



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2012

Prepared by:
The City of Fairview
Finance Department



CITY OF FAIRVIEW, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2012

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INTRODUCTORY SECTION



December 14, 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, 2012.

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, 2012. (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 City issued three new residential construction permits during Fiscal Year 2011-12. The year 2000 was a particularly mentionable year, with residential growth within the City of Fairview exceeding 20 percent. This is not anticipated to re-occur in the near term.

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 2011-12 and Fiscal Year 2012-13. 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 2011-12 of 8.0 percent was slightly lower than the state average of 8.5 percent and lower than the national average of 8.2 percent. These unemployment percentages are less than they were a year ago.

While there are over 120 businesses within Fairview, historically two employers have provided the majority of the City's employment; however, now there are five major employers. Of the

approximately 2,700 people employed within the City of Fairview, over 44 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 2011-12 was \$236,542. This was an 8.8 percent increase over the prior year. BOEC dispatch services for Fiscal Year 2012-13 are budgeted to cost \$270,000. The significant increases in cost are associated with the new dispatch system BOEC implemented in 2011.

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 2011-12 was \$743,658. This is an increase of almost four percent. The cost of fire protection services for Fiscal Year 2012-13 is budgeted to cost \$774,485. 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. This contract is due for renewal in 2014.

Well #9 Construction

Through the American Recovery and Reinvestment Act (ARRA) loans program, the City received funds to facilitate the construction of a new drinking water well (Well #9). As of June 30, 2012, the well construction and security fence were complete. This well supplies 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 was forgiven in the form of a grant and the City has begun yearly payments on the remaining \$594,606 in a low interest loan.

ECONOMIC CLIMATE AND FUTURE

The City of Fairview, due to its close attention to revenues and expenditures, positioned itself to absorb some of the economic impacts of the recent financial crisis without significantly impacting services to citizens. For Fiscal Year 2012-13, the City had to eliminate an additional two positions. These eliminations will impact the ability of staff to complete as many projects in the year: this is especially true in the areas of code enforcement and planning. Despite the elimination of these positions and eliminating several items from the budget, the City still budgeted to utilize approximately \$10,000 of reserve dollars (savings). This was a significant drop in the use of reserves from the three prior fiscal years. Utilizing a significant amount of savings to provide services was and 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 revenues fall, new construction stays flat, unemployment remains high, and state shared revenues continue to decline, the City must stay vigilant in monitoring its' spending in order to continue to provide key services to the citizens of Fairview. For the Fiscal Year 2012-13 budget, the Budget Committee and City Council issued the directive to staff to contain costs and operate within the City's means without using reserves.

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, 2011. 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,



Samantha D. Nelson, MBA
City Administrator



Lesla Folger
Deputy Finance Director

**CITY OF FAIRVIEW
OFFICIALS OF THE CITY
AS OF JUNE 30, 2012**

MAYOR AND CITY COUNCIL

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

City Administration

Joseph Gall, City Administrator (Resigned May, 2012)
Samantha Nelson, Interim City Administrator/Finance Director

Lesa Folger, Deputy 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, 2011

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.



Christopher P. Morrell

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



FINANCIAL SECTION



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Certified Public Accountants and Business Advisors

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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, 2012, 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, 2012, the respective changes in financial position and, where applicable, cash flows, thereof, and the respective budgetary comparisons for the General Fund, State Tax Street Fund, and Grant/Projects 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 December 14, 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.

A

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 q 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, Oregon'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 or provide any assurance on them.

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

December 14, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS



CITY OF FAIRVIEW
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2012

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

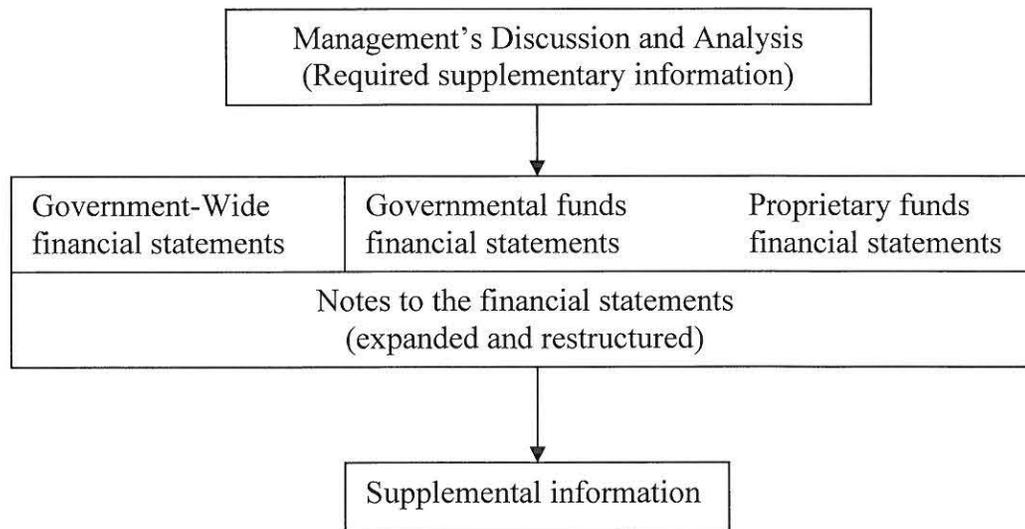
- The City's total net assets at June 30, 2012 are \$40.3 million; an increase of \$818,153 from the prior Year. The reason for this increase is primarily due to decreases in the long term obligation liabilities in the Enterprise Funds as a result of the City meeting the forgiveness conditions of the Safe Drinking Water Revolving Loan Fund program for construction of the Well 9 project.
- The assets of the City exceeded its liabilities at the close of the Fiscal Year by over \$40.3 million (net assets). Of this amount, \$7.0 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 \$637,941 (13.8%) 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 utilized.
- The capital assets of the City increased by \$162,911. This increase is primarily due to capital asset improvement projects for Fiscal Year 2011-12.
- Long-term debt decreased by \$724,921. This decrease is primarily due to forgiven debt related to the Well 9 project.
- Governmental activities revenue increased by \$492,808. This increase is primarily due to the receipt of grant funds for community development projects for parks and sidewalks improvements.

- Business-type activities revenue increased by \$664,022. This is primarily due to increased Capital Grants and Contributions for infrastructure improvement projects.

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 four major funds are General Fund, Street Fund, Grants/Projects Fund, and the Fairview Lake Sewer LID Debt Fund. The four non-major governmental funds are Administrative Excise Charge Fund, Building 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 35.

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 11 through 14.

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.

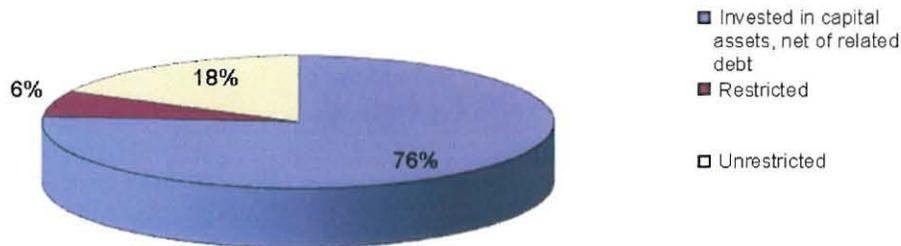
Other information- A budgetary comparison schedule is provided for all governmental funds and combining statements and budgetary schedules are presented for Water operations, Sanitary Sewer operations, and Stormwater operations. Supplementary information is found beginning on page 35.

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 \$40.3 million at the end of Fiscal Year 2011-12. This is an increase of \$818,153 from the previous year. The reason for this increase is primarily due to a decrease in liabilities relating to the debt service for the construction of Well 9. The following table shows a comparative summary of net assets at Fiscal Year end:

	City of Fairview Summary of Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
ASSETS						
Current and other Assets	\$5,980,368	\$ 6,211,124	\$ 5,055,354	\$ 4,681,108	\$11,035,722	\$ 10,892,232
Capital Assets	8,839,675	9,024,327	24,714,607	24,692,866	33,554,282	33,717,193
Total Assets	14,820,043	15,235,451	29,769,961	29,373,974	44,590,004	44,609,425
LIABILITIES						
Current and Other liabilities	346,449	406,433	432,693	298,897	779,142	705,330
Long-term liabilities	572,287	563,225	3,703,647	2,987,788	4,275,934	3,551,013
Total Liabilities	918,736	969,658	4,136,340	3,286,685	5,055,076	4,256,343
NET ASSETS						
Invested in Capital Assets, net of related debt	8,839,675	9,024,327	21,045,862	21,746,503	29,885,537	30,770,830
Restricted	1,010,278	1,181,456	1,349,554	1,383,290	2,359,832	2,564,746
Unrestricted	4,051,354	4,060,010	3,238,205	2,957,496	7,289,559	7,017,506
Total Net Assets	\$13,901,307	\$14,265,793	\$ 25,633,621	\$26,087,289	\$39,534,928	\$ 40,353,082

Net Assets June 30, 2012



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.

The City's capital assets increased by approximately \$162,911 from \$33.5 million to \$33.7 million which equates to a less than 1% increase in total assets. This is largely due to capital asset improvement projects for Fiscal Year 2011-12.

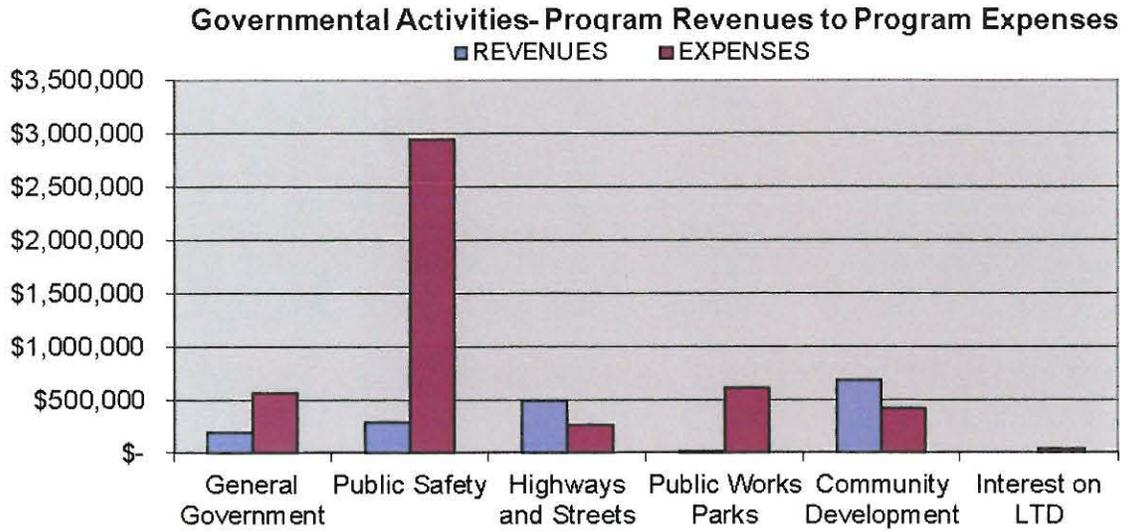
Governmental Activities increased the City's total assets by almost \$364,486. The primary elements of this increase are as follows:

- Capital Grants and Contributions increased by \$497,380
- Franchise Fee revenue increased by \$29,463.
- Property tax collections increased by \$23,935.
- Fines and Forfeiture collections decreased by \$35,445 as a result of fewer citations being issued during the Fiscal Year.
- Intergovernmental revenue increased by \$464,661

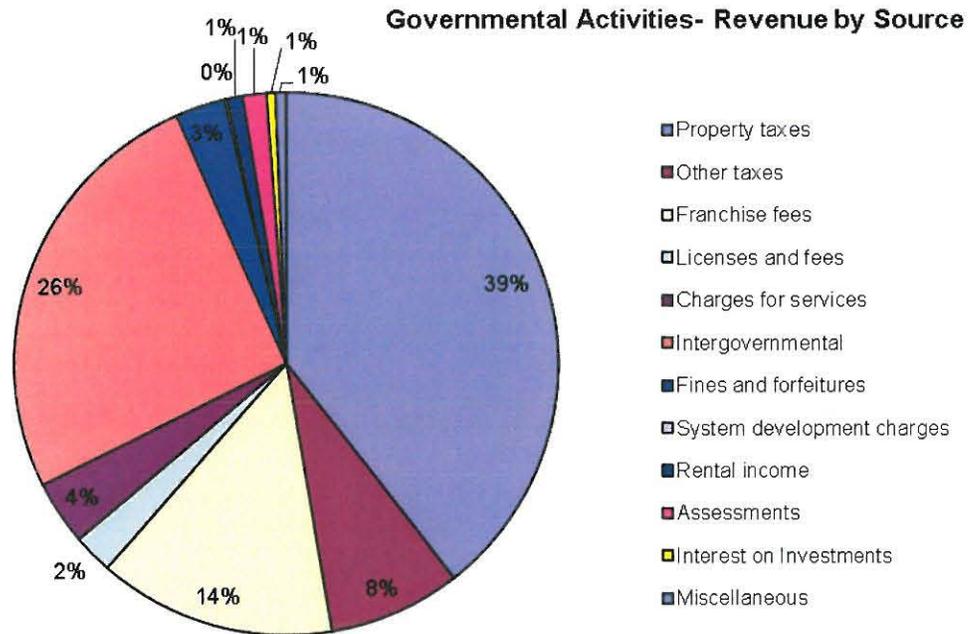
The table below provides a comparative summary of the changes in net assets:

	City of Fairview Summary of Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2011	2012	2011	2012	2011	2012
REVENUES						
Program Revenues:						
Charges for Services	\$ 530,887	\$ 503,037	\$ 3,455,230	\$ 3,495,838	\$ 3,986,117	\$ 3,998,875
Operating Grants and Cont.	565,853	589,131	18,625	1,335	584,478	590,466
Capital Grants and Cont.	78,620	576,000	11,605	652,309	90,225	1,228,309
General Revenues:						
Property Taxes	1,981,172	2,030,223	-	-	1,981,172	2,030,223
Other Taxes	1,328,840	1,375,091	-	-	1,328,840	1,375,091
Miscellaneous	55,878	28,944	-	-	55,878	26,189
Interest & Investment Earnings	25,325	26,636	22,079	23,013	47,404	49,649
Total Revenues	4,566,575	5,129,062	3,507,539	4,172,495	8,074,114	9,301,557
EXPENSES						
General Government	642,181	561,494	-	-	642,181	561,494
Public Safety	2,791,575	2,941,229	-	-	2,791,575	2,941,229
Community Development	490,772	418,027	-	-	490,772	418,027
Streets	249,413	266,085	-	-	249,413	266,085
Public Works	707,535	607,689	-	-	707,535	607,689
Interest on Long Term Debt	29,343	29,343	-	-	29,343	29,343
Water	-	-	1,035,048	1,189,325	1,035,048	1,189,325
Sewer	-	-	1,715,523	1,867,204	1,715,523	1,867,204
Stormwater	-	-	596,863	603,008	596,862	603,008
Total Expenses	4,910,819	4,823,867	3,347,434	3,659,537	8,258,252	8,483,404
Excess (deficiency) before transfers:	(344,244)	305,195	160,105	512,958	(184,138)	818,153
Transfers	60,837	59,291	(60,837)	(59,291)	-	-
Change in Net Assets	(283,407)	364,486	99,268	453,667	(184,138)	818,153
Net Assets, beginning	14,184,714	13,901,307	25,534,352	25,633,622	39,719,066	39,534,928
Net Assets, ending	\$ 13,901,307	\$ 14,265,793	\$ 25,633,622	\$ 26,087,289	\$ 39,534,928	\$ 40,353,081

The following chart compares program revenues and expenses for individual governmental activities for Fiscal Year 2011-12.



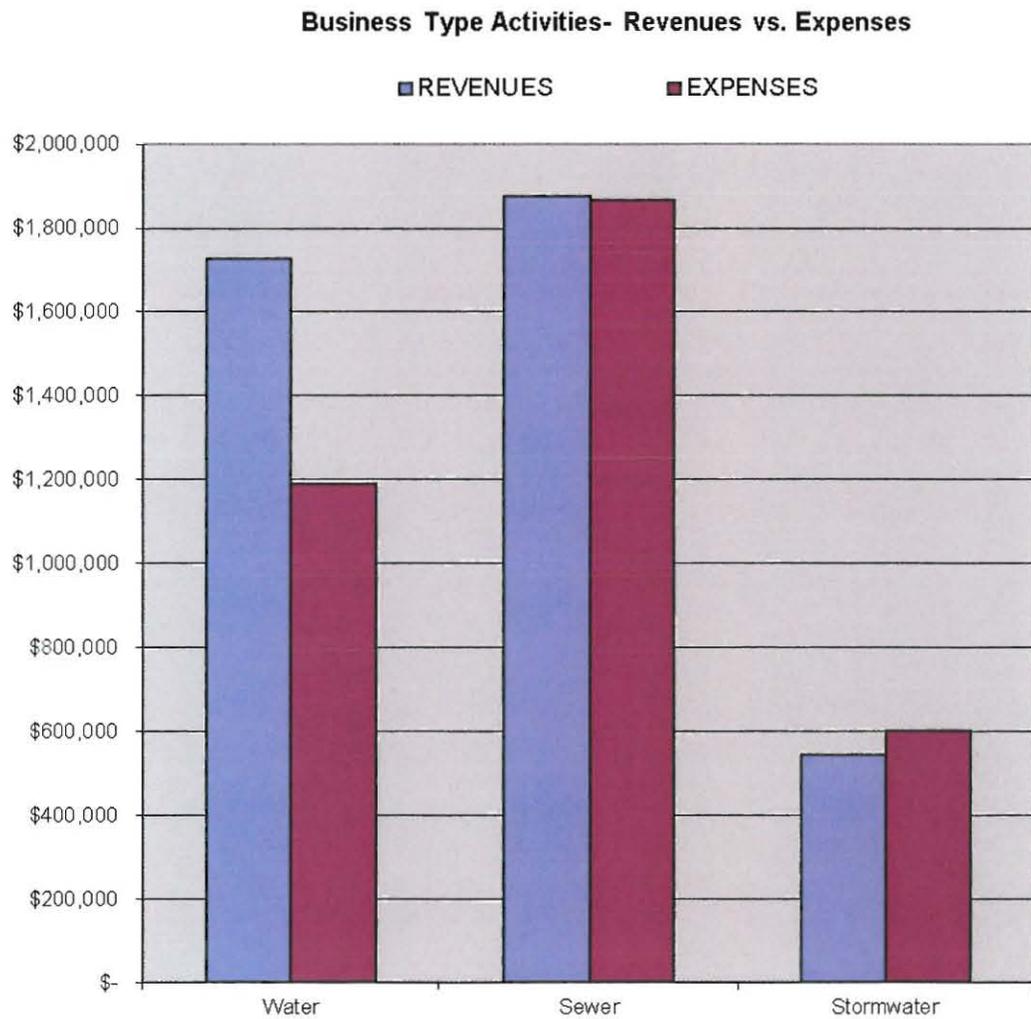
The next chart shows the share of revenues supporting governmental activities.



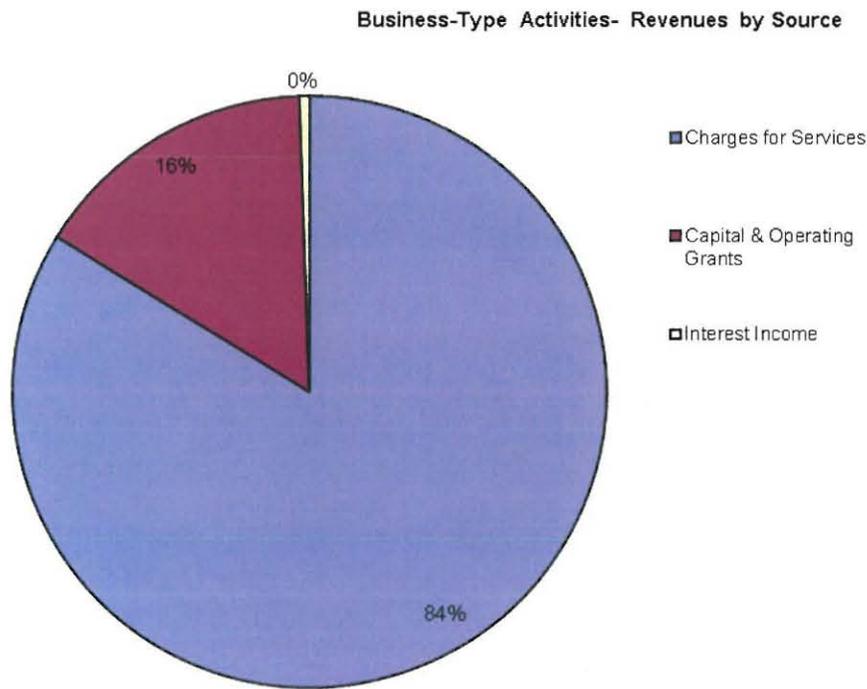
Business-type Activities increased the City's net assets by over \$453,668. This is primarily due to the following:

- Capital grants received for public improvement projects increased by almost \$640,704. These included the Halsey Street Sidewalk Improvement project as well as the Main Street Sidewalk Improvement project.
- Depreciation of existing business-type capital assets was approximately \$850,579.

The following chart compares program revenues to expenses by business-type activity for the Fiscal Year 2011-12.



The following chart shows that 84% 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 2011-12, the City's governmental funds reported a combined ending fund balance of \$5.0 million. Over \$3.3 million or 65.8% of the balance is unreserved for spending at the City's discretion. The remainder fund balance is nonspendable, restricted, committed, or assigned and is not available for future discretionary spending because it has already been designated for debt service, highway and street fund infrastructure improvements, and safety programs.

The combined ending fund balance for Fiscal Year 2011-12 is approximately \$127,088 more than the prior Year and is primarily due to decreased expenses as well as increased revenues.

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 2011-12, the total unassigned fund balance in the General Fund was over \$3.3 million. This is a \$108,376 decrease from Fiscal Year 2010-11. This decrease is primarily due to the budgeting of the use of reserves to fund operations.

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 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 \$91,300. This is a decrease of \$8,049. This decrease is due to the cost of painting the exterior and portions of the interior of City Hall.

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 \$416,433. This is an increase of \$43,860 from Fiscal Year 2010-11 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 \$417,064. This is an increase of almost \$102,106. This increase is primarily due to increases in the amount of the State Highway Tax received by the City as well as the deferring of street improvement projects to Fiscal Year 2012-13.

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 \$13,691. This is an increase of \$8,287. This increase is due to the collection of 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 \$423,579. This is a \$105,874 increase and is the result of deferring capital asset purchases.

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 was a new fund for Fiscal Year 2010-2011. The ending fund balance for Fiscal Year 2011-12 of the Building Fund was \$49,118. This is an increase of \$8,629 which is primarily due to a decrease in operating expenses.

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 \$-474. This negative balance is due to the timing of reimbursements for expenditures as of June 30, 2012. The Nature in Neighborhoods Grant for development of Salish Ponds is included in this fund.

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 \$297,057. This was an increase of \$1,397. This is primarily due to system development charges received during the Year and as well as interest revenue. Approximately \$9,866 of these funds were utilized to help fund the Handy Park Gazebo project.

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	\$	771,575	26%
Sewer Utility	\$	1,511,435	51%
Stormwater Utility	\$	674,486	23%

The total proprietary fund unrestricted net assets decreased by over \$280,709. This is primarily due to cash funding for capital infrastructure improvements as well as additional testing and treatment expenses associated with Well 9.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the Year there was a \$26,000 increase of appropriations between the original and final amended budgets. The main adjustments to original appropriations were:

- \$26,000 (increase to General Fund Revenue and General Fund Expense) supplemental appropriation to recognize receipt of a State Homeland Security Grant to assist the Fairview Police Department with the purchasing of computer hardware.
- \$23,600 (zero increase to General Fund) supplemental re-appropriation to re-allocate appropriation from personnel services to HR Administration to offset the cost for legal fees related to labor negotiations and to purchase uniforms for two officers hired by the City to fill vacant positions.

General fund revenue was \$208,426 dollars less than budgeted. This is primarily due to decreases in fines and forfeitures, property taxes, and intergovernmental revenue received by the City. General fund expenditures were \$637,941 under budget which is due to significant reductions in spending across all general fund departments as a result of the budgetary challenges anticipated for Fiscal Year 2012-13. These were extreme cuts and are not expected to be sustainable for the long-term.

CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012 amounts to \$33.7 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 increased by more than \$162,911, or approximately .5% from the prior Year. Governmental activities increased by \$184,652 and business-type activities account for a decrease of \$21,741. The decreases are attributable to depreciation expenses. Major capital asset events during the fiscal year included the following:

- Well #9 Fence Construction
- Handy Park Gazebo
- Main Street Sidewalk Improvement Project
- Halsey Street Sidewalk Improvement Project

City of Fairview
Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities	
	Beginning Balances	2012	Beginning Balances	2012
Land	\$ 1,492,753	\$ 1,492,753	\$ 981,430	\$ 981,430
Construction in Progress	-	37,054	21,905	-
Land Improvements	610,854	601,763	-	-
Dams and Weirs	326,053	312,467	-	-
Buildings	2,916,614	2,842,669	325,525	316,186
Machinery & Equipment	281,949	229,125	130,416	171,689
Infrastructure	3,211,452	3,508,496	23,255,332	23,223,561
Total	\$ 8,839,675	\$ 9,024,327	\$ 24,714,608	\$ 24,692,866

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 \$3.43 million. Governmental activities account for \$485,000 of the debt while business-type activities account for the remaining \$2.94 million of debt outstanding. Of that amount, \$304,054 is due within one Year.

The City had total non-current liabilities (not due within one Year) of \$3.1 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 \$570,000 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 \$1.78 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 \$594,606 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	
	2011	2012	2011	2012
Full Faith and Credit Bonds	\$ -	\$ -		
Limited Tax Issuance	\$ 485,000	\$ 485,000		
Water Revenue bond			\$ 675,000	\$ 570,000
City of Gresham Note Payable			\$ 1,947,934	\$ 1,781,757
State of Oregon Note Payable			\$ 1,045,811	\$ 594,606
Total:	\$ 485,000	\$ 485,000	\$ 3,668,745	\$ 2,946,363

The City's total debt decreased by \$722,382 during Fiscal Year 2011-12. The decrease is primarily attributable to the City meeting the requirements for loan forgiveness related to the State of Oregon Note Payable for the Well 9 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 has been in a slow decline. The City continues to have a strong financial reserve; however, for the third Year in a 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 does not have the ability, in the short term, to replace the reserves that have been used or will be used during Fiscal Year 2012-13. The following issues were considered in the compilation of the Fiscal Year 2012-13 budget:

- It is assumed that **property tax revenues** to the City will increase by no more 2% over Fiscal Year 2011-12 collections. This 2% is from increased values of currently assessed properties and is less than 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 have been falling short of the rising costs of public safety services and other city services such as planning and development.

- 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 2009-2010 budget remained unchanged. An additional **two full time positions** were eliminated for Fiscal Year 2012-13. Overall personnel costs make up approximately 32.5% of the General Fund budget for Fiscal Year 2012-13.
- The City has been in negotiations with the **Teamster Union** whose contract expired on December 31, 2011. It is anticipated the City will incur additional cost in the process of continuing to negotiate this contract.
- **PERS** rates will remain the same for Fiscal Year 2012-13 but are expected to increase by 5% or more for Fiscal Year 2013-14.
- The City will increase **utility user fees** in January 2013. In the winter of 2013, City Council 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 a minimum amount of **reserves** in order to balance the budget for Fiscal Year 12-13. This will be the fourth Year the City utilizes reserves; however, the amount is minimal at approximately \$10,000 and is expected to impact some service levels such as code enforcement, planning, and parks. These changes are intended to focus the City on its core services and to enable the creation of programs to leverage the remaining reserves to create future financial sustainability for the City. This is crucial given the funding limits imposed on local governments by Measures 5 and 50.

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
City Administrator
City of Fairview
1300 NE Village Street
Fairview, Oregon 97024
nelsons@ci.fairview.or.us



BASIC FINANCIAL STATEMENTS

CITY OF FAIRVIEW, OREGON
STATEMENT OF NET ASSETS
June 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,497,752	\$ 2,779,782	\$ 6,277,534
Investments	99,000	-	99,000
Receivables:			
Accounts	658,341	496,920	1,155,261
Fines and forfeitures	53,855	-	53,855
Property taxes	140,450	-	140,450
Assessments	579,370	-	579,370
Prepaid items	900	346	1,246
Bond issuance costs	-	20,770	20,770
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	1,181,456	1,383,290	2,564,746
Capital assets:			
Land	1,492,753	981,430	2,474,183
Construction in progress	37,054	-	37,054
Depreciable assets, net of depreciation	<u>7,494,520</u>	<u>23,711,436</u>	<u>31,205,956</u>
 Total assets	 <u>15,235,451</u>	 <u>29,373,974</u>	 <u>44,609,425</u>
LIABILITIES			
Accounts payable and accrued expenses	368,748	252,121	620,869
Deposits	15,590	11,298	26,888
Accrued interest payable	4,890	31,907	36,797
Retainage payable	15,854	3,571	19,425
Unearned revenue	1,351	-	1,351
Long-term obligations:			
Due within one year	66,491	339,265	405,756
Due in more than one year	<u>496,734</u>	<u>2,648,523</u>	<u>3,145,257</u>
 Total liabilities	 <u>969,658</u>	 <u>3,286,685</u>	 <u>4,256,343</u>
NET ASSETS			
Invested in capital assets, net of related debt	9,024,327	21,746,503	30,770,830
Restricted for:			
System development	297,057	1,238,475	1,535,532
Debt service	416,433	144,815	561,248
Highways and streets	417,064	-	417,064
Grants and projects	50,902	-	50,902
Unrestricted	<u>4,060,010</u>	<u>2,957,496</u>	<u>7,017,506</u>
 Total net assets	 <u>\$ 14,265,793</u>	 <u>\$ 26,087,289</u>	 <u>\$ 40,353,082</u>

CITY OF FAIRVIEW, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

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
Governmental activities:							
General government	\$ 561,494	\$ 116,699	\$ 4,319	\$ 72,673	\$ (367,803)	\$ -	\$ (367,803)
Public safety	2,941,229	193,832	92,600	1,784	(2,653,013)	-	(2,653,013)
Highways and streets	266,085	-	492,212	-	226,127	-	226,127
Public works	607,689	-	-	9,672	(598,017)	-	(598,017)
Community development	418,027	192,506	-	491,871	266,350	-	266,350
Interest on long-term obligations	29,343	-	-	-	(29,343)	-	(29,343)
Total governmental activities	4,823,867	503,037	589,131	576,000	(3,155,699)	-	(3,155,699)
Business-type activities:							
Water	1,189,325	1,090,274	1,335	636,706	-	538,990	538,990
Sewer	1,867,204	1,863,821	-	13,217	-	9,834	9,834
Stormwater	603,008	541,743	-	2,386	-	(58,879)	(58,879)
Total business-type activities	3,659,537	3,495,838	1,335	652,309	-	489,945	489,945
Total primary government	\$ 8,483,404	\$ 3,998,875	\$ 590,466	\$1,228,309	(3,155,699)	489,945	(2,665,754)
General revenues:							
Property taxes levied for:							
General purposes							
					2,030,223	-	2,030,223
Franchise and public services taxes							
					1,375,091	-	1,375,091
Interest and investment earnings							
					26,636	23,013	49,649
Miscellaneous							
					28,944	-	28,944
Transfers							
					59,291	(59,291)	-
Total general revenues, special items, and transfers							
					3,520,185	(36,278)	3,483,907
Change in net assets							
					364,486	453,667	818,153
Net assets, beginning							
					13,901,307	25,633,622	39,534,929
Net assets, ending							
					\$ 14,265,793	\$ 26,087,289	\$ 40,353,082

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



FUND FINANCIAL STATEMENTS

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.

Grants/Projects Fund

The Grants/Projects Fund accounts for grant revenues and expenses, as well as tracking individual capital projects and other program grants/donations.

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, 2012

	Combined General Fund	State Tax Street Fund	Grant/ Projects Fund	Fairview Lake Sewer LID Fund	Other Governmental Funds	Totals
ASSETS						
Cash and cash equivalents	\$ 3,057,058	\$ 414,411	\$ -	\$ 416,433	\$ 791,306	\$ 4,679,208
Investments	99,000	-	-	-	-	99,000
Receivables:						
Property taxes	140,450	-	-	-	-	140,450
Accounts	169,646	42,208	446,467	-	20	658,341
Fines and forfeitures, net	53,855	-	-	-	-	53,855
Assessments	-	-	-	579,370	-	579,370
Interfund receivable	156,611	-	-	-	-	156,611
Prepaid items	900	-	-	-	-	900
	<u>900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>900</u>
Total assets	<u>\$ 3,677,520</u>	<u>\$ 456,619</u>	<u>\$ 446,467</u>	<u>\$ 995,803</u>	<u>\$ 791,326</u>	<u>\$ 6,367,735</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 60,876	\$ 11,721	\$ 290,330	\$ -	\$ 5,821	\$ 368,748
Deposits	1,550	11,980	-	-	2,060	15,590
Deferred revenue	198,699	-	-	579,370	-	778,069
Retainage Payable	-	15,854	-	-	-	15,854
Interfund payable	-	-	156,611	-	-	156,611
	<u>-</u>	<u>-</u>	<u>156,611</u>	<u>-</u>	<u>-</u>	<u>156,611</u>
Total liabilities	<u>261,125</u>	<u>39,555</u>	<u>446,941</u>	<u>579,370</u>	<u>7,881</u>	<u>1,334,872</u>
FUND BALANCES (DEFICIT)						
Nonspendable	900	-	-	-	-	900
Restricted	1,784	417,064	-	416,433	346,175	1,181,456
Committed	-	-	-	-	13,691	13,691
Assigned	98,536	-	-	-	423,579	522,115
Unassigned	3,315,175	-	(474)	-	-	3,314,701
	<u>3,315,175</u>	<u>-</u>	<u>(474)</u>	<u>-</u>	<u>-</u>	<u>3,314,701</u>
Total fund balances	<u>3,416,395</u>	<u>417,064</u>	<u>(474)</u>	<u>416,433</u>	<u>783,445</u>	<u>5,032,863</u>
Total liabilities and fund balances	<u>\$ 3,677,520</u>	<u>\$ 456,619</u>	<u>\$ 446,467</u>	<u>\$ 995,803</u>	<u>\$ 791,326</u>	<u>\$ 6,367,735</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, 2012

Fund balances - total governmental funds	\$ 5,032,863
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.	9,024,327
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the fund statements.	776,718
Accrued compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(78,225)
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.	<u>(485,000)</u>
Net assets of governmental activities	<u>\$ 14,265,793</u>

CITY OF FAIRVIEW, OREGON
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012

	Combined General Fund	State Tax Street Fund	Grant/ Projects Fund	Fairview Lake Sewer LID Fund	Other Governmental Funds	Totals
REVENUES						
Property taxes	\$ 2,006,910	\$ -	\$ -	\$ -	\$ -	\$ 2,006,910
Other taxes	402,238	-	-	-	-	402,238
Franchise fees	716,964	-	-	-	-	716,964
Licenses and fees	35,270	1,050	-	-	82,870	119,190
Charges for services	185,459	-	-	-	8,576	194,035
Intergovernmental	318,283	497,523	491,871	-	-	1,307,677
Fines and forfeitures	149,073	-	-	-	1,741	150,814
System development charges	-	-	-	-	9,672	9,672
Rental income	45,913	-	-	-	-	45,913
Assessments	-	-	-	71,081	-	71,081
Interest on investments	18,552	2,183	97	2,148	3,657	26,637
Miscellaneous	25,117	6,347	-	-	27	31,491
TOTAL REVENUES	<u>3,903,779</u>	<u>507,103</u>	<u>491,968</u>	<u>73,229</u>	<u>106,543</u>	<u>5,082,622</u>
EXPENDITURES						
Current:						
General government	460,239	-	-	26	-	460,265
Public safety	2,920,036	-	-	-	-	2,920,036
Public works	286,962	-	-	-	-	286,962
Community development	293,915	-	-	-	74,904	368,819
Highways and streets	-	267,692	-	-	-	267,692
Capital outlay	23,888	131,045	517,442	-	12,813	685,188
Debt service	-	-	-	29,343	-	29,343
TOTAL EXPENDITURES	<u>3,985,040</u>	<u>398,737</u>	<u>517,442</u>	<u>29,369</u>	<u>87,717</u>	<u>5,018,305</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(81,261)</u>	<u>108,366</u>	<u>(25,474)</u>	<u>43,860</u>	<u>18,826</u>	<u>64,317</u>
OTHER FINANCING SOURCES (USES)						
Sale of property	-	-	-	-	3,480	3,480
Transfers in	4,000	-	-	-	101,881	105,881
Transfers out	(40,330)	(6,260)	-	-	-	(46,590)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(36,330)</u>	<u>(6,260)</u>	<u>-</u>	<u>-</u>	<u>105,361</u>	<u>62,771</u>
NET CHANGE IN FUND BALANCE	(117,591)	102,106	(25,474)	43,860	124,187	127,088
FUND BALANCE, Beginning	<u>3,533,986</u>	<u>314,958</u>	<u>25,000</u>	<u>372,573</u>	<u>659,258</u>	<u>4,905,775</u>
FUND BALANCE, Ending (DEFICIT)	<u>\$ 3,416,395</u>	<u>\$ 417,064</u>	<u>\$ (474)</u>	<u>\$ 416,433</u>	<u>\$ 783,445</u>	<u>\$ 5,032,863</u>

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, 2012

Net change in fund balance - governmental funds \$ 127,088

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Deferred revenues	43,686
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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:

Change in compensated absences	9,062
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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:

Capital asset additions	\$ 673,928	
Depreciation expense	<u>(489,278)</u>	
		<u>184,650</u>

Change in net assets - governmental activities \$ 364,486

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 2,053,985	\$ 2,053,985	\$ 2,006,910	\$ (47,075)
Other taxes	362,000	362,000	402,238	40,238
Franchise fees	736,508	736,508	716,964	(19,544)
Licenses and fees	34,750	34,750	35,270	520
Charges for services	186,595	186,595	185,459	(1,136)
Intergovernmental	319,503	345,503	318,283	(27,220)
Fines and forfeitures	290,930	290,930	149,073	(141,857)
Rental income	55,625	55,625	45,913	(9,712)
Interest on investments	43,394	43,394	18,092	(25,302)
Miscellaneous	2,455	2,455	25,117	22,662
TOTAL REVENUES	<u>4,085,745</u>	<u>4,111,745</u>	<u>3,903,319</u>	<u>(208,426)</u>
EXPENDITURES				
Current:				
General government	604,663	591,063	460,239	130,824
Public safety	3,050,294	3,089,894	2,920,036	169,858
Public works	319,183	319,183	286,962	32,221
Community development	311,732	330,092	293,915	36,177
Capital outlay	48,600	48,600	11,379	37,221
Contingency	250,000	231,640	-	231,640
TOTAL EXPENDITURES	<u>4,584,472</u>	<u>4,610,472</u>	<u>3,972,531</u>	<u>637,941</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(498,727)</u>	<u>(498,727)</u>	<u>(69,212)</u>	<u>429,515</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(40,330)</u>	<u>(40,330)</u>	<u>(40,330)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(40,330)</u>	<u>(40,330)</u>	<u>(40,330)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(539,057)	(539,057)	(109,542)	429,515
FUND BALANCE, Beginning	<u>3,497,044</u>	<u>3,497,044</u>	<u>3,434,637</u>	<u>(62,407)</u>
FUND BALANCE, Ending	<u>\$ 2,957,987</u>	<u>\$ 2,957,987</u>	<u>\$ 3,325,095</u>	<u>\$ 367,108</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Licenses and fees	\$ 1,250	\$ 1,250	\$ 1,050	\$ (200)
Intergovernmental	499,675	499,675	497,523	(2,152)
Interest on investments	920	920	2,183	1,263
Miscellaneous	-	-	6,347	6,347
TOTAL REVENUES	<u>501,845</u>	<u>501,845</u>	<u>507,103</u>	<u>5,258</u>
EXPENDITURES				
Current:				
Highways and streets:				
Personal services	177,766	174,066	168,054	6,012
Materials and services	108,505	114,738	99,638	15,100
Capital outlay	164,600	164,600	131,045	33,555
Contingency	<u>114,000</u>	<u>111,467</u>	-	<u>111,467</u>
TOTAL EXPENDITURES	<u>564,871</u>	<u>564,871</u>	<u>398,737</u>	<u>166,134</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(63,026)</u>	<u>(63,026)</u>	<u>108,366</u>	<u>171,392</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(6,260)</u>	<u>(6,260)</u>	<u>(6,260)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,260)</u>	<u>(6,260)</u>	<u>(6,260)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(69,286)	(69,286)	102,106	171,392
FUND BALANCE, Beginning	<u>287,276</u>	<u>287,276</u>	<u>314,958</u>	<u>27,682</u>
FUND BALANCE, Ending	<u>\$ 217,990</u>	<u>\$ 217,990</u>	<u>\$ 417,064</u>	<u>\$ 199,074</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
GRANT/PROJECTS FUND
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 611,043	\$ 621,043	\$ 491,871	\$ (129,172)
Interest on investments	505	505	97	(408)
TOTAL REVENUES	<u>611,548</u>	<u>621,548</u>	<u>491,968</u>	<u>(129,580)</u>
EXPENDITURES				
Capital outlay	586,043	596,043	517,442	78,601
Contingency	505	505	-	505
TOTAL EXPENDITURES	<u>586,548</u>	<u>596,548</u>	<u>517,442</u>	<u>79,106</u>
NET CHANGE IN FUND BALANCE	25,000	25,000	(25,474)	(50,474)
FUND BALANCE, Beginning	<u>50,000</u>	<u>50,000</u>	<u>25,000</u>	<u>(25,000)</u>
FUND BALANCE, Ending (DEFICIT)	<u>\$ 75,000</u>	<u>\$ 75,000</u>	<u>\$ (474)</u>	<u>\$ (75,474)</u>

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

FUND FINANCIAL STATEMENTS

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, 2012

	<u>Business - type Activities - Enterprise Funds</u>			
ASSETS	Water Funds	Sewer Funds	Stormwater Funds	Total
Current assets:				
Cash and cash equivalents	\$ 678,542	\$ 1,497,058	\$ 604,182	\$ 2,779,782
Receivables:				
Accounts, net	150,580	260,620	85,720	496,920
Prepaid items	<u>-</u>	<u>346</u>	<u>-</u>	<u>346</u>
Total current assets	<u>829,122</u>	<u>1,758,024</u>	<u>689,902</u>	<u>3,277,048</u>
Noncurrent assets:				
Restricted cash and cash equivalents	516,713	592,073	274,504	1,383,290
Bond issuance costs	20,770	-	-	20,770
Capital assets:				
Land	531,270	228,550	221,610	981,430
Depreciable assets, net of depreciation	<u>11,122,413</u>	<u>8,814,647</u>	<u>3,774,376</u>	<u>23,711,436</u>
Total noncurrent assets	<u>12,191,166</u>	<u>9,635,270</u>	<u>4,270,490</u>	<u>26,096,926</u>
Total assets	<u>\$ 13,020,288</u>	<u>\$ 11,393,294</u>	<u>\$ 4,960,392</u>	<u>\$ 29,373,974</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 34,251	\$ 211,442	\$ 6,428	\$ 252,121
Accrued interest payable	16,317	15,590	-	31,907
Retainage payable	-	3,571	-	3,571
Deposits	11,298	-	-	11,298
Current portion of long-term debt	<u>145,992</u>	<u>185,633</u>	<u>7,640</u>	<u>339,265</u>
Total current liabilities	<u>207,858</u>	<u>416,236</u>	<u>14,068</u>	<u>638,162</u>
Long-term debt, net of current portion:				
Compensated absences payable	2,468	2,398	1,348	6,214
Notes and contracts payable	572,597	1,609,712	-	2,182,309
Bonds payable	<u>460,000</u>	<u>-</u>	<u>-</u>	<u>460,000</u>
Total long-term liabilities	<u>1,035,065</u>	<u>1,612,110</u>	<u>1,348</u>	<u>2,648,523</u>
Total liabilities	<u>1,242,923</u>	<u>2,028,346</u>	<u>15,416</u>	<u>3,286,685</u>
Net assets:				
Invested in capital assets, net of related debt	10,489,077	7,261,440	3,995,986	21,746,503
Restricted for system development	371,898	592,073	274,504	1,238,475
Restricted for debt service	144,815	-	-	144,815
Unrestricted	<u>771,575</u>	<u>1,511,435</u>	<u>674,486</u>	<u>2,957,496</u>
Total net assets	<u>11,777,365</u>	<u>9,364,948</u>	<u>4,944,976</u>	<u>26,087,289</u>
Total liabilities and net assets	<u>\$ 13,020,288</u>	<u>\$ 11,393,294</u>	<u>\$ 4,960,392</u>	<u>\$ 29,373,974</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, 2012

	Business - type Activities - Enterprise Funds			
	Water Funds	Sewer Funds	Stormwater Funds	Total
OPERATING REVENUES				
Charges for services	\$ 1,090,274	\$ 1,863,821	\$ 541,743	\$ 3,495,838
Miscellaneous	1,335	-	-	1,335
TOTAL OPERATING REVENUES	<u>1,091,609</u>	<u>1,863,821</u>	<u>541,743</u>	<u>3,497,173</u>
OPERATING EXPENSES				
Personal services	391,782	376,160	235,894	1,003,836
Materials and services	503,019	1,055,928	132,768	1,691,715
Depreciation	246,399	369,834	234,346	850,579
TOTAL OPERATING EXPENSES	<u>1,141,200</u>	<u>1,801,922</u>	<u>603,008</u>	<u>3,546,130</u>
OPERATING INCOME (LOSS)	<u>(49,591)</u>	<u>61,899</u>	<u>(61,265)</u>	<u>(48,957)</u>
NON-OPERATING INCOME (EXPENSES)				
Interest on investments	6,585	11,899	4,529	23,013
Interest expense	(48,125)	(65,282)	-	(113,407)
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>(41,540)</u>	<u>(53,383)</u>	<u>4,529</u>	<u>(90,394)</u>
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(91,131)	8,516	(56,736)	(139,351)
CAPITAL CONTRIBUTIONS				
Intergovernmental	625,000	-	-	625,000
System development charges	11,706	13,217	2,386	27,309
TRANSFERS				
Transfers out	(26,222)	(26,222)	(6,847)	(59,291)
CHANGE IN NET ASSETS	519,353	(4,489)	(61,197)	453,667
NET ASSETS, Beginning	<u>11,258,012</u>	<u>9,369,437</u>	<u>5,006,173</u>	<u>25,633,622</u>
NET ASSETS, Ending	<u>\$ 11,777,365</u>	<u>\$ 9,364,948</u>	<u>\$ 4,944,976</u>	<u>\$ 26,087,289</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, 2012

	<u>Business-type Activities - Enterprise Funds</u>			
	Water Funds	Sewer Funds	Stormwater Funds	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,071,468	\$ 1,905,377	\$ 551,792	3,528,637
Payments to suppliers	(694,476)	(1,050,838)	(166,740)	(1,912,054)
Payments to employees	(261,547)	(250,650)	(159,210)	(671,407)
Payments for interfund services used	(78,470)	(121,359)	(41,482)	(241,311)
Net cash provided from (used by) operating activities	<u>36,975</u>	<u>482,530</u>	<u>184,360</u>	<u>703,865</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers out	(26,222)	(26,222)	(6,847)	(59,291)
Net cash provided from (used by) non-capital financing activities	<u>(26,222)</u>	<u>(26,222)</u>	<u>(6,847)</u>	<u>(59,291)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
System development charges	11,706	13,217	2,386	27,309
Proceeds from issuance of debt	173,796	-	-	173,796
Acquisition of capital assets	(57,732)	(724,110)	(43,423)	(825,265)
Principal paid on long-term obligations	(105,000)	(166,178)	-	(271,178)
Interest paid on long-term obligations	(40,347)	(66,736)	-	(107,083)
Net cash provided from (used by) capital and related financing activities	<u>(17,577)</u>	<u>(943,807)</u>	<u>(41,037)</u>	<u>(1,002,421)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	6,585	11,899	4,529	23,013
Net cash provided from (used by) investing activities	<u>6,585</u>	<u>11,899</u>	<u>4,529</u>	<u>23,013</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(239)	(475,600)	141,005	(334,834)
CASH AND CASH EQUIVALENTS, Beginning	<u>1,195,494</u>	<u>2,564,731</u>	<u>737,681</u>	<u>4,497,906</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 1,195,255</u>	<u>\$ 2,089,131</u>	<u>\$ 878,686</u>	<u>\$ 4,163,072</u>
COMPRISED AS FOLLOWS:				
Cash and cash equivalents	\$ 678,542	\$ 1,497,058	\$ 604,182	\$ 2,779,782
Restricted cash and cash equivalents	516,713	592,073	274,504	1,383,290
	<u>\$ 1,195,255</u>	<u>\$ 2,089,131</u>	<u>\$ 878,686</u>	<u>\$ 4,163,072</u>
Reconciliation of operating income (loss) to net cash provided from (used by) operating activities				
Operating income (loss)	\$ (49,591)	\$ 61,899	\$ (61,265)	\$ (48,957)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	246,399	369,834	234,346	850,579
(Increase) decrease in assets:				
Receivables	(18,001)	43,557	10,049	35,605
Prepays	-	(346)	-	(346)
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	(142,921)	6,345	1,179	(135,397)
Deposits	(2,140)	(2,000)	-	(4,140)
Compensated absences payable	3,229	3,241	51	6,521
Net cash provided from (used by) operating activities	<u>\$ 36,975</u>	<u>\$ 482,530</u>	<u>\$ 184,360</u>	<u>\$ 703,865</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Intergovernmental revenue/forgiveness of debt	<u>\$ 625,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 625,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRVIEW
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

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 these 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.

Grant/Projects Fund accounts for grant revenues and expenses, as well as tracking individual capital projects and other program grants/donations.

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 \$219 for 2011-2012 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, 2012 were as follows:

Fund Balances:	General	Street	Grants/ Projects Fund	Fairview Lake Sewer LID Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable	\$ 900	\$ -	\$ -	\$ -	\$ -	\$ 900
Restricted:						
Highways and streets	-	417,064	-	-	-	417,064
Capital projects	-	-	-	-	297,057	297,057
Grants and projects	1,784	-	-	-	49,118	50,902
Debt service	-	-	-	416,433	-	416,433
Committed						
Capital projects	-	-	-	-	13,691	13,691
Assigned:						
Facilities maintenance	91,300	-	-	-	-	91,300
Community center	7,236	-	-	-	-	7,236
Community development	-	-	-	-	-	-
Capital projects	-	-	-	-	423,579	423,579
Unassigned	3,315,175	-	(474)	-	-	3,314,701
Total Fund Balances	\$3,416,395	\$417,064	\$ (474)	\$ 416,433	\$ 783,445	\$ 5,032,863

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. 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, 2012, appropriation increases and transfers were approved, and supplemental budgets were adopted.

B. Excess of Expenditure over Appropriations

Expenditures exceeded appropriations in the following amounts:

Sewer Fund	
Capital Outlay	<u>\$ 115,623</u>

C. Deficit

Funds having a deficit fund balance at June 30, 2012 are as follows:

Grant/Projects Fund	<u>\$ 474</u>
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Management expects the deficit fund balances to be reversed in future years through grant receipts from the Nature in Neighborhoods Grant.

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, 2012. 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, 2012, the carrying amount of the City's deposits was \$71,372 and the bank balance was \$149,607. 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, 2012 are as follows:

	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Carrying Amount/ Fair Value</u>
Local Government Investment Pool	1 day	99%	\$ 8,770,658
Time Certificate of Deposits	One year	1%	99,000
		<u>100%</u>	<u>8,869,658</u>
Less amounts classified as cash equivalents			<u>(8,770,658)</u>
Total Investments			<u>\$ 99,000</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	71,372
Local Government Investment Pool	<u>8,770,658</u>
Total cash and cash equivalents	<u>\$ 8,842,280</u>

B. Receivables

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

	<u>General</u>	<u>State Tax Street</u>	<u>Grant/ Projects</u>	<u>Fairview Lake Sewer LID</u>	<u>Total Governmental Activities</u>
Property taxes	\$ 140,450	\$ -	\$ -	\$ -	\$ 140,450
Accounts	49,549	-	-	-	49,549
Intergovernmental	120,097	42,208	446,467	-	608,772
Fines and forfeitures	89,759	-	-	-	89,759
Assessments	-	-	-	579,370	579,370
Gross receivables	<u>399,855</u>	<u>42,208</u>	<u>446,467</u>	<u>579,370</u>	<u>1,467,900</u>
Less: allowance for uncollectible accounts	(35,904)	-	-	-	(35,904)
Net total receivables	<u>\$ 363,951</u>	<u>\$ 42,208</u>	<u>\$ 446,467</u>	<u>\$ 579,370</u>	<u>\$ 1,431,996</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	\$ 159,899	\$ 282,883	\$ 85,752	\$ 528,534
Less: Allowance for uncollectible accounts	<u>(9,319)</u>	<u>(22,263)</u>	<u>(32)</u>	<u>(31,614)</u>
Net total receivables	<u>\$ 150,580</u>	<u>\$ 260,620</u>	<u>\$ 85,720</u>	<u>\$ 496,920</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 2011-2012, 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 \$2,058,075. 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, 2012 was \$589,632,877.

Following is a summary of property tax transactions for the year ended June 30, 2012:

City	Balances		Adjustments (Discounts)	Interest	Collections	Balances	
	July 1, 2011	2011-12 Levy				June 30, 2012	
2011-12	\$ -	\$ 2,058,075	\$ (67,946)	\$ 539	\$ (1,926,757)	\$	63,911
2010-11	65,387	-	3,832	1,355	(28,428)	\$	42,146
2009-10	27,638	-	5,190	1,423	(10,968)	\$	23,283
2008-09	15,277	-	(166)	1,876	(10,020)	\$	6,967
2007-08	5,802	-	(140)	981	(4,506)	\$	2,137
2006-07	760	-	(25)	138	(456)	\$	417
2005-06	320	-	(18)	42	(125)	\$	219
2004-05	315	-	7	11	(38)	\$	295
Prior years	1,135	-	(1)	50	(109)	\$	1,075
	<u>\$ 116,634</u>	<u>\$ 2,058,075</u>	<u>\$ (59,267)</u>	<u>\$ 6,415</u>	<u>\$ (1,981,407)</u>	<u>\$</u>	<u>140,450</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, 2012, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,492,753	\$ -	\$ -	\$ 1,492,753
Construction in progress	-	37,054	-	37,054
 Total capital assets, not being depreciated	 1,492,753	 37,054	 -	 1,529,807
Capital assets, being depreciated:				
Land improvements	970,167	23,642	-	993,809
Dams and weirs	407,565	-	-	407,565
Buildings	3,710,366	-	-	3,710,366
Equipment	1,479,824	11,560	(7,250)	1,484,134
Infrastructure	6,598,331	602,399	-	7,200,730
 Total capital assets, being depreciated	 13,166,253	 637,601	 (7,250)	 13,796,604
Accumulated depreciation for:				
Land improvements	(359,313)	(32,733)	-	(392,046)
Dams and weirs	(81,512)	(13,586)	-	(95,098)
Building	(793,752)	(73,945)	-	(867,697)
Equipment	(1,197,875)	(63,659)	6,525	(1,255,009)
Infrastructure	(3,386,879)	(305,355)	-	(3,692,234)
 Total accumulated depreciation	 (5,819,331)	 (489,278)	 6,525	 (6,302,084)
 Total capital assets, being depreciated, net	 7,346,922	 148,323	 (725)	 7,494,520
 Governmental activities capital assets, net	 <u>\$ 8,839,675</u>	 <u>\$ 185,377</u>	 <u>\$ (725)</u>	 <u>\$ 9,024,327</u>

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

General government	\$ 87,967
Community development	55,640
Public safety	19,962
Public works	<u>325,709</u>
 Total depreciation expense - governmental activities	 <u>\$ 489,278</u>

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 981,430	\$ -	\$ -	\$ 981,430
Construction in progress	21,905	-	(21,905)	-
Total capital assets, not being depreciated	<u>1,003,335</u>	<u>-</u>	<u>(21,905)</u>	<u>981,430</u>
Capital assets, being depreciated:				
Buildings	373,592	-	-	373,592
Equipment	311,125	62,153	-	373,278
Infrastructure	33,987,821	788,589	-	34,776,410
Total capital assets, being depreciated	<u>34,672,538</u>	<u>850,742</u>	<u>-</u>	<u>35,523,280</u>
Less accumulated depreciation for:				
Building	(48,067)	(9,339)	-	(57,406)
Equipment	(180,709)	(20,880)	-	(201,589)
Infrastructure	(10,732,489)	(820,360)	-	(11,552,849)
Total accumulated depreciation	<u>(10,961,265)</u>	<u>(850,579)</u>	<u>-</u>	<u>(11,811,844)</u>
Total capital assets, being depreciated, net	<u>23,711,273</u>	<u>163</u>	<u>-</u>	<u>23,711,436</u>
Business-type activities capital assets, net	<u>\$ 24,714,608</u>	<u>\$ 163</u>	<u>\$ (21,905)</u>	<u>\$ 24,692,866</u>

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

Water	\$ 246,399
Sewer	369,834
Stormwater	<u>234,346</u>
Total depreciation expense - business-type activities	<u>\$ 850,579</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 \$1,351 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	\$ 117,729	\$ -	\$ 117,729
Fines and forfeitures	53,855	-	53,855
Intergovernmental	14,290	-	14,290
Unearned revenues	1,351	-	1,351
Special assessments	-	579,370	579,370
Other	11,474	-	11,474
	<u>\$ 198,699</u>	<u>\$ 579,370</u>	<u>\$ 778,069</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
2013	\$ -	\$ 29,343
2014	-	29,343
2015	485,000	29,342
	<u>\$ 485,000</u>	<u>\$ 88,028</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
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>\$ 570,000</u>	<u>\$ 70,985</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
2013	\$ 172,045	\$ 60,869
2014	178,119	54,795
2015	184,408	48,506
2016	190,918	41,995
2017	197,659	35,255
2018-2021	858,608	68,726
	<u>\$ 1,781,757</u>	<u>\$ 310,146</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. Of the \$1,250,000 approved loan amount, the first \$625,000 borrowed is conditionally forgivable. The City met the forgiveness conditions in the current year. The note requires annual payments of \$39,967, including interest at 3.0% for 20 years. The final payment is due December 1, 2031.

Future maturities are as follows:

Year Ending June 30	Principal	Interest
2013	\$ 22,009	\$ 17,958
2014	22,789	17,178
2015	23,473	16,494
2016	24,177	15,790
2017	24,902	15,065
2018-2022	136,175	63,659
2023-2027	157,864	41,970
2028-2032	183,217	16,827
	<u>\$ 594,606</u>	<u>\$ 204,941</u>

5. Changes in Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2012, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Limited Tax Issuances	\$ 485,000	\$ -	\$ -	\$ 485,000	\$ -
Compensated Absences	87,287	78,225	87,287	78,225	66,491
Governmental activity					
Long-term obligations	<u>\$ 572,287</u>	<u>\$ 78,225</u>	<u>\$ 87,287</u>	<u>\$ 563,225</u>	<u>\$ 66,491</u>
Business - type activities:					
Compensated Absences	\$ 34,902	\$ 41,425	\$ 34,902	\$ 41,425	\$ 35,211
Revenue Bonds Payable	675,000	-	105,000	570,000	110,000
Notes Payable	2,993,745	173,795	791,177	2,376,363	194,054
Business-type activity					
Long-term obligations	<u>\$ 3,703,647</u>	<u>\$ 215,220</u>	<u>\$ 931,079</u>	<u>\$ 2,987,788</u>	<u>\$ 339,265</u>

G. Transfers

The proprietary funds transferred out amounts to the governmental funds are for future capital asset acquisitions into the Equipment Replacement Fund. The governmental funds transferred out into other governmental funds are for transfers to the Facilities Maintenance Fund. The Net transfers between governmental activities and business-type activities in the government-wide financial statements consist of transfers out of the business-type activities and transfers into the governmental activities in the amount of \$59,291.

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

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities		
General	\$ 4,000	\$ 40,330
State Tax Street	-	6,260
Other funds	101,881	-
Business-type activities		
Water	-	26,222
Sewer	-	26,222
Wastewater	-	6,847
	<u>\$ 105,881</u>	<u>\$ 105,881</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.

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 14.08% 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 11.78% of covered payroll for police employees and 9.07% 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, 2012, 2011, and 2010, were \$410,307, \$273,081, and \$265,989, 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 Salish Ponds Improvement project. Costs incurred as of June 30, 2012 are \$37,054 with total estimated costs were undetermined. As of June 30, 2012 the project is being redesigned and updated with changes, with percentage complete and total costs being revised.

2. Construction Contracts

The City approved a construction contract for improvements to Salish Ponds Wetland Park. The contract amount is \$261,310. The City has previously worked with Wallis Engineering on the design aspects of the project.

The City approved a construction contract for the Main Street Overlay project for work on road surfaces on Main Street between NE 214th Street and 2nd Street for a cost of \$80,555.

3. Subsequent Events

The City approved a contract with GSI to provide hydrogeological services for Well #9 monitoring project.

The City has approved an employment agreement with the City Administrator in September.



SUPPLEMENTAL INFORMATION



COMBINING STATEMENTS

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.

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, 2012**

	Special Revenue	Capital Projects	Totals
ASSETS			
Cash and cash equivalents	\$ 70,670	\$ 720,636	\$ 791,306
Receivables:			
Accounts	20	-	20
Total assets	<u>\$ 70,690</u>	<u>\$ 720,636</u>	<u>\$ 791,326</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 5,821	\$ -	\$ 5,821
Deposits	2,060	-	2,060
Total liabilities	7,881	-	7,881
FUND BALANCES			
Restricted	49,118	297,057	346,175
Committed	13,691	-	13,691
Assigned	-	423,579	423,579
Total fund balances	62,809	720,636	783,445
Total liabilities and fund balances	<u>\$ 70,690</u>	<u>\$ 720,636</u>	<u>\$ 791,326</u>

CITY OF FAIRVIEW, OREGON
SUB-COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS
June 30, 2012

Special Revenue Funds

	Administrative Excise Charge Fund	Building Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 13,691	\$ 56,979	\$ 70,670
Receivables:			
Accounts	-	20	20
 Total assets	<u>\$ 13,691</u>	<u>\$ 56,999</u>	<u>\$ 70,690</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ -	\$ 5,821	\$ 5,821
Deposits	-	2,060	2,060
 Total liabilities	<u>-</u>	<u>7,881</u>	<u>7,881</u>
FUND BALANCES			
Restricted	-	49,118	49,118
Committed	13,691	-	13,691
 Total fund balances	<u>13,691</u>	<u>49,118</u>	<u>62,809</u>
 Total liabilities and fund balances	<u>\$ 13,691</u>	<u>\$ 56,999</u>	<u>\$ 70,690</u>

CITY OF FAIRVIEW, OREGON
SUB-COMBINING BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUNDS
June 30, 2012

Capital Projects Funds

	Equipment Replacement Fund	SDC Parks/Open Spaces Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 423,579	\$ 297,057	\$ 720,636
Total assets	<u>\$ 423,579</u>	<u>\$ 297,057</u>	<u>\$ 720,636</u>
FUND BALANCES			
Restricted	\$ -	\$ 297,057	\$ 297,057
Assigned	<u>423,579</u>	<u>-</u>	<u>423,579</u>
Total fund balances	<u>423,579</u>	<u>297,057</u>	<u>720,636</u>
Total liabilities and fund balances	<u>\$ 423,579</u>	<u>\$ 297,057</u>	<u>\$ 720,636</u>

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, 2012

	Special Revenue	Capital Projects	Totals
REVENUES			
Licenses and fees	\$ 82,870	\$ -	\$ 82,870
Charges for services	8,576	-	8,576
Fines and forfeitures	-	1,741	1,741
System development charges	-	9,672	9,672
Interest on investments	359	3,298	3,657
Miscellaneous	27	-	27
TOTAL REVENUES	<u>91,832</u>	<u>14,711</u>	<u>106,543</u>
EXPENDITURES			
Current:			
Community development	74,904	-	74,904
Capital outlay	<u>12</u>	<u>12,801</u>	<u>12,813</u>
TOTAL EXPENDITURES	<u>74,916</u>	<u>12,801</u>	<u>87,717</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>16,916</u>	<u>1,910</u>	<u>18,826</u>
OTHER FINANCING SOURCES (USES)			
Sale of property	-	3,480	3,480
Transfers in	<u>-</u>	<u>101,881</u>	<u>101,881</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>105,361</u>	<u>105,361</u>
NET CHANGE IN FUND BALANCE	16,916	107,271	124,187
FUND BALANCE, Beginning	<u>45,893</u>	<u>613,365</u>	<u>659,258</u>
FUND BALANCE, Ending	<u>\$ 62,809</u>	<u>\$ 720,636</u>	<u>\$ 783,445</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, 2012

	Special Revenue Funds		
	Administrative Excise Charge Fund	Building Fund	Totals
REVENUES			
Licenses and fees	\$ -	\$ 82,870	\$ 82,870
Charges for services	8,219	357	8,576
Interest on investments	68	291	359
Miscellaneous	-	27	27
TOTAL REVENUES	<u>8,287</u>	<u>83,545</u>	<u>91,832</u>
EXPENDITURES			
Current:			
Community development	-	74,904	74,904
Capital outlay	-	12	12
TOTAL EXPENDITURES	<u>-</u>	<u>74,916</u>	<u>74,916</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>8,287</u>	<u>8,629</u>	<u>16,916</u>
NET CHANGE IN FUND BALANCE	8,287	8,629	16,916
FUND BALANCE, Beginning	<u>5,404</u>	<u>40,489</u>	<u>45,893</u>
FUND BALANCE, Ending	<u>\$ 13,691</u>	<u>\$ 49,118</u>	<u>\$ 62,809</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, 2012

	Capital Projects Funds		
	Equipment Replacement Fund	SDC Parks/Open Spaces Fund	Totals
REVENUES			
Fines and forfeitures	\$ 1,741	\$ -	\$ 1,741
System development charges	-	9,672	9,672
Interest on investments	<u>1,707</u>	<u>1,591</u>	<u>3,298</u>
TOTAL REVENUES	<u>3,448</u>	<u>11,263</u>	<u>14,711</u>
EXPENDITURES			
Capital outlay	<u>2,935</u>	<u>9,866</u>	<u>12,801</u>
TOTAL EXPENDITURES	<u>2,935</u>	<u>9,866</u>	<u>12,801</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>513</u>	<u>1,397</u>	<u>1,910</u>
OTHER FINANCING SOURCES (USES)			
Sale of property	3,480	-	3,480
Transfers in	<u>101,881</u>	<u>-</u>	<u>101,881</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>105,361</u>	<u>-</u>	<u>105,361</u>
NET CHANGE IN FUND BALANCE	105,874	1,397	107,271
FUND BALANCE, Beginning	<u>317,705</u>	<u>295,660</u>	<u>613,365</u>
FUND BALANCE, Ending	<u><u>\$ 423,579</u></u>	<u><u>\$ 297,057</u></u>	<u><u>\$ 720,636</u></u>

**CITY OF FAIRVIEW, OREGON
COMBINING BALANCE SHEET
COMBINED GENERAL FUND
June 30, 2012**

	General Fund	Facilities Maintenance Fund	Totals
ASSETS			
Cash and cash equivalents	\$ 2,965,758	\$ 91,300	\$ 3,057,058
Investments	99,000	-	99,000
Receivables:			
Property taxes	140,450	-	140,450
Accounts	169,646	-	169,646
Fines and forfeitures, net	53,855	-	53,855
Advances to other funds	156,611	-	156,611
Prepaid items	900	-	900
Total assets	<u>\$ 3,586,220</u>	<u>\$ 91,300</u>	<u>\$ 3,677,520</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 60,876	\$ -	\$ 60,876
Deposits	1,550	-	1,550
Deferred revenue	198,699	-	198,699
Total liabilities	<u>261,125</u>	<u>-</u>	<u>261,125</u>
FUND BALANCES			
Nonspendable	900	-	900
Restricted	1,784	-	1,784
Assigned	7,236	91,300	98,536
Unassigned	3,315,175	-	3,315,175
Total fund balances	<u>3,325,095</u>	<u>91,300</u>	<u>3,416,395</u>
Total liabilities and fund balances	<u>\$ 3,586,220</u>	<u>\$ 91,300</u>	<u>\$ 3,677,520</u>

CITY OF FAIRVIEW, OREGON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
COMBINED GENERAL FUND
For the Fiscal Year Ended June 30, 2012

	General Fund	Facilities Maintenance Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property taxes	\$ 2,006,910	\$ -	\$ 2,006,910
Other taxes	402,238	-	402,238
Franchise fees	716,964	-	716,964
Licenses and fees	35,270	-	35,270
Charges for services	185,459	-	185,459
Intergovernmental	318,283	-	318,283
Fines and forfeitures	149,073	-	149,073
Rental income	45,913	-	45,913
Interest on investments	18,092	460	18,552
Miscellaneous	25,117	-	25,117
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	<u>3,903,319</u>	<u>460</u>	<u>3,903,779</u>
EXPENDITURES			
Current:			
General government	460,239	-	460,239
Public safety	2,920,036	-	2,920,036
Public works	286,962	-	286,962
Community development	293,915	-	293,915
Capital outlay	11,379	12,509	23,888
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>3,972,531</u>	<u>12,509</u>	<u>3,985,040</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(69,212)</u>	<u>(12,049)</u>	<u>(81,261)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	4,000	4,000
Transfers out	(40,330)	-	(40,330)
	<u> </u>	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(40,330)</u>	<u>4,000</u>	<u>(36,330)</u>
NET CHANGE IN FUND BALANCE	(109,542)	(8,049)	(117,591)
FUND BALANCE, Beginning	<u>3,434,637</u>	<u>99,349</u>	<u>3,533,986</u>
FUND BALANCE, Ending	<u>\$ 3,325,095</u>	<u>\$ 91,300</u>	<u>\$ 3,416,395</u>



BUDGETARY COMPARISON SCHEDULES

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, State Tax Street, and Grant/Project 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)**

▪ **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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
EXPENDITURES				
Personal services:				
General government	\$ 436,482	\$ 412,882	\$ 333,406	\$ 79,476
Public safety	1,691,939	1,691,939	1,619,678	72,261
Public works	198,884	198,884	193,299	5,585
Community development	203,543	203,543	200,549	2,994
Total personal services	<u>2,530,848</u>	<u>2,507,248</u>	<u>2,346,932</u>	<u>160,316</u>
Materials and services:				
General government	168,181	178,181	126,833	51,348
Public safety	1,358,355	1,397,955	1,300,358	97,597
Public works	120,299	120,299	93,663	26,636
Community development	108,189	126,549	93,366	33,183
Total materials and services	<u>1,755,024</u>	<u>1,822,984</u>	<u>1,614,220</u>	<u>208,764</u>
Capital outlay:				
General government	10,675	10,675	156	10,519
Public safety	6,925	6,925	10,989	(4,064)
Public works	30,250	30,250	157	30,093
Community development	750	750	77	673
Total capital outlay	<u>48,600</u>	<u>48,600</u>	<u>11,379</u>	<u>37,221</u>
Contingency	<u>250,000</u>	<u>231,640</u>	-	<u>231,640</u>
TOTAL EXPENDITURES	<u>4,584,472</u>	<u>4,610,472</u>	<u>3,972,531</u>	<u>637,941</u>
OTHER FINANCING USES				
Transfers out	<u>40,330</u>	<u>40,330</u>	<u>40,330</u>	-
TOTAL OTHER FINANCING USES	<u>40,330</u>	<u>40,330</u>	<u>40,330</u>	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 4,624,802</u>	<u>\$ 4,650,802</u>	<u>\$ 4,012,861</u>	<u>\$ 637,941</u>

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

Governmental Funds

Special Revenue Funds

- Administrative Excise Charge
- Building
- 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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 1,000	\$ 1,000	\$ 8,219	\$ 7,219
Interest on investments	51	51	68	17
TOTAL REVENUES	<u>1,051</u>	<u>1,051</u>	<u>8,287</u>	<u>7,236</u>
EXPENDITURES				
Contingency	4,230	4,230	-	4,230
TOTAL EXPENDITURES	<u>4,230</u>	<u>4,230</u>	<u>-</u>	<u>4,230</u>
NET CHANGE IN FUND BALANCE	(3,179)	(3,179)	8,287	11,466
FUND BALANCE, Beginning	<u>4,589</u>	<u>4,589</u>	<u>5,404</u>	<u>815</u>
FUND BALANCE, Ending	<u>\$ 1,410</u>	<u>\$ 1,410</u>	<u>\$ 13,691</u>	<u>\$ 12,281</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Licenses and fees	\$ 80,615	\$ 80,615	\$ 82,870	\$ 2,255
Charges for services	540	540	357	(183)
Interest on investments	29	29	291	262
Miscellaneous	-	-	27	27
TOTAL REVENUES	<u>81,184</u>	<u>81,184</u>	<u>83,545</u>	<u>2,361</u>
EXPENDITURES				
Current:				
Community development:				
Personal services	35,782	35,782	32,798	2,984
Materials and services	46,585	46,585	42,106	4,479
Capital outlay	150	150	12	138
Contingency	28,216	28,216	-	28,216
TOTAL EXPENDITURES	<u>110,733</u>	<u>110,733</u>	<u>74,916</u>	<u>35,817</u>
NET CHANGE IN FUND BALANCE	(29,549)	(29,549)	8,629	38,178
FUND BALANCE, Beginning	<u>29,549</u>	<u>29,549</u>	<u>40,489</u>	<u>10,940</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,118</u>	<u>\$ 49,118</u>

CITY OF FAIRVIEW, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FACILITIES MAINTENANCE FUND
(SUB-FUND OF THE GENERAL FUND)
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ 960	\$ 960	\$ 460	\$ (500)
TOTAL REVENUES	<u>960</u>	<u>960</u>	<u>460</u>	<u>(500)</u>
EXPENDITURES				
Capital outlay	50,000	50,000	12,509	37,491
Contingency	<u>24,667</u>	<u>24,667</u>	-	<u>24,667</u>
TOTAL EXPENDITURES	<u>74,667</u>	<u>74,667</u>	<u>12,509</u>	<u>62,158</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(73,707)</u>	<u>(73,707)</u>	<u>(12,049)</u>	<u>61,658</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(69,707)	(69,707)	(8,049)	61,658
FUND BALANCE, Beginning	<u>94,707</u>	<u>94,707</u>	<u>99,349</u>	<u>4,642</u>
FUND BALANCE, Ending	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 91,300</u>	<u>\$ 66,300</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
System development charges	\$ -	\$ -	\$ 9,672	\$ 9,672
Interest on investments	<u>275</u>	<u>275</u>	<u>1,591</u>	<u>1,316</u>
TOTAL REVENUES	<u>275</u>	<u>275</u>	<u>11,263</u>	<u>10,988</u>
EXPENDITURES				
Current:				
Materials and services	200	200	-	200
Capital outlay	245,477	245,477	9,866	235,611
Contingency	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
TOTAL EXPENDITURES	<u>270,677</u>	<u>270,677</u>	<u>9,866</u>	<u>260,811</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(270,402)</u>	<u>(270,402)</u>	<u>1,397</u>	<u>271,799</u>
NET CHANGE IN FUND BALANCE	(270,402)	(270,402)	1,397	271,799
FUND BALANCE, Beginning	<u>270,402</u>	<u>270,402</u>	<u>295,660</u>	<u>25,258</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 297,057</u>	<u>\$ 297,057</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Fines and forfeitures	\$ 2,900	\$ 2,900	\$ 1,741	\$ (1,159)
Interest on investments	<u>3,158</u>	<u>3,158</u>	<u>1,707</u>	<u>(1,451)</u>
TOTAL REVENUES	<u>6,058</u>	<u>6,058</u>	<u>3,448</u>	<u>(2,610)</u>
EXPENDITURES				
Capital outlay	<u>105,031</u>	<u>105,031</u>	<u>2,935</u>	<u>102,096</u>
TOTAL EXPENDITURES	<u>105,031</u>	<u>105,031</u>	<u>2,935</u>	<u>102,096</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(98,973)</u>	<u>(98,973)</u>	<u>513</u>	<u>99,486</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	-	-	3,480	3,480
Transfers in	<u>101,881</u>	<u>101,881</u>	<u>101,881</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>101,881</u>	<u>101,881</u>	<u>105,361</u>	<u>3,480</u>
NET CHANGE IN FUND BALANCE	2,908	2,908	105,874	102,966
FUND BALANCE, Beginning	<u>315,803</u>	<u>315,803</u>	<u>317,705</u>	<u>1,902</u>
FUND BALANCE, Ending	<u><u>\$ 318,711</u></u>	<u><u>\$ 318,711</u></u>	<u><u>\$ 423,579</u></u>	<u><u>\$ 104,868</u></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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Assessments	\$ 109,804	\$ 109,804	\$ 71,081	\$ (38,723)
Interest on investments	<u>1,437</u>	<u>1,437</u>	<u>2,148</u>	<u>711</u>
TOTAL REVENUES	<u>111,241</u>	<u>111,241</u>	<u>73,229</u>	<u>(38,012)</u>
EXPENDITURES				
Current:				
General government				
Materials and services	400	400	26	374
Debt service	<u>254,548</u>	<u>254,548</u>	<u>29,343</u>	<u>225,205</u>
TOTAL EXPENDITURES	<u>254,948</u>	<u>254,948</u>	<u>29,369</u>	<u>225,579</u>
NET CHANGE IN FUND BALANCE	(143,707)	(143,707)	43,860	187,567
FUND BALANCE, Beginning	<u>388,707</u>	<u>388,707</u>	<u>372,573</u>	<u>(16,134)</u>
FUND BALANCE, Ending	<u>\$ 245,000</u>	<u>\$ 245,000</u>	<u>\$ 416,433</u>	<u>\$ 171,433</u>



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

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 1,100,398	\$ 1,100,398	\$ 1,090,274	\$ (10,124)
Interest on investments	9,525	9,525	4,657	(4,868)
Miscellaneous	-	-	1,335	1,335
TOTAL REVENUES	<u>1,109,923</u>	<u>1,109,923</u>	<u>1,096,266</u>	<u>(13,657)</u>
EXPENDITURES				
Current:				
Personal services	413,572	413,572	388,553	25,019
Materials and services	433,922	503,922	491,364	12,558
Capital outlay	237,200	237,200	69,388	167,812
Debt service	281,053	211,053	145,347	65,706
Contingency	100,000	100,000	-	100,000
TOTAL EXPENDITURES	<u>1,465,747</u>	<u>1,465,747</u>	<u>1,094,652</u>	<u>371,095</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(355,824)</u>	<u>(355,824)</u>	<u>1,614</u>	<u>357,438</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	177,000	177,000	50,825	(126,175)
Transfers out	(26,222)	(26,222)	(26,222)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>150,778</u>	<u>150,778</u>	<u>24,603</u>	<u>(126,175)</u>
NET CHANGE IN FUND BALANCE	(205,046)	(205,046)	26,217	231,263
FUND BALANCE, Beginning	<u>376,615</u>	<u>376,615</u>	<u>902,171</u>	<u>525,556</u>
FUND BALANCE, Ending	<u>\$ 171,569</u>	<u>\$ 171,569</u>	<u>\$ 928,388</u>	<u>\$ 756,819</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
System development charges	\$ -	\$ -	\$ 11,706	\$ 11,706
Interest on investments	34	34	1,928	1,894
TOTAL REVENUES	<u>34</u>	<u>34</u>	<u>13,634</u>	<u>13,600</u>
EXPENDITURES				
Current:				
Materials and services	200	200	-	200
Capital outlay	328,575	328,575	-	328,575
TOTAL EXPENDITURES	<u>328,775</u>	<u>328,775</u>	<u>-</u>	<u>328,775</u>
NET CHANGE IN FUND BALANCE	(328,741)	(328,741)	13,634	342,375
FUND BALANCE, Beginning	<u>353,741</u>	<u>353,741</u>	<u>358,264</u>	<u>4,523</u>
FUND BALANCE, Ending	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 371,898</u>	<u>\$ 346,898</u>

**CITY OF FAIRVIEW, OREGON
RECONCILIATION TO GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES
ALL WATER FUNDS
For the Fiscal Year Ended June 30, 2012**

BUDGETARY BASIS FUND BALANCE (NON-GAAP):

Water	\$ 928,388
Water SDC	<u>371,898</u>
	1,300,286

Adjustments:

Capital assets, net of depreciation	11,653,683
Bond issuance costs	20,770
Compensated absences payable	(16,451)
Accrued interest payable	(16,317)
Long-term debt	<u>(1,164,606)</u>

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

\$ 11,777,365

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 1,828,500	\$ 1,828,500	\$ 1,863,821	\$ 35,321
Interest on investments	17,827	17,827	8,827	(9,000)
TOTAL REVENUES	<u>1,846,327</u>	<u>1,846,327</u>	<u>1,872,648</u>	<u>26,321</u>
EXPENDITURES				
Current:				
Personal services	398,077	398,077	372,920	25,157
Materials and services	1,056,330	1,056,330	1,055,684	646
Capital outlay	612,300	612,300	727,923	(115,623)
Debt service	233,913	233,913	232,914	999
Contingency	200,000	200,000	-	200,000
TOTAL EXPENDITURES	<u>2,500,620</u>	<u>2,500,620</u>	<u>2,389,441</u>	<u>111,179</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(654,293)</u>	<u>(654,293)</u>	<u>(516,793)</u>	<u>137,500</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(26,222)	(26,222)	(26,222)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(26,222)</u>	<u>(26,222)</u>	<u>(26,222)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(680,515)	(680,515)	(543,015)	137,500
FUND BALANCE, Beginning	<u>1,897,127</u>	<u>1,897,127</u>	<u>2,086,026</u>	<u>188,899</u>
FUND BALANCE, Ending	<u>\$ 1,216,612</u>	<u>\$ 1,216,612</u>	<u>\$ 1,543,011</u>	<u>\$ 326,399</u>

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
System development charges	\$ -	\$ -	\$ 13,217	\$ 13,217
Interest on investments	576	576	3,072	2,496
TOTAL REVENUES	<u>576</u>	<u>576</u>	<u>16,289</u>	<u>15,713</u>
EXPENDITURES				
Current:				
Materials and services	200	200	-	200
Capital outlay	546,640	546,640	-	546,640
Contingency	25,000	25,000	-	25,000
TOTAL EXPENDITURES	<u>571,840</u>	<u>571,840</u>	<u>-</u>	<u>571,840</u>
NET CHANGE IN FUND BALANCE	(571,264)	(571,264)	16,289	587,553
FUND BALANCE, Beginning	<u>571,264</u>	<u>571,264</u>	<u>575,784</u>	<u>4,520</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 592,073</u>	<u>\$ 592,073</u>

**CITY OF FAIRVIEW, OREGON
RECONCILIATION TO GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES
ALL SEWER FUNDS
For the Fiscal Year Ended June 30, 2012**

BUDGETARY BASIS FUND BALANCE (NON-GAAP):	
Sewer	\$ 1,543,011
Sewer SDC	<u>592,073</u>
	2,135,084
Adjustments:	
Capital assets, net of depreciation	9,043,197
Compensated absences payable	(15,986)
Accrued interest payable	(15,590)
Long-term debt	<u>(1,781,757)</u>
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES BASIS (GAAP) NET ASSETS	<u><u>\$ 9,364,948</u></u>

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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 481,500	\$ 481,500	\$ 541,743	\$ 60,243
Interest on investments	4,815	4,815	3,103	(1,712)
TOTAL REVENUES	<u>486,315</u>	<u>486,315</u>	<u>544,846</u>	<u>58,531</u>
EXPENDITURES				
Current:				
Personal services	246,923	246,923	235,844	11,079
Materials and services	198,057	198,057	132,651	65,406
Capital outlay	100,000	100,000	43,541	56,459
Contingency	171,645	171,645	-	171,645
TOTAL EXPENDITURES	<u>716,625</u>	<u>716,625</u>	<u>412,036</u>	<u>304,589</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(230,310)</u>	<u>(230,310)</u>	<u>132,810</u>	<u>363,120</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(6,847)	(6,847)	(6,847)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(6,847)</u>	<u>(6,847)</u>	<u>(6,847)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(237,157)	(237,157)	125,963	363,120
FUND BALANCE, Beginning	<u>337,954</u>	<u>337,954</u>	<u>557,510</u>	<u>219,556</u>
FUND BALANCE, Ending	<u>\$ 100,797</u>	<u>\$ 100,797</u>	<u>\$ 683,473</u>	<u>\$ 582,676</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
System development charges	\$ -	\$ -	\$ 2,386	\$ 2,386
Interest on investments	275	275	1,426	1,151
TOTAL REVENUES	<u>275</u>	<u>275</u>	<u>3,812</u>	<u>3,537</u>
EXPENDITURES				
Current:				
Materials and services	200	200	-	200
Capital outlay	245,340	245,340	-	245,340
Contingency	25,000	25,000	-	25,000
TOTAL EXPENDITURES	<u>270,540</u>	<u>270,540</u>	<u>-</u>	<u>270,540</u>
NET CHANGE IN FUND BALANCE	(270,265)	(270,265)	3,812	274,077
FUND BALANCE, Beginning	<u>270,265</u>	<u>270,265</u>	<u>270,693</u>	<u>428</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 274,505</u>	<u>\$ 274,505</u>

**CITY OF FAIRVIEW, OREGON
RECONCILIATION TO GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES
ALL STORMWATER FUNDS
For the Fiscal Year Ended June 30, 2012**

BUDGETARY BASIS FUND BALANCE (NON-GAAP):	
Stormwater	\$ 683,473
Stormwater SDC	<u>274,505</u>
	957,978
Adjustments:	
Capital assets, net of depreciation	3,995,986
Compensated absences payable	<u>(8,988)</u>
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES BASIS (GAAP) NET ASSETS	<u><u>\$ 4,944,976</u></u>

OTHER FINANCIAL SCHEDULES

CITY OF FAIRVIEW, OREGON
SCHEDULE OF OUTSTANDING DEBT PRINCIPAL
AND INTEREST TRANSACTIONS
For the Fiscal Year Ended June 30, 2012

	Interest Rates	Date of Issue	Original Amount	Principal			Outstanding June 30, 2012	Interest Matured and Paid
				Outstanding July 1, 2011	Issued	Matured and Paid		
<u>Governmental Funds</u>								
2000 Special assessment debt with governmental commitment	6.05%	6/27/2000	\$ 2,848,000	\$ 485,000	\$ -	\$ -	\$ 485,000	\$ 29,343
<u>Enterprise Funds</u>								
2001 Note payable	3.50%	11/21/2000	\$ 3,137,353	1,947,934	-	166,177	1,781,757	66,736
2004 Water revenue refunding bonds	2.0-4.3%	7/20/2004	\$ 1,340,000	675,000	-	105,000	570,000	27,303
Safe Drinking Water Revolving Loan Fund - \$625,000 Forgiveable	0.0-3.0%	9/16/2009	\$ 1,250,000	1,045,811	173,795	625,000	594,606	13,044
				<u>3,668,745</u>	<u>173,795</u>	<u>896,177</u>	<u>2,946,363</u>	<u>107,083</u>
Total				<u>\$ 4,153,745</u>	<u>\$ 173,795</u>	<u>\$ 896,177</u>	<u>\$ 3,431,363</u>	<u>\$ 136,426</u>

See auditor's report.

CITY OF FAIRVIEW, OREGON
SCHEDULE OF GOVERNMENTAL ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS
June 30, 2012

Year of Maturity	2000	
	Special Assessment Debt with Governmental Commitment	
	Principal	Interest
2012-13	\$ -	\$ 29,343
2013-14	-	29,343
2014-15	485,000	29,342
	\$ 485,000	\$ 88,028

See auditor's report.

CITY OF FAIRVIEW, OREGON
SCHEDULE OF BUSINESS-TYPE ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS
June 30, 2012

Year of Maturity	Wastewater Treatment Plant Note Payable		Safe Drinking Water Note Payable		2004 Water Revenue Refunding Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012-13	\$ 172,045	\$ 60,869	\$ 22,009	\$ 17,958	\$ 110,000	\$ 23,365	\$ 304,054	\$ 102,192
2013-14	178,119	54,795	22,789	17,178	115,000	19,075	315,908	91,048
2014-15	184,408	48,506	23,473	16,494	120,000	14,475	327,881	79,475
2015-16	190,918	41,995	24,177	15,790	120,000	9,555	335,095	67,340
2016-17	197,659	35,255	24,902	15,065	105,000	4,515	327,561	54,835
2017-18	204,638	28,276	25,649	14,318	-	-	230,287	42,594
2018-19	211,863	21,051	26,419	13,548	-	-	238,282	34,599
2019-20	219,343	13,571	27,211	12,756	-	-	246,554	26,327
2020-21	222,764	5,828	28,028	11,939	-	-	250,792	17,767
2021-22	-	-	28,868	11,099	-	-	28,868	11,099
2022-23	-	-	29,734	10,232	-	-	29,734	10,232
2023-24	-	-	30,626	9,340	-	-	30,626	9,340
2024-25	-	-	31,545	8,422	-	-	31,545	8,422
2025-26	-	-	32,492	7,475	-	-	32,492	7,475
2026-27	-	-	33,466	6,501	-	-	33,466	6,501
2027-28	-	-	34,470	5,497	-	-	34,470	5,497
2028-29	-	-	35,505	4,462	-	-	35,505	4,462
2029-30	-	-	36,570	3,397	-	-	36,570	3,397
2030-31	-	-	37,667	2,300	-	-	37,667	2,300
2031-32	-	-	39,006	1,170	-	-	39,006	1,170
	<u>\$ 1,781,757</u>	<u>\$ 310,146</u>	<u>\$ 594,606</u>	<u>\$ 204,941</u>	<u>\$ 570,000</u>	<u>\$ 70,985</u>	<u>\$ 2,946,363</u>	<u>\$ 586,072</u>

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 Nine Fiscal Years ¹
(accrual basis of accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities									
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	9,024,327
Restricted	1,001,111	832,630	515,286	865,470	738,296	2,351,415	713,363	1,010,278	1,181,456
Unrestricted	2,498,694	3,324,443	4,250,408	5,543,652	6,788,176	4,889,310	4,768,353	4,051,354	4,060,010
Total governmental activities net assets	7,124,528	9,428,547	11,625,315	13,310,275	14,693,398	14,414,324	14,184,714	13,901,307	14,265,793
Business - type activities									
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	21,746,503
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	1,383,290
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	2,957,496
Total business - type activities net assets	22,447,537	25,098,928	25,458,868	25,646,837	25,056,921	25,178,677	25,534,352	25,633,621	26,087,289
Primary government									
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	30,770,830
Restricted	2,197,222	1,859,824	1,850,010	2,209,403	2,215,088	3,986,221	2,043,065	2,359,832	2,564,746
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	7,017,506
Total primary government net assets	29,572,065	34,527,475	37,084,183	38,957,112	39,750,319	39,593,001	39,719,066	39,534,928	40,353,082

¹ 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 Nine Fiscal Years ¹
(accrual basis of accounting)**

	2004	2005	Fiscal Year 2006	2007	2008	2009	2010	2011	2012
Expenses									
Governmental activities:									
General government	935,890	675,652	606,174	588,204	605,847	873,688	750,782	642,181	561,494
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	2,941,229
Community Development / Parks	1,201,466	1,024,704	778,912	563,475	525,588	594,797	508,744	490,772	418,027
Streets / Public Works ²	499,924	171,014	851,892	444,568	-	-	-	-	-
Streets	-	-	-	-	487,720	457,400	406,372	249,413	266,085
Public Works	-	-	-	-	371,702	559,737	509,578	707,535	607,689
Interest on long-term obligations	166,436	304,941	63,974	156,507	91,903	109,079	33,916 ⁷	29,343	29,343
Total governmental activities expenses	<u>4,434,323</u>	<u>3,920,219</u>	<u>4,139,463</u>	<u>3,844,379</u>	<u>4,380,176</u>	<u>5,108,867</u>	<u>4,752,407</u>	<u>4,910,819</u>	<u>4,823,867</u>
Business - type activities:									
Water	916,722	890,082	1,232,822	1,087,809	1,064,294	999,614	981,385	1,035,048	1,189,325
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	1,867,204
Stormwater	516,802	540,177	594,011	566,172	748,052	640,600	616,830	596,862	603,008
Total business - type activities expenses	<u>3,002,731</u>	<u>2,888,380</u>	<u>3,611,987</u>	<u>4,006,068</u>	<u>3,717,765</u>	<u>3,303,809</u>	<u>3,231,498</u>	<u>3,347,433</u>	<u>3,659,537</u>
Total government expenses	<u>7,437,054</u>	<u>6,808,599</u>	<u>7,751,450</u>	<u>7,850,447</u>	<u>8,097,941</u>	<u>8,412,676</u>	<u>7,983,905</u>	<u>8,258,252</u>	<u>8,483,404</u>
Program Revenues									
Governmental activities:									
Charges for services:									
General government	305,782	203,299	242,773	19,049 ³	29,587	26,477	48,443	100,854	116,699
Public safety	217,077	222,060	274,396	297,660	330,048	278,673	245,555	243,874	193,832
Community Development / Parks	913,290	361,472	529,541	833,140	304,190	236,685	181,851	185,920	192,506
Streets / Public Works ²	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	589,131
Capital grants and contributions	111,845	207,163	1,364,107	137,835	113,608	282,661	205,556	78,620	576,000
Total governmental activities program revenues	<u>1,972,763</u>	<u>1,434,666</u>	<u>3,029,708</u>	<u>1,901,387</u>	<u>1,273,880</u>	<u>1,269,261</u>	<u>1,181,161</u>	<u>1,175,360</u>	<u>1,668,168</u>
Business - type activities:									
Charges for services:									
Water	903,500	845,931	916,824	993,217	1,006,170	1,099,500	1,041,314	1,056,153	1,090,274
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	1,863,821
Stormwater	332,164	350,948	378,622	401,113	416,919	478,768	507,093	530,647	541,743
Operating grants and contributions	-	-	-	-	-	-	-	18,625	1,335
Capital grants and contributions	628,219	361,451	1,222,941	1,089,813	59,546	87,358	87,670	11,605	652,309
Total business - type activities program revenues	<u>3,052,048</u>	<u>2,766,218</u>	<u>3,829,593</u>	<u>3,962,697</u>	<u>3,094,033</u>	<u>3,475,161</u>	<u>3,491,152</u>	<u>3,485,460</u>	<u>4,149,482</u>
Total government program revenues	<u>5,024,811</u>	<u>4,200,884</u>	<u>6,859,301</u>	<u>5,864,084</u>	<u>4,367,913</u>	<u>4,744,422</u>	<u>4,672,313</u>	<u>4,660,820</u>	<u>5,817,650</u>
Net (expense) / revenue									
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)	(3,155,699)
Business - type activities	49,317	(122,162)	217,606	(43,371)	(623,732)	171,352	259,654	138,027	489,945
Total net expenses	<u>(2,412,243)</u>	<u>(2,607,715)</u>	<u>(892,149)</u>	<u>(1,986,363)</u>	<u>(3,730,028)</u>	<u>(3,668,254)</u>	<u>(3,311,592)</u>	<u>(3,597,432)</u>	<u>(2,665,754)</u>

(continued)

	2004	2005	Fiscal Year 2006	2007	2008	2009	2010	2011	2012
(continued)									
General Revenues and Other Changes in Net Assets									
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	2,030,223
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	1,375,091
Transfer of assets ⁴	-	407,565	-	-	-	-	-	-	-
Miscellaneous ⁵	-	-	-	-	79,714	66,948	38,401	55,878	26,189
Intergovernmental Revenue	-	-	-	856,469	-	-	-	-	-
Interest and investment earnings	45,098	92,689	182,181	285,292	287,472	140,770	32,620	25,325 ⁸	26,636
Gain (loss) on sale of property	-	-	-	-	22,000	11,470	8,500	-	2,755
Transfers ⁶	-	-	-	-	136,497	129,185	(69,299)	60,837	59,291
Total governmental activities	<u>2,617,216</u>	<u>3,983,403</u>	<u>3,306,523</u>	<u>4,022,083</u>	<u>3,736,960</u>	<u>3,560,532</u>	<u>3,341,636</u>	<u>3,452,052</u>	<u>3,520,185</u>
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 ⁸	22,079	23,013
Transfers ⁶	-	-	-	-	(136,497)	(129,185)	69,299	(60,837)	(59,291)
Total business - type activities	<u>64,071</u>	<u>82,203</u>	<u>142,334</u>	<u>231,340</u>	<u>33,817</u>	<u>(49,596)</u>	<u>96,021</u>	<u>(38,758)</u>	<u>(36,278)</u>
Total government expenses	<u>2,681,287</u>	<u>4,065,606</u>	<u>3,448,857</u>	<u>4,253,423</u>	<u>3,770,777</u>	<u>3,510,936</u>	<u>3,437,657</u>	<u>3,413,294</u>	<u>3,483,907</u>
Change in Net Assets									
Governmental activities	155,656	1,497,850	2,196,768	2,079,091	630,664	(279,074)	(229,610)	(283,407)	364,486
Business - type activities	113,388	(39,959)	359,940	187,969	(589,915)	121,756	355,675	99,269	453,667
Total government	<u>269,044</u>	<u>1,457,891</u>	<u>2,556,708</u>	<u>2,267,060</u> ⁷	<u>40,749</u>	<u>(157,318)</u>	<u>126,065</u>	<u>(184,138)</u>	<u>818,153</u>

Notes:

- ¹ Information presented for years ended subsequent to the implementation of GASB Statement No. 34.
- ² Prior to fiscal year ended 6/30/08, public works and street expenses were reported jointly.
- ³ 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.
- ⁴ Multnomah County Drainage District transfer of Fairview Lake water rights permits and weir control structure.
- ⁵ Miscellaneous items may include (but are not limited to) special assessments levied for debt service and other taxes.
- ⁶ Prior to fiscal year ended 6/30/08, transfers were not reported as an individual line item.
- ⁷ Decrease in interest on long-term obligations due to the payoff of City Hall debt.
- ⁸ Decrease in interest and investment earnings due to market conditions.

CITY OF FAIRVIEW, OREGON
FUND BALANCE OF GOVERNMENTAL FUNDS
 Last Nine Fiscal Years ¹
 (modified accrual basis of accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011 ²	2012 ³
General fund									
Nonspendable ⁴									900
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	1,784
Committed								-	-
Assigned								108,349	98,536
Unassigned								3,423,551	3,315,175
Total general fund	<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>	<u>3,416,395</u>
All other governmental funds									
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	1,179,672
Committed								5,404	13,691
Assigned								358,195	423,579
Unassigned								-	(474) ⁵
Total all other governmental funds	<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>	<u>1,616,468</u>

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

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

³ Beginning in 2012, Grant Fund figures were reported separately from General Fund. Prior years included Grant Fund in General Fund figures.

⁴ 2012 "Nonspendable" is amount prepaid for Fairview Chili on the Green Festival.

⁵ Deficit balance will be reversed in future years by the Nature in Neighborhoods Grant reimbursement.

CITY OF FAIRVIEW, OREGON
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 Last Nine Fiscal Years ¹
 (modified accrual basis of accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:									
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	2,006,910
Governmental agencies	869,430	929,612	1,190,481	1,155,154	687,903	652,263	806,707	843,016	1,307,677
Grants ²	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	531,100
Fines and forfeitures	140,967	141,810	196,690	261,140	261,091	211,839	186,415	153,992	150,814
Franchise fees	432,439	452,564	523,931	622,693	690,213	688,034	782,054	687,501	716,964
Special assessments	415,383	807,585	427,355	394,131	96,756	176,427	72,668	69,494	71,081
Interest income	45,098	92,689	182,181	285,292	287,472	140,770	32,621	25,325	26,637
Charges for services ³	-	-	-	-	117,025	133,988	120,242	168,025	194,035
Rental income ⁴	-	-	-	-	16,927	18,727	39,802	42,856	45,913
Miscellaneous	83,228	147,824	112,417	84,884	79,715	66,948	38,095	51,179	31,491
Total Revenues	4,534,277	4,637,180	5,118,012	5,402,504	4,868,570	4,619,890	4,612,358	4,525,012	5,082,622
Expenditures									
General Government / Administration	998,216	953,744	988,465	508,955	513,956	790,589	664,278	555,347	460,265
Community Development	743,867	540,171	628,406	514,476	452,940	563,086	444,848	435,802	368,819
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	2,920,036
Public Works	878,814	903,709	883,052	72,889	32,968	211,135	172,189	348,799	286,962
Streets	36,810	47,007	53,390	42,230	338,896	301,315	275,612	247,318	267,692
Parks	-	-	-	-	-	-	-	-	-
Debt service	627,294	2,074,445	931,000	110,000	540,000	125,000	1,625,000	-	-
Principal	347,334	295,831	222,894	151,214	127,262	109,528	40,153	29,343	29,343
Interest	365,268	333,560	653,063	561,968	401,343	361,980	645,444	193,193	685,188
Capital outlay	5,548,517	6,811,807	6,196,438	3,994,704	4,660,173	4,930,732	6,356,707	4,591,135	5,018,305
Total Expenditures	(1,014,240)	(2,174,627)	(1,078,426)	1,407,800	208,397	(310,842)	(1,744,349)	(66,123)	64,317
Excess of revenues over (under) expenditures									
Other financing sources (uses)									
Proceeds from bond sale	-	1,339,337	-	-	-	-	-	-	-
Proceeds from sale of property	-	-	-	-	22,000	14,455	8,500	-	3,480
Transfers in	1,972,682	1,897,164	2,213,631	754,605	318,355	2,100,493	127,797	128,089	105,881
Transfers out	(537,839)	(403,013)	(522,872)	(524,925)	(181,858)	(1,963,996)	(124,702)	(71,348)	(46,590)
Total other financing sources (uses)	1,434,843	2,833,488	1,690,759	229,680	158,497	150,952	11,595	56,741	62,771
Net change in fund balances	420,603	658,861	612,333	1,637,480	366,894	(159,890)	(1,732,754)	(9,382)	127,088
Debt service as a percentage of non-capital expenditures	19%	37%	21%	7%	15%	5%	28%	1%	1%

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

² Beginning in 2008, grants are included with governmental agencies.

³ Prior to 2008, charges for services were included with licenses, permits, & fees.

⁴ Prior to 2008, rental income was included with miscellaneous.

⁵ Calculation = (debt service principal + interest) / (total expenditures - capital asset additions)

⁶ Includes prior period adjustment of (\$32,266) for court fine deferred revenue.

**CITY OF
FAIRVIEW, OREGON
Program Revenues by Function/Program
Last Nine Fiscal Years
(accrual basis of accounting)**

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities									
General Government	\$ 316,902	\$ 209,179	\$ 287,357	\$ 30,222	\$ 79,063	\$ 75,288	\$ 89,054	\$ 157,157	\$ 193,691
Public Safety	217,077	223,151	422,239	451,397	367,614	348,396	340,913	339,809	288,216
Community Development/Parks	1,025,135	568,635	636,541	844,140	304,190	410,535	300,096	210,920 ¹	684,377
Streets	413,649	433,701	-	-	486,957	435,042	451,098	465,875	492,212
Streets/Public Works	-	-	1,683,571	575,628	-	-	-	-	-
Public Works/Parks	-	-	-	-	-	-	-	1,599 ¹	9,672
Total Governmental Activities	1,972,763	1,434,666	3,029,708	1,901,387	1,237,824	1,269,261	1,181,161	1,175,360	1,668,168
Business-Type Activities									
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	1,728,315
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	1,877,038
Stormwater	388,644	425,091	775,794	715,874	420,045	511,342	507,443	547,389	544,129
Total Business-Type Activities	3,052,048	2,766,218	3,829,593	3,962,697	3,094,033	3,475,161	3,491,152	3,485,460	4,149,482
Total Primary Government	\$ 5,024,811	\$ 4,200,884	\$ 6,859,301	\$ 5,864,084	\$ 4,331,857	\$ 4,744,422	\$ 4,672,313	\$ 4,660,820	\$ 5,817,650

Source: Current and prior years' financial statements

¹ "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 ³	Other Taxes ⁴
			Lieu of Tax ²	Lieu of Tax ²		
2003	1,697,279.55	1,180,048.64 ¹	15,000.00	15,000.00	42,364.09	459,866.82
2004	1,894,142.31	1,273,411.13 ¹	15,000.00	15,000.00	51,257.33	554,473.85
2005	2,012,074.72	1,376,811.41 ¹	15,000.00	15,000.00	39,832.92	580,430.39
2006	2,156,943.76	1,494,102.65 ¹	15,000.00	15,000.00	39,288.89	608,552.22
2007	2,250,919.25	1,586,332.25 ¹	15,000.00	15,000.00	39,037.18	610,549.82
2008	2,397,922.39	1,723,663.10 ¹	25,000.00	25,000.00	43,157.22	606,102.07
2009	2,452,819.53	1,831,565.66 ¹	25,000.00	25,000.00	38,362.38	557,891.49
2010	2,557,753.71	1,918,702.10 ⁵	25,000.00	25,000.00	36,510.70	577,540.91
2011	2,688,241.09	1,951,247.74 ⁶	25,000.00	25,000.00	37,950.11	674,043.24
2012	2,702,304.64	1,981,910.22 ⁶	25,000.00	25,000.00	38,994.10	656,400.32

Source:

City of Fairview current and prior year budget actuals

Note:

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

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

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

³ 6% tax on transient occupancy (includes Portland - Fairview RV Park)

⁴ "Other Taxes" consist of: cigarette tax, liquor tax, 911 tax, and state gas tax

⁵ In FY 2010, current tax authority plus 3%, minus 6.5% uncollectible.

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

⁶ 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			
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	557,215,566	
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 ¹	533,747,890	11,942,345	9,481,680	22,501,120	577,673,035	3.4902	821,455,899	
2012 ¹	540,481,980	10,899,027	9,249,240	29,002,630	589,632,877	3.4902	757,789,476	

Source:

Multnomah County Tax Supervising & Conservation Commission

¹ Beginning in 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	Mt. Hood Community College	Total Schools		
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	5.60	0.49	6.55	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	
2012	3.49	-	3.49	5.44	0.07	0.32	0.06	5.88	0.46	5.78	0.49	6.73	16.10	

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 ¹	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy	
2003	1,214,485	1,172,791	96.57%	41,509	1,214,300	99.98%	
2004	1,309,760	1,269,432	96.92%	40,070	1,309,502	99.98%	
2005	1,430,611	1,389,206	97.11%	41,110	1,430,316	99.98%	
2006	1,541,500	1,498,334	97.20%	42,947	1,541,281	99.99%	
2007	1,626,746	1,582,657	97.29%	43,672	1,626,329	99.97%	
2008	1,792,463	1,730,069	96.52%	60,257	1,790,326	99.88%	
2009	1,914,648	1,834,677	95.82%	73,004	1,907,681	99.64%	
2010	1,976,399	1,904,048	96.34%	49,068	1,953,116	98.82%	
2011	2,016,083	1,950,696	96.76%	23,241.00	1,973,937	97.91%	
2012	2,058,075	1,994,164	96.89%	-	1,994,164	96.89%	

Sources:

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

Note:

¹ Collections include: normal collections, adjustments, discounts, and interest

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

Taxpayer	2012 ¹			2003 ²		
	Assessed Value	Rank	Percentage of Total Fairview Assessed Value	Assessed Value	Rank	Percentage of Total Fairview Assessed Value
Townsend Farms Inc.	27,729,700	1	4.70%	6,264,430	5	1.81%
CPF/BDI Townsend LLC	21,243,830	2	3.60%			
NACCO Materials Handling	16,173,200	3	2.74%	13,536,250	1	3.90%
Salish Lake LLC	11,840,160	4	2.01%			
Portland General Electric Co.	10,868,000	5	1.84%	9,768,300	2	2.82%
Comcast Corp.	10,122,500	6	1.72%			
Portland Fairview RV LLC	9,057,395	7	1.54%			
IAC 22638 Townsend Way LLC	9,051,780	8	1.54%			
Fieldstone Luxury Apartments LLC	8,546,850	9	1.45%			
Sunridge Associates LLC	7,056,290	10	1.20%			
Fort James Operating Company		-		6,174,470	6	1.78%
Howard Angell		-		6,353,960	3	1.83%
DAV II Invest.		-		6,349,100	4	1.83%
Chinook Way, LLC		-		5,406,490	7	1.56%
King's Garden LTD Partnership		-		5,321,010	8	1.53%
Courtyards at Fairview LLC		-		4,839,800	9	1.39%
Target Corp.		-		4,508,960	10	1.30%
Total	131,689,705		22.33% ³	68,522,770		19.75%
Total Fairview Assessed Value	589,632,877			346,989,639		

Source: Multnomah County Division of Assessment and Taxation

Notes:

- ¹ Fiscal year 2011 / 2012
- ² Fiscal year 2002 / 2003
- ³ 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 ¹	Line of Credit ²	Special Assessment ³	General Obligation Bonds ⁴	Water Revenue Bonds	Sewer Notes Payable ⁵	Special Assessment ⁶	Drinking Water Revolving Loan ⁹	
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	
2012	-	-	485,000	-	570,000	1,781,757	-	594,606	

Fiscal Year	Total (Governmental and Business - Type)	Percentage of Personal Income ^{7,8}	Per Capita ⁷
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	0.01%	438
2011	4,153,745	0.01%	466
2012	3,431,363	N/A	385

- Source:
City of Fairview Annual Financial Reports
- Notes:
- 1 City Hall
 - 2 Sewer Construction Fairview Lake Local Improvement District
 - 3 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.
 - 4 Water reservoir project
 - 5 Notes payable to the City of Gresham for increased sewer capacity
 - 6 Sandy Boulevard sewer extension
 - 7 Calculations use information from schedule of Demographic and Economic Statistics
 - 8 Percentage of Personal Income revised 2004 and 2008 through 2011 due to updated income figures
 - 9 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 ¹	Assessed Value ²	Gross General Obligation Bonded Debt ³		Less: Debt Service Fund ⁴	Net General Obligation Bonded Debt	Net Bonded Debt per \$1,000 Assessed Value	Net Bonded General Obligation Debt Per Capita
2003	8,590	346,989,639	-	-	-	-	-	-
2004	9,250	375,364,119	-	-	-	-	-	-
2005	9,425	405,386,662	-	-	-	-	-	-
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 ⁵	566,319,382	-	-	-	-	-	-
2011	8,920	577,673,035	-	-	-	-	-	-
2012	8,920	589,632,877	-	-	-	-	-	-

Sources:

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

CITY OF FAIRVIEW, OREGON
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2012

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable¹</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes:			
Metro	\$ 134,835,000	0.44%	\$ 590,073
Multnomah County	² 31,795,000	0.94%	299,018
Reynolds School District # 7	36,280,000	11.50%	4,173,793
Tri-Met	9,800,000	0.44%	43,115
Other:			
Metro	49,385,000	0.44%	217,270
Mt. Hood Community College	68,968,747	2.68%	1,845,259
Multnomah County	² 203,310,756	0.94%	1,912,048
Multnomah County ESD	34,745,000	0.93%	322,208
Port of Portland	83,253,156	0.40%	329,512
Reynolds School District # 7	90,499,101	11.50%	10,411,370
Tri-Met	202,055	0.44%	<u>889</u>
Subtotal, overlapping debt			20,144,555
City of Fairview direct debt			<u>3,363,969</u>
Total direct and overlapping debt			<u><u>23,508,524</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.

¹ Calculation of total City of Fairview assessed value divided by governmental unit assessed value.

² Multnomah County entered into one new long-term loan in fiscal year 2011/2012. The amount of this loan is \$3,362,000.

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

Fiscal Year	Water Revenue Bonds			Debt Service			Coverage
	Operating Revenue	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Total	
	2003	881,285	704,156	177,129	50,000	87,275	
2004	903,500	829,934	73,566	55,000	84,525	139,525	0.53
2005 ¹	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 ³	1,059,738	994,912	64,826	100,000	31,053	131,053	0.49
2012	1,091,609	1,141,200	(49,591)	105,000	40,347	145,347	(0.34)

Fiscal Year	Sewer Notes Payable			Debt Service			Coverage
	Operating Revenue	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Total	
	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 ²	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
2012	1,863,821	1,801,922	61,899	166,178	66,736	232,914	0.27

Source:
City of Fairview Annual Financial Reports

Note:
¹ 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

² 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

³ 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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	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	22,733,684
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	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	22,733,684
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 2012	
Real market value (2011 / 2012)	757,789,476
Debt limit (3% of total real market value)	22,733,684
Debt subject to limit	-
Legal debt margin	<u>22,733,684</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).

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Population ¹	Personal Income (in thousands) ²	Per Capita Personal Income ³	Unemployment Rate ⁴
2003	8,590	23,890,048	35,166	8.3%
2004	9,250	24,484,971	36,407	8.0%
2005	9,425	25,011,925	37,062	6.7%
2006	9,585	27,043,127	39,550	5.5%
2007	9,695	28,234,192	40,462	5.1%
2008	9,735	29,687,197	41,638	5.0%
2009	9,740	28,192,097	38,740	8.6%
2010	8,920 ⁵	29,424,258	39,899	10.2%
2011	8,920 ⁶	31,161,157	41,658	9.4%
2012	8,920 ⁶	N/A	N/A	8.0%

Sources:

¹ Portland State University Population Research Center (City of Fairview population estimates as of July 1st)

² Bureau of Economic Analysis (Multnomah County personal income, calendar year basis)

2008 and 2009 figures revised from prior year

³ Bureau of Economic Analysis (Multnomah County per capita personal income, calendar year basis)

2003 through 2009 figures revised from prior year

⁴ State of Oregon Employment Department (average annual unemployment for Multnomah County)

⁵ Reflects Census Figure

⁶ Certified Estimate

N/A = information not available

**CITY OF FAIRVIEW, OREGON
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago¹**

2011 - 2012			
Employer	Employees ²	Rank	Percentage of Total City Employment
Reynolds School District	385	1 ⁴	14.20%
Townsend Farms	330	2 ⁵	12.17%
NW Material Handling Group	240	3	8.85%
Knight Transportation	158	4	5.83%
Target	85	5	3.13%
TruGreen LandCare, LLC	55	6	2.03%
Conner Manufacturing	59	7	2.18%
Thermo King NW, Inc.	22	8	0.81%
General Pacific, Inc.	30	9	1.11%
Intertek Testing Services NA, Inc.	28	10	1.03%
	1,392		51.33%
Total Fairview Employment³	2,712		

¹ Employment data from 2002-2003 was unavailable.

Sources:

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

³ 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.

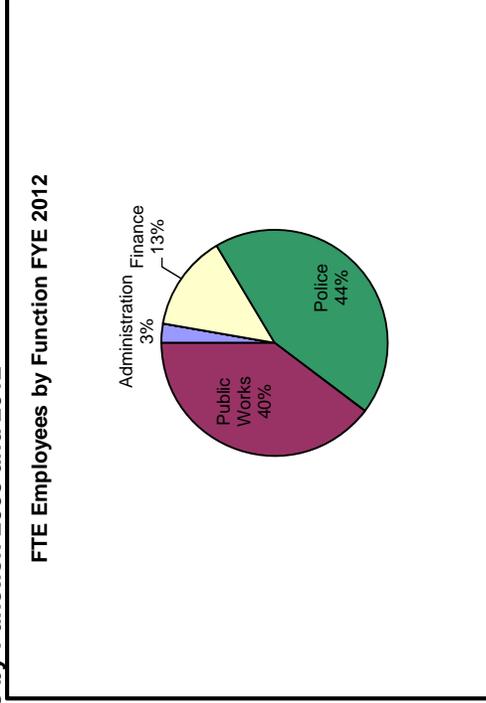
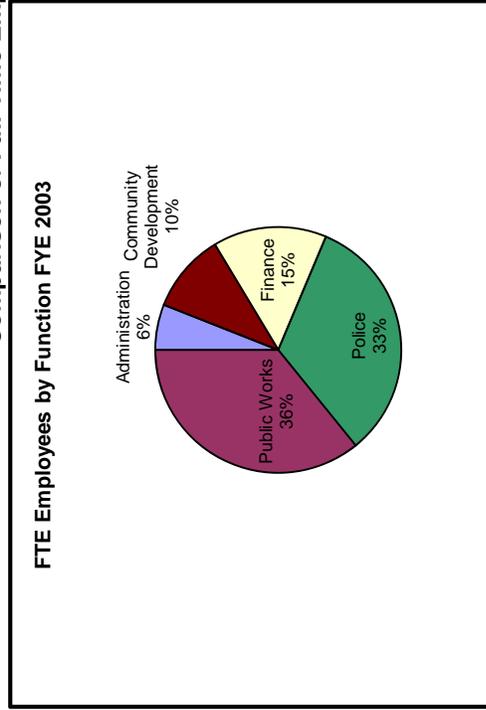
⁴ Employment information for this employer was unavailable.
2008-2009 figure was used as an estimate.

⁵ Figure increased from prior year due to reporting of seasonal employment

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	¹
General Government											
Administration	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.0	
Community Development	3.5	4.5	4.5	5.0	5.0	4.0	5.0	4.0	4.0	0.0	
Finance	5.0	5.0	5.0	6.0	6.0	7.0	7.0	6.0	6.0	5.0	
Police											
Officers	10.0	10.0	11.0	12.0	13.0	13.0	14.0	14.0	14.0	14.0	
Civilians	1.0	1.0	1.0	1.0	1.0	1.5	2.0	2.0	2.0	2.0	
Public Works	12.0	11.0	11.0	10.5	11.5	11.5	10.5	10.5	10.5	14.5	
Total	33.5	33.5	34.5	36.5	38.5	39.0	40.5	38.5	38.5	36.5	

Comparison of Full-Time Employees by Function 2003 and 2012



Source: City of Fairview Budget

¹ Beginning in 2012, Community Development figures are included in Public Works category (departments were merged).

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

Function / Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:										
Community Development¹										
Residential building permits issued	90	99	N/A	N/A	N/A	20	19	11	16	22
Commercial building permits issued ²	34	46	N/A	N/A	N/A	48	63	22	28	20
Police³										
Calls for service	4517	4,113	4,294	4,317	4,212	4,003	4,439	4,212	3,631	N/A ¹⁰
Part I crimes ^{4,6}	440	397	458	390	376	330	341	217	259	N/A ¹⁰
Part II crimes ^{5,6}	425	418	343	299	318	370	395	247	265	N/A ¹⁰
Business - Type Activities:										
Water										
Accounts	1,480	1,487	1,490	1,528	1,577	1,636	1,652	1,652	1,665	1,699
Average daily production (millions of gallons)	0.86	0.81	0.72	0.72	0.72	0.75	0.73	0.73	0.62	0.62
Sewer										
Accounts (revised data 1999-2007)	1,828	1,839	1,845	1,891	1,946	1,993	2,021	2,021	2,034	2,075
Average daily consumption (millions of gallons) ⁷	1.03	0.95	0.71	0.84	0.82	0.80	0.69	0.69	0.80	0.78
Stormwater										
Accounts	1,727	1,762	1,753	1,831	1,885	1,847	1,868	1,868	1,881	1,919

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

- ¹ Community Development information was not tracked in 2005, 2006, or 2007. City staff began tracking and reporting information again in 2008.
- ² Includes permits issued for industrial purposes
- ³ Police statistics are reported on a calendar year basis
- ⁴ Part I Crimes include: homicide, forcible rape, robbery, aggravated assault, burglary, larceny, motor vehicle theft, and arson
- ⁵ 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
- ⁶ Began compiling statistics for Part I and Part II crimes in June of 2000
- ⁷ Figures do not include Fairview properties discharging to Gresham interceptor (only those metered by Fairview)
- ⁸ Part 1 and part 2 crimes for 2010 include only 6 months of activity (due to a change from RMS data system). Remaining data is unavailable.
- ⁹ Beginning in fiscal year 2010/2011, utility account numbers include City owned properties (approximately 16 properties).
- ¹⁰ Figures not available

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

Function / Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:										
Parks										
Parks acreage	17.22	17.22	17.22	17.22	17.22	22.39	25.29	25.29	25.29	25.29
Wetland Parks acreage	75.31	75.31	75.31	75.31	75.31	75.31	62.34	62.34	62.34	62.34
Police										
Stations	1	1	1	1	1	1	1	1	1	1
K-9 officers	-	-	-	-	1	1	1	0	0	0
¹ Patrol units	10	10	12	13	12	13	12	13	12	³ 13
Business - Type Activities:										
Water										
Water main lines (miles)	22.31	22.31	22.31	22.91	23.13	22.63	22.63	22.63	22.63	22.63
Daily storage capacity (millions of gallons)	3	3	3	6	6	6	6	6	6	6
Daily production capacity (millions of gallons)	4.72	4.72	4.72	4.72	4.72	4.72	3.80	3.80	5.65	5.65
Sewer										
Sewer lines (miles)	24.41	24.41	24.41	24.89	25.11	25.34	25.34	25.34	25.34	26.94
² Daily plant capacity (millions of gallons)	1.32	1.32	1.32	1.32	1.32	1.32	1.30	1.30	1.32	1.32
Storm Water										
Service lines (miles)	12.39	12.49	12.49	13.21	13.37	13.15	13.60	13.60	13.60	14.33
Transportation										
Streets (miles)	11.12	11.59	11.59	12.95	13.14	18.00	18.16	18.16	18.16	18.16
Traffic signals	1	1	1	1	1	1	1	1	1	1

N/A Information not available

Source:

¹ Patrol unit information provided by Beecher Carlson Insurance Agency, LLC

Note:

² Daily capacity purchased from the City of Gresham

³ 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, 2012, and have issued our report thereon dated December 14, 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:

Expenditures exceeded appropriations for the 2011-2012 budget in the following amounts:

Sewer Fund	
Capital Outlay	<u>\$ 115,623</u>

OAR 162-10-0230 Internal Control

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fairview, Oregon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Fairview, Oregon's internal control over financial reporting.

We noted certain matters that we reported to management of City of Fairview, Oregon, in a separate letter dated December 14, 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, Oregon 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

December 14, 2012



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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

December 14, 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, 2012, which collectively comprise the City of Fairview, Oregon's basic financial statements and have issued our report thereon dated December 14, 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

Management of the City of Fairview, Oregon, is responsible for establishing and maintaining effective 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, Oregon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Fairview, Oregon's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the

accompanying schedule of findings and responses as 2012-01 through 2012-03 that we consider to be significant deficiencies in internal control over financial reporting as listed. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 December 14, 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, Oregon, 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

December 14, 2012

**CITY OF FAIRVIEW, OREGON
SCHEDULE OF FINDINGS AND RESPONSES
For The Fiscal Year Ended June 30, 2012**

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 2012-01 through 2012-03 are reported as significant deficiencies.
- 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

SIGNIFICANT DEFICIENCIES

2012-01

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. Although the number of adjustments decreased from the prior year, there were several journal entries required to correct year end balances. Significant adjustments were required in the areas of accounts receivable, revenue, deferred revenue, accounts payable, capital assets, and debt.

Effect: 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 and will continue efforts to increase the integration of the software system in order to reduce the need for manual entries.

2012-02

Condition and criteria: The City utility billing receivables aging report did not reconcile to the general ledger. The accounting software was not accurately recording the receivables in the system. The system was also not properly set up to allocate penalties between funds. There were several adjustments required to reallocate penalties, correct the utility billing receivables, and to establish an allowance for doubtful accounts.

Effect: Several significant adjustments were required to reconcile the utility billing receivables, penalty allocations between funds, and the allowance for doubtful accounts.

Cause: The accounting system promised to automate and integrate these modules with the general ledger. The various modules posted transactions differently than expected by City staff. Periodic balance reconciliations had not been performed to verify the processing of transactions and subsequent posting to the general ledger. In addition, there were adjustments posted by Incode and other manual adjustments, which caused differences between the customer accounts receivable and 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 enhance their reconciliation and review procedure in order to better detect and correct any possible misstatements. We further recommend that the City work with Incode to automate the recording of penalties between funds and to refine the setup of the allowance for doubtful accounts.

Management's response: Management agrees with the condition and the auditor's recommendation and will increase the depth and frequency of the utility billing receivable reconciliation. Discussions with the software provider have already begun in order to increase automation of penalties and allowance for bad debt.

2012-03

Condition and criteria: The City has not had a good methodology to estimate the net court receivables, but has worked out a reasonable methodology to use going forward. Adjustments were done as of June 30, 2012 and the City is adding a process to print and reconcile the receivables and related accounts in the future. In the process, it was found that there are a number of accounts that were either not turned over to collections in the past, or were not properly coded in the system as being turned over. Management is still researching the issue, but for financial reporting, the old balances were not considered collectible. In addition, it does not appear that the collection of parking tickets is being enforced in most cases. Parking tickets are not normally turned over to collections, nor are there additional collection procedures done at the City level.

Effect: Several adjustments were required to reconcile the court receivables and the related deferred revenue and allowance for doubtful accounts. It also appears that there are several old balances that may not be collected.

Cause: Up until the implementation of the new accounting system, the recording and reconciling of court receivables has been a manual process with the main focus on recording the revenues as they are collected. The accounting system promised to automate and integrate these modules with the general ledger, but the court module is on a different version of the accounting system. In addition, there are always going to be some manual processes in reconciling and maintaining an accurate balance of amounts receivable, as there are several management estimates involved in determining the net collectible amounts to the City. It also does not appear that there has been a detailed review of the balances coded in the system as not being turned over to collections.

Auditor's recommendation: We recommend that staff enhance their reconciliation and review procedure in order to better detect and correct any possible misstatements and to add a review of the balances not turned over to the collections and reconciliation of the net balance receivable to their procedures. We also recommend that the City review the old balances for collectability and update their procedure related to the collection of parking tickets.

Management's response: Management agrees with the condition and the auditor's recommendation and has already implemented enhancements in the areas of reconciliation and review. A collectability review is planned after which old balances will be dealt with. Pending proper investigation, parking citations will be addressed.

