The tax rate is \$3.4902 per thousand of taxable assessed value.

<sup>6</sup> Beginning FY 2011, current tax authority plus 3%, minus 6% uncollectible.

The tax rate is \$3.4902 per thousand of taxable assessed value.

Beginning in 2009, the "Business Income Tax" column has been removed. As a result, the amounts reported in the "Total Taxes" column will vary from prior years.

**CITY OF FAIRVIEW, OREGON**  
**ASSESSED VALUE AND ESTIMATED REAL MARKET VALUE OF TAXABLE PROPERTY**  
 Last Ten Fiscal Years

Fiscal Year Ended	Assessed Value						Total Direct Tax Rate	Total Real Market Value
	Real Property	Personal Property	Manufactured Structures	Public Utility Property	Total	Total		
2002	281,172,910	9,132,257	14,973,010	6,928,007	312,206,184	3,4902	419,243,097	
2003	310,274,630	10,190,459	10,418,910	16,105,640	346,989,639	3,4902	462,187,845	
2004	336,554,140	12,403,229	9,553,040	16,853,710	375,364,119	3,4902	513,812,415	
2005	366,385,790	11,927,461	10,374,410	16,699,001	405,386,662	3,4902	557,215,556	
2006	401,967,290	12,421,340	10,332,310	16,638,000	441,358,940	3,4902	638,609,211	
2007	427,970,080	12,124,357	9,919,780	15,948,400	465,962,617	3,4902	718,918,532	
2008	461,622,750	14,096,850	9,230,440	17,268,400	502,218,440	3,4902	833,793,892	
2009	505,142,360	13,375,204	8,497,460	17,844,430	544,859,454	3,4902	902,247,800	
2010	520,900,600	13,065,632	10,039,480	22,313,670	566,319,382	3,4902	882,782,691	
2011 <sup>1</sup>	533,747,890	11,942,345	9,481,680	22,501,120	577,673,035	3,4902	821,455,899	

Source:

Multnomah County Tax Supervising & Conservation Commission

<sup>1</sup> 2011 data is uncertified. Legislation passed in 2009 (HB 2074) allowed municipal corporations with a population of less than 200,000 to opt out of being under the jurisdiction of the Tax Supervising & Conservation Commission. The City of Fairview has elected to opt out of this jurisdiction.

**CITY OF FAIRVIEW, OREGON  
PROPERTY TAX RATES - DIRECT & OVERLAPPING GOVERNMENTS  
Last Ten Fiscal Years**

Fiscal Year	City of Fairview Tax Rates				Overlapping Rates										Total Direct & Overlapping Rates
	Permanent Rate	Debt Service	Total City	Regional & County					School District						
				Multnomah County	Port of Portland	Metro Service District	Tri-Met	Total Regional & County	Multnomah County ESD	Reynolds School District	Community College	Mt. Hood			
2002	3.49	-	3.49	5.21	0.07	0.32	0.14	5.74	0.46	6.32	0.51	7.29	16.52		
2003	3.49	-	3.49	5.17	0.07	0.28	0.12	5.65	0.46	6.02	0.52	7.00	16.14		
2004	3.49	-	3.49	5.27	0.07	0.29	0.11	5.74	0.46	6.03	0.51	7.00	16.23		
2005	3.49	-	3.49	5.28	0.07	0.28	0.11	5.74	0.46	6.04	0.50	7.00	16.23		
2006	3.49	-	3.49	5.31	0.07	0.28	0.12	5.78	0.46	6.02	0.49	6.96	16.23		
2007	3.49	-	3.49	5.29	0.07	0.28	0.10	5.74	0.46	5.95	0.49	6.90	16.13		
2008	3.49	-	3.49	5.42	0.07	0.43	0.09	6.01	0.46	5.83	0.49	6.78	16.28		
2009	3.49	-	3.49	5.39	0.07	0.40	0.08	5.94	0.46	5.81	0.49	6.76	16.19		
2010	3.49	-	3.49	5.40	0.07	0.44	0.09	6.00	0.46	5.80	0.49	8.55	16.04		
2011	3.49	-	3.49	5.38	0.07	0.41	0.09	5.95	0.46	5.60	0.49	6.55	15.99		

Source: Multnomah County Division of Assessment & Taxation

Notes: All rates are listed per thousand dollars of taxable assessed value

"Overlapping Rates" are tax rates of various public organizations whose geographic area overlaps City of Fairview boundaries. As a result, certain property owners in Fairview will be assessed additional tax if the property in question is both within the Fairview city limits and in another tax jurisdiction.

**CITY OF FAIRVIEW, OREGON**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within fiscal year of levy			Collections to date		
		Collections <sup>1</sup>	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy	
2002	1,094,630	1,055,858	96.46%	38,619	1,094,477	99.99%	
2003	1,214,485	1,172,791	96.57%	41,502	1,214,293	99.98%	
2004	1,309,760	1,269,432	96.92%	40,045	1,309,477	99.98%	
2005	1,430,611	1,389,206	97.11%	41,090	1,430,296	99.98%	
2006	1,541,500	1,498,334	97.20%	42,846	1,541,180	99.98%	
2007	1,626,746	1,582,657	97.29%	43,329	1,625,986	99.95%	
2008	1,792,463	1,730,069	96.52%	56,592	1,786,661	99.68%	
2009	1,914,648	1,834,677	95.82%	64,694	1,899,371	99.20%	
2010	1,976,399	1,904,048	96.34%	44,713	1,948,761	98.60%	
2011	2,016,083	1,950,696	96.76%	-	1,950,696	96.76%	

Sources:  
City of Fairview Annual Financial Reports  
Multnomah County Division of Assessment and Taxation

Note:  
<sup>1</sup> Collections include: normal collections, adjustments, discounts, and interest

**CITY OF FAIRVIEW, OREGON**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**Current Year and Nine Years Ago**

Taxpayer	2011			2002 <sup>2</sup>		
	Assessed Value	Rank	Percentage of Total Fairview Assessed Value	Assessed Value	Rank	Percentage of Total Fairview Assessed Value
Townsend Farms Inc.	27,398,510	1	4.74%	6,314,370	3	2.02%
CPF/BDI Townsend LLC	24,345,480	2	4.21%			
NACCO Materials Handling	14,852,550	3	2.57%	11,891,980	1	3.81%
Salish Lake LLC	11,495,310	4	1.99%			
Portland General Electric Co.	10,897,000	5	1.89%			0.00%
Portland Fairview RV LLC	8,788,360	6	1.52%			
IAC 22638 Townsend Way LLC	8,788,140	7	1.52%			
Fieldstone Luxury Apartments LLC	8,297,940	8	1.44%			
Sunridge Associates LLC	6,850,770	9	1.19%			
Beeko LLC	6,740,420	10	1.17%			
Fort James Operating Company		-		6,397,590	2	2.05%
Howard Angell		-		6,168,900	4	1.98%
DAV II Invest.		-		6,164,190	5	1.97%
Chinook Way, LLC		-		5,249,040	6	1.68%
King's Garden LTD Partnership		-		5,166,040	7	1.65%
Courtyards at Fairview LLC		-		4,693,990	8	1.50%
Don M. & Jeanette M. Kitterman		-		3,287,030	9	1.05%
Fairview Village Development		-		2,558,120	10	0.82%
<b>Total</b>	<b>128,454,480</b>		<b>22.24%</b>	<b>57,891,250</b>		<b>18.54%</b>
<b>Total Fairview Assessed Value</b>	<b>577,673,035</b>			<b>312,206,184</b>		

Source: Multnomah County Division of Assessment and Taxation

Notes:

- <sup>1</sup> Fiscal year 2010 / 2011
- <sup>2</sup> Fiscal year 2001 / 2002
- <sup>3</sup> Rounding (.01% difference)

**CITY OF FAIRVIEW, OREGON**  
**RATIO OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental				Business-Type Activities			
	Full Faith and Credit Obligations <sup>1</sup>	Line of Credit <sup>2</sup>	Special Assessment <sup>3</sup>	General Obligation Bonds <sup>4</sup>	Water Revenue Bonds	Sewer Notes Payable <sup>5</sup>	Special Assessment <sup>6</sup>	Drinking Water Revolving Loan <sup>9</sup>
2002	2,385,000	-	2,731,000	-	1,410,000	3,082,482	48,562	-
2003	2,290,000	-	2,648,000	-	1,360,000	2,977,637	29,974	-
2004	2,190,000	-	2,195,000	-	1,305,000	2,868,354	-	-
2005	2,085,000	-	1,641,000	-	1,240,000	2,754,443	-	-
2006	1,975,000	-	910,000	-	1,150,000	2,635,710	-	-
2007	1,865,000	-	910,000	-	1,060,000	2,511,949	-	-
2008	1,750,000	-	485,000	-	970,000	2,384,286	-	-
2009	1,625,000	-	485,000	-	875,000	2,250,224	-	-
2010	-	-	485,000	-	775,000	2,108,445	-	537,833
2011	-	-	485,000	-	675,000	1,947,934	-	1,045,811

Fiscal Year	Total (Governmental and Business - Type)	Percentage of Personal Income <sup>7,8</sup>	Per Capita <sup>7</sup>
2002	9,657,044	0.04%	1,150
2003	9,305,611	0.04%	1,083
2004	8,558,354	0.03%	925
2005	7,720,443	0.03%	819
2006	6,670,710	0.02%	696
2007	6,346,949	0.02%	655
2008	5,589,286	0.02%	574
2009	5,235,224	0.02%	537
2010	3,906,278	N/A	438
2011	4,153,745	N/A	466

Source:  
City of Fairview Annual Financial Reports

Notes:

- <sup>1</sup> City Hall
- <sup>2</sup> Sewer Construction Fairview Lake Local Improvement District
- <sup>3</sup> Sewer Construction Fairview Lake Local Improvement District (paid off associated line of credit and issued a limited special assessment).  
Outstanding debt difference was paid in full using assessments received from the related property owner.
- <sup>4</sup> Water reservoir project
- <sup>5</sup> Notes payable to the City of Gresham for increased sewer capacity
- <sup>6</sup> Sandy Boulevard sewer extension
- <sup>7</sup> Calculations use information from schedule of Demographic and Economic Statistics
- <sup>8</sup> Percentage of Personal Income revised 2002 through 2009 due to updated income figures
- <sup>9</sup> Safe Drinking Water Revolving Loan Fund - Forgivable Loan  
N/A = information not available

**CITY OF FAIRVIEW, OREGON**  
**RATIO OF GENERAL BONDED DEBT OUTSTANDING**  
**Last Ten Fiscal Years**

Fiscal Year	Population <sup>1</sup>	Assessed Value <sup>2</sup>	Gross General Obligation Bonded Debt <sup>3</sup>	Less:		Net General Obligation Bonded Debt	Net Bonded Debt per \$1,000 Assessed Value	Net Bonded General Obligation Debt Per Capita
				Debt Service Fund <sup>4</sup>				
2002	8,400	312,206,184	-	-	-	-	-	-
2003	8,590	346,989,639	-	-	-	-	-	-
2004	9,250	375,364,119	-	-	-	-	-	-
2005	9,425	405,388,662	-	-	-	-	-	-
2006	9,585	441,358,940	-	-	-	-	-	-
2007	9,695	465,962,617	-	-	-	-	-	-
2008	9,735	502,218,440	-	-	-	-	-	-
2009	9,740	544,859,454	-	-	-	-	-	-
2010	8,920 <sup>5</sup>	566,319,382	-	-	-	-	-	-
2011	8,920	577,673,035	-	-	-	-	-	-

Sources:

- <sup>1</sup> Portland State University Population Research Center (City of Fairview estimates as of July 1st - except 2010, which is a census figure)
- <sup>2</sup> Multnomah County Tax Supervising & Conservation Commission
- <sup>3</sup> City of Fairview annual financial reports
- <sup>4</sup> City of Fairview annual financial reports
- <sup>5</sup> Revised to reflect census figure

**CITY OF FAIRVIEW, OREGON**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**June 30, 2011**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>1</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes:</b>			
Metro	\$ 153,915,000	0.44%	\$ 678,453
Multnomah County	38,620,000	0.95%	365,589
Reynolds School District # 7	40,580,000	11.41%	4,628,443
Tri-Met	19,115,000	0.44%	84,715
<b>Other:</b>			
Metro	51,770,000	0.44%	228,201
Mt. Hood Community College	65,286,317	2.68%	1,748,535
Multnomah County	203,728,982	0.95%	1,928,560
Multnomah County ESD	35,560,000	0.93%	331,457
Port of Portland <sup>2</sup>	81,003,134	0.40%	322,935
Reynolds School District # 7	93,788,610	11.41%	10,697,271
Tri-Met	66,531	0.44%	295
Subtotal, overlapping debt			21,014,454
City of Fairview direct debt			<u>2,447,243</u>
Total direct and overlapping debt			<u><u>23,461,697</u></u>

Source:

Outstanding debt and assessed value information provided by Multnomah county Tax Supervising and Conservation Commission

Note:

Overlapping debt is debt of various public organizations whose geographic area overlaps City of Fairview boundaries. This schedule estimates the portion of other public organization debt that certain taxpayers in Fairview are responsible for. In order to be responsible for the overlapping debt, taxpayers must reside within both Fairview city limits and the boundaries of the other public organization which has incurred the debt.

<sup>1</sup> Calculation of total City of Fairview assessed value divided by governmental unit assessed value.

<sup>2</sup> The Port of Portland entered into four new long-term loans in fiscal year 2010/2011. These loans totaled \$10,587,413.

**CITY OF FAIRVIEW, OREGON  
 PLEDGED - REVENUE COVERAGE  
 Last Ten Fiscal Years  
 (accrual basis of accounting)**

Water Revenue Bonds				Debt Service			
Fiscal Year	Operating Revenue	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Total	Coverage
2002	861,819	673,257	188,562	50,000	89,900	139,900	1.35
2003	881,285	704,156	177,129	50,000	87,275	137,275	1.29
2004	903,500	829,934	73,566	55,000	84,525	139,525	0.53
2005 <sup>1</sup>	845,931	814,427	31,504	1,405,000	73,408	1,478,408	0.02
2006	916,824	1,161,229	(244,405)	90,000	44,840	134,840	(1.81)
2007	993,217	1,026,348	(33,131)	90,000	42,815	132,815	(0.25)
2008	1,006,170	999,550	6,620	90,000	40,340	130,340	0.05
2009	1,099,500	957,592	141,908	95,000	37,640	132,640	1.07
2010	1,041,314	943,154	98,160	100,000	34,553	134,553	0.73
2011 <sup>3</sup>	1,059,738	994,912	64,826	100,000	31,053	131,053	0.49

Sewer Notes Payable				Debt Service			
Fiscal Year	Operating Revenue	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Total	Coverage
2002	1,170,938	1,167,113	3,825	-	-	-	-
2003	1,205,520	1,350,142	(144,622)	-	-	-	-
2004	1,188,165	1,445,577	(257,412)	-	-	-	-
2005	1,207,888	1,337,618	(129,730)	-	-	-	-
2006 <sup>2</sup>	1,311,206	1,613,110	(301,904)	118,733	115,180	233,913	(1.29)
2007	1,478,554	1,739,475	(260,921)	123,761	110,153	233,914	(1.12)
2008	1,611,398	1,772,528	(161,130)	127,663	104,913	232,577	(0.69)
2009	1,809,535	1,566,050	243,485	134,062	98,922	232,984	1.05
2010	1,855,075	1,546,253	308,822	141,779	92,135	233,914	1.32
2011	1,868,430	1,644,524	223,906	160,511	72,403	232,914	0.96

Source:  
 City of Fairview Annual Financial Reports

Note:  
<sup>1</sup> In fiscal year ended 6/30/05, the Water Revenue Bonds issued 10/1/94 were refunded by issuing Series 2004 Water Revenue Refunding Bonds

<sup>2</sup> Sewer Notes Payable were initiated in fiscal year 2001/2002. Initially, annual principal and interest payments were made from the Sewer Improvement Fund. Beginning in fiscal year 2005/2006, payments began to be made from the Sewer Operating Fund

<sup>3</sup> Beginning in fiscal year 2010/2011, Water information includes figures from the Water Fund and the Water Bonded Debt Fund. Water Bonded Debt figures were not included in prior years

**CITY OF FAIRVIEW, OREGON**  
**LEGAL DEBT MARGIN INFORMATION**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	12,577,293	13,865,635	15,414,372	16,716,467	19,158,276	21,567,556	25,013,817	27,067,434	26,483,481	24,643,677
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>12,577,293</u>	<u>13,865,635</u>	<u>15,414,372</u>	<u>16,716,467</u>	<u>19,158,276</u>	<u>21,567,556</u>	<u>25,013,817</u>	<u>27,067,434</u>	<u>26,483,481</u>	<u>24,643,677</u>
Total net debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Legal Debt Margin Calculation for Fiscal Year 2011	
Real market value (2010 / 2011)	821,455,899
Debt limit (3% of total real market value)	24,643,677
Debt subject to limit	-
Legal debt margin	<u>24,643,677</u>

Source:  
City of Fairview Annual Financial Reports

Note:  
Oregon Revised Statute 287A.050(2) restricts general obligation debt (not related to water, sanitary sewer, storm sewer, or sewage disposal plants nor issued to pay assessments for improvements in installments) to 3% of the total real market value. There are currently no General Obligation bonds outstanding that meet this criteria. As a result, the legal debt margin equals the debt limitation implemented by ORS 287A.050(2).

**CITY OF FAIRVIEW, OREGON**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
 Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Population</b> <sup>1</sup>	<b>Personal Income (in thousands)</b> <sup>2</sup>	<b>Per Capita Personal Income</b> <sup>3</sup>	<b>Unemployment Rate</b> <sup>4</sup>
2002	8,400	23,499,244	34,741	7.7%
2003	8,590	23,890,048	35,208	8.3%
2004	9,250	24,484,971	36,452	8.0%
2005	9,425	25,011,925	37,119	6.7%
2006	9,585	27,043,127	39,610	5.5%
2007	9,695	28,234,192	40,505	5.1%
2008	9,735	29,654,879	41,619	5.0%
2009	9,740	29,430,654	40,490	8.6%
2010	8,920 <sup>5</sup>	N/A	N/A	10.2%
2011	8,920 <sup>6</sup>	N/A	N/A	9.4%

Sources:

- <sup>1</sup> Portland State University Population Research Center (City of Fairview population estimates as of July 1st)
  - <sup>2</sup> Bureau of Economic Analysis (Multnomah County personal income, calendar year basis)  
2002 through 2008 figures revised from prior year
  - <sup>3</sup> Bureau of Economic Analysis (Multnomah County per capita personal income, calendar year basis)  
2002 through 2008 figures revised from prior year
  - <sup>4</sup> State of Oregon Employment Department (average annual unemployment for Multnomah County)
  - <sup>5</sup> Revised to Reflect Census Figures
  - <sup>6</sup> Certified Estimate
- N/A = information not available

**CITY OF FAIRVIEW, OREGON  
PRINCIPAL EMPLOYERS  
Current Year and Nine Years Ago<sup>1</sup>**

<b>2010-2011</b>			
<b>Employer</b>	<b>Employees<sup>2</sup></b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Reynolds School District	385	1 <sup>4</sup>	14.42%
NW Material Handling Group	240	2	8.99%
Townsend Farms	175	3 <sup>5</sup>	6.55%
Knight Transportation	158	4	5.92%
Target	85	5	3.18%
TruGreen LandCare, LLC	50	6	1.87%
Conner Manufacturing	48	7	1.80%
Thermo King NW, Inc.	30	8	1.12%
General Pacific, Inc.	30	9	1.12%
Intertek Testing Services NA, Inc.	21	10	0.79%
	<u>1,222</u>		<u>45.77%</u>
<b>Total Fairview Employment<sup>3</sup></b>	<u><b>2,670</b></u>		

<sup>1</sup> Employment data from 2001-2002 was unavailable.

**Sources:**

<sup>2</sup> FTE employee information provided by individual employers.  
Figures may vary due to seasonal employment.

<sup>3</sup> Total Fairview Employment data provided by the State of Oregon Employment Department Workforce and Economic Research section. Total employment is an estimate and varies due to seasonal employment. In addition, this figure captures only those employees for whom worker's compensation insurance is provided.

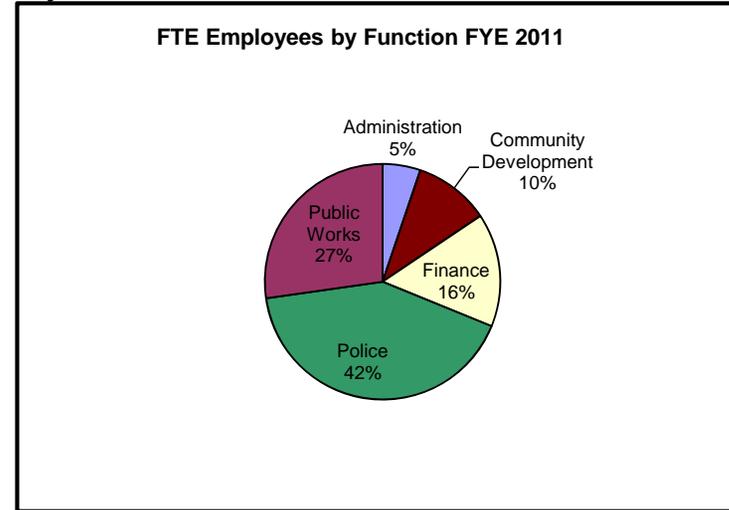
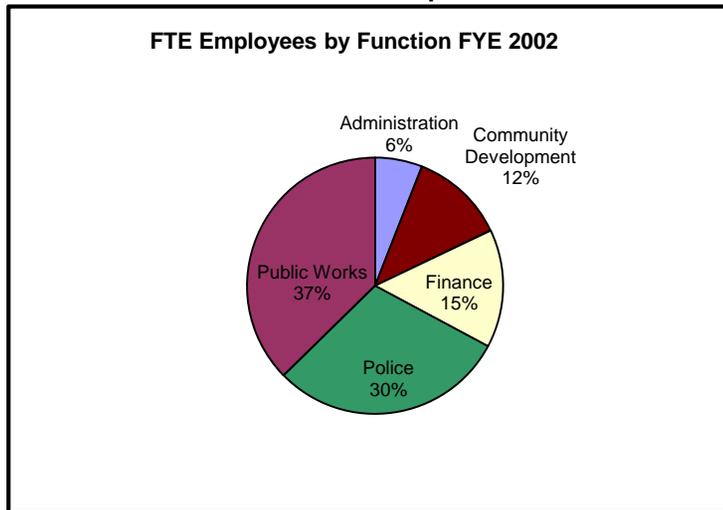
<sup>4</sup> Employment information for this employer was unavailable.  
2008-2009 figure was used as an estimate.

<sup>5</sup> Figures used in previous years were high due to wide seasonal employment fluctuation for this employer.

**CITY OF FAIRVIEW, OREGON  
FULL-TIME EQUIVALENT CITY GOVERNMENT  
EMPLOYEES BY FUNCTION  
Last Ten Fiscal Years**

<b>Function</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>General Government</b>										
Administration	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Community Development	4.0	3.5	4.5	4.5	5.0	5.0	4.0	5.0	4.0	4.0
Finance	5.0	5.0	5.0	5.0	6.0	6.0	7.0	7.0	6.0	6.0
<b>Police</b>										
Officers	9.0	10.0	10.0	11.0	12.0	13.0	13.0	14.0	14.0	14.0
Civilians	1.0	1.0	1.0	1.0	1.0	1.0	1.5	2.0	2.0	2.0
<b>Public Works</b>	12.5	12.0	11.0	11.0	10.5	11.5	11.5	10.5	10.5	10.5
<b>Total</b>	<b>33.5</b>	<b>33.5</b>	<b>33.5</b>	<b>34.5</b>	<b>36.5</b>	<b>38.5</b>	<b>39.0</b>	<b>40.5</b>	<b>38.5</b>	<b>38.5</b>

**Comparison of Full-Time Employees by Function 2002 and 2011**



Source: City of Fairview Budget

**CITY OF FAIRVIEW, OREGON  
OPERATING INDICATORS BY FUNCTION  
Last Ten Fiscal Years**

Function / Program	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental Activities:</b>										
<b>Community Development<sup>1</sup></b>										
Residential building permits issued	154	90	99	N/A	N/A	N/A	20	19	11	16
Commercial building permits issued <sup>2</sup>	10	34	46	N/A	N/A	N/A	48	63	22	28
<b>Police<sup>3</sup></b>										
Calls for service	N/A	4517	4,113	4,294	4,317	4,212	4,003	4,439	4,212	N/A
Part I crimes <sup>4,5</sup>	425	440	397	458	390	376	330	341	217 <sup>6</sup>	N/A
Part II crimes <sup>5,6</sup>	382	425	418	343	289	318	370	395	247 <sup>6</sup>	N/A
<b>Business - Type Activities:</b>										
<b>Water</b>										
Accounts	1,398	1,480	1,487	1,490	1,528	1,577	1,636	1,652	1,663 <sup>10</sup>	1,665 <sup>9</sup>
Average daily production (millions of gallons)	0.76	0.86	0.81	0.72	0.72	0.72	0.75	0.73	0.67 <sup>10</sup>	0.62
<b>Sewer</b>										
Accounts (revised data 1999-2007)	1,732	1,828	1,839	1,845	1,891	1,946	1,993	2,021	2,033 <sup>10</sup>	2,034 <sup>9</sup>
Average daily consumption (millions of gallons) <sup>7</sup>	1.06	1.03	0.95	0.71	0.84	0.82	0.80	0.69	0.69 <sup>11</sup>	0.80
<b>Stormwater</b>										
Accounts	1,621	1,727	1,752	1,753	1,831	1,865	1,847	1,868	1,880 <sup>10</sup>	1,881 <sup>9</sup>

**Sources:**

- Community Development information provided by City of Fairview Community Development Department.
  - Police information provided by Portland, Oregon Bureau of Emergency Communications (BOEC).
  - Water, Sewer, and Stormwater account information gathered from City of Fairview utility billing reports.
  - Water and Sewer average daily production/consumption information provided by City of Fairview Public Works Department.
- N/A = Data not available
- <sup>1</sup> Community Development information was not tracked in 2005, 2006, or 2007. City staff began tracking and reporting information again in 2008.
  - <sup>2</sup> Includes permits issued for industrial purposes
  - <sup>3</sup> Police permits are reported on a calendar year basis
  - <sup>4</sup> Part I Crimes include: homicide, forcible rape, robbery, aggravated assault, burglary, larceny, motor vehicle theft, and arson
  - <sup>5</sup> Part II Crimes include: simple assault, forgery / counterfeit, fraud, embezzlement, stolen property, vandalism, weapons laws, prostitution, other sex offenses, drug abuse, gambling, offenses against family, D.U.I., liquor laws, disorderly conduct, negligent homicide, all other, curfew - juveniles, runaway - juveniles, and kidnapping
  - <sup>6</sup> Began compiling statistics for Part I and Part II crimes in June of 2000
  - <sup>7</sup> Figures do not include Fairview properties discharging to Gresham interceptor (only those metered by Fairview)
  - <sup>8</sup> Part I and part 2 crimes for 2010 include only 6 months of activity (due to a change from RMS data system). Remaining data is unavailable.
  - <sup>9</sup> Beginning in fiscal year 2010/2011, utility account numbers include City owned properties (approximately 16 properties).
  - <sup>10</sup> Revised to reflect accurate data.
  - <sup>11</sup> Figure unavailable - use prior year estimate per department tracking this information.

**CITY OF FAIRVIEW, OREGON**  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
 Last Ten Fiscal Years

Function / Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Governmental Activities:</b>										
<b>Parks</b>										
Parks acreage	17.22	17.22	17.22	17.22	17.22	17.22	22.39	25.29	25.29	25.29
Wetland Parks acreage	75.31	75.31	75.31	75.31	75.31	75.31	75.31	62.34	62.34	62.34
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
K-9 officers	-	-	-	-	-	1	1	1	0	0
<sup>1</sup> Patrol units	10	10	10	12	13	12	13	12	13	12
<b>Business - Type Activities:</b>										
<b>Water</b>										
Water main lines (miles)	22.31	22.31	22.31	22.31	22.91	23.13	22.63	22.63	22.63	22.63
Daily storage capacity (millions of gallons)	3	3	3	3	6	6	6	6	6	6
Daily production capacity (millions of gallons)	2.08	4.72	4.72	4.72	4.72	4.72	4.72	3.80	3.80	5.65
<b>Sewer</b>										
Sewer lines (miles)	24.41	24.41	24.41	24.41	24.89	25.11	25.34	25.34	25.34	25.34
<sup>2</sup> Daily plant capacity (millions of gallons)	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.30	1.30	1.32
<b>Storm Water</b>										
Service lines (miles)	12.39	12.39	12.49	12.49	13.21	13.37	13.15	13.60	13.60	13.60
<b>Transportation</b>										
Streets (miles)	10.20	11.12	11.59	11.59	12.95	13.14	18.00	18.16	18.16	18.16
Traffic signals	1	1	1	1	1	1	1	1	1	1

N/A Information not available

Source:

<sup>1</sup> Patrol unit information provided by Beecher Carlson Insurance Agency, LLC

Note:

<sup>2</sup> Daily capacity purchased from the City of Gresham

<sup>3</sup> Beginning in fiscal year 2010/2011, police patrol units include Yamaha Rhino ATV



**REPORTS OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

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## **INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS**

To the Honorable Mayor and  
Members of the City Council  
City of Fairview, Oregon

We have audited the basic financial statements of the City of Fairview as of and for the year ended June 30, 2011, and have issued our report thereon dated January 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the City of Fairview financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the City of Fairview was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

An error was discovered in a supplemental budget adopted during the fiscal year. Interfund transfers were out of balance between the General Fund and the Equipment Replacement Fund. Transfers in were correctly recorded but transfers out were omitted from the supplemental budget resolution.

We discovered a lack of documentation in the City records for compliance with public contracts and purchasing policies as adopted by the City. We examined two vehicle purchases where there was a lack of documentation of the bids received. City staff affirm that bids were received, but we were unable to confirm this assertion due to inadequate documentation.

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

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

We noted certain matters that we reported to management of City of Fairview, Oregon, in a separate letter dated January 26, 2012.

This report is intended solely for the information and use of the board of directors/council members/commissioners and management of City of Fairview and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Dickey and Tremper, LLP

*Dickey and Tremper, LLP*

January 26, 2012



Dickey and Tremper, LLP  
Certified Public Accountants and Business Advisors

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## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

January 26, 2012

To the Honorable Mayor and  
Members of the City Council  
City of Fairview, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairview, Oregon, as of and for the year ended June 30, 2011, which collectively comprise the City of Fairview, Oregon's basic financial statements and have issued our report thereon dated January 26, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the schedule of findings and responses as 2011-01 through 2011-03 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the schedule of findings and responses as 2011-04 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Fairview, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City of Fairview, Oregon in a separate letter dated January 26, 2012.

The City of Fairview, Oregon's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City of Fairview, Oregon's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor and Members of City Council, management of the City of Fairview, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Dickey and Tremper, LLP*  
**Dickey and Tremper, LLP**  
**Certified Public Accountants**

January 26, 2012

**CITY OF FAIRVIEW, OREGON  
SCHEDULE OF FINDINGS AND RESPONSES  
For The Fiscal Year Ended June 30, 2011**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

- 01 The auditor's report expresses an unqualified opinion on the basic financial statements of the City of Fairview.
- 02 Significant deficiencies in internal control were discovered by the audit of the basic financial statements of the City of Fairview. The deficiencies described below as 2011-01 through 2011-03 are reported as material weaknesses.
- 03 No instances of noncompliance material to the financial statements of the City of Fairview, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

**SECTION II - FINDINGS – FINANCIAL STATEMENTS AUDIT**

**MATERIAL WEAKNESSES**

**2011-01**

*Condition and criteria:* The City's controls over the fiscal year-end financial reporting process rely largely on manual entries to record activity on the modified accrual basis of accounting. Several adjustments were required to record year-end adjustments. Significant adjustments were required in the areas of cash, accounts receivable, revenue, deferred revenue, accounts payable, capital assets, and debt.

*Effect:* Material adjustments were required to correct the accounting records for the affected areas, including adjustments to the General, State Tax Street, Fairview Lake Sewer LID, Water, Sewer, and Stormwater Funds. Many of the required adjustments had been prepared by City staff, but had not been posted to the general ledger, even though the City normally posts year-end entries within a reasonably short time after the close of the fiscal year.

*Cause:* Year-end entries are done each year through a manual process, which increases the risk of human error. Staff workloads have been higher as one finance position was cut during the year. Additionally, the City modified fund and account structures concurrent with the adoption of a new financial software package which required modifications to year-end processes.

*Auditor's recommendation:* We recommend that management review its year-end journal entry processes to incorporate additional oversight and review of staff work. We further recommend that City finance staff leverage the integrated modules of the new software package to reduce the need for manual entries.

*Management's response:* Management agrees with the condition and the auditor's recommendation. Management feels the new software and modified fund and account structure will improve the recording of financial information. Management has already begun utilizing several integrated processes to limit manual entries.

## **2011-02**

*Condition and criteria:* The City converted to a new financial reporting software program just prior to the start of the fiscal year. The new software was designed to have various modules that are fully integrated with the general ledger module. The City experienced difficulty with the integration of the various modules, as the integrated relationship between the modules did not function as City finance staff expected.

*Effect:* Several significant adjustments were also required to reconcile the court fines, utility billing, payroll, and accounts payable modules. The cash balances were also significantly impacted, as the various integrated modules replaced or altered manual processes which had previously been required.

*Cause:* In previous years, the various modules had levels of integration with the general ledger module ranging from none for the court fines module to limited for most of the other modules. City staff was required to manually estimate and record court fines transactions and significant manual adjustments were required for the other modules as well. The new accounting system promised to automate and integrate these modules with the general ledger. Staff experienced difficulty adapting procedures to the manner in which the new accounting system processed accounts payable, court fines, payroll, and utility billing transactions. The various modules posted transactions differently than expected by City staff. Periodic reconciliations had not been performed to verify the processing of transactions and subsequent posting to the general ledger.

*Auditor's recommendation:* We recommend that staff periodically reconcile information posted to the general ledger from each of the various modules to ensure appropriate recording of all transactions. We also recommend that staff further explore the relationships between the general ledger and other modules and improve understanding of the system operations in order to better detect and correct any possible misstatements.

*Management's response:* Management agrees with the condition and the auditor's recommendation and will monitor and reconcile the recording of revenues and expenditures verifying the correct integrated processing of the financial modules are functioning as expected. Management had also converted to new accounting software, and has modified fund and account structures for the upcoming fiscal year, prior to the commencement of audit fieldwork. Management feels these changes will improve the recording of financial information.

## **2011-03**

*Condition and criteria:* The bank reconciliation and cash pooling function in the accounting system did not function adequately as a control over cash reporting. The bank reconciliation appeared to try and adjust the cash balances for an amount related to incorrectly imported beginning fund balances. The pooled cash balances and the pooled payables in the pooled cash system did not agree to the amounts listed in the individual funds. The software does

not allow staff to close the reconciliation for one month and move to another until the first month is closed. Staff were unable to close the June 2010 reconciliation due to differences resulting from the software conversion.

*Effect:* Significant adjustments were required to bring pooled cash amounts into agreement with the balances reported in each of the funds. Cash reconciliations within the accounting system were not completed, forcing staff to manually perform bank reconciliations.

*Cause:* The beginning fund balances from the software conversion were imported incorrectly into the new accounting system, causing some funds to be out of balance and preventing staff from performing reconciliations. Staff did not receive adequate training on the use of the pooled cash system within the software to utilize it as a reconciling tool.

*Auditor's recommendation:* We recommend staff obtain assistance in correcting beginning fund balances in the software. Staff should become familiar with the cash pooling function so it can be more fully utilized for periodic cash reconciliations.

*Management's response:* Management agrees with the condition and the auditor's recommendation and has already received additional training on utilizing the software's bank reconciliation module and it is processing correctly. Staff is continuing to enhance the cash pooling functions to ensure the correct and timely tracking of all cash transactions.

## SIGNIFICANT DEFICIENCIES

### **2011-04**

*Condition and criteria:* The City discovered while preparing schedules for the audit that the largest sewer customer had been set up incorrectly in the utility billing module of the new software. Corresponding with the implementation of the new accounting system, the City altered the frequency of billings for some utility customers. The under billing of this utility customer was not detected due to changes in utility billing processes and the reduction of utility billing staff.

*Effect:* An adjustment of \$11,229 was required to record additional accounts receivable through year-end. An additional \$42,295 was under billed for the months subsequent to year end.

*Cause:* The former Utility Billing Clerk set up all of the utility accounts for the software conversion. The reduction of utility billing staff and the resulting increase in staff workload led to inadequate review of utility billing processes.

*Auditor's recommendation:* We recommend the City implement additional review procedures within the utility billing function to ensure all utility customers are billed in agreement with the established rates.

*Management's response:* Management agrees with the condition and the auditor's recommendation and has already begun to be implemented. The Finance Operations Manager has taken the lead in utility billing and has already implemented several reviews which have identified and corrected several accounts. Additional in-depth reviews are scheduled.

