



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2010

Prepared by:
The City of Fairview
Finance Department



CITY OF FAIRVIEW, OREGON
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2010

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INTRODUCTORY SECTION





January 31, 2011

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

The Finance Department is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Fairview, Oregon for the fiscal year ended June 30, 2010.

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 four square miles with an estimated population of 9,745 as of June 30, 2010.

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. Five departments collaborate to provide services to the citizens of Fairview. The Administration, Finance, Community Development, 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.

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 fund, sanitary sewer fund, 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. The lack of new residential construction limits future increases in residential property tax revenues.

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. The year 2000 was a particularly mentionable year, with residential growth within the City of Fairview exceeding 20 percent.

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

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 2009/10 of 10.2 percent was slightly lower than the state average of 10.6 percent and the national average of 9.8 percent.

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 2,800 people employed within the City of Fairview, over 35 percent have been employed by the City's top five employers: Reynolds School District, NACCO Material 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 2009/2010 was \$210,539. BOEC dispatch services for 2010/11 are budgeted to cost \$234,781.

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 2009/10 was \$685,631. The cost of fire protection services for fiscal year 2010/11 is budgeted to cost \$716,055. Over the life of the ten year agreement, cost will rise over \$311,000, an increase of nearly 60 percent from fiscal year 2005/2006.

Early Retirement of City Hall Debt

For six years, the City's departments focused heavily on making city operations more efficient. All expenditures were examined and reductions were made where possible. Revenue collections were reviewed and refined where possible. The City was able to set aside \$1.8 million for the early retirement of the City Hall Debt. At the direction of Council, the principal debt on the Fairview City Hall building was paid in full in July 2009 saving the citizens over \$400,000 in interest over the life of the debt.

Implementation of New Financial System

Over a five year period, the City set aside funds for the purchase and implementation of a new integrated financial software system. In addition, the City hired a Management Analyst to manage the implementation of the system. Tyler Technologies' INCODE system was chosen to be the new software system for the City. As of June 30, 2010, the City was "live" on the INCODE General Ledger, Payroll, and Accounts Payable modules. The cost for this project was approved at \$127,000. Modules to be implemented during fiscal year 2010/11 include: Utility Billing, Cash Receipting, Fixed Assets, Building Permits, Accounts Receivable, Business Licenses, and Court.

Construction of Well #9

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, 2010, the well was still under construction. When completed, this well will supply the City with approximately 1,500 gallons per minute of drinking water. This well will replace aging Well #3 and be an additional point of appropriations for Well #5. The total cost of the project was approved at \$1.65 million. The ARRA loan program provided \$1.25 million worth of funding: \$625,000 in a forgivable loan and \$625,000 in a low interest loan.

ECONOMIC CLIMATE AND FUTURE

The City of Fairview, due to its close attention to revenues and expenditures has positioned itself to absorb some of the economic impacts of the current financial crisis. For fiscal year 2010/11 the City was again able to prevent staff lay-offs; however, \$213,000 of reserve money (savings) was used to balance the budget. Utilizing savings to provide services is not something that can be sustained. Council Financial Guidelines are clear that "Fund balance (savings) shall not be used to pay for ongoing revenues and expenditures." It is clear that as property tax revenue dollars decline, new construction stays flat, unemployment rises, and state shared revenues continue to decline, the City must stay vigilant in monitoring its spending in order to continue to provide its key services to the citizens of Fairview. With these thoughts in our minds, we move forward into the next budget season.

AWARDS AND ACKNOWLEDGEMENTS

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a 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, 2009. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

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

Respectfully Submitted,



Joseph P. Gall, ICMA-CM
City Administrator



Samantha D. Nelson
Finance Director

**CITY OF FAIRVIEW
OFFICIALS OF THE CITY
AS OF JUNE 30, 2010**

MAYOR AND CITY COUNCIL

<u>Name and Address</u>	<u>Term Expires December 31,</u>
Mike Weatherby, Mayor	2010
Balwant Bhullar	2012
Barbara Jones	2012
Ken Quinby	2012
Steve Owen	2010
Lisa Barton-Mullins	2010
Larry Cooper	2010

City Administration

Joseph Gall, City Administrator

Samantha Nelson, Finance Director
Robert Cochran, Public Works Director
John Gessner, Community Development 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

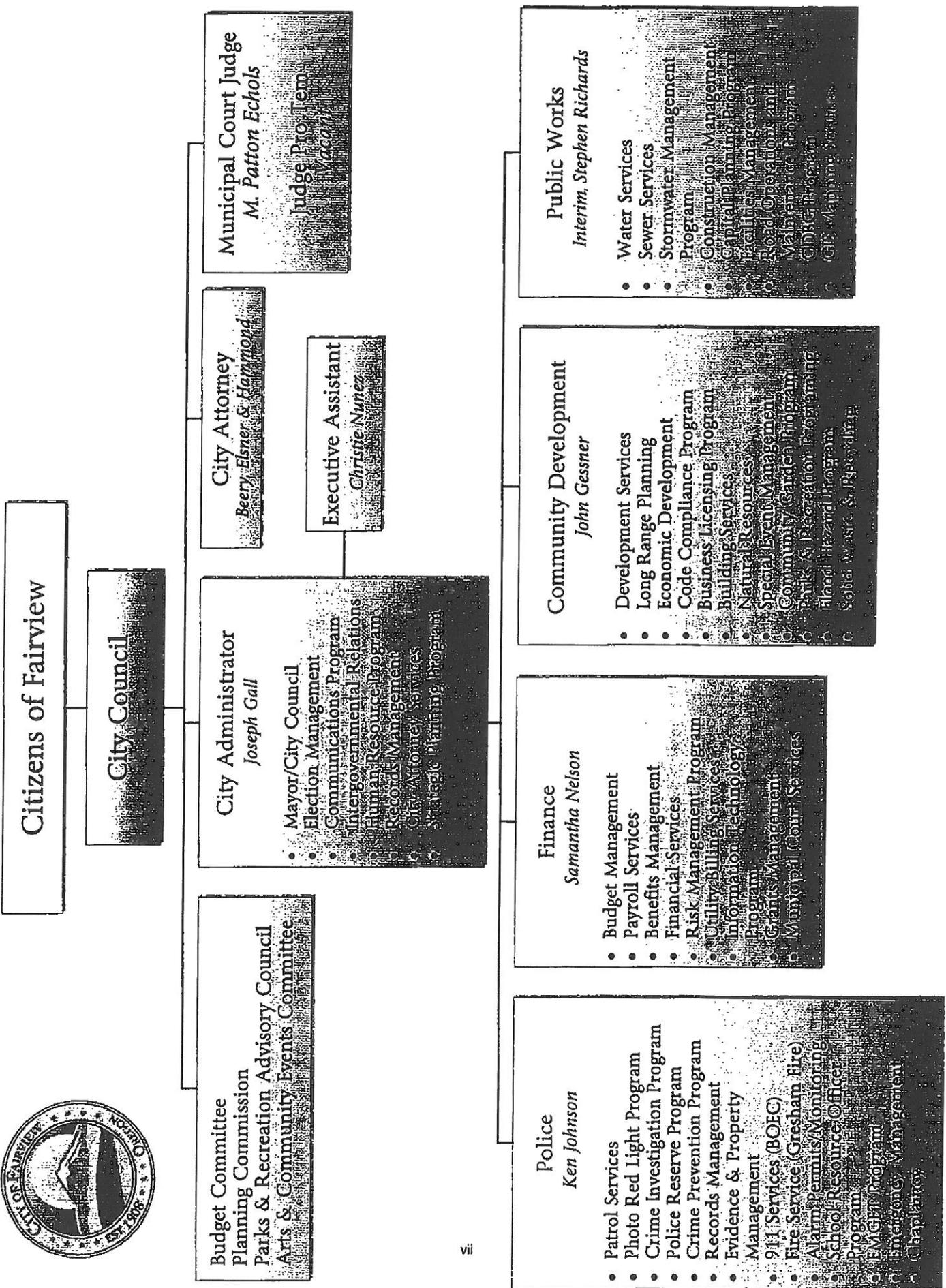
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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.



President

Executive Director



Budget Committee
 Planning Commission
 Parks & Recreation Advisory Council
 Arts & Community Events Committee

City Administrator
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, Elmer & Hammond

Executive Assistant
Christie Nunez

Municipal Court Judge
M. Patton Echols
 Judge Pro Tem
Vacant

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
- EMGPS 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 Development
John Gessner

- Development Services
- Long Range Planning
- Economic Development
- Code Compliance Program
- Business Licensing Program
- Building Services
- Natural Resources
- Special Events Management
- Community Garden Program
- Parks & Recreation Programming
- Flood Hazard Program
- Solid Waste & Recycling

Public Works
Interim, Stephen Richards

- Water Services
- Sewer Services
- Stormwater Management Program
- Construction Management
- Capital Planning Program
- Facilities Management
- Road Operations and Maintenance Program
- CDIS Program
- GIS Mapping Services



FINANCIAL SECTION





Dickey and Tremper, LLP

Certified Public Accountants and Business Advisors

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P.O. Box 1533
Pendleton, OR 97801
Phone: (541) 276-6862
Toll Free: 1-800-332-6862
Fax: (541) 276-9040
Web: www.dickeyandtremper.com

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, 2010, 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'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, 2010, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General Fund and State Tax Street Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

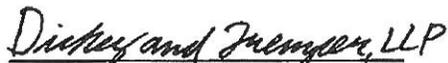
In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2011, on our consideration of the City of Fairview, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant 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 p be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairview's financial statements taken as a whole. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules, other financial schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, other financial schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and directly relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the basic financial statements and, accordingly, we express no opinion on them.


Dickey and Trempe, LLP
Dickey and Trempe, LLP
Certified Public Accountants

January 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS



CITY OF FAIRVIEW
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010

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

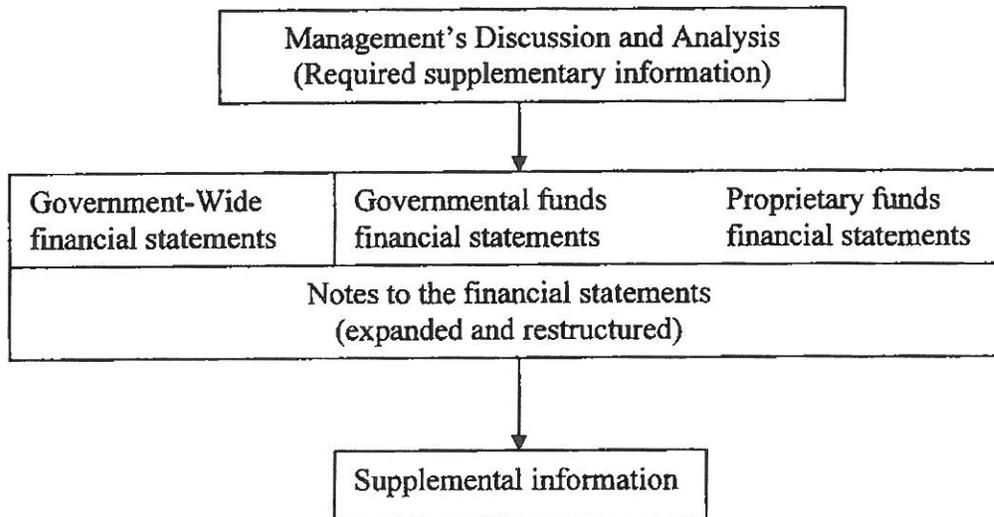
- The City's total net assets at June 30, 2010 are \$39.7 million; an increase of \$126,000 from the prior year. The reason for this increase is primarily due to capital asset additions such as the Construction in Progress of Well #9.
- The assets of the City exceeded its liabilities at the close of the fiscal year by over \$39.7 million (net assets). Of this amount, \$7.28 million is unrestricted and available for spending to meet the City's ongoing obligations to citizens and creditors.
- The expenditures for the general fund were \$1.14 million (18%) less than the final budgeted expenditures. This is due to several factors: 1) curtailed spending imposed by management due to the less than anticipated levels of resources received by the City, 2) staff changes resulting in salary savings, 3) budgeting for capital expenditures associated with grant revenue not being realized during the budget year, and 4) the City Hall debt expenditures being retired. Total resources and transfers in from other funds was \$250,000 (6%) less than budgeted.
- The capital assets of the City increased by over \$1.03 million. This increase is primarily due to the addition of Well #9 as a construction in progress capital asset.
- Long-term debt decreased by over \$1.32 million. This decrease is primarily due to the retirement of the City Hall Debt in July 2009.
- Governmental activities revenue decreased by over \$306,000. This decrease is primarily due to decreases in interest and investment revenue, Hotel/Motel taxes, fines and forfeitures, building permitting, grants, transfers, and general government charges revenue.

- Business-type activities revenue increased by over \$161,000 despite a \$52,867 loss in interest and investment revenue. This increase is primarily due to increased charges for services due to a rate increase which was assessed to meet the demands of capital infrastructure projects related to the stormwater system as well as decreased transfers to the General Fund for ongoing operating expenditures.

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
- Parks
- Highways and Streets
- 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 fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the major governmental funds. The four major funds are General Fund, Street Fund, Fairview Lake Sewer LID Debt Fund, and the City Hall Debt Fund. The four non-major governmental funds are Administrative Excise Charge Fund, Equipment Replacement Fund, Facilities Maintenance Fund, and Parks/Open Spaces Fund. 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 33.

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 nine 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 found on pages 56 through 67.

The proprietary fund financial statement can be found on pages 11 through 13.

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

Other Information- A budgetary comparison schedule is provided for all governmental funds and combining statements and budgetary schedules are presented for Water operations, Sanitary Sewer operations, and Stormwater operations. Supplementary information is found beginning on page 32.

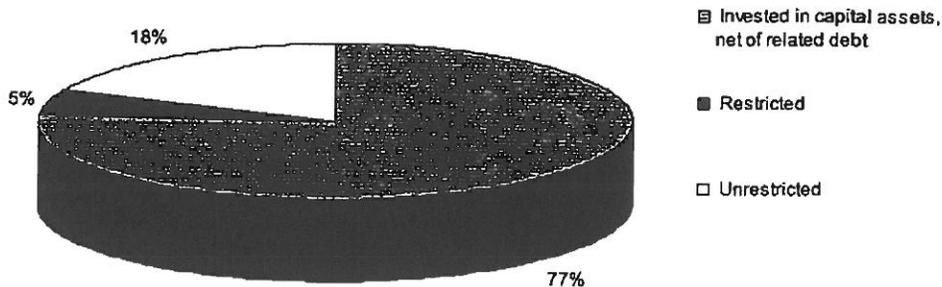
GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 \$39.7 million at the end of FY 2009-2010. This is a \$126,000 increase from the previous year. The reason for this increase is primarily due to addition of capital assets.

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	
	2009	2010	2009	2010	2009	2010
ASSETS						
Current and other Assets	\$ 7,597,970	\$ 5,824,012	\$ 4,667,418	\$ 4,370,663	\$ 12,265,388	\$ 10,194,675
Capital Assets	\$ 9,283,599	\$ 9,187,998	\$ 23,982,314	\$ 25,113,294	\$ 33,265,913	\$ 34,301,292
Total Assets	<u>\$ 16,881,569</u>	<u>\$ 15,012,010</u>	<u>\$ 28,649,732</u>	<u>\$ 29,483,957</u>	<u>\$ 45,531,301</u>	<u>\$ 44,495,967</u>
LIABILITIES						
Current and Other liabilities	\$ 1,982,245	\$ 342,296	\$ 585,986	\$ 528,327	\$ 2,568,231	\$ 870,623
Long-term liabilities	\$ 485,000	\$ 485,000	\$ 2,885,069	\$ 3,421,278	\$ 3,370,069	\$ 3,906,278
Total Liabilities	<u>\$ 2,467,245</u>	<u>\$ 827,296</u>	<u>\$ 3,471,055</u>	<u>\$ 3,949,605</u>	<u>\$ 5,938,300</u>	<u>\$ 4,776,901</u>
NET ASSETS						
Invested in capital assets, net of related debt	\$ 7,173,599	\$ 8,702,998	\$ 20,857,090	\$ 21,692,016	\$ 28,030,689	\$ 30,395,014
Restricted	\$ 2,351,415	\$ 713,362	\$ 1,634,806	\$ 1,329,702	\$ 3,986,221	\$ 2,043,064
Unrestricted	\$ 4,889,310	\$ 4,768,354	\$ 2,686,781	\$ 2,512,634	\$ 7,576,091	\$ 7,280,988
Total Net Assets	<u>\$ 14,414,324</u>	<u>\$ 14,184,714</u>	<u>\$ 25,178,677</u>	<u>\$ 25,534,352</u>	<u>\$ 39,593,001</u>	<u>\$ 39,719,066</u>

Net Assets June 30, 2010



The largest portion of the City's net assets (77%) is reflected in its investment 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 (5%) 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 \$1.03 million from approximately \$33.2 million to \$34.3 million and represents 2.6% of total assets. This is largely due to infrastructure projects completed and added to the capital asset inventory in fiscal year 2009-2010.

Governmental Activities decreased the City's total net assets by almost \$230,000. The primary elements of this decrease are as follows:

- Licenses and Fee revenues decreased by \$71,700 as building permits and businesses declined.
- Fines and forfeitures declined by \$25,424 as fewer offenders paid their fines.

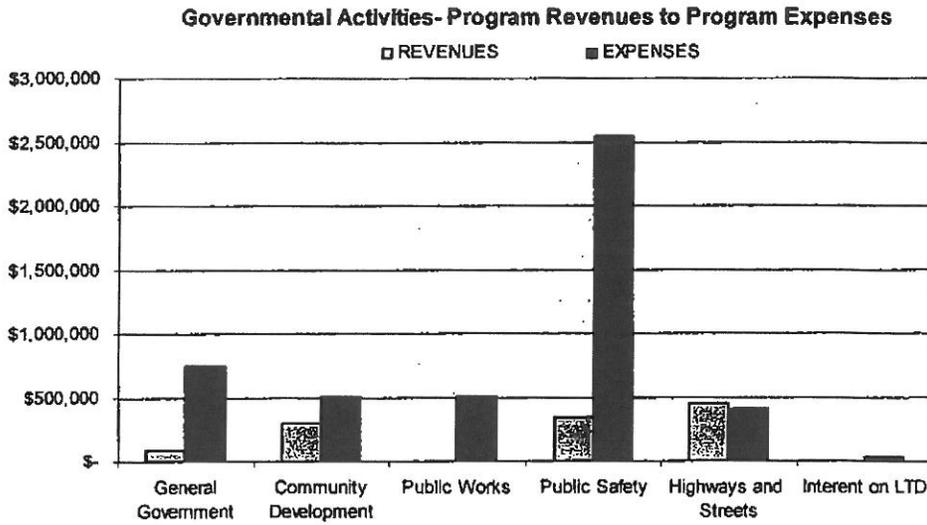
- Interest and Investment earnings decreased by \$108,150. The recession has impacted financial markets including the Local Government Investment Pool (LGIP) resulting in significant declines in this type of revenue for the City.

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

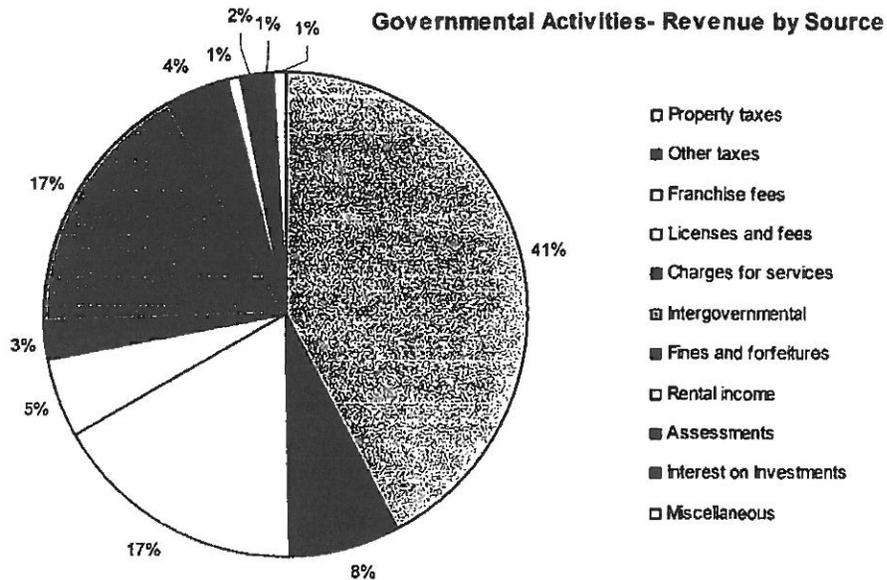
**City of Fairview
Summary of Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
REVENUES						
Program Revenues:						
Charges for Services	\$ 542,820	\$ 475,984	\$ 3,387,803	\$ 3,403,482	\$ 3,930,623	\$ 3,879,466
Operating Grants and Cont.	\$ 443,780	\$ 499,621	\$ -	\$ -	\$ 443,780	\$ 499,621
Capital Grants and Cont.	\$ 282,661	\$ 205,556	\$ 87,358	\$ 87,670	\$ 370,019	\$ 293,226
General Revenues:						
Property Taxes	\$ 1,879,580	\$ 1,944,603	\$ -	\$ -	\$ 1,879,580	\$ 1,944,603
Other Taxes	\$ 1,332,579	\$ 1,386,811	\$ -	\$ -	\$ 1,332,579	\$ 1,386,811
Miscellaneous	\$ 66,948	\$ 38,401	\$ -	\$ -	\$ 66,948	\$ 38,401
Sale of Assets	\$ 11,470	\$ 8,500	\$ -	\$ -	\$ 11,470	\$ 8,500
Interest & Invest. Earnings	\$ 140,770	\$ 32,620	\$ 79,589	\$ 26,722	\$ 220,359	\$ 59,342
Total Revenues	\$ 4,700,808	\$ 4,592,096	\$ 3,554,750	\$ 3,517,874	\$ 8,255,358	\$ 8,109,970
EXPENSES						
General Government	\$ 873,688	\$ 750,782	\$ -	\$ -	\$ 873,688	\$ 750,782
Public Safety	\$ 2,514,166	\$ 2,543,015	\$ -	\$ -	\$ 2,514,166	\$ 2,543,015
Community Development	\$ 594,797	\$ 508,744	\$ -	\$ -	\$ 594,797	\$ 508,744
Streets	\$ 457,400	\$ 406,372	\$ -	\$ -	\$ 457,400	\$ 406,372
Public Works	\$ 559,737	\$ 509,578	\$ -	\$ -	\$ 559,737	\$ 509,578
Interest on Long Term Debt	\$ 109,079	\$ 33,916	\$ -	\$ -	\$ 109,079	\$ 33,916
Water	\$ -	\$ -	\$ 999,614	\$ 981,385	\$ 999,614	\$ 981,385
Sewer	\$ -	\$ -	\$ 1,663,594	\$ 1,633,283	\$ 1,663,594	\$ 1,633,283
Stormwater	\$ -	\$ -	\$ 640,600	\$ 616,830	\$ 640,600	\$ 616,830
Total Expenses	\$ 5,108,867	\$ 4,752,407	\$ 3,303,808	\$ 3,231,498	\$ 8,412,675	\$ 7,983,905
Excess (deficiency) before transfers:	\$ (408,259)	\$ (160,311)	\$ 250,942	\$ 286,376	\$ (157,317)	\$ 126,065
Transfers	\$ 129,185	\$ (69,299)	\$ (129,185)	\$ 69,299	\$ -	\$ -
Change in Net Assets	\$ (279,074)	\$ (229,610)	\$ 121,757	\$ 355,675	\$ (157,317)	\$ 126,065
Net Assets, beginning	\$ 14,693,398	\$ 14,414,324	\$ 25,056,921	\$ 25,178,677	\$ 39,750,319	\$ 39,593,001
Net Assets, ending	\$ 14,414,324	\$ 14,184,714	\$ 25,178,678	\$ 25,534,352	\$ 39,593,002	\$ 39,719,066

The following chart compares program revenues and expenses for individual governmental activities for FY 2009-10.



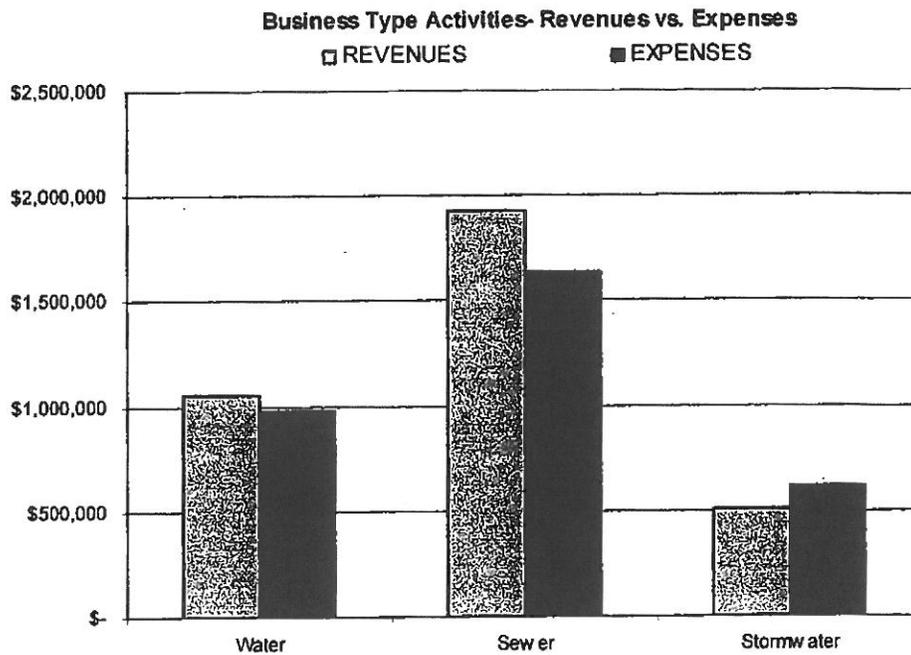
The next chart shows the share of revenues supporting governmental activities.



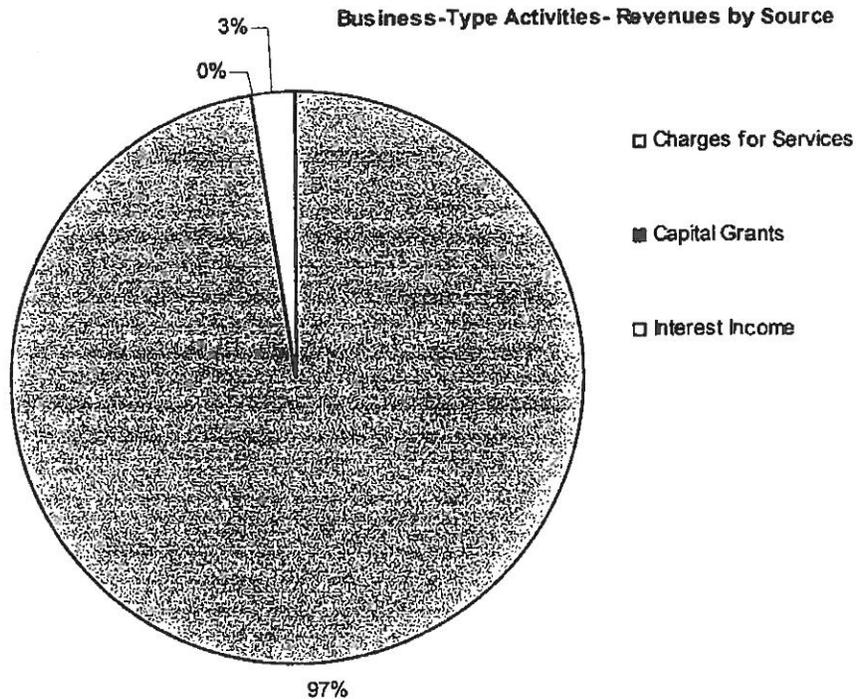
Business-type Activities increased the City's net assets by nearly \$356,000. This increase is primarily due to the following:

- The cost for service fees increased to cover the expense of operations and infrastructure development and improvements.
- Transfers of funds to reimburse the general fund for operating expenses related to services directly related to the business-type activities was reduced by \$198,480.

The following chart compares program revenue to expenses by business-type activity for the FY 2009-2010. This is attributed to cost allocation with the Proprietary funds and General Fund.



The following chart shows that (97%) 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 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 FY 2009-2010, the City's governmental funds reported a combined ending fund balance of \$4.9 million. Nearly \$4.5 million or 91% of the balance is unreserved for spending at the City's discretion. The remainder fund balance is reserved and is not available for future discretionary spending because it has already been committed to debt service and highway and street fund infrastructure improvements.

The combined ending fund balance for FY 2009-2010 is approximately \$1.7 million dollars less than the prior year and is primarily due to the early retirement of the debt on Fairview City Hall.

The *General Fund* is the chief operating fund of the City. Activities included in this fund are Administration, Finance, Community Development, Public Safety, and Public Works/Parks. At the end of FY 2009-2010, the total unreserved fund balance in the General Fund was over \$3.7 million. This is a \$40,300 increase from FY 2008-2009. This increase is primarily due to higher property tax revenues and a one-time settlement payment from Verizon. Staff also minimized operating expenses as much as possible while maintaining current service levels.

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 \$330,594. This is an increase of over \$45,400 from FY 2008-2009 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 the 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 \$90,230. This is a decrease of approximately \$101,000 and is primarily a result of a less than budgeted beginning fund balance as well as an increase in capital outlay to improve the roads and sidewalks of Fairview.

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 \$1,706. This is the balance of the account after the final payment on the early retirement of the City Hall bonded debt was made in FY 2009-10.

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 \$372,203. This is a \$162,817 decrease and is a result of the purchase of the INCODE software system, a Public Works Dump Truck, and a new security system for City Hall and other City Buildings.

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. The year end balance was \$99,155. This is an increase of \$10,603 which is primarily due to the contributions from other funds as well as zero expenditures being required of this fund during the FY 2009-2010.

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, the interest paid on investments, and transfers from the General Fund. The year end balance was \$292,539. This is an increase of \$10,857 primarily due to interest and investment earnings, the transfer of funds from General Fund, and grants from other governmental agencies. There was one new construction residential building permit issued during FY 2009-2010 and the City spent approximately \$136,500 on park related capital outlay projects during the year. This included the significant park and trail improvements at Fairview Woods Park and improvements at Heslin House.

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 Hall Debt Fund* accounts for the cost of debt service on City Hall. Sources of revenue are transfers from the General Fund, the Street Fund, the Water Fund, the Sewer Fund, and the Stormwater Fund. The Administrative Excise Charge Fund also contributes fees from new construction collected for public infrastructure. The year end balance was \$0. This is a decrease of \$1,593,066 which is due to the retirement of City Hall Bonded debt in July of 2009.

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	\$	369,663	15%
Sewer Utility	\$	1,764,264	70%
Stormwater Utility	\$	378,707	15%

The total proprietary fund unrestricted net assets decreased by approximately \$174,000. This is primarily attributable to construction of Well #9 and ongoing stormwater infrastructure improvements.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there was a net effect \$190,422 increase of appropriations and \$4,286 increase of ending fund balance between the original and final amended budgets. The main adjustments to original appropriations were:

- \$58,258 (decrease general fund) supplemental appropriation related to unexpected expenditures for the closing interest payment related to the City Hall Debt payoff
- \$10,000 (decrease general fund) supplemental appropriation related to unexpected expenditures for the Economic Development Retail Study

- \$ 2,000 (decrease general fund) supplemental appropriation related to unexpected expenditures for utility services to Heslin House
- \$ 6,600 (decrease general fund) supplemental appropriation related to unexpected expenditures for the City sponsored Chili Festival special event
- \$157,000 (decrease general fund) supplemental appropriation related to unexpected expenditures for Halsey Street Sidewalk Improvements
- \$61,344 (increase general fund) supplemental appropriation related to the unexpected revenue related to the Verizon Franchise Fee Settlement

General fund expenditures were \$1.1 million under budget which is primarily due to not utilizing the contingency expenditure of \$560,675 and capital outlay projects that were budgeted but not started during Fiscal Year 2009-2010.

CAPITAL ASSET AND DEBT ADMINISTRATION

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2010 amounts to \$34.3 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 27% is associated with governmental activities and approximately 73% with business-type activities.

In total, the City's capital assets increased by \$1.03 million, or approximately 3% from the prior year. Governmental activities decreased by \$95,600 and business-type activities account for an increase of \$1.13 million. The governmental activities decrease is attributable to depreciation expenses. The business-type activities increases are due to completed capital asset projects. Major capital asset events during the fiscal year included the following:

- Crestwood Shop Improvement Project
- Lincoln Street Sewer Rehabilitation Project
- Third Street Sidewalk Project.
- Well #9 Construction in Progress
- Schatz Barn Improvements
- Purchase of a Dump Truck
- Purchase of a Security System for City Hall and other City owned buildings

City of Fairview
Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities	
	Beginning Balances	2010	Beginning Balances	2010
Land	\$ 1,492,753	\$ 1,492,753	\$ 981,430	\$ 981,430
Construction in Progress	\$ 64,798	\$ -	\$ 96,552	\$ 1,043,048
Land Improvements	\$ 509,130	\$ 643,193	\$ -	\$ -
Dams and Weirs	\$ 353,223	\$ 339,638	\$ -	\$ -
Buildings	\$ 2,987,719	\$ 2,990,559	\$ 23,187	\$ 334,865
Machinery & Equipment	\$ 177,747	\$ 215,469	\$ 10,031	\$ 107,756
Infrastructure	\$ 3,698,231	\$ 3,506,386	\$ 22,871,114	\$ 22,646,195
Total	\$ 9,283,601	\$ 9,187,998	\$ 23,982,314	\$ 25,113,294

Governmental Accounting Standards Board (GASB) Statement number 34 require the City to report and depreciate new infrastructure assets (roads, bridges, runways, traffic signals, etc.) effective FY 2003-2004. 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 \$3.9 million. Governmental activities account for \$485,000 of the debt while business-type activities account for the remaining \$3.4 million of debt outstanding. Of that amount, \$260,510 is due within one year.

The City had total non-current liabilities (not due within one year) of \$3.6 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 \$775,000 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 \$2.1 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 \$537,833 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		Business-Type	
	Activities		Activities	
	2009	2010	2009	2010
Full Faith and Credit Bonds	\$ 1,625,000	\$ -		
Limited Tax Issuance	\$ 485,000	\$ 485,000		
Water Revenue bond			\$ 875,000	\$ 775,000
City of Gresham Note Payable			\$ 2,250,224	\$ 2,108,445
State of Oregon Note Payable			\$ -	\$ 537,833
Total:	\$ 2,110,000	\$ 485,000	\$ 3,125,224	\$ 3,421,278

The City's total debt decreased by over \$1.3 million during FY 2009-2010. The decrease is attributable to the retirement of the Full Faith Credit Bonds as well as overall principal payments that exceeded the addition of new debt.

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 remained stable due to adequate financial reserves despite the economic downturn and increase in unemployment rate. During preparation of the budget for the ensuing fiscal year, the City considered several economic factors. The following issues were considered in the compilation of the FY 2010-11 budget:

- It is assumed that **property tax revenues** to the City will increase by 3% over FY 2009-2010 collections. This 3% is from increased values of currently assessed properties and is consistent with the maximum 3% increase allowed under Measure 50. This number is based on permit applications received during 2009 and 2010. Given the current economic climate it is assumed that 5% of total tax assessments will be uncollectible in the current tax year.
- Fairview's **permanent tax rate** is \$3.4902 per \$1,000 of assessed value, one of the lower rates for cities in the region. General revenues from the City's permanent tax rate combined with limitations in the State's property tax structure are falling short of the rising costs of public safety services.
- The cost of **Fire Services and Bureau of Emergency Communications (BOEC)** 911 dispatch service costs are continuing to increase.

- The **two full time positions** reduced in the FY 2009-10 budget remained unchanged. These included the Community Development Code Enforcement position and the Finance Department Office Assistant position. Overall personnel costs make up approximately 22% of the budget for FY 2010-2011.
- **Healthcare costs** continue to impact the City's budget. In January 2011 premiums will increase by 12.8%.
- The City has been negotiating a new contract with the **Fairview Police Officers' Association** as their contract expired on December 31, 2009. It is anticipated the City will incur additional expense due to the terms of a new contract.
- Due to the economic times, the **PERS** retirement experienced shortfalls and employer contribution rates for FY 2011-12 are expected to increase by 6-8%.
- The City increased **Water and Stormwater utility user fees** effective February 2010. Council will be reviewing rate requirements and evaluating the need to increase rates in February 2011.
- The City adopted a new **fund and budget structure** directly allocating expenses to all funds in order to establish the true costs of providing City services and conducting City programs.
- Each operating fund has contingency amount budgeted. City Council directed budget guidelines stipulate 5% of operating expenditures Emergency Contingency for each fund. The Emergency Contingency is again fully funded at \$208,608.

REQUEST FOR INFORMATION

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

Samantha D. Nelson
 Finance Director
 City of Fairview
 1300 NE Village Street
 Fairview, Oregon 97024

BASIC FINANCIAL STATEMENTS

CITY OF FAIRVIEW, OREGON
STATEMENT OF NET ASSETS
June 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,023,886	\$ 2,520,270	\$ 6,544,156
Investments	99,000	-	99,000
Receivables:			
Accounts	238,442	491,613	730,055
Fines and forfeitures	32,267	-	32,267
Property taxes	121,803	-	121,803
Assessments	595,251	-	595,251
Bond issuance costs	-	29,078	29,078
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	713,363	1,329,702	2,043,065
Capital assets:			
Land	1,492,753	981,430	2,474,183
Construction in progress	-	1,043,048	1,043,048
Depreciable assets, net of depreciation	<u>7,695,245</u>	<u>23,088,816</u>	<u>30,784,061</u>
 Total assets	 <u>15,012,010</u>	 <u>29,483,957</u>	 <u>44,495,967</u>
LIABILITIES			
Accounts payable and accrued expenses	196,626	485,035	681,661
Deposits	19,089	17,080	36,169
Accrued interest payable	4,890	26,212	31,102
Compensated absences payable	120,023	-	120,023
Unearned revenue	1,668	-	1,668
Long-term obligations:			
Due within one year	-	260,510	260,510
Due in more than one year	<u>485,000</u>	<u>3,160,768</u>	<u>3,645,768</u>
 Total liabilities	 <u>827,296</u>	 <u>3,949,605</u>	 <u>4,776,901</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,702,998	21,692,016	30,395,014
Restricted for:			
System development	292,539	1,186,900	1,479,439
Highways and streets	90,230	-	90,230
Debt service	330,594	142,802	473,396
Unrestricted	<u>4,768,353</u>	<u>2,512,634</u>	<u>7,280,987</u>
 Total net assets	 <u>\$ 14,184,714</u>	 <u>\$ 25,534,352</u>	 <u>\$ 39,719,066</u>

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

CITY OF FAIRVIEW, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

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	\$ 750,782	\$ 48,443	\$ -	\$ 40,611	\$ (661,728)	\$ -	\$ (661,728)
Public safety	2,543,015	245,555	95,358	-	(2,202,102)	-	(2,202,102)
Highways and streets	406,372	135	404,263	46,700	44,726	-	44,726
Public works	509,578	-	-	-	(509,578)	-	(509,578)
Community development	508,744	181,851	-	118,245	(208,648)	-	(208,648)
Interest on long-term obligations	33,916	-	-	-	(33,916)	-	(33,916)
Total governmental activities	4,752,407	475,984	499,621	205,556	(3,571,246)	-	(3,571,246)
Business-type activities:							
Water	981,385	1,041,314	-	11,732	-	71,661	71,661
Sewer	1,633,283	1,855,075	-	75,588	-	297,380	297,380
Stormwater	616,830	507,093	-	350	-	(109,387)	(109,387)
Total business-type activities	3,231,498	3,403,482	-	87,670	-	259,654	259,654
Total primary government	\$ 7,983,905	\$ 3,879,466	\$ 499,621	\$ 293,226	(3,571,246)	259,654	(3,311,592)
General revenues:							
Property taxes levied for:							
General purposes					1,944,603	-	1,944,603
Franchise and public services taxes					1,386,811	-	1,386,811
Interest and investment earnings					32,620	26,722	59,342
Miscellaneous					38,401	-	38,401
Gain (loss) on sale of property					8,500	-	8,500
Transfers					(69,299)	69,299	-
Total general revenues, special items, and transfers					3,341,636	96,021	3,437,657
Change in net assets					(229,610)	355,675	126,065
Net assets, beginning					14,414,324	25,178,677	39,593,001
Net assets, ending					\$ 14,184,714	\$ 25,534,352	\$ 39,719,066

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



FUND FINANCIAL STATEMENTS

Major Governmental Funds

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.

State Tax Street Fund

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

Fairview Lake Sewer LID Debt Fund

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

City Hall Debt Fund

The City Hall Debt Fund accounts for the cost of debt service on City Hall. Sources of revenue are transfers from the General Fund, the Water Fund, the Sewer Fund, the State Tax Street Fund, and Stormwater Fund. The Administrative Excise Charge Fund also contributes fees from new construction collected for public infrastructure.



**CITY OF FAIRVIEW, OREGON
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010**

	General Fund	State Tax Street Fund	Fairview Lake Sewer LID Fund	City Hall Debt Fund	Other Governmental Funds	Totals
ASSETS						
Cash and cash equivalents	\$ 3,490,331	\$ 113,681	\$ 329,007	\$ -	\$ 804,230	\$ 4,737,249
Investments	99,000	-	-	-	-	99,000
Receivables:						
Property taxes	121,803	-	-	-	-	121,803
Accounts	202,773	34,082	1,587	-	-	238,442
Fines and forfeitures	32,267	-	-	-	-	32,267
Assessments	-	-	595,251	-	-	595,251
Total assets	<u>\$ 3,946,174</u>	<u>\$ 147,763</u>	<u>\$ 925,845</u>	<u>\$ -</u>	<u>\$ 804,230</u>	<u>\$ 5,824,012</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 118,793	\$ 39,206	\$ -	\$ -	\$ 38,627	\$ 196,626
Deposits	762	18,327	-	-	-	19,089
Deferred revenue	97,887	-	595,251	-	-	693,138
Total liabilities	<u>217,442</u>	<u>57,533</u>	<u>595,251</u>	<u>-</u>	<u>38,627</u>	<u>908,853</u>
FUND BALANCES						
Reserved for:						
Debt service	-	-	330,594	-	-	330,594
Highways and streets	-	90,230	-	-	-	90,230
Unreserved, reported in:						
Major funds	3,728,732	-	-	-	-	3,728,732
Special revenue funds	-	-	-	-	765,603	765,603
Total fund balances	<u>3,728,732</u>	<u>90,230</u>	<u>330,594</u>	<u>-</u>	<u>765,603</u>	<u>4,915,159</u>
Total liabilities and fund balances	<u>\$ 3,946,174</u>	<u>\$ 147,763</u>	<u>\$ 925,845</u>	<u>\$ -</u>	<u>\$ 804,230</u>	<u>\$ 5,824,012</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, 2010

Fund balances - total governmental funds	\$ 4,915,159
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.	9,187,998
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the fund statements.	691,470
Accrued compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(120,023)
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>\$ 14,184,714</u>

CITY OF FAIRVIEW, OREGON
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010

	General Fund	State Tax Street Fund	Fairview Lake Sewer LID Fund	City Hall Debt Fund	Other Governmental Funds	Totals
REVENUES						
Property taxes	\$ 1,943,702	\$ -	\$ -	\$ -	\$ -	\$ 1,943,702
Other taxes	351,041	-	-	-	-	351,041
Franchise fees	782,054	-	-	-	-	782,054
Licenses and fees	237,851	1,160	-	-	-	239,011
Charges for services	113,163	-	-	-	7,079	120,242
Intergovernmental	226,049	462,413	-	-	118,245	806,707
Fines and forfeitures	186,415	-	-	-	-	186,415
Rental income	39,802	-	-	-	-	39,802
Assessments	-	-	72,668	-	-	72,668
Interest on investments	24,332	811	2,106	56	5,316	32,621
Miscellaneous	38,095	-	-	-	-	38,095
TOTAL REVENUES	<u>3,942,504</u>	<u>464,384</u>	<u>74,774</u>	<u>56</u>	<u>130,640</u>	<u>4,612,358</u>
EXPENDITURES						
Current:						
General government	664,278	-	-	-	-	664,278
Public safety	2,489,183	-	-	-	-	2,489,183
Public works	172,189	-	-	-	-	172,189
Community development	444,848	-	-	-	-	444,848
Highways and streets	-	275,612	-	-	-	275,612
Capital outlay	9,012	288,046	-	-	348,386	645,444
Debt service	-	-	29,343	1,635,810	-	1,665,153
TOTAL EXPENDITURES	<u>3,779,510</u>	<u>563,658</u>	<u>29,343</u>	<u>1,635,810</u>	<u>348,386</u>	<u>6,356,707</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>162,994</u>	<u>(99,274)</u>	<u>45,431</u>	<u>(1,635,754)</u>	<u>(217,746)</u>	<u>(1,744,349)</u>
OTHER FINANCING SOURCES (USES)						
Sale of property	-	-	-	-	8,500	8,500
Transfers in	-	-	-	42,688	85,109	127,797
Transfers out	(122,702)	(2,000)	-	-	-	(124,702)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(122,702)</u>	<u>(2,000)</u>	<u>-</u>	<u>42,688</u>	<u>93,609</u>	<u>11,595</u>
NET CHANGE IN FUND BALANCE	40,292	(101,274)	45,431	(1,593,066)	(124,137)	(1,732,754)
FUND BALANCE, Beginning	<u>3,688,440</u>	<u>191,504</u>	<u>285,163</u>	<u>1,593,066</u>	<u>889,740</u>	<u>6,647,913</u>
FUND BALANCE, Ending	<u>\$ 3,728,732</u>	<u>\$ 90,230</u>	<u>\$ 330,594</u>	<u>\$ -</u>	<u>\$ 765,603</u>	<u>\$ 4,915,159</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, 2010

Net change in fund balance - governmental funds **\$ (1,732,754)**

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	(31,156)
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Repayment of long-term obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Assets.	1,625,000
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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	\$ (1,336)	
Change in accrued interest payable	<u>6,236</u>	
		4,900

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	\$ 401,834	
Depreciation expense	<u>(497,434)</u>	
		<u>(95,600)</u>

Change in net assets - governmental activities **\$ (229,610)**

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,904,402	\$ 1,904,402	\$ 1,943,702	\$ 39,300
Other taxes	337,148	337,148	351,041	13,893
Franchise fees	681,071	742,415	782,054	39,639
Licenses and fees	282,461	282,461	237,851	(44,610)
Charges for services	117,162	117,162	113,163	(3,999)
Intergovernmental	221,479	393,301	226,049	(167,252)
Fines and forfeitures	254,750	254,750	186,415	(68,335)
Rental income	8,000	21,200	39,802	18,602
Interest on investments	91,760	91,760	24,332	(67,428)
Miscellaneous	41,775	48,375	38,095	(10,280)
TOTAL REVENUES	<u>3,940,008</u>	<u>4,192,974</u>	<u>3,942,504</u>	<u>(250,470)</u>
EXPENDITURES				
Current:				
General government	1,233,639	1,270,836	1,208,892	61,944
Public safety	2,629,128	2,613,353	2,489,183	124,170
Public works	1,074,136	1,074,136	973,639	100,497
Community development	559,847	571,847	467,468	104,379
Capital outlay	45,500	202,500	9,012	193,488
Contingency	560,675	560,675	-	560,675
TOTAL EXPENDITURES	<u>6,102,925</u>	<u>6,293,347</u>	<u>5,148,194</u>	<u>1,145,153</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,162,917)</u>	<u>(2,100,373)</u>	<u>(1,205,690)</u>	<u>894,683</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,368,684	1,368,684	1,368,684	-
Transfers out	(64,500)	(122,758)	(122,702)	56
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,304,184</u>	<u>1,245,926</u>	<u>1,245,982</u>	<u>56</u>
NET CHANGE IN FUND BALANCE	<u>(858,733)</u>	<u>(854,447)</u>	<u>40,292</u>	<u>894,739</u>
FUND BALANCE, Beginning	<u>3,370,757</u>	<u>3,370,757</u>	<u>3,688,440</u>	<u>317,683</u>
FUND BALANCE, Ending	<u>\$ 2,512,024</u>	<u>\$ 2,516,310</u>	<u>\$ 3,728,732</u>	<u>\$ 1,212,422</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 (NON-GAAP BUDGETARY BASIS)
STATE TAX STREET FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive / (Negative)
REVENUES				
Licenses and fees	\$ 1,700	\$ 1,700	\$ 1,160	\$ (540)
Intergovernmental	466,338	466,338	462,413	(3,925)
Interest on investments	3,335	3,335	811	(2,524)
TOTAL REVENUES	<u>471,373</u>	<u>471,373</u>	<u>464,384</u>	<u>(6,989)</u>
EXPENDITURES				
Current:				
Highways and streets:				
Materials and services	39,000	39,000	42,516	(3,516)
Capital outlay	351,011	351,011	288,046	62,965
Contingency	15,917	15,917	-	15,917
TOTAL EXPENDITURES	<u>405,928</u>	<u>405,928</u>	<u>330,562</u>	<u>75,366</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>65,445</u>	<u>65,445</u>	<u>133,822</u>	<u>68,377</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(235,096)	(235,096)	(235,096)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(235,096)</u>	<u>(235,096)</u>	<u>(235,096)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(169,651)	(169,651)	(101,274)	68,377
FUND BALANCE, Beginning	<u>227,536</u>	<u>227,536</u>	<u>191,504</u>	<u>(36,032)</u>
FUND BALANCE, Ending	<u>\$ 57,885</u>	<u>\$ 57,885</u>	<u>\$ 90,230</u>	<u>\$ 32,345</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 Reimbursement
 - Water Improvement
 - Water Bonded Debt
- **All Sewer Funds**
 - Sanitary Sewer
 - Sewer Reimbursement
 - Sewer Improvement
- **All Stormwater Funds**
 - Stormwater
 - Stormwater Improvement

CITY OF FAIRVIEW, OREGON
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

Business - type Activities - Enterprise Funds

ASSETS	Water Funds	Sewer Funds	Stormwater Funds	Total
Current assets:				
Cash and cash equivalents	\$ 436,457	\$ 1,748,438	\$ 335,375	\$ 2,520,270
Receivables:				
Accounts	<u>146,855</u>	<u>273,295</u>	<u>71,463</u>	<u>491,613</u>
Total current assets	<u>583,312</u>	<u>2,021,733</u>	<u>406,838</u>	<u>3,011,883</u>
Noncurrent assets:				
Restricted cash and cash equivalents	496,510	565,603	267,589	1,329,702
Bond issuance costs	29,078	-	-	29,078
Capital assets:				
Land	531,270	228,550	221,610	981,430
Construction in progress	1,043,048	-	-	1,043,048
Depreciable assets, net of depreciation	<u>10,125,623</u>	<u>8,774,420</u>	<u>4,188,773</u>	<u>23,088,816</u>
Total noncurrent assets	<u>12,225,529</u>	<u>9,568,573</u>	<u>4,677,972</u>	<u>26,472,074</u>
Total assets	<u>\$ 12,808,841</u>	<u>\$ 11,590,306</u>	<u>\$ 5,084,810</u>	<u>\$ 29,483,957</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 234,864	\$ 237,020	\$ 13,151	\$ 485,035
Accrued interest payable	7,763	18,449	-	26,212
Deposits	100	2,000	14,980	17,080
Current portion of long-term debt	<u>100,000</u>	<u>160,510</u>	<u>-</u>	<u>260,510</u>
Total current liabilities	342,727	417,979	28,131	788,837
Long-term debt, net of current portion:				
Notes and contracts payable	537,833	1,947,935	-	2,485,768
Bonds payable	<u>675,000</u>	<u>-</u>	<u>-</u>	<u>675,000</u>
Total liabilities	<u>1,555,560</u>	<u>2,365,914</u>	<u>28,131</u>	<u>3,949,605</u>
Net assets:				
Invested in capital assets, net of related debt	10,387,108	6,894,525	4,410,383	21,692,016
Restricted for system development	353,708	565,603	267,589	1,186,900
Restricted for debt service	142,802	-	-	142,802
Unrestricted	<u>369,663</u>	<u>1,764,264</u>	<u>378,707</u>	<u>2,512,634</u>
Total net assets	<u>11,253,281</u>	<u>9,224,392</u>	<u>5,056,679</u>	<u>25,534,352</u>
Total liabilities and net assets	<u>\$ 12,808,841</u>	<u>\$ 11,590,306</u>	<u>\$ 5,084,810</u>	<u>\$ 29,483,957</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, 2010

Business - type Activities - Enterprise Funds

	Water Funds	Sewer Funds	Stormwater Funds	Total
OPERATING REVENUES				
Charges for services	\$ 1,041,314	\$ 1,855,075	\$ 507,093	\$ 3,403,482
TOTAL OPERATING REVENUES	<u>1,041,314</u>	<u>1,855,075</u>	<u>507,093</u>	<u>3,403,482</u>
OPERATING EXPENSES				
Materials and services	720,728	1,194,578	388,415	2,303,721
Depreciation	<u>222,826</u>	<u>351,675</u>	<u>228,415</u>	<u>802,916</u>
TOTAL OPERATING EXPENSES	<u>943,554</u>	<u>1,546,253</u>	<u>616,830</u>	<u>3,106,637</u>
OPERATING INCOME (LOSS)	<u>97,760</u>	<u>308,822</u>	<u>(109,737)</u>	<u>296,845</u>
NON-OPERATING INCOME (EXPENSES)				
Interest on investments	7,473	14,824	4,425	26,722
Interest expense	<u>(37,831)</u>	<u>(87,030)</u>	<u>-</u>	<u>(124,861)</u>
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>(30,358)</u>	<u>(72,206)</u>	<u>4,425</u>	<u>(98,139)</u>
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	67,402	236,616	(105,312)	198,706
CAPITAL CONTRIBUTIONS				
Intergovernmental	-	73,187	-	73,187
System development charges	11,732	2,401	350	14,483
Capital asset transfers	26,259	21,870	21,870	69,999
TRANSFERS				
Transfers in	134,553	-	194,834	329,387
Transfers out	<u>(135,253)</u>	<u>-</u>	<u>(194,834)</u>	<u>(330,087)</u>
CHANGE IN NET ASSETS	104,693	334,074	(83,092)	355,675
NET ASSETS, Beginning	<u>11,148,588</u>	<u>8,890,318</u>	<u>5,139,771</u>	<u>25,178,677</u>
NET ASSETS, Ending	<u>\$ 11,253,281</u>	<u>\$ 9,224,392</u>	<u>\$ 5,056,679</u>	<u>\$ 25,534,352</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, 2010

Business-type Activities - Enterprise Funds

	Water Funds	Sewer Funds	Stormwater Funds	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,034,090	\$ 1,819,535	\$ 498,615	\$ 3,352,240
Payments to suppliers	(42,604)	(836,974)	(90,254)	(969,832)
Payments for interfund services used	(461,376)	(352,397)	(321,815)	(1,135,588)
Net cash provided from (used by) operating activities	<u>530,110</u>	<u>630,164</u>	<u>86,546</u>	<u>1,246,820</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	134,553	-	194,834	329,387
Transfers out	(135,253)	-	(194,834)	(330,087)
Net cash provided from (used by) non-capital financing activities	<u>(700)</u>	<u>-</u>	<u>-</u>	<u>(700)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from intergovernmental revenue	-	73,187	-	73,187
System development charges	11,732	2,401	350	14,483
Proceeds from issuance of debt	537,833	-	-	537,833
Acquisition of capital assets	(1,121,501)	(464,825)	(277,568)	(1,863,894)
Principal paid on long-term obligations	(100,000)	(141,779)	-	(241,779)
Interest paid on long-term obligations	(34,553)	(92,135)	-	(126,688)
Net cash provided from (used by) capital and related financing activities	<u>(706,489)</u>	<u>(623,151)</u>	<u>(277,218)</u>	<u>(1,606,858)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	7,472	14,824	4,425	26,721
Net cash provided from (used by) investing activities	<u>7,472</u>	<u>14,824</u>	<u>4,425</u>	<u>26,721</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(169,607)	21,837	(186,247)	(334,017)
CASH AND CASH EQUIVALENTS, Beginning	<u>1,102,574</u>	<u>2,292,204</u>	<u>789,211</u>	<u>4,183,989</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 932,967</u>	<u>\$ 2,314,041</u>	<u>\$ 602,964</u>	<u>\$ 3,849,972</u>
COMPRISED AS FOLLOWS:				
Cash and cash equivalents	\$ 436,457	\$ 1,748,438	\$ 335,375	\$ 2,520,270
Restricted cash and cash equivalents	496,510	565,603	267,589	1,329,702
	<u>\$ 932,967</u>	<u>\$ 2,314,041</u>	<u>\$ 602,964</u>	<u>\$ 3,849,972</u>
Reconciliation of operating income (loss) to net cash provided from (used by) operating activities				
Operating income (loss)	\$ 97,760	\$ 308,821	\$ (109,736)	\$ 296,845
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	222,826	351,675	228,415	802,916
(Increase) decrease in assets:				
Receivables	2,603	(35,541)	(8,478)	(41,416)
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	216,746	5,209	(23,655)	198,300
Deposits	(9,825)	-	-	(9,825)
Net cash provided from (used by) operating activities	<u>\$ 530,110</u>	<u>\$ 630,164</u>	<u>\$ 86,546</u>	<u>\$ 1,246,820</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Transfer of capital assets between funds	<u>\$ 26,259</u>	<u>\$ 21,870</u>	<u>\$ 21,870</u>	<u>\$ 69,999</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, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

B. Government – Wide and Fund Financial Statements

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes

are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Significant revenues, which are susceptible to accrual under the modified accrual basis of accounting, include property taxes and federal and state grants. Other revenue items are considered to be measurable and available when received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

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

The City reports the following major governmental funds:

General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those accounted for in another fund. Principal sources of revenue

are property taxes, franchise fees, hotel-motel tax, and state shared revenues. Expenditures are primarily for general government operations, public safety (police), and community development.

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

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

City Hall Debt Fund accounts for the cost of debt service on City Hall. Sources of revenue are transfers from the General Fund, the Water Fund, the Sewer Fund, the State Tax Street Fund, and Stormwater Fund. The Administrative Excise Charge Fund also contributes fees from new construction collected for public infrastructure.

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.

Debt service funds account for the resources accumulated and payments made for principal and interest on long-term debt for governmental funds.

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 \$170 for 2009-2010 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	40-80

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 normally liquidated by the General Fund.

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 are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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 interfund transfers and the proprietary funds. Payments to the General Fund for reimbursement of operating expenses have been budgeted as interfund transfers for budgetary purposes in the State Tax Street and proprietary funds. These transfers have been reclassified to charges for services revenue and materials and services expense for GAAP financial reporting. 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.

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, 2010, appropriation increases and transfers were approved, and supplemental budgets were adopted.

B. Excess of Expenditures over Appropriations

Expenditures exceeded appropriations in the following amounts:

State Tax Street Fund		
Materials and services	\$	3,516
City Hall Debt Fund		
Debt service	\$	1,577,552

The excess of expenditures in the City Hall Debt Fund were paid with restricted cash placed in an escrow account in the prior year for payoff of the remaining bond balance.

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, 2010. 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, 2010, the carrying amount of the City's deposits was \$92,684 and the bank balance was \$136,081. 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, 2010 are as follows:

	<u>Maturity</u>	<u>Percentage of Portfolio</u>	<u>Carrying Amount/ Fair Value</u>
Local Government Investment Pool	1 day	99%	\$ 8,494,287
Time Certificate of Deposits	One year	1%	99,000
		<u>100%</u>	<u>8,593,287</u>
Less amounts classified as cash equivalents			<u>(8,494,287)</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	92,684
Local Government Investment Pool	<u>8,494,287</u>
Total cash and cash equivalents	<u>\$ 8,587,221</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>Fairview Lake Sewer LID</u>	<u>Total Governmental Activities</u>
Property taxes	\$121,803	\$ -	\$ -	\$ 121,803
Accounts	36,829	75	1,587	38,491
Intergovernmental	165,944	34,007	-	199,951
Fines and forfeitures	32,267	-	-	32,267
Assessments	-	-	595,251	595,251
	<u>\$356,843</u>	<u>\$ 34,082</u>	<u>\$ 596,838</u>	<u>\$ 987,763</u>

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

	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Total Business-Type Activities</u>
Accounts	<u>\$ 146,855</u>	<u>\$ 273,295</u>	<u>\$ 71,463</u>	<u>\$ 491,613</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 2009-2010, the City levied property taxes in the amount of \$1,976,568. After reductions for offsets and increases for additional taxes and penalties this resulted in a net levy of \$1,976,399. 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, 2010 was \$566,319,382.

Following is a summary of property tax transactions for the year ended June 30, 2010:

City	Balances		Adjustments (Discounts)	Interest	Collections	Balances June 30, 2010
	July 1, 2009	2009-10 Levy				
2009-10	\$ -	\$ 1,976,399	\$ (56,913)	\$ 952	\$ (1,848,087)	\$ 72,351
2008-09	79,971	-	(3,314)	1,530	(49,060)	29,127
2007-08	23,871	-	(1,037)	1,141	(11,174)	12,801
2006-07	9,316	-	(511)	790	(4,445)	5,150
2005-06	3,801	-	(52)	554	(3,612)	691
2004-05	708	-	23	27	(308)	450
2003-04	481	-	(9)	(8)	(155)	309
Prior years	1,041	-	10	(5)	(122)	924
	<u>\$ 119,189</u>	<u>\$ 1,976,399</u>	<u>\$ (61,803)</u>	<u>\$ 4,981</u>	<u>\$ (1,916,963)</u>	<u>\$ 121,803</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, 2010, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,492,753	\$ -	\$ -	\$ 1,492,753
Construction in progress	64,798	-	(64,798)	-
 Total capital assets, not being depreciated	 1,557,551	 -	 (64,798)	 1,492,753
Capital assets, being depreciated:				
Land improvements	807,880	163,675	-	971,555
Dams and weirs	407,565	-	-	407,565
Buildings	3,633,892	76,474	-	3,710,366
Equipment	1,262,420	123,329	(50,207)	1,335,542
Infrastructure	6,495,178	103,153	-	6,598,331
 Total capital assets, being depreciated	 12,606,935	 466,631	 (50,207)	 13,023,359
Accumulated depreciation for:				
Land improvements	(298,751)	(29,611)	-	(328,362)
Dams and weirs	(54,342)	(13,585)	-	(67,927)
Building	(646,173)	(73,634)	-	(719,807)
Equipment	(1,084,674)	(85,606)	50,207	(1,120,073)
Infrastructure	(2,796,947)	(294,998)	-	(3,091,945)
 Total accumulated depreciation	 (4,880,887)	 (497,434)	 50,207	 (5,328,114)
 Total capital assets, being depreciated, net	 7,726,048	 (30,803)	 -	 7,695,245
 Governmental activities capital assets, net	 \$ 9,283,599	 \$ (30,803)	 \$ (64,798)	 \$ 9,187,998

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

General government	\$ 78,502
Community development	52,696
Public safety	25,445
Public works	340,791
 Total depreciation expense - governmental activities	 \$ 497,434

Capital asset activity for the business-type activities for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 981,430	\$ -	\$ -	\$ 981,430
Construction in progress	96,552	1,016,625	(70,129)	1,043,048
	<u>1,077,982</u>	<u>1,016,625</u>	<u>(70,129)</u>	<u>2,024,478</u>
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Buildings	56,538	317,054	-	373,592
Equipment	163,981	108,128	-	272,109
Infrastructure	32,019,758	562,217	-	32,581,975
	<u>32,240,277</u>	<u>987,399</u>	<u>-</u>	<u>33,227,676</u>
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Building	(33,351)	(5,376)	-	(38,727)
Equipment	(153,951)	(10,402)	-	(164,353)
Infrastructure	(9,148,643)	(787,137)	-	(9,935,780)
	<u>(9,335,945)</u>	<u>(802,915)</u>	<u>-</u>	<u>(10,138,860)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	<u>22,904,332</u>	<u>184,484</u>	<u>-</u>	<u>23,088,816</u>
Business-type activities capital assets, net	<u>\$ 23,982,314</u>	<u>\$ 1,201,109</u>	<u>\$ (70,129)</u>	<u>\$ 25,113,294</u>

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

Water	\$ 222,826
Sewer	351,674
Stormwater	228,415
Total depreciation expense - business-type activities	<u>\$ 802,915</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 \$1,668 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	\$ 96,219	\$ -	\$ 96,219
Unearned revenues	1,668	-	1,668
Special assessments	-	595,251	595,251
	<u>\$ 97,887</u>	<u>\$ 595,251</u>	<u>\$ 693,138</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
2011	\$ -	\$ 29,343
2012	-	29,343
2013	-	29,343
2014	-	29,343
2015	485,000	29,342
	<u>\$ 485,000</u>	<u>\$ 146,714</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
2011	\$ 100,000	\$ 31,053
2012	105,000	27,302
2013	110,000	23,365
2014	115,000	19,075
2015	120,000	14,475
2016-2017	225,000	14,070
	<u>\$ 775,000</u>	<u>\$ 129,340</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
2011	\$ 160,510	\$ 72,403
2012	166,178	66,736
2013	169,045	60,869
2014	178,119	54,795
2015	184,408	48,507
2016-2020	1,024,419	140,148
2021	225,766	5,828
	<u>\$ 2,108,445</u>	<u>\$ 449,286</u>

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

The Water Fund has a note payable used to finance the drilling of an additional well to increase water system capacity. The note is payable to the State of Oregon as part of the Safe Drinking Water Revolving Loan program. As of June 30, 2010 the City has drawn down \$537,833 of the \$1,250,000 total amount approved. Of the \$1,250,000 approved, the first \$625,000 borrowed is conditionally forgivable. The note does not accrue interest until the project completion date. The City expects to meet the forgiveness conditions. Any non-forgiven portions of the note will be payable over a term of no more than 20 years, at an interest rate of 3%.

5. Changes in Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2010, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Full Faith and Credit Bonds	\$ 1,625,000	\$ -	\$1,625,000	\$ -	\$ -
Limited Tax Issuances	485,000	-	-	485,000	-
Compensated Absences	118,687	120,023	118,687	120,023	120,023
Governmental activity Long-term obligations	<u>\$ 2,228,687</u>	<u>\$ 120,023</u>	<u>\$1,743,687</u>	<u>\$ 605,023</u>	<u>\$ 120,023</u>
Business - type activities:					
Revenue Bonds Payable	\$ 875,000	\$ -	\$ 100,000	\$ 775,000	\$ 100,000
Notes Payable	2,250,224	537,833	141,779	2,646,278	160,510
Business-type activity Long-term obligations	<u>\$ 3,125,224</u>	<u>\$ 537,833</u>	<u>\$ 241,779</u>	<u>\$ 3,421,278</u>	<u>\$ 260,510</u>

G. Transfers

Payments by the State Tax Street, Water, Sewer and Stormwater funds to the General Fund for reimbursement of operating expenses originally paid by the General Fund have been budgeted and paid as interfund transfers for budgetary purposes. These transfers have been reclassified to materials and services expenses for GAAP financial reporting. After the reclassification, net transfers between governmental activities and business-type activities in the government-wide financial statements consist of transfers out of the governmental activities and transfers into the business-type activities in the amount of \$69,299.

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

	Transfers In	Transfers Out
Governmental activities		
General	\$ -	\$ 122,702
State Tax Street	-	2,000
City Hall Debt	42,688	-
Other funds	85,109	-
Capital asset transfer	-	72,394
Business-type activities		
Water	160,812	135,253
Sewer	21,870	-
Wastewater	216,704	194,834
	<u>\$ 527,183</u>	<u>\$ 527,183</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 6.13% of annual covered payroll for Tier I and Tier II employees. Public employees hired after August 29, 2003, after a six month waiting period, become members of the Oregon Public Service Retirement Plan (OPSRP). The rate for OPSRP is set at 6.25% of covered payroll for police employees and 3.54% for all others. The contribution requirement of plan members and their employers are established under ORS Chapter 238, and may be amended by the PERS Board of Trustees. The City's contributions to PERS for the years ending June 30, 2010; 2009, and 2008 were \$265,989, \$361,128, and \$234,893, 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 Well #9 project, which is approximately 90% complete. Costs incurred to date are \$1,043,048, with a total budget of \$1,654,500. The project is financed with federal ARRA loans, of which \$625,000 are conditionally forgivable.

2. Contingent Contracts

The City is currently in negotiations with the police union, whose contract expired June 30, 2009. City management expects some of the provisions of the new contract to have a retroactive effect. However, it is not possible to determine how the contract will change or what the potential financial effects will be.

3. Subsequent Events

On September 14, 2010, the City received a favorable report from the State-performed interim compliance review of the ARRA-funded Well #9 project.

The prime contractor on the Well #9 project declared bankruptcy subsequent to year end. The project was complete at the time, pending the results of an electrical inspection and a few other minor items. The contractor owes the various subcontractors approximately \$127,000. The City does not anticipate incurring any additional costs as a result of the bankruptcy, since the contractor's bonding company will pay all subcontractors.

On November 3, 2010 the City Administrator announced the selection of Allan Berry as the new Public Works Director.



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 of State Tax Street Fund rent payment on City Hall debt, administrative excise charged for residential and commercial development, and transfers from the Water Fund, the Sewer Fund, the Stormwater Fund, and the General Fund.
- *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.
- *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.
- *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, 2010**

	Special Revenue Funds				
	Administrative Excise Charge Fund	Equipment Replacement Fund	Facilities Maintenance Fund	Parks / Open Spaces Fund	Totals
ASSETS					
Cash and cash equivalents	\$ 1,706	\$ 410,290	\$ 99,155	\$ 293,079	\$ 804,230
Total assets	<u>\$ 1,706</u>	<u>\$ 410,290</u>	<u>\$ 99,155</u>	<u>\$ 293,079</u>	<u>\$ 804,230</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ -	\$ 38,087	\$ -	\$ 540	\$ 38,627
Total liabilities	<u>-</u>	<u>38,087</u>	<u>-</u>	<u>540</u>	<u>38,627</u>
FUND BALANCES					
Unreserved, reported in: Special revenue funds	<u>1,706</u>	<u>372,203</u>	<u>99,155</u>	<u>292,539</u>	<u>765,603</u>
Total fund balances (deficits)	<u>1,706</u>	<u>372,203</u>	<u>99,155</u>	<u>292,539</u>	<u>765,603</u>
Total liabilities and fund balances	<u>\$ 1,706</u>	<u>\$ 410,290</u>	<u>\$ 99,155</u>	<u>\$ 293,079</u>	<u>\$ 804,230</u>

See auditor's report.

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, 2010

Special Revenue Funds

	Administrative Excise Charge Fund	Equipment Replacement Fund	Facilities Maintenance Fund	Parks / Open Spaces Fund	Totals
REVENUES					
Charges for services	\$ 1,700	\$ 2,709	\$ -	\$ 2,670	\$ 7,079
Intergovernmental	-	-	-	118,245	118,245
Interest on investments	6	3,202	603	1,505	5,316
TOTAL REVENUES	<u>1,706</u>	<u>5,911</u>	<u>603</u>	<u>122,420</u>	<u>130,640</u>
EXPENDITURES					
Capital outlay	-	211,823	-	136,563	348,386
TOTAL EXPENDITURES	<u>-</u>	<u>211,823</u>	<u>-</u>	<u>136,563</u>	<u>348,386</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,706</u>	<u>(205,912)</u>	<u>603</u>	<u>(14,143)</u>	<u>(217,746)</u>
OTHER FINANCING SOURCES (USES)					
Sale of property	-	8,500	-	-	8,500
Transfers in	15,514	34,595	10,000	25,000	85,109
TOTAL OTHER FINANCING SOURCES (USES)	<u>15,514</u>	<u>43,095</u>	<u>10,000</u>	<u>25,000</u>	<u>93,609</u>
NET CHANGE IN FUND BALANCE	17,220	(162,817)	10,603	10,857	(124,137)
FUND BALANCE (DEFICIT), Beginning	<u>(15,514)</u>	<u>535,020</u>	<u>88,552</u>	<u>281,682</u>	<u>889,740</u>
FUND BALANCE, Ending	<u>\$ 1,706</u>	<u>\$ 372,203</u>	<u>\$ 99,155</u>	<u>\$ 292,539</u>	<u>\$ 765,603</u>



COMBINING SCHEDULES

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 the above funds are accounted for in the following separate funds:

- **All Water Funds**
 - Water
 - Water Reimbursement
 - Water Improvement
 - Water Bonded Debt
- **All Sewer Funds**
 - Sanitary Sewer
 - Sewer Reimbursement
 - Sewer Improvement
- **All Stormwater Funds**
 - Stormwater
 - Stormwater Improvement

CITY OF FAIRVIEW, OREGON
COMBINING SCHEDULE OF NET ASSETS
WATER ENTERPRISE ACTIVITY
June 30, 2010

	Water Fund	Water Reimbursement Fund	Water Improvement Fund	Water Bond Debt Fund	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 436,457	\$ -	\$ -	\$ -	\$ 436,457
Receivables:					
Accounts	<u>146,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,855</u>
Total current assets	<u>583,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>583,312</u>
Noncurrent assets:					
Restricted cash and cash equivalents	-	157,606	196,102	142,802	496,510
Bond issuance costs	29,078	-	-	-	29,078
Capital assets:					
Land	531,270	-	-	-	531,270
Construction in progress	1,043,048	-	-	-	1,043,048
Depreciable assets, net of depreciation	<u>10,125,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,125,623</u>
Total noncurrent assets	<u>11,729,019</u>	<u>157,606</u>	<u>196,102</u>	<u>142,802</u>	<u>12,225,529</u>
Total assets	<u>\$ 12,312,331</u>	<u>\$ 157,606</u>	<u>\$ 196,102</u>	<u>\$ 142,802</u>	<u>\$ 12,808,841</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 234,864	\$ -	\$ -	\$ -	\$ 234,864
Accrued interest payable	7,763	-	-	-	7,763
Deposits	100	-	-	-	100
Current portion of long-term debt	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Total current liabilities	342,727	-	-	-	342,727
Long-term debt, net of current portion:					
Notes and contracts payable	537,833	-	-	-	537,833
Bonds payable	<u>675,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>675,000</u>
Total liabilities	<u>1,555,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,555,560</u>
Net assets:					
Invested in capital assets, net of related debt	10,387,108	-	-	-	10,387,108
Restricted for system development	-	157,606	196,102	-	353,708
Restricted for debt service	-	-	-	142,802	142,802
Unrestricted	<u>369,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>369,663</u>
Total net assets	<u>10,756,771</u>	<u>157,606</u>	<u>196,102</u>	<u>142,802</u>	<u>11,253,281</u>
Total liabilities and net assets	<u>\$ 12,312,331</u>	<u>\$ 157,606</u>	<u>\$ 196,102</u>	<u>\$ 142,802</u>	<u>\$ 12,808,841</u>

See auditor's report.

**CITY OF FAIRVIEW, OREGON
 COMBINING SCHEDULE OF NET ASSETS
 SEWER ENTERPRISE ACTIVITY
 June 30, 2010**

	Sewer Fund	Sewer Reimbursement Fund	Sewer Improvement Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,748,438	\$ -	\$ -	\$ 1,748,438
Receivables:				
Accounts	<u>273,295</u>	<u>-</u>	<u>-</u>	<u>273,295</u>
Total current assets	<u>2,021,733</u>	<u>-</u>	<u>-</u>	<u>2,021,733</u>
Noncurrent assets:				
Restricted cash and cash equivalents	-	124,894	440,709	565,603
Capital assets:				
Land	228,550	-	-	228,550
Depreciable assets, net of depreciation	<u>8,774,420</u>	<u>-</u>	<u>-</u>	<u>8,774,420</u>
Total noncurrent assets	<u>9,002,970</u>	<u>124,894</u>	<u>440,709</u>	<u>9,568,573</u>
Total assets	<u>\$ 11,024,703</u>	<u>\$ 124,894</u>	<u>\$ 440,709</u>	<u>\$ 11,590,306</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 237,020	\$ -	\$ -	\$ 237,020
Accrued interest payable	18,449	-	-	18,449
Deposits	2,000	-	-	2,000
Current portion of long-term debt	<u>160,510</u>	<u>-</u>	<u>-</u>	<u>160,510</u>
Total current liabilities	417,979	-	-	417,979
Long-term debt, net of current portion:				
Notes and contracts payable	<u>1,947,935</u>	<u>-</u>	<u>-</u>	<u>1,947,935</u>
Total liabilities	<u>2,365,914</u>	<u>-</u>	<u>-</u>	<u>2,365,914</u>
Net assets:				
Invested in capital assets, net of related debt	6,894,525	-	-	6,894,525
Restricted for system development	-	124,894	440,709	565,603
Unrestricted	<u>1,764,264</u>	<u>-</u>	<u>-</u>	<u>1,764,264</u>
Total net assets	<u>8,658,789</u>	<u>124,894</u>	<u>440,709</u>	<u>9,224,392</u>
Total liabilities and net assets	<u>\$ 11,024,703</u>	<u>\$ 124,894</u>	<u>\$ 440,709</u>	<u>\$ 11,590,306</u>

See auditor's report.

**CITY OF FAIRVIEW, OREGON
 COMBINING SCHEDULE OF NET ASSETS
 STORMWATER ENTERPRISE ACTIVITY
 June 30, 2010**

	Stormwater Fund	Stormwater Improvement Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 335,375	\$ -	\$ 335,375
Receivables:			
Accounts	<u>71,463</u>	<u>-</u>	<u>71,463</u>
Total current assets	<u>406,838</u>	<u>-</u>	<u>406,838</u>
Noncurrent assets:			
Restricted cash and cash equivalents	-	267,589	267,589
Capital assets:			
Land	221,610	-	221,610
Depreciable assets, net of depreciation	<u>4,188,773</u>	<u>-</u>	<u>4,188,773</u>
Total noncurrent assets	<u>4,410,383</u>	<u>267,589</u>	<u>4,677,972</u>
Total assets	<u>\$ 4,817,221</u>	<u>\$ 267,589</u>	<u>\$ 5,084,810</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 13,151	\$ -	\$ 13,151
Deposits	<u>14,980</u>	<u>-</u>	<u>14,980</u>
Total current liabilities	<u>28,131</u>	<u>-</u>	<u>28,131</u>
Net assets:			
Invested in capital assets, net of related debt	4,410,383	-	4,410,383
Restricted for system development	-	267,589	267,589
Unrestricted	<u>378,707</u>	<u>-</u>	<u>378,707</u>
Total net assets	<u>4,789,090</u>	<u>267,589</u>	<u>5,056,679</u>
Total liabilities and net assets	<u>\$ 4,817,221</u>	<u>\$ 267,589</u>	<u>\$ 5,084,810</u>

CITY OF FAIRVIEW, OREGON
COMBINING SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
WATER ENTERPRISE ACTIVITY
For the Fiscal Year Ended June 30, 2010

	Water Fund	Water Reimbursement Fund	Water Improvement Fund	Water Bond Debt Fund	Total
OPERATING REVENUES					
Charges for services	\$ 1,041,314	\$ -	\$ -	\$ -	\$ 1,041,314
TOTAL OPERATING REVENUES	<u>1,041,314</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,041,314</u>
OPERATING EXPENSES					
Materials and services	720,328	-	-	400	720,728
Depreciation	<u>222,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>222,826</u>
TOTAL OPERATING EXPENSES	<u>943,154</u>	<u>-</u>	<u>-</u>	<u>400</u>	<u>943,554</u>
OPERATING INCOME (LOSS)	<u>98,160</u>	<u>-</u>	<u>-</u>	<u>(400)</u>	<u>97,760</u>
NON-OPERATING INCOME (EXPENSES)					
Interest on investments	3,468	1,039	1,271	1,695	7,473
Interest expense	<u>(37,831)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(37,831)</u>
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>(34,363)</u>	<u>1,039</u>	<u>1,271</u>	<u>1,695</u>	<u>(30,358)</u>
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	63,797	1,039	1,271	1,295	67,402
CAPITAL CONTRIBUTIONS					
System development charges	-	6,090	5,642	-	11,732
Capital asset transfers	26,259	-	-	-	26,259
TRANSFERS					
Transfers in	134,553	-	-	-	134,553
Transfers out	<u>(700)</u>	<u>-</u>	<u>-</u>	<u>(134,553)</u>	<u>(135,253)</u>
CHANGE IN NET ASSETS	223,909	7,129	6,913	(133,258)	104,693
NET ASSETS, Beginning	<u>10,532,862</u>	<u>150,477</u>	<u>189,189</u>	<u>276,060</u>	<u>11,148,588</u>
NET ASSETS, Ending	<u>\$ 10,756,771</u>	<u>\$ 157,606</u>	<u>\$ 196,102</u>	<u>\$ 142,802</u>	<u>\$ 11,253,281</u>

CITY OF FAIRVIEW, OREGON
COMBINING SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
SEWER ENTERPRISE ACTIVITY
For the Fiscal Year Ended June 30, 2010

	Sewer Fund	Sewer Reimbursement Fund	Sewer Improvement Fund	Total
OPERATING REVENUES				
Charges for services	\$ 1,855,075	\$ -	\$ -	\$ 1,855,075
TOTAL OPERATING REVENUES	<u>1,855,075</u>	<u>-</u>	<u>-</u>	<u>1,855,075</u>
OPERATING EXPENSES				
Materials and services	1,194,578	-	-	1,194,578
Depreciation	351,675	-	-	351,675
TOTAL OPERATING EXPENSES	<u>1,546,253</u>	<u>-</u>	<u>-</u>	<u>1,546,253</u>
OPERATING INCOME (LOSS)	<u>308,822</u>	<u>-</u>	<u>-</u>	<u>308,822</u>
NON-OPERATING INCOME (EXPENSES)				
Interest on investments	11,008	843	2,973	14,824
Interest expense	(87,030)	-	-	(87,030)
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>(76,022)</u>	<u>843</u>	<u>2,973</u>	<u>(72,206)</u>
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>232,800</u>	<u>843</u>	<u>2,973</u>	<u>-236,616</u>
CAPITAL CONTRIBUTIONS				
Intergovernmental	73,187	-	-	73,187
System development charges	-	565	1,836	2,401
Capital asset transfers	21,870	-	-	21,870
TOTAL CAPITAL CONTRIBUTIONS	<u>95,057</u>	<u>565</u>	<u>1,836</u>	<u>97,458</u>
CHANGE IN NET ASSETS	327,857	1,408	4,809	334,074
NET ASSETS, Beginning	<u>8,330,932</u>	<u>123,486</u>	<u>435,900</u>	<u>8,890,318</u>
NET ASSETS, Ending	<u>\$ 8,658,789</u>	<u>\$ 124,894</u>	<u>\$ 440,709</u>	<u>\$ 9,224,392</u>

See auditor's report.

CITY OF FAIRVIEW, OREGON
COMBINING SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
STORMWATER ENTERPRISE ACTIVITY
For the Fiscal Year Ended June 30, 2010

	Stormwater Fund	Stormwater Improvement Fund	Total
OPERATING REVENUES			
Charges for services	\$ 507,093	\$ -	\$ 507,093
TOTAL OPERATING REVENUES	<u>507,093</u>	<u>-</u>	<u>507,093</u>
OPERATING EXPENSES			
Materials and services	388,415	-	388,415
Depreciation	228,415	-	228,415
TOTAL OPERATING EXPENSES	<u>616,830</u>	<u>-</u>	<u>616,830</u>
OPERATING INCOME (LOSS)	<u>(109,737)</u>	<u>-</u>	<u>(109,737)</u>
NON-OPERATING INCOME (EXPENSES)			
Interest on investments	2,046	2,379	4,425
TOTAL NON-OPERATING INCOME (EXPENSES)	<u>2,046</u>	<u>2,379</u>	<u>4,425</u>
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(107,691)	2,379	(105,312)
CAPITAL CONTRIBUTIONS			
System development charges	-	350	350
Capital asset transfers	21,870	-	21,870
TRANSFERS			
Transfers in	194,834	-	194,834
Transfers out	-	(194,834)	(194,834)
CHANGE IN NET ASSETS	109,013	(192,105)	(83,092)
NET ASSETS, Beginning	<u>4,680,077</u>	<u>459,694</u>	<u>5,139,771</u>
NET ASSETS, Ending	<u>\$ 4,789,090</u>	<u>\$ 267,589</u>	<u>\$ 5,056,679</u>

See auditor's report.

CITY OF FAIRVIEW, OREGON
COMBINING SCHEDULE OF CASH FLOWS
WATER ENTERPRISE ACTIVITY
For the Fiscal Year Ended June 30, 2010

	Water Fund	Water Reimbursement Fund	Water Improvement Fund	Water Bonded Debt Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 1,034,090	\$ -	\$ -	\$ -	\$ 1,034,090
Payments to suppliers	(42,204)	-	-	(400)	(42,604)
Payments for interfund services used	(461,376)	-	-	-	(461,376)
Net cash provided from (used by) operating activities	<u>530,510</u>	<u>-</u>	<u>-</u>	<u>(400)</u>	<u>530,110</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	134,553	-	-	-	134,553
Transfers out	(700)	-	-	(134,553)	(135,253)
Net cash provided from (used by) non-capital financing activities	<u>133,853</u>	<u>-</u>	<u>-</u>	<u>(134,553)</u>	<u>(700)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
System development charges	-	6,090	5,642	-	11,732
Proceeds from issuance of debt	537,833	-	-	-	537,833
Acquisition of capital assets	(1,121,501)	-	-	-	(1,121,501)
Principal paid on long-term obligations	(100,000)	-	-	-	(100,000)
Interest paid on long-term obligations	(34,553)	-	-	-	(34,553)
Net cash provided from (used by) capital and related financing activities	<u>(718,221)</u>	<u>6,090</u>	<u>5,642</u>	<u>-</u>	<u>(706,489)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest on investments	3,467	1,039	1,271	1,695	7,472
Net cash provided from (used by) investing activities	<u>3,467</u>	<u>1,039</u>	<u>1,271</u>	<u>1,695</u>	<u>7,472</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	(50,391)	7,129	6,913	(133,258)	(169,607)
CASH AND CASH EQUIVALENTS, Beginning					
	486,848	150,477	189,189	276,060	1,102,574
CASH AND CASH EQUIVALENTS, Ending					
	<u>\$ 436,457</u>	<u>\$ 157,606</u>	<u>\$ 196,102</u>	<u>\$ 142,802</u>	<u>\$ 932,967</u>
COMPRISED AS FOLLOWS:					
Cash and cash equivalents	\$ 436,457	\$ -	\$ -	\$ -	\$ 436,457
Restricted cash and cash equivalents	-	157,606	196,102	142,802	496,510
	<u>\$ 436,457</u>	<u>\$ 157,606</u>	<u>\$ 196,102</u>	<u>\$ 142,802</u>	<u>\$ 932,967</u>
Reconciliation of operating income (loss) to net cash provided from (used by) operating activities					
Operating income (loss)	\$ 98,161	\$ -	\$ -	\$ (400)	\$ 97,760
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities					
Depreciation	222,826	-	-	-	222,826
(Increase) decrease in assets:					
Receivables	2,603	-	-	-	2,603
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	216,746	-	-	-	216,746
Deposits	(9,825)	-	-	-	(9,825)
Net cash provided from (used by) operating activities	<u>\$ 530,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (400)</u>	<u>\$ 530,110</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Transfer of capital assets between funds	<u>\$ 26,259</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,259</u>

See auditor's report.

CITY OF FAIRVIEW, OREGON
COMBINING SCHEDULE OF CASH FLOWS
SEWER ENTERPRISE ACTIVITY
For the Fiscal Year Ended June 30, 2010

	Sewer Fund	Sewer Reimbursement Fund	Sewer Improvement Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,819,535	\$ -	\$ -	\$ 1,819,535
Payments to suppliers	(836,974)	-	-	(836,974)
Payments for interfund services used	(352,397)	-	-	(352,397)
Net cash provided from (used by) operating activities	<u>630,164</u>	<u>-</u>	<u>-</u>	<u>630,164</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from intergovernmental revenue	73,187	-	-	73,187
System development charges	-	565	1,836	2,401
Acquisition of capital assets	(464,825)	-	-	(464,825)
Principal paid on long-term obligations	(141,779)	-	-	(141,779)
Interest paid on long-term obligations	(92,135)	-	-	(92,135)
Net cash provided from (used by) capital and related financing activities	<u>(625,552)</u>	<u>565</u>	<u>1,836</u>	<u>(623,151)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest on investments	11,008	843	2,973	14,824
Net cash provided from (used by) investing activities	<u>11,008</u>	<u>843</u>	<u>2,973</u>	<u>14,824</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,620	1,408	4,809	21,837
CASH AND CASH EQUIVALENTS, Beginning	<u>1,732,818</u>	<u>123,486</u>	<u>435,900</u>	<u>2,292,204</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 1,748,438</u>	<u>\$ 124,894</u>	<u>\$ 440,709</u>	<u>\$ 2,314,041</u>
COMPRISED AS FOLLOWS:				
Cash and cash equivalents	\$ 1,748,438	\$ -	\$ -	\$ 1,748,438
Restricted cash and cash equivalents	-	124,894	440,709	565,603
	<u>\$ 1,748,438</u>	<u>\$ 124,894</u>	<u>\$ 440,709</u>	<u>\$ 2,314,041</u>
Reconciliation of operating income (loss) to net cash provided from (used by) operating activities				
Operating income (loss)	\$ 308,821	\$ -	\$ -	\$ 308,821
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	351,675	-	-	351,675
(Increase) decrease in assets:				
Receivables	(35,541)	-	-	(35,541)
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	5,209	-	-	5,209
Net cash provided from (used by) operating activities	<u>\$ 630,164</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 630,164</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Transfer of capital assets between funds	\$ 21,870	\$ -	\$ -	\$ 21,870

See auditor's report.

CITY OF FAIRVIEW, OREGON
COMBINING SCHEDULE OF CASH FLOWS
STORMWATER ENTERPRISE ACTIVITY
For the Fiscal Year Ended June 30, 2010

	Stormwater Fund	Stormwater Improvement Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 498,615	\$ -	\$ 498,615
Payments to suppliers	(82,418)	(7,836)	(90,254)
Payments for interfund services used	(321,815)	-	(321,815)
Net cash provided from (used by) operating activities	<u>94,382</u>	<u>(7,836)</u>	<u>86,546</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	194,834	-	194,834
Transfers out	-	(194,834)	(194,834)
Net cash provided from (used by) non-capital financing activities	<u>194,834</u>	<u>(194,834)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
System development charges	-	350	350
Acquisition of capital assets	(277,568)	-	(277,568)
Net cash provided from (used by) capital and related financing activities	<u>(277,568)</u>	<u>350</u>	<u>(277,218)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	2,046	2,379	4,425
Net cash provided from (used by) investing activities	<u>2,046</u>	<u>2,379</u>	<u>4,425</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	13,694	(199,941)	(186,247)
CASH AND CASH EQUIVALENTS, Beginning	<u>321,681</u>	<u>467,530</u>	<u>789,211</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 335,375</u>	<u>\$ 267,589</u>	<u>\$ 602,964</u>
COMPRISED AS FOLLOWS:			
Cash and cash equivalents	\$ 335,375	\$ -	\$ 335,375
Restricted cash and cash equivalents	-	267,589	267,589
	<u>\$ 335,375</u>	<u>\$ 267,589</u>	<u>\$ 602,964</u>
Reconciliation of operating income (loss) to net cash provided from (used by) operating activities			
Operating income (loss)	\$ (109,736)	\$ -	\$ (109,736)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	228,415	-	228,415
(Increase) decrease in assets:			
Receivables	(8,478)	-	(8,478)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(15,819)	(7,836)	(23,655)
Net cash provided from (used by) operating activities	<u>\$ 94,382</u>	<u>\$ (7,836)</u>	<u>\$ 86,546</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Transfer of capital assets between funds	\$ 21,870	\$ -	\$ 21,870

See auditor's report.

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 and State Tax Street Funds are presented as part of the basic governmental fund financial statements. All other budgetary comparisons are displayed in the following pages as supplemental information.



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

▪ **General Fund**

CITY OF FAIRVIEW, OREGON
GENERAL FUND
SCHEDULE OF EXPENDITURES OF PERSONAL SERVICES AND MATERIALS AND SERVICES -
BUDGET AND ACTUAL, BY DEPARTMENT (NON-GAAP BUDGETARY BASIS)
For the fiscal year ended June 30, 2010

	Personal Services			Material and Services			Total Current		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Final		Original	Final		Original	Final	
			Variance with Final Budget-Positive (Negative)			Variance with Final Budget-Positive (Negative)			Variance with Final Budget-Positive (Negative)
General government:									
Administration	\$ 743,376	\$ 743,376	\$ 676,861	\$ 490,263	\$ 527,460	\$ 532,031	\$ 1,233,639	\$ 1,270,836	\$ 1,208,892
Public safety:									
Public safety	1,548,617	1,519,020	1,418,526	1,079,511	1,094,333	1,070,667	2,629,128	2,613,353	2,486,183
Public works:									
Public works	950,306	950,306	865,650	123,830	123,830	107,989	1,074,136	1,074,136	973,639
Community development:									
Community development	394,097	394,097	355,780	165,750	177,750	111,688	559,847	571,847	467,488
TOTAL EXPENDITURES*	\$ 3,637,396	\$ 3,606,799	\$ 3,316,817	\$ 1,859,354	\$ 1,923,373	\$ 1,822,365	\$ 5,498,750	\$ 5,530,172	\$ 5,139,182

* Budget Appropriation Level

See auditor's report.

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

Governmental Funds

Special Revenue Funds

- Administrative Excise Charge
- Equipment Replacement
- Facilities Maintenance
- Parks/Open Spaces

Debt Service Funds

- Fairview Lake Sewer LID
- City Hall Debt

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 11,250	\$ 11,250	\$ 1,700	\$ (9,550)
Interest on investments	1,000	1,000	6	(994)
TOTAL REVENUES	<u>12,250</u>	<u>12,250</u>	<u>1,706</u>	<u>(10,544)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	15,514	15,514
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>15,514</u>	<u>15,514</u>
NET CHANGE IN FUND BALANCE	12,250	12,250	17,220	4,970
FUND BALANCE (DEFICIT), Beginning	<u>-</u>	<u>-</u>	<u>(15,514)</u>	<u>(15,514)</u>
FUND BALANCE, Ending	<u>\$ 12,250</u>	<u>\$ 12,250</u>	<u>\$ 1,706</u>	<u>\$ (10,544)</u>

See auditor's report.

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 4,100	\$ 4,100	\$ 2,709	\$ (1,391)
Interest on investments	7,045	7,045	3,202	(3,843)
TOTAL REVENUES	<u>11,145</u>	<u>11,145</u>	<u>5,911</u>	<u>(5,234)</u>
EXPENDITURES				
Capital outlay	249,700	249,700	211,823	37,877
TOTAL EXPENDITURES	<u>249,700</u>	<u>249,700</u>	<u>211,823</u>	<u>37,877</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(238,555)</u>	<u>(238,555)</u>	<u>(205,912)</u>	<u>32,643</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	-	8,500	8,500	-
Transfers in	32,200	32,200	34,595	2,395
TOTAL OTHER FINANCING SOURCES (USES)	<u>32,200</u>	<u>40,700</u>	<u>43,095</u>	<u>2,395</u>
NET CHANGE IN FUND BALANCE	(206,355)	(197,855)	(162,817)	35,038
FUND BALANCE, Beginning	<u>470,556</u>	<u>470,556</u>	<u>535,020</u>	<u>64,464</u>
FUND BALANCE, Ending	<u>\$ 264,201</u>	<u>\$ 272,701</u>	<u>\$ 372,203</u>	<u>\$ 99,502</u>

See auditor's report.

CITY OF FAIRVIEW, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FACILITIES MAINTENANCE FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ 1,395	\$ 1,395	\$ 603	\$ (792)
TOTAL REVENUES	<u>1,395</u>	<u>1,395</u>	<u>603</u>	<u>(792)</u>
EXPENDITURES				
Capital outlay	15,000	15,000	-	15,000
TOTAL EXPENDITURES	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(13,605)</u>	<u>(13,605)</u>	<u>603</u>	<u>14,208</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	10,000	10,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(3,605)	(3,605)	10,603	14,208
FUND BALANCE, Beginning	<u>86,455</u>	<u>86,455</u>	<u>88,552</u>	<u>2,097</u>
FUND BALANCE, Ending	<u>\$ 82,850</u>	<u>\$ 82,850</u>	<u>\$ 99,155</u>	<u>\$ 16,305</u>

See auditor's report.

CITY OF FAIRVIEW, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
PARKS / OPEN SPACES FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 18,200	\$ 38,200	\$ 2,670	\$ (35,530)
Intergovernmental	460,730	460,730	118,245	(342,485)
Interest on investments	7,000	7,000	1,505	(5,495)
TOTAL REVENUES	<u>485,930</u>	<u>505,930</u>	<u>122,420</u>	<u>(383,510)</u>
EXPENDITURES				
Capital outlay	700,000	720,000	136,563	583,437
TOTAL EXPENDITURES	<u>700,000</u>	<u>720,000</u>	<u>136,563</u>	<u>583,437</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(214,070)</u>	<u>(214,070)</u>	<u>(14,143)</u>	<u>199,927</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	25,000	25,000	25,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>.</u>
NET CHANGE IN FUND BALANCE	(189,070)	(189,070)	10,857	199,927
FUND BALANCE, Beginning	<u>304,994</u>	<u>304,994</u>	<u>281,682</u>	<u>(23,312)</u>
FUND BALANCE, Ending	<u>\$ 115,924</u>	<u>\$ 115,924</u>	<u>\$ 292,539</u>	<u>\$ 176,615</u>

See auditor's report.

CITY OF FAIRVIEW, OREGON
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FAIRVIEW LAKE SEWER LID FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Assessments	\$ 84,569	\$ 84,569	\$ 72,668	\$ (11,901)
Interest on investments	4,623	4,623	2,106	(2,517)
TOTAL REVENUES	<u>89,192</u>	<u>89,192</u>	<u>74,774</u>	<u>(14,418)</u>
EXPENDITURES				
Debt service	79,055	79,055	29,343	49,712
TOTAL EXPENDITURES	<u>79,055</u>	<u>79,055</u>	<u>29,343</u>	<u>49,712</u>
NET CHANGE IN FUND BALANCE	10,137	10,137	45,431	35,294
FUND BALANCE, Beginning	<u>234,863</u>	<u>234,863</u>	<u>285,163</u>	<u>50,300</u>
FUND BALANCE, Ending	<u>\$ 245,000</u>	<u>\$ 245,000</u>	<u>\$ 330,594</u>	<u>\$ 85,594</u>

The accompanying notes are an integral part of this statement.

CITY OF FAIRVIEW, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CITY HALL DEBT FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ -	\$ -	\$ 56	\$ 56
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>56</u>	<u>56</u>
EXPENDITURES				
Debt service	-	58,258	1,635,810	(1,577,552)
TOTAL EXPENDITURES	<u>-</u>	<u>58,258</u>	<u>1,635,810</u>	<u>(1,577,552)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(58,258)</u>	<u>(1,635,754)</u>	<u>(1,577,496)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	58,258	42,688	(15,570)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>58,258</u>	<u>42,688</u>	<u>(15,570)</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>(1,593,066)</u>	<u>(1,593,066)</u>
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>1,593,066</u>	<u>1,593,066</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.



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

Proprietary Funds

Enterprise Funds

- All Water Funds
 - Water
 - Water Reimbursement
 - Water Improvement
 - Water Bonded Debt
- All Sewer Funds
 - Sewer
 - Sewer Reimbursement
 - Sewer Improvement
- All Stormwater Funds
 - Stormwater
 - Stormwater Improvement

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 1,053,467	\$ 1,053,467	\$ 1,041,314	\$ (12,153)
Interest on investments	9,000	9,000	3,468	(5,532)
TOTAL REVENUES	<u>1,062,467</u>	<u>1,062,467</u>	<u>1,044,782</u>	<u>(17,685)</u>
EXPENDITURES				
Current:				
Materials and services	266,829	266,829	245,891	20,938
Capital outlay	119,000	1,418,623	1,134,563	284,060
Contingency	100,000	100,000	-	100,000
TOTAL EXPENDITURES	<u>485,829</u>	<u>1,785,452</u>	<u>1,380,454</u>	<u>404,998</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>576,638</u>	<u>(722,985)</u>	<u>(335,672)</u>	<u>387,313</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	1,250,000	537,833	(712,167)
Transfers out	(611,629)	(611,629)	(462,076)	149,553
TOTAL OTHER FINANCING SOURCES (USES)	<u>(611,629)</u>	<u>638,371</u>	<u>75,757</u>	<u>(562,614)</u>
NET CHANGE IN FUND BALANCE	(34,991)	(84,614)	(259,915)	(175,301)
FUND BALANCE, Beginning	<u>591,777</u>	<u>591,777</u>	<u>608,263</u>	<u>16,486</u>
FUND BALANCE, Ending	<u>\$ 556,786</u>	<u>\$ 507,163</u>	<u>\$ 348,348</u>	<u>\$ (158,815)</u>

See auditor's report.

CITY OF FAIRVIEW, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WATER REIMBURSEMENT FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
System development charges	\$ -	\$ -	\$ 6,090	\$ 6,090
Interest on investments	2,115	2,115	1,039	(1,076)
TOTAL REVENUES	<u>2,115</u>	<u>- 2,115</u>	<u>7,129</u>	<u>5,014</u>
EXPENDITURES				
Capital outlay	-	143,389	-	143,389
TOTAL EXPENDITURES	<u>-</u>	<u>143,389</u>	<u>-</u>	<u>143,389</u>
NET CHANGE IN FUND BALANCE	2,115	(141,274)	7,129	148,403
FUND BALANCE, Beginning	<u>141,274</u>	<u>141,274</u>	<u>150,477</u>	<u>9,203</u>
FUND BALANCE, Ending	<u>\$ 143,389</u>	<u>\$ -</u>	<u>\$ 157,606</u>	<u>\$ 157,606</u>

See auditor's report.

CITY OF FAIRVIEW, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WATER IMPROVEMENT FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
System development charges	\$ -	\$ -	\$ 5,642	\$ 5,642
Interest on investments	3,000	3,000	1,271	(1,729)
TOTAL REVENUES	<u>3,000</u>	<u>3,000</u>	<u>6,913</u>	<u>3,913</u>
EXPENDITURES				
Capital outlay	-	211,488	-	211,488
TOTAL EXPENDITURES	<u>-</u>	<u>211,488</u>	<u>-</u>	<u>211,488</u>
NET CHANGE IN FUND BALANCE	3,000	(208,488)	6,913	215,401
FUND BALANCE, Beginning	<u>208,488</u>	<u>208,488</u>	<u>189,189</u>	<u>(19,299)</u>
FUND BALANCE, Ending	<u>\$ 211,488</u>	<u>\$ -</u>	<u>\$ 196,102</u>	<u>\$ 196,102</u>

CITY OF FAIRVIEW, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
WATER BONDED DEBT FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Interest on investments	\$ 4,155	\$ 4,155	\$ 1,695	\$ (2,460)
TOTAL REVENUES	<u>4,155</u>	<u>4,155</u>	<u>1,695</u>	<u>(2,460)</u>
EXPENDITURES				
Current:				
Materials and services	400	400	400	-
Debt service	<u>284,553</u>	<u>284,553</u>	<u>134,553</u>	<u>150,000</u>
TOTAL EXPENDITURES	<u>284,953</u>	<u>284,953</u>	<u>134,953</u>	<u>150,000</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(280,798)</u>	<u>(280,798)</u>	<u>(133,258)</u>	<u>147,540</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>149,553</u>	<u>149,553</u>	<u>-</u>	<u>(149,553)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>149,553</u>	<u>149,553</u>	<u>-</u>	<u>(149,553)</u>
NET CHANGE IN FUND BALANCE	(131,245)	(131,245)	(133,258)	(2,013)
FUND BALANCE, Beginning	<u>276,980</u>	<u>276,980</u>	<u>276,060</u>	<u>(920)</u>
FUND BALANCE, Ending	<u>\$ 145,735</u>	<u>\$ 145,735</u>	<u>\$ 142,802</u>	<u>\$ (2,933)</u>

See auditor's report.

**CITY OF FAIRVIEW, OREGON
RECONCILIATION TO GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES
ALL WATER FUNDS
For the Fiscal Year Ended June 30, 2010**

BUDGETARY BASIS FUND BALANCE (NON-GAAP):	
Water	\$ 348,348
Water Reimbursement	157,606
Water Improvement	196,102
Water Bonded Debt	<u>142,802</u>
	844,858
 Adjustments:	
Capital assets, net of depreciation	11,699,941
Bond discount and issuance costs	29,078
Accrued interest payable	(7,763)
Long-term debt	<u>(1,312,833)</u>
 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES BASIS (GAAP) NET ASSETS	 <u>\$ 11,253,281</u>

See auditor's report.

CITY OF FAIRVIEW, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SEWER FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 1,626,551	\$ 1,626,551	\$ 1,855,075	\$ 228,524
Intergovernmental	-	-	73,187	73,187
Interest on investments	<u>17,767</u>	<u>17,767</u>	<u>11,008</u>	<u>(6,759)</u>
TOTAL REVENUES	<u>1,644,318</u>	<u>1,644,318</u>	<u>1,939,270</u>	<u>294,952</u>
EXPENDITURES				
Current:				
Materials and services	891,443	891,443	841,569	49,874
Capital outlay	572,700	572,700	465,468	107,232
Debt service	234,962	234,962	233,914	1,048
Contingency	<u>150,000</u>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
TOTAL EXPENDITURES	<u>1,849,105</u>	<u>1,849,105</u>	<u>1,540,951</u>	<u>308,154</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(204,787)</u>	<u>(204,787)</u>	<u>398,319</u>	<u>603,106</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(352,397)</u>	<u>(352,397)</u>	<u>(352,397)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(352,397)</u>	<u>(352,397)</u>	<u>(352,397)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(557,184)	(557,184)	45,922	603,106
FUND BALANCE, Beginning	<u>1,184,427</u>	<u>1,184,427</u>	<u>1,736,791</u>	<u>552,364</u>
FUND BALANCE, Ending	<u>\$ 627,243</u>	<u>\$ 627,243</u>	<u>\$ 1,782,713</u>	<u>\$ 1,155,470</u>

See auditor's report.

CITY OF FAIRVIEW, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SEWER REIMBURSEMENT FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
System development charges	\$ -	\$ -	\$ 565	\$ 565
Interest on investments	1,855	1,855	843	(1,012)
TOTAL REVENUES	<u>1,855</u>	<u>1,855</u>	<u>1,408</u>	<u>(447)</u>
EXPENDITURES				
Contingency	50,000	50,000	-	50,000
TOTAL EXPENDITURES	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
NET CHANGE IN FUND BALANCE	(48,145)	(48,145)	1,408	49,553
FUND BALANCE, Beginning	<u>123,679</u>	<u>123,679</u>	<u>123,486</u>	<u>(193)</u>
FUND BALANCE, Ending	<u>\$ 75,534</u>	<u>\$ 75,534</u>	<u>\$ 124,894</u>	<u>\$ 49,360</u>

See auditor's report.

CITY OF FAIRVIEW, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SEWER IMPROVEMENT FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
System development charges	\$ -	\$ -	\$ 1,836	\$ 1,836
Interest on investments	6,400	6,400	2,973	(3,427)
TOTAL REVENUES	<u>6,400</u>	<u>6,400</u>	<u>4,809</u>	<u>(1,591)</u>
EXPENDITURES				
Contingency	100,000	100,000	-	100,000
TOTAL EXPENDITURES	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
NET CHANGE IN FUND BALANCE	(93,600)	(93,600)	4,809	98,409
FUND BALANCE, Beginning	<u>426,698</u>	<u>426,698</u>	<u>435,900</u>	<u>9,202</u>
FUND BALANCE, Ending	<u>\$ 333,098</u>	<u>\$ 333,098</u>	<u>\$ 440,709</u>	<u>\$ 107,611</u>

See auditor's report.

**CITY OF FAIRVIEW, OREGON
RECONCILIATION TO GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES
ALL SEWER FUNDS
For the Fiscal Year Ended June 30, 2010**

BUDGETARY BASIS FUND BALANCE (NON-GAAP):	
Sewer	\$ 1,782,713
Sewer Reimbursement	124,894
Sewer Improvement	<u>440,709</u>
	2,348,316
Adjustments:	
Capital assets, net of depreciation	9,002,970
Accrued interest payable	(18,449)
Long-term debt	<u>(2,108,445)</u>
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES BASIS (GAAP) NET ASSETS	<u>\$ 9,224,392</u>

See auditor's report.

CITY OF FAIRVIEW, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STORMWATER FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 427,967	\$ 427,967	\$ 507,093	\$ 79,126
Interest on investments	4,800	4,800	2,046	(2,754)
TOTAL REVENUES	<u>432,767</u>	<u>432,767</u>	<u>509,139</u>	<u>76,372</u>
EXPENDITURES				
Current:				
Materials and services	83,448	83,448	54,963	28,485
Capital outlay	96,000	96,000	94,369	1,631
Contingency	40,000	40,000	-	40,000
TOTAL EXPENDITURES	<u>219,448</u>	<u>219,448</u>	<u>149,332</u>	<u>70,116</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>213,319</u>	<u>213,319</u>	<u>359,807</u>	<u>146,488</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(321,815)	(321,815)	(321,815)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(321,815)</u>	<u>(321,815)</u>	<u>(321,815)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(108,496)	(108,496)	37,992	146,488
FUND BALANCE, Beginning	<u>193,712</u>	<u>193,712</u>	<u>340,715</u>	<u>147,003</u>
FUND BALANCE, Ending	<u>\$ 85,216</u>	<u>\$ 85,216</u>	<u>\$ 378,707</u>	<u>\$ 293,491</u>

See auditor's report.

CITY OF FAIRVIEW, OREGON
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STORMWATER IMPROVEMENT FUND
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive / (Negative)
	Original	Final		
REVENUES				
System development charges	\$ -	\$ -	\$ 350	\$ 350
Interest on investments	<u>6,747</u>	<u>6,747</u>	<u>2,379</u>	<u>(4,368)</u>
TOTAL REVENUES	<u>6,747</u>	<u>6,747</u>	<u>2,729</u>	<u>(4,018)</u>
EXPENDITURES				
Capital outlay	<u>414,000</u>	<u>414,000</u>	<u>194,834</u>	<u>219,166</u>
TOTAL EXPENDITURES	<u>414,000</u>	<u>414,000</u>	<u>194,834</u>	<u>219,166</u>
NET CHANGE IN FUND BALANCE	(407,253)	(407,253)	(192,105)	215,148
FUND BALANCE, Beginning	<u>449,764</u>	<u>449,764</u>	<u>459,694</u>	<u>9,930</u>
FUND BALANCE, Ending	<u>\$ 42,511</u>	<u>\$ 42,511</u>	<u>\$ 267,589</u>	<u>\$ 225,078</u>

See auditor's report.

**CITY OF FAIRVIEW, OREGON
RECONCILIATION TO GENERALLY ACCEPTED
ACCOUNTING PRINCIPLES
ALL STORMWATER FUNDS
For the Fiscal Year Ended June 30, 2010**

BUDGETARY BASIS FUND BALANCE (NON-GAAP):	
Stormwater	\$ 378,707
Stormwater Improvement	<u>267,589</u>
	646,296
Adjustments:	
Capital assets, net of depreciation	<u>4,410,383</u>
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES BASIS (GAAP) NET ASSETS	<u><u>\$ 5,056,679</u></u>



OTHER FINANCIAL SCHEDULES

**CITY OF FAIRVIEW, OREGON
SCHEDULE OF OUTSTANDING DEBT PRINCIPAL
AND INTEREST TRANSACTIONS
For the Fiscal Year Ended June 30, 2010**

	Interest Rates	Date of Issue	Original Amount	Principal			Outstanding June 30, 2010	Interest Matured and Paid
				Outstanding July 1, 2009	Issued	Matured and Paid		
Governmental Funds								
1999 Full faith and credit bonds	4.0-4.75%	4/1/1999	\$ 2,650,000	\$ 1,625,000	\$ -	\$ 1,625,000	\$ -	\$ 10,810
2000 Special assessment debt with governmental commitment	6.05%	6/27/2000	\$ 2,848,000	485,000	-	-	485,000	29,343
				<u>2,110,000</u>	<u>-</u>	<u>1,625,000</u>	<u>485,000</u>	<u>40,153</u>
Enterprise Funds								
2001 Note payable	3.50%	11/21/2000	\$ 3,137,353	2,250,224	-	141,779	2,108,445	92,135
2004 Water revenue refunding bonds	2.0-4.3%	7/20/2004	\$ 1,340,000	875,000	-	100,000	775,000	34,553
Safe Drinking Water Revolving Loan Fund - Forgivable Loan	0.00%	9/16/2009	\$ 625,000	-	537,833	-	537,833	-
				<u>3,125,224</u>	<u>537,833</u>	<u>241,779</u>	<u>3,421,278</u>	<u>126,688</u>
Total				<u>\$ 5,235,224</u>	<u>\$ 537,833</u>	<u>\$ 1,866,779</u>	<u>\$ 3,906,278</u>	<u>\$ 166,841</u>

See auditor's report.

CITY OF FAIRVIEW, OREGON
SCHEDULE OF GOVERNMENTAL ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS
June 30, 2010

<u>Year of Maturity</u>	2000 Special Assessment Debt with Governmental Commitment	
	Principal	Interest
	2010-11	\$ -
2011-12	-	29,343
2012-13	-	29,343
2013-14	-	29,343
2014-15	485,000	29,342
	\$ 485,000	\$ 146,714

See auditor's report.

CITY OF FAIRVIEW, OREGON
SCHEDULE OF BUSINESS-TYPE ACTIVITIES
DEBT SERVICE FUTURE REQUIREMENTS
June 30, 2010

Year of Maturity	2001 Note Payable		2004 Water Revenue Refunding Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2010-11	\$ 160,510	\$ 72,403	\$ 100,000	\$ 31,053	\$ 260,510	\$ 103,456
2011-12	166,178	66,736	105,000	27,302	271,178	94,038
2012-13	172,045	60,869	110,000	23,365	282,045	84,234
2013-14	178,119	54,795	115,000	19,075	293,119	73,870
2014-15	184,407	48,507	120,000	14,475	304,407	62,982
2015-16	190,918	41,995	120,000	9,555	310,918	51,550
2016-17	197,659	35,255	105,000	4,515	302,659	39,770
2017-18	204,638	28,276	-	-	204,638	28,276
2018-19	211,863	21,051	-	-	211,863	21,051
2019-20	219,343	13,571	-	-	219,343	13,571
2020-21	222,765	5,828	-	-	222,765	5,828
	<u>\$ 2,108,445</u>	<u>\$ 449,286</u>	<u>\$ 775,000</u>	<u>\$ 129,340</u>	<u>\$ 2,883,445</u>	<u>\$ 578,626</u>

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

STATISTICAL INFORMATION SECTION (UNAUDITED)

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

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

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



CITY OF FAIRVIEW, OREGON
NET ASSETS BY COMPONENT
 Last Seven Fiscal Years ¹
 (accrual basis of accounting)

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
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
Restricted	1,001,111	832,630	515,286	865,470	738,296	2,351,415	713,363
Unrestricted	2,498,694	3,324,443	4,260,408	5,543,652	6,788,176	4,899,310	4,768,353
Total governmental activities new assets	7,124,528	9,428,547	11,625,315	13,310,215	14,693,398	14,414,324	14,184,714
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
Restricted	1,196,111	1,027,194	1,334,724	1,343,933	1,476,792	1,634,806	1,329,702
Unrestricted	2,998,577	2,611,678	2,330,957	2,291,315	2,326,665	2,686,781	2,512,634
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
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
Restricted	2,197,222	1,659,824	1,860,010	2,209,403	2,215,088	3,986,221	2,043,065
Unrestricted	5,497,271	5,936,121	6,591,365	7,834,967	9,114,841	7,576,091	7,280,987
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

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 Seven Fiscal Years ¹
(accrual basis of accounting)

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Expenses							
Governmental activities:							
General government	935,890	675,652	606,174	588,204	605,847	873,688	750,782
Public safety	1,630,607	1,743,908	1,838,511	2,091,625	2,297,416	2,514,166	2,543,015
Community Development / Parks	1,201,466	1,024,704	778,912	563,475	525,588	594,797	508,744
Streets / Public Works ²	499,924	171,014	851,892	444,568	-	-	-
Streets	-	-	-	-	487,720	457,400	406,372
Public Works	-	-	-	-	371,702	559,737	509,578
Interest on long-term obligations	166,436	304,941	63,974	156,507	91,903	109,079	33,916 ^a
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>
Business - type activities:							
Water	916,722	890,082	1,232,822	1,087,809	1,064,294	999,614	981,385
Sewer	1,569,207	1,458,121	1,785,154	2,352,087	1,905,419	1,663,595	1,633,283
Stormwater	516,802	540,177	594,011	566,172	748,052	640,600	616,830
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>
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>
Program Revenues							
Governmental activities:							
Charges for services:							
General government	305,782	203,299	242,773	19,049 ³	29,587	26,477	48,443
Public safety	217,077	222,060	274,396	297,660	330,048	278,673	245,555
Community Development / Parks	913,290	361,472	529,541	833,140	304,190	236,685	181,851
Streets / Public Works ²	413,649	431,601	465,352	448,793	-	-	-
Streets	-	-	-	-	13,950	985	135
Public Works	-	-	-	-	-	-	-
Operating grants and contributions	11,120	9,071	153,539	164,910	482,497	443,780	499,621
Capital grants and contributions	111,845	207,163	1,364,107	137,835	113,608	282,661	205,556
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>
Business - type activities:							
Charges for services:							
Water	903,500	845,931	916,824	993,217	1,006,170	1,099,500	1,041,314
Sewer	1,188,165	1,207,888	1,311,206	1,478,554	1,611,398	1,809,535	1,855,075
Stormwater	332,164	350,948	378,622	401,113	416,919	478,768	507,093
Operating grants and contributions	-	-	-	-	-	-	-
Capital grants and contributions	628,219	361,451	1,222,941	1,089,813	59,546	87,358	87,670
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>
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>
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)
Business - type activities	49,317	(122,162)	217,606	(43,371)	(623,732)	171,352	259,654
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>

(continued) (continued)

(continued)	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
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
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
Transfer of assets ⁴	-	407,565	-	-	-	-	-
Miscellaneous ⁵	-	-	-	-	79,714	66,948	38,401
Intergovernmental Revenue	-	-	-	856,469	-	-	-
Interest and investment earnings	45,098	92,689	182,181	285,292	287,472	140,770	32,620 ⁸
Gain (loss) on sale of property	-	-	-	-	22,000	11,470	8,500
Transfers ⁶	-	-	-	-	136,497	129,185	(69,299)
Total governmental activities	2,617,216	3,983,403	3,306,523	4,022,083	3,736,960	3,560,532	3,341,636
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
Transfers ⁶	-	-	-	-	(136,497)	(129,185)	69,299
Total business - type activities	64,071	82,203	142,334	231,340	33,817	(49,596)	96,021
Total government expenses	2,681,287	4,065,606	3,448,857	4,253,423	3,770,777	3,510,936	3,437,657
Change in Net Assets							
Governmental activities	155,656	1,497,850	2,196,768	2,079,091	630,664	(279,074)	(229,610)
Business - type activities	113,388	(39,959)	359,940	187,969	(589,915)	121,756	355,875
Total government	269,044	1,457,891	2,556,708	2,267,060 ⁷	40,749	(157,318)	126,065

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 2007 information revised due to formula error.
- ⁸ Decrease in interest on long-term obligations due to the payoff of City Hall debt.
- ⁹ Decrease in interest and investment earnings due to market conditions.

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

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
General fund							
Unreserved	1,641,286	2,106,918	2,992,551	4,049,043	4,782,622	3,688,440	3,728,732
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>
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
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>

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

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

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Revenues:							
Property taxes	1,288,411	1,391,811	1,509,103	1,601,333	1,748,663	1,858,566	1,943,702
Governmental agencies	869,430	929,612	1,190,481	1,155,154	687,903	652,263	806,707
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
Fines and forfeitures	140,967	141,810	196,690	261,140	261,091	211,839	186,415
Franchise fees	432,439	452,564	523,931	622,693	690,213	688,034	782,054
Special assessments	416,383	807,585	427,355	394,131	96,756	176,427	72,668
Interest income	45,098	92,689	182,181	285,292	287,472	140,770	32,621
Charges for services ³	-	-	-	-	117,025	133,988	120,242
Rental income ⁴	-	-	-	-	16,927	18,727	39,802
Miscellaneous	83,228	147,824	112,417	84,884	79,715	66,948	38,095
Total Revenues	4,534,277	4,637,180	5,118,012	5,402,504	4,868,570	4,619,890	4,612,358
Expenditures							
General Government / Administration	998,216	953,744	988,465	508,955	513,956	790,589	664,278
Community Development	743,867	540,171	628,406	514,476	452,940	563,086	444,848
Public Safety	1,550,914	1,863,340	1,836,169	2,032,972	2,252,808	2,468,099	2,489,183
Public Works	878,814	903,709	883,052	72,889	32,968	211,135	172,189
Streets	36,810	47,007	53,390	42,230	338,896	301,315	275,612
Parks	-	-	-	-	-	-	-
Debt service							
Principal	627,294	2,074,445	931,000	110,000	540,000	125,000	1,625,000
Interest	347,334	295,831	222,894	151,214	127,262	109,528	40,153
Capital outlay	365,268	333,560	653,063	561,968	401,343	361,980	645,444
Total Expenditures	5,548,517	6,811,807	6,196,438	3,994,704	4,860,173	4,930,732	6,356,707
Excess of revenues over (under) expenditures	(1,014,240)	(2,174,627)	(1,078,426)	1,407,800	208,397	(310,842)	(1,744,349)
Other financing sources (uses)							
Proceeds from bond sale	-	1,339,337	-	-	-	-	-
Proceeds from sale of property	-	-	-	-	22,000	14,455	8,500
Transfers in	1,972,682	1,897,164	2,213,631	754,605	318,355	2,100,493	127,797
Transfers out	(537,839)	(403,013)	(522,872)	(524,925)	(181,858)	(1,963,996)	(124,702)
Total other financing sources (uses)	1,434,843	2,833,488	1,690,759	229,680	158,497	150,952	11,595
Net change in fund balances	420,603	658,861	612,333	1,637,480	366,894	(159,890)	(1,732,754)
Debt service as a percentage of non-capital ⁵ expenditures	19%	37%	21%	7%	15%	5%	28%

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)

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

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

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		
2001	1,401,323.00	946,728.73	25,000.00	25,000.00	35,960.00	393,634.27
2002	1,581,807.33	1,058,397.65	25,000.00	25,000.00	40,898.53	457,511.15
2003	1,697,279.55	1,180,048.64	15,000.00	15,000.00	42,364.09	459,866.82
2004	1,894,142.31	1,273,411.13	15,000.00	15,000.00	51,257.33	554,473.85
2005	2,012,074.72	1,376,811.41	15,000.00	15,000.00	39,832.92	580,430.39
2006	2,156,943.76	1,494,102.65	15,000.00	15,000.00	39,288.89	608,552.22
2007	2,250,919.25	1,586,332.25	15,000.00	15,000.00	39,037.18	610,549.82
2008	2,397,922.39	1,723,663.10	25,000.00	25,000.00	43,157.22	606,102.07
2009	2,452,819.53	1,831,565.66	25,000.00	25,000.00	38,362.38	557,891.49
2010	2,557,753.71	1,918,702.10	25,000.00	25,000.00	36,510.70	577,540.91

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 Beginning FY 2010, current tax authority plus 3%, minus 6.5% 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			
2001	237,555,390	8,198,512	14,945,420	13,224,366	273,923,688	3.4902	369,607,900	
2002	281,172,910	9,132,257	14,973,010	6,928,007	312,206,184	3.4902	419,243,097	
2003	310,274,630	10,190,459	10,418,910	16,105,640	346,989,639	3.4902	462,187,845	
2004	336,554,140	12,403,229	9,553,040	16,853,710	375,364,119	3.4902	513,812,415	
2005	366,385,790	11,927,461	10,374,410	16,699,001	405,386,662	3.4902	557,215,556	
2006	401,967,290	12,421,340	10,332,310	16,638,000	441,358,940	3.4902	638,609,211	
2007	427,970,080	12,124,357	9,919,780	15,948,400	465,962,617	3.4902	718,918,532	
2008	461,622,750	14,096,850	9,230,440	17,268,400	502,218,440	3.4902	833,793,892	
2009	505,142,360	13,375,204	8,497,460	17,844,430	544,859,454	3.4902	902,247,800	
2010	520,900,600	13,065,632	10,039,480	22,313,670	566,319,382	3.4902	882,782,691	

Source:
 Multnomah County Tax Supervising & Conservation Commission

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

Fiscal Year	City of Fairview Tax Rates										Overlapping Rates				
	Permanent Rate					Regional & County					School District				
	Rate	Debt Service	Total City	Multnomah County	Port of Portland	Metro Service District	Tri-Met	Total Regional & County	Multnomah County	Reynolds School District	Mt. Hood Community College	Total Schools	Total Direct & Overlapping Rates		
2001	3.49	-	3.49	5.31	0.07	0.34	0.13	5.85	0.46	5.29	0.52	6.28	15.61		
2002	3.49	-	3.49	5.21	0.07	0.32	0.14	5.74	0.46	6.32	0.51	7.29	16.52		
2003	3.49	-	3.49	5.17	0.07	0.28	0.12	5.65	0.46	6.02	0.52	7.00	15.14		
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	0.48	5.85	0.48	6.90	16.13		
2008	3.49	-	3.49	5.42	0.07	0.43	0.09	6.01	0.48	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		

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
2001	983,708	947,821	96.35%	35,782	983,603	99.99%
2002	1,094,630	1,055,858	96.46%	38,642	1,094,500	99.99%
2003	1,214,485	1,172,791	96.57%	41,545	1,214,336	99.99%
2004	1,309,760	1,269,432	96.92%	40,019	1,309,451	99.98%
2005	1,430,611	1,389,206	97.11%	40,955	1,430,161	99.97%
2006	1,541,500	1,498,334	97.20%	42,475	1,540,809	99.96%
2007	1,626,746	1,582,657	97.29%	38,939	1,621,596	99.68%
2008	1,792,463	1,730,069	96.52%	49,593	1,779,662	99.29%
2009	1,914,648	1,834,677	95.82%	50,844	1,885,521	98.48%
2010	1,976,399	1,904,048	96.34%	-	1,904,048	96.34%

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	2010 ¹			2001 ²		
	Assessed Value	Rank	Percentage of Total Fairview Assessed Value	Assessed Value	Rank	Percentage of Total Fairview Assessed Value
Townsend Farms Inc.	28,334,500	1	5.00%	6,236,040	3	2.28%
CPF/FBI Townsend LLC	23,480,140	2	4.15%			
NACCO Materials Handling	15,605,410	3	2.76%	11,218,090	1	4.10%
Salish Lake LLC	11,160,500	4	1.97%			
Portland General Electric Co.	9,989,000	5	1.76%	8,000,213	2	2.92%
Portland Fairview RV LLC	8,547,740	6	1.51%			
IAC 22638 Townsend Way LLC	8,532,180	7	1.51%			
Fieldstone Luxury Apartments LLC	8,056,280	8	1.42%			
Sunridge Associates LLC	6,651,250	9	1.17%			
Beeko LLC	6,544,100	10	1.16%			
Howard Angell		-		5,989,230	4	2.19%
DAV II Invest.		-		5,984,660	5	2.18%
King's Garden LTD Partnership		-		5,015,580	6	1.83%
Stiehl, Charles M. TR, et al		-		4,558,180	7	1.68%
Fort James Operating Company		-		3,391,870	8	1.24%
Don M. & Jeanette M. Kitterman		-		3,191,300	9	1.17%
Chinook Way, LLC		-		2,559,590	10	0.93%
Total	126,901,100		22.41%	56,144,753		20.50%
Total Fairview Assessed Value	566,319,382			273,923,688		

Source: Multnomah County Division of Assessment and Taxation

Notes:

¹ Fiscal year 2009 / 2010

² Fiscal year 2000 / 2001

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
2001	2,475,000	-	2,810,000	-	1,460,000	-	66,254	-
2002	2,385,000	-	2,731,000	-	1,410,000	3,082,482	48,562	-
2003	2,290,000	-	2,648,000	-	1,360,000	2,977,637	29,874	-
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

Fiscal Year	Total (Governmental and Business - Type)	Percentage of Personal Income ^{7,8}	Per Capita ⁷
2001	6,811,254	0.03%	844
2002	9,657,044	0.04%	1,150
2003	9,305,611	0.04%	1,083
2004	8,558,354	0.03%	925
2005	7,720,443	0.03%	819
2006	6,670,710	0.02%	696
2007	6,346,949	0.02%	655
2008	5,589,286	0.02%	574
2009	5,235,224	N/A	537
2010	3,906,278	N/A	401

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 2001 through 2008 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
2001	8,070	273,923,688	-	-	-	-	-
2002	8,400	312,206,184	-	-	-	-	-
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	9,745	566,319,382	-	-	-	-	-

Sources:

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

CITY OF FAIRVIEW, OREGON
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2010

<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	\$ 176,848,356	0.44%	\$ 785,533
Multnomah County	49,710,000	0.95%	474,710
Reynolds School District # 7	44,720,000	11.39%	5,093,511
Tri-Met	27,960,000	0.45%	125,011
Other:			
Metro	54,143,353	0.44%	240,497
Mt. Hood Community College	56,292,481	2.69%	1,516,721
Multnomah County	217,697,607	0.95%	2,078,922
Multnomah County ESD	36,235,000	0.94%	340,720
Port of Portland	71,421,465	0.40%	287,334
Reynolds School District # 7	98,667,619	11.39%	11,238,027
Tri-Met	160,911	0.45%	719
Subtotal, overlapping debt			22,181,705
City of Fairview direct debt			4,218,332
Total direct and overlapping debt			<u>26,400,037</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.

**CITY OF FAIRVIEW, OREGON
PLEDGED - 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	
2001	827,588	619,189	208,399	35,000	91,755	126,755	1.64
2002	861,819	673,257	188,562	50,000	89,900	139,900	1.35
2003	881,285	704,156	177,129	50,000	87,275	137,275	1.29
2004	903,500	829,934	73,566	55,000	84,525	139,525	0.53
2005 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

Fiscal Year	Sewer Notes Payable			Debt Service			Coverage
	Operating Revenue	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Total	
2001	1,126,624	1,034,629	91,995	-	-	-	-
2002	1,170,938	1,167,113	3,825	-	-	-	-
2003	1,205,520	1,350,142	(144,622)	-	-	-	-
2004	1,188,165	1,445,577	(257,412)	-	-	-	-
2005	1,207,888	1,337,618	(129,730)	-	-	-	-
2006 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

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.

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2008	2010
Debt Limit	11,088,237	12,577,283	13,865,635	15,414,372	16,716,467	19,158,276	21,567,556	25,013,817	27,067,434	26,483,481
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	11,088,237	12,577,283	13,865,635	15,414,372	16,716,467	19,158,276	21,567,556	25,013,817	27,067,434	26,483,481
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 2010	
Real market value (2009 / 2010)	882,782,691
Debt limit (3% of total real market value)	26,483,481
Debt subject to limit	-
Legal debt margin	26,483,481

Source:
City of Fairview Annual Financial Reports

Note:
Oregon Revised Statute 287.004 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 287.004.

CITY OF FAIRVIEW, OREGON
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
2001	8,070	22,900,003	34,200	5.1%
2002	8,400	23,501,398	34,744	7.7%
2003	8,590	23,903,285	35,227	8.3%
2004	9,250	24,506,715	36,484	8.0%
2005	9,425	25,040,172	37,161	6.7%
2006	9,585	27,077,499	39,661	5.5%
2007	9,695	28,384,118	40,720	5.1%
2008	9,735	29,372,019	41,222	5.0%
2009	9,740	N/A	N/A	8.6%
2010	9,745 ⁵	N/A	N/A	10.2%

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)
2001 through 2007 figures revised from prior year
 - ³ Bureau of Economic Analysis (Multnomah County per capita personal income, calendar year basis)
2001 through 2007 figures revised from prior year
 - ⁴ State of Oregon Employment Department (average annual unemployment for Multnomah County)
 - ⁵ Certified Estimate
- N/A = information not available

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

2009-2010			
Employer	Employees ²	Rank	Percentage of Total City Employment
Reynolds School District	385	1 ⁴	14.07%
NW Material Handling Group	223	2	8.15%
Townsend Farms	175	3 ⁵	6.40%
Knight Transportation	165	4	6.03%
Target	88	5 ⁴	3.22%
TruGreen LandCare, LLC	45	6	1.64%
SWCA Environmental Consultants	43	7	1.57%
Conner Manufacturing	39	8	1.43%
Thermo King NW, Inc.	35	9	1.28%
La Petite Academy #7308	22	10	0.80%
	<u>1,220</u>		<u>44.59%</u>
Total Fairview Employment ³	<u><u>2,736</u></u>		

¹ Employment data from 2000-2001 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 these employers was unavailable.

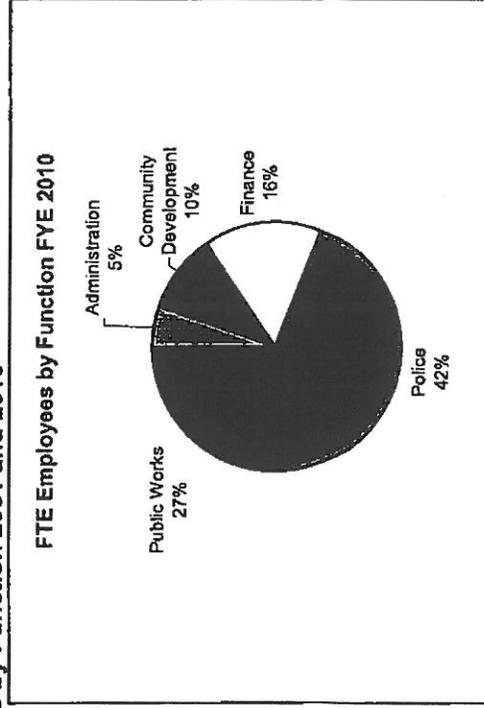
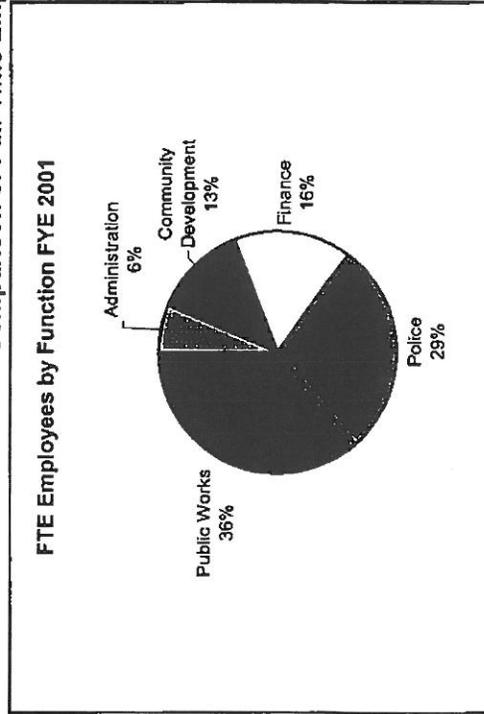
2008-2009 figures were used as estimates.

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

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

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government										
Administration	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Community Development	4.0	4.0	3.5	4.5	4.5	5.0	5.0	4.0	5.0	4.0
Finance	5.0	5.0	5.0	5.0	5.0	6.0	6.0	7.0	7.0	6.0
Police										
Officers	8.0	9.0	10.0	10.0	11.0	12.0	13.0	13.0	14.0	14.0
Civilians	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.5	2.0	2.0
Public Works	11.5	12.5	12.0	11.0	11.0	10.5	11.5	11.5	10.5	10.5
Total	31.5	33.5	33.5	33.5	34.5	36.5	38.5	39.0	40.5	38.5

Comparison of Full-Time Employees by Function 2001 and 2010



Source: City of Fairview budget actuals

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

Function / Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities:										
Community Development ¹										
Residential building permits issued	163	154	90	99	N/A	N/A	N/A	20	19	11
Commercial building permits issued ²	23	10	34	46	N/A	N/A	N/A	48	63	22
Police ³										
Calls for service	N/A	N/A	4517	4,113	4,284	4,317	4,212	4,003	N/A	N/A
Part I crimes ^{4,a}	457	425	440	397	456	390	376	330	N/A	N/A
Part II crimes ^{5,b}	455	382	425	418	343	299	318	370	N/A	N/A
Business - Type Activities:										
Water										
Accounts	1,244	1,398	1,480	1,487	1,490	1,528	1,577	1,636	1,652	1,663
Average daily production (millions of gallons)	0.71	0.76	0.86	0.81	0.72	0.72	0.72	0.75	0.73	0.67
Sewer										
Accounts (revised data 1999-2007)	1,544	1,732	1,828	1,839	1,845	1,891	1,946	1,993	2,021	2,033
Average daily consumption (millions of gallons) ⁷	0.80	1.06	1.03	0.95	0.71	0.84	0.82	0.80	0.69	0.69 ⁸
Stormwater										
Accounts	1,433	1,621	1,727	1,752	1,753	1,831	1,885	1,847	1,868	1,880

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 2010 sewer average daily consumption is an estimate. Final figures are not yet available.

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

Function / Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities:										
Parks										
Parks acreage	14.96	17.22	17.22	17.22	17.22	17.22	17.22	22.39	25.29	25.29
Wetland Parks acreage	75.31	75.31	75.31	75.31	75.31	75.31	75.31	75.31	62.34	62.34
Police										
Stations	1	1	1	1	1	1	1	1	1	1
K-9 officers	-	-	-	-	-	-	1	1	1	0
¹ Patrol units	11	10	10	10	12	13	12	13	12	13
Business - Type Activities:										
Water										
Water main lines (miles)	21.84	22.31	22.31	22.31	22.31	22.91	23.13	22.63	22.63	22.63
Daily storage capacity (millions of gallons)	3	3	3	3	3	6	6	6	6	6
Daily production capacity (millions of gallons)	2.08	2.08	4.72	4.72	4.72	4.72	4.72	4.72	3.80	3.80
Sewer										
Sewer lines (miles)	24.07	24.41	24.41	24.41	24.41	24.89	25.11	25.34	25.34	25.34
² Daily plant capacity (millions of gallons)	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.30	1.30
Storm Water										
Service lines (miles)	12.08	12.39	12.39	12.49	12.49	13.21	13.37	13.15	13.60	13.60
Transportation										
Streets (miles)	9.04	10.20	11.12	11.59	11.59	12.95	13.14	18.00	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



**REPORTS OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**



INDEPENDENT AUDITOR'S COMMENTS

Oregon Administrative Rules 162-10-0000 through 162-10-0330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in audit reports. The required schedules, comments, and disclosures not included in the preceding section of this report are set forth as follows:

1. ACCOUNTING SYSTEMS AND INTERNAL CONTROL

We found the accounting system of the City of Fairview, Oregon to be adequate for audit purposes. The internal controls for the City are generally operating as designed, however, there were deficiencies reported in accordance with SAS 115 and *Government Auditing Standards*. We noted other matters involving internal control, which we have reported to management of the City of Fairview in a separate letter, dated January 31, 2011.

2. INVESTMENTS

Our review of deposit and investment balances indicated that the City was in compliance with ORS 294, as it pertains to investment of public funds, for the year ended June 30, 2010.

3. COLLATERAL

Oregon Revised Statutes (ORS) Chapter 295 provides that public officials must ensure the banks they are doing business with are on the Office of the State Treasurer's (OST) list of qualified depositories. Public officials are also required to report to OST all bank depositories in which they deposit public funds.

Our review of the City's deposited funds did disclose an instance in which the City deposited funds with an unapproved depository, however, the amounts held with this depository were fully covered by the Federal Deposit Insurance Corporation ("FDIC"). Our review of the City's deposited funds did not disclose any instances where the City did not properly notify the OST of what depositories held their public funds, as required by ORS 295.

4. INDEBTEDNESS

We reviewed compliance relating to short-term and long-term debt, including limitations of the amount of debt, which may be incurred, liquidation of debt within the prescribed period of time, and compliance with provisions of bond indentures or other agreements. We found no instances in which the City had not complied with these legal or contractual provisions relating to short-term or long-term debt.

5. BUDGET

We reviewed the preparation, adoption, and execution of the City's budget and supplemental budgets for 2009-10 and the preparation and adoption of the budget for 2010-11.

The City has complied with statutory requirements in all material respects for the current and ensuing year's budget except for the following:

The City adopted a supplemental budget which decreased the unappropriated fund balance for three funds.

Expenditures exceeded appropriations for the 2009-10 budget in the following amounts:

State Tax Street Fund:		
Materials and services	\$	3,516
City Hall Debt Fund:		
Debt service	\$	1,577,552

The excess of expenditures in the City Hall Debt Fund were paid with restricted cash placed in an escrow account in the prior year for payoff of the remaining bond balance.

The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations. The level of budgetary controls are established at the personal services, materials and services, capital outlay, debt service, contingency, and all other requirement levels.

6. INSURANCE AND FIDELITY BONDS

We reviewed the City's insurance and fidelity bond coverage at June 30, 2010, and ascertained that such policies appeared to be in force. We are not competent by training to comment whether the insurance policies of the City in force at June 30, 2010, are adequate. The City has complied with provisions of ORS 221.903 regarding bonding of City personnel.

7. PROGRAMS FUNDED FROM OUTSIDE SOURCES

We selected and tested, to the extent deemed appropriate, transactions, records, and reports relative to programs funded wholly or partially by other governmental agencies.

The results of our tests indicate, for the items tested, the City complied with the laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies, and, for the items tested, financial reports and related data were materially in agreement with and supported by the accounting records.

Separate reports have been issued to report on compliance with appropriate laws and regulations pertaining to Federal Financial Assistance Programs funded from Outside Services.

8. PUBLIC CONTRACTS AND PURCHASING

We have reviewed the City's compliance with ORS 279, pertaining to the awarding of public contracts and the construction of public improvements. Our review disclosed no conditions, which we considered to be matters of noncompliance of the City's bidding procedures or quote procedures.

9. HIGHWAY FUNDS

The City appears to have complied with the provisions of Article IX, Section 3a of the Oregon Constitution and ORS Sections 294, 368 and 373 in regards to the expenditures of motor vehicle use funds.

10. STATEMENT OF ACCOUNTABILITY FOR INDEPENDANTLY ELECTED OFFICIALS

This statement is not applicable to the City of Fairview.



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

January 31, 2011

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, 2010, which collectively comprise the City of Fairview, Oregon's basic financial statements and have issued our report thereon dated January 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2010-01 and 2010-02 to be material weaknesses.

A significant deficiency is a deficiency, or 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. We consider the deficiencies described in the schedule of findings and questioned costs as 2010-03 and 2010-04 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fairview'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's in a separate letter dated January 31, 2011.

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

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

Dickey and Tremper, LLP
Dickey and Tremper, LLP

Certified Public Accountants



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

January 31, 2011

To the Governing Body of the City of Fairview, Oregon:

Compliance

We have audited the compliance of the City of Fairview with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The City of Fairview's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Fairview's management. Our responsibility is to express an opinion on the City of Fairview's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal occurred. An audit includes examining, on a test basis, evidence about the City of Fairview's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Fairview's compliance with those requirements.

In our opinion the City of Fairview complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the City of Fairview is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Fairview's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control

over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Fairview's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-05 to also be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-05 to be a significant deficiency.

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

This report is intended solely for the information and use of the City Council, management of the City of Fairview, Oregon, Federal awarding agencies, pass-through agencies, the Secretary of State, Division of Audits, and the State of Oregon and is not intended to be and should not be used by anyone other than these specified parties.


Dickey and Tremper, LLP
Certified Public Accountants

**CITY OF FAIRVIEW, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010**

<u>GRANTOR AND PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURE</u>	<u>Total Award</u>
U.S. Housing and Urban Development (HUD) Passed through Multnomah County, Oregon Oregon Housing and Community Services Community Development Block Grant Funding Phase 3 Old Town Sidewalk Improvements 3rd Street	14.218	\$ 46,700	\$ 46,700
Oregon Housing and Community Services Community Development Block Grant Funding Lincoln Street Sewer Rehabilitation Project	ARRAS-14.253	73,187	73,187
U.S. Department of Homeland Security Passed through Multnomah County, Oregon Oregon Emergency Management Emergency Operations Command Center	97.073	18,207	18,207
U.S. Department of Justice Passed through the State of Oregon Oregon Association of Chiefs of Police Safety Belt	20.600	4,320	4,320
Oregon Association of Chiefs of Police DUII	20.601	2,000	2,000
U.S. Environmental Protection Agency Passed through the State of Oregon Business Development Department - ARRA Forgivable Loan Capitalization Grants for Drinking Water State Revolving Funds Well #9 Project	ARRAS-66.468	996,868 **	1,250,000 625,000 625,000
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 1,141,282	

** Signifies Major Program

CITY OF FAIRVIEW, OREGON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended June 30, 2010

Note A – Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Fairview and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note B – Federal Loan Balances

Amounts on this schedule represent current expenditures of Federal Funds under the State of Oregon Business Development Department loan program under CFDA number 66.468. The total Federal loan balance as of June 30, 2010, including accrued proceeds was \$537,833.

**CITY OF FAIRVIEW, OREGON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Fiscal Year Ended June 30, 2010**

There were no prior year audit findings to report

**CITY OF FAIRVIEW, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Fiscal Year Ended June 30, 2010**

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 2010-01 and 2010-02 are reported as material weaknesses.
- 03 No instances of noncompliance material to the financial statements of the City of Fairview, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Federal Awards

- 04 One significant deficiency in internal control over compliance for major federal programs was disclosed by the audit. The deficiency is reported as a material weakness.
- 05 The auditor's report on compliance for the major federal program for the City of Fairview expresses an unqualified opinion.
- 06 Audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133 are reported in this schedule.
- 07 The program tested as a major program was:
 - Capitalization Grants for Drinking Water State Revolving Funds CFDA # 66.468
- 08 The threshold for distinguishing Types A and B programs was \$300,000.
- 09 The City of Fairview was not determined to be a low-risk auditee.

SECTION II - FINDINGS – FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

2010-01

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. The City's recording of the year end adjustments improved from the prior year, but we found significant adjustments required in the areas of accounts payable, retainage, payable, interfund transfers, capital assets, and debt.

Effect: Material current year adjustments were required to correct the accounting records for the affected areas, including adjustments to the General, State Tax Street, Administrative Excise Charge, Water, Sewer, and Stormwater Funds.

Cause: Year-end entries are done each year through a manual process, which increases the risk of human error. Construction-related invoices are often routed directly to Public Works and there does not appear to be a process in place to ensure that retainage payable amounts are recorded. Staff work loads were especially high during the period when year-end processes occur due to an accounting software conversion that took place shortly before year-end. Additionally, the City modified fund and account structures concurrent with the adoption of the new software.

Auditor's recommendation: We recommend that management review its year-end journal entry processes to incorporate additional oversight and review of staff work. We also recommend that management establish and implement procedures to record retainage payable amounts at year-end.

Management's response: Management agrees with the condition and the auditor's recommendation. Management has already begun to restructure the flow of information between the finance and public work functions. Management feels the new software and modified fund and account structure will improve the recording of financial information.

2010-02

Condition and criteria: The City received Community Development Block Grant monies to reimburse the cost of sidewalk improvements. This is an ongoing project for which the City has received grant monies in previous years. The revenues were initially recorded as a credit in the capital expense accounts, instead of as grant revenues.

Effect: An adjustment of \$73,187 was recorded to reclassify the additional grant revenues and the correlating capital expenses.

Cause: The City has properly recorded these grant monies in previous years. The incorrect entry in the current year appears to be from an inadvertent lapse by staff. Procedures should be in place to catch and correct this type of error. At the time of audit fieldwork, staff had caught the error, but had not made an adjustment to correct the error.

Auditor's recommendation: We recommend that staff continue to track the gross amount of grant revenues and expenditures, as well as compare the accounting records to grant documents to further ensure proper recording and compliance.

Management's response: Management agrees with the condition and the auditor's recommendation and will monitor grant revenues and expenditures. Management had also converted to new accounting software, and has modified fund and account structures for the upcoming fiscal year, prior to the commencement of audit fieldwork. Management feels these changes will improve the recording of financial information.

SIGNIFICANT DEFICIENCIES

2010-03

Condition and criteria: The accounting system used for most of the year was inadequate, in that the system is not integrated with the modules. Staff is required to make journal entries for all transactions occurring in the modules used such as accounts receivable, accounts payable, utility billing, court accounts receivable and payroll instead of the systems posting of transactions, if modules were integrated. The requirement to make journal entries increases the risks of errors which might not be detected. In addition, the City elected to convert to new accounting software on or about May 27, 2010. Along with the conversion, the City changed fund and account structures, which required the city to record activity between the conversion date and June 30 into the old system through manual journal entries.

Effect: The requirement to make journal entries increases the risks of errors which might not be detected and significant additional procedures were required to verify the activity reported.

Cause: The City accounting system used for most of the year is antiquated and has not been replaced for several years.

Auditor's recommendation: We recommend the software be updated so that full integration of the modules is possible.

Management's response: Management agrees with the condition and the auditor's recommendation and has already purchased and implemented new accounting software.

2010-04

Condition and criteria: Accounts receivable for the court system, net of uncollectible accounts, is not readily available. The reports furnished by the current system include all individual accounts, including those turned over to collections. The system used for most of the year does not appear to be capable of furnishing an active account listing.

Effect: Management is required to make an estimate of the value of active court accounts receivable.

Cause: The City accounting system used for most of the year is antiquated and has not been replaced for several years.

Auditor's recommendation: We recommend the software be updated so that full integration of the modules is possible.

Management's response: Management agrees with the condition and the auditor's recommendation and has already purchased and implemented new accounting software.

SECTION III - FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

US Environmental Protection Agency
Capitalization Grants for Drinking Water State Revolving Funds CFDA #66.468

2010-05

Condition and criteria: The City does not have a process in place to ensure that retainage payable at year-end is recorded. Additionally, many project related invoices received in the mail are routed to the Public Works department for coding without passing through the finance function. The delayed flow of information to finance can lead to the omission of material year-end payables.

Effect: Material adjustments were required to record additional accounts payable and retainage payable related to the major program.

Cause: Year-end entries are done each year through a manual process, which increases the risk of human error. Construction-related invoices are often routed directly to Public Works, and there does not appear to be a process in place to ensure that retainage payable amounts are recorded.

Auditor's recommendation: We recommend the City implement procedures to capture retainage payable amounts and evaluate communication between finance and other functions to ensure necessary financial information is recorded in a timely fashion.

Management's response: Management agrees with the condition and the auditor's recommendation and has begun implementation of some changes in the routing of project-related invoices and procedures to capture retainage payable.

