CITY OF FAIRVIEW, OKLAHOMA
FAIRVIEW, OKLAHOMA

FINANCIAL STATEMENTS AND
AUDITOR'S REPORTS

FOR THE YEAR ENDED
JUNE 30, 2011

THE CITY OF FAIRVIEW, OKLAHOMA
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CITY OF FAIRVIEW, OKLAHOMA
YEAR ENDED JUNE 30, 2011
LIST OF PRINCIPAL OFFICIALS

MAYOR
Garen Martens

COUNCIL MEMBERS
David DeBoer
Vernon Hoehn
Dr. Don Klinger
Jared Thompson

CITY MANAGER
Dale Sides

CITY CLERK
Anita Gifford

CITY TREASURER
Anita Gifford

Derrel S. White, CPA

P.O. Box 842
Woodward, OK 73802
(580) 256-6830

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Fairview, OK

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 City of Fairview, OK, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of City of Fairview, OK'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. 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 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.

The financial statements referred to above include only the primary government of the City of Fairview, OK, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Fairview, OK, as of June 30, 2011, and the changes in its financial position, and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, City of Fairview, OK, has issued separate reporting entity financial statements for the Fairview Municipal Hospital Authority which were audited by another firm and are available at the City offices.

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 for the primary government of the City of Fairview, OK, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2011, on our consideration of the City of Fairview, OK's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information and the Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances on pages 4 through 10 and pages 35 through 36 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.

Derrel S. White, CPA

December 20, 2011
Woodward, OK

Our discussion and analysis of the City of Fairview's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. The City's performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. This discussion focuses on the City's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2011, the City's total net assets, excluding discretely presented component units, were $10,643,428, which was an increase of $316,794 or 3% over prior year.
- During the year, City's expenses for governmental activities amounted to $1,336,982 and were funded by program revenues of $165,584 and further funded programs with taxes and other general revenues and transfers that totaled $915,415.
- In the City's business-type activities, including utilities and the airport, program revenues exceeded expenses by $496,036, mainly attributable to utility revenues and sales tax restricted for debt payments. General revenues totaled $76,741, which included interest and penalties.
- At June 30, 2011, the General Fund reported an unreserved, undesignated fund balance of $148,567, an increase of 3% over prior year unreserved, undesignated fund balance.
- For budgetary reporting purposes, the General Fund reported actual revenues above final estimates of revenues by $61,100 or 11%, while expenditures were under the final appropriations by $89,900 or 9%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Fairview (the "City") and its component unit using the integrated approach as prescribed by GASB Statement No. 34. Included in this report are government-wide statements for each of two categories of activities- governmental and business-type. The government-wide financial statements present the complete financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately and combined. These statements include all assets of the City (including infrastructure capital assets) as well as all liabilities (including all long-term debt).

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

One of the most frequently asked questions about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady over the past year?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two government-wide statements report the City's net assets and changes in them from the prior year. You can think of the City's net assets – the difference between assets and liabilities- as one way to measure the City's financial condition, or position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving, deteriorating, or remaining steady.

However, you must consider other nonfinancial factors, such as changes in the City's tax base, the condition of the City's roads, and the quality of services to assess the overall health and performance of the City.

As mentioned above, in the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities- Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

- Business-type activities- The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's electric, water, wastewater, and sanitation activities are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds- not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money.

Governmental funds- Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements to those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement.

Proprietary funds- When the City charges customers for the services it provides- whether to outside customers or to other units of the City- these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Net Assets. In fact, the City's enterprise funds are essentially the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows. Discretely presented component units are reported as a proprietary fund.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

The City's combined net assets, excluding component units, increased from $10,326,634 to $10,643,428 between fiscal years 2010 and 2011. Both governmental activities and business-type activities reported an increase in net assets during the year.

	Governmental Activities		Business-Type Activities		Total		$ Change	% Change
	2011	2010	2011	2010	2011	2010		
Current assets	$ 1,047,727	$ 1,109,880	$ 1,866,394	$ 1,772,585	$ 2,914,121	$ 2,882,465	$ 31,656	1%
Non-current assets	-	-	137,888	95,243	137,888	95,243	42,645	45%
Capital assets, net	2,995,793	3,036,873	9,439,879	8,355,526	12,435,672	11,392,399	1,043,273	9%
Total assets	4,043,520	4,146,753	11,444,161	10,223,354	15,487,681	14,370,107	1,117,574	8%
Current liabilities	41,781	172,861	444,511	569,140	486,292	742,001	(255,709)	-34%
Non-current liabiliites	-	-	4,357,961	3,301,472	4,357,961	3,301,472	1,056,489	32%
Total liabilities	41,781	172,861	4,802,472	3,870,612	4,844,253	4,043,473	800,780	20%
Net assets								
Invested in capital assets, net of related debt	2,995,793	3,036,873	5,077,024	5,029,369	8,072,817	8,066,242	6,575	0%
Restricted	94,307	81,572	-	-	94,307	81,572	12,735	16%
Unrestricted	911,639	855,447	1,564,665	1,323,373	2,476,304	2,178,820	297,484	14%
Total net assets	$ 4,001,739	$ 3,973,892	$ 6,641,689	$ 6,352,742	$ 10,643,428	$ 10,326,634	$ 316,794	3%

Changes in Net Assets

For the year ended June 30, 2011, net assets of the primary government changed as follows:

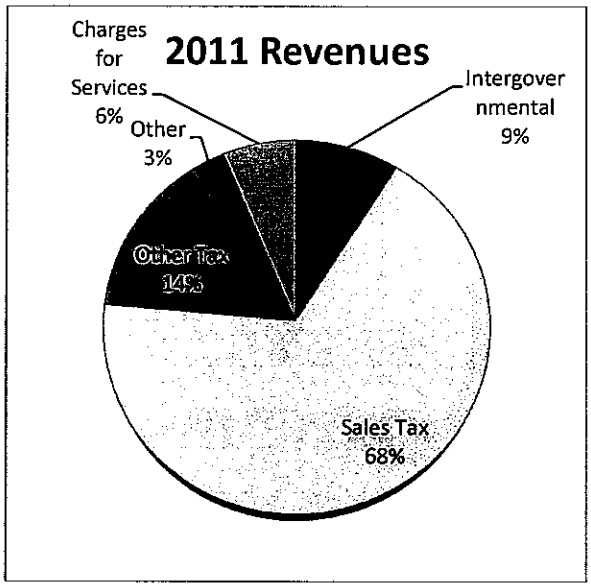
	Governmental Activities		Business-type Activities		Total			
	2011	2010	2011	2010	2011	2010	$ Change	% Change
Revenues								
Program revenues	$ 165,584	$ 110,428	$ 4,072,074	$ 4,479,531	$ 4,237,658	$ 4,589,959	$ (352,301)	-8%
Taxes and other general revenues	915,415	896,719	76,741	68,434	992,156	965,153	27,003	3%
Total revenues	1,080,999	1,007,147	4,148,815	4,547,965	5,229,814	5,555,112	(325,298)	-5%
Expenses								
General government	168,870	156,076	-	-	168,870	156,076	12,794	8%
Public safety and judiciary	548,674	548,265	-	-	548,674	548,265	409	0%
Transportation	276,741	218,343	-	-	276,741	218,343	58,398	27%
Cultural, parks, and recreation	293,930	289,743	-	-	293,930	289,743	4,187	1%
Economic development	48,767	16,840	28,308	28,249	77,075	45,089	31,986	71%
Electric	-	-	2,233,761	2,167,220	2,233,761	2,167,220	66,541	3%
Water	-	-	194,851	202,933	194,851	202,933	(8,082)	-4%
Sewer	-	-	116,645	135,878	116,645	135,878	(19,233)	-14%
Sanitation	-	-	289,344	284,901	289,344	284,901	4,443	2%
Airport	-	-	70,448	66,349	248,887	66,349	182,538	275%
Customer service	-	-	642,681	660,452	498,502	660,452	(161,950)	-25%
Total expenses	1,336,982	1,229,267	3,576,038	3,545,982	4,947,280	4,775,249	172,031	4%
Excess (deficiency) before transfers	$ (255,983)	$ (222,120)	$ 572,777	$ 1,001,983	$ 282,534	$ 779,863	$ (497,329)	-64%
Transfers	283,830	135,154	(283,830)	(135,154)	-	-	-	0%
Prior period adjustment	-	12,004	-	-	-	12,004	(12,004)	-100%
Increase (decrease) in net assets	$ 27,847	$ (74,962)	$ 288,947	$ 866,829	$ 282,534	$ 791,867	$ (509,333)	-64%

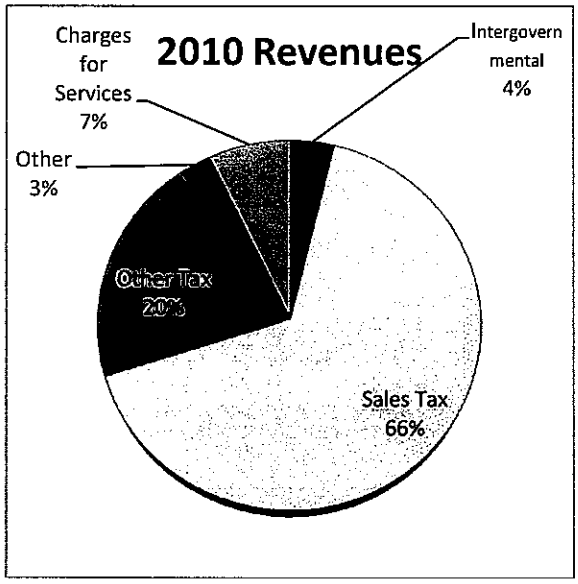
The City's governmental activities' increase in net assets of $27,847 represents a 1% increase over the prior year. The most significant contributing factor to this change was an increase in intergovernmental revenues combined with an increase in spending in the street department and community development. The business-type activities' increase in net assets of $288,947 represents a 5% positive change in net assets. Revenues for business-type activities were down due to a decrease in intergovernmental revenues related to the Airport. Expenses were up mainly in the Airport department. As a whole, the City's financial condition improved from the prior year.

Governmental Activities

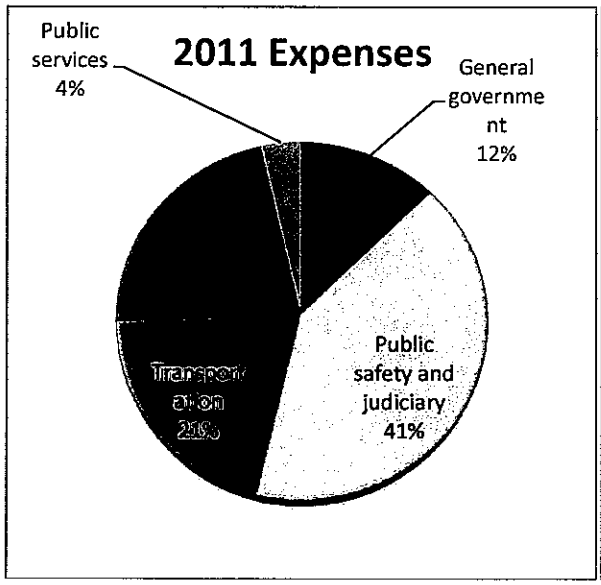
To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note all taxes are classified as general revenue even if restricted for a specific purpose.

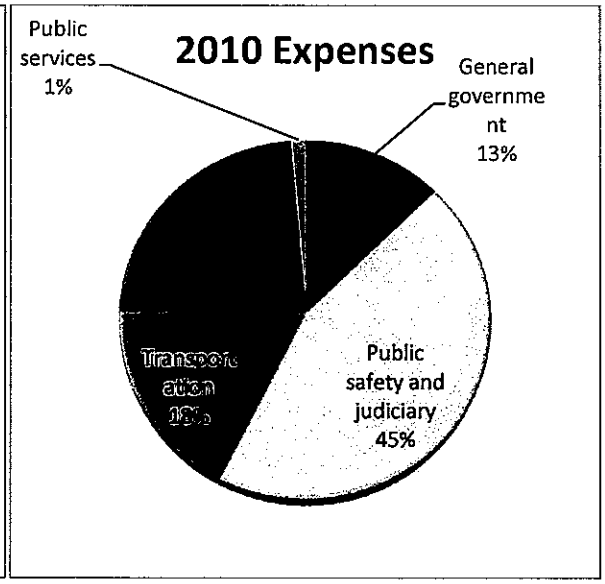
For the year ended June 30, 2011, the City's governmental activities were funded as follows:





Sales tax provided the largest source of funding for governmental activities at 68% in the current year compared to 66% in the prior year with other taxes, including use tax, alcohol beverage tax, and franchise taxes contributing 14% of the funding for the fiscal year. Intergovernmental revenues also represented 9% of funding as compared to 4% of funding in the prior year. Intergovernmental revenues include grants and contributions from external governmental agencies.



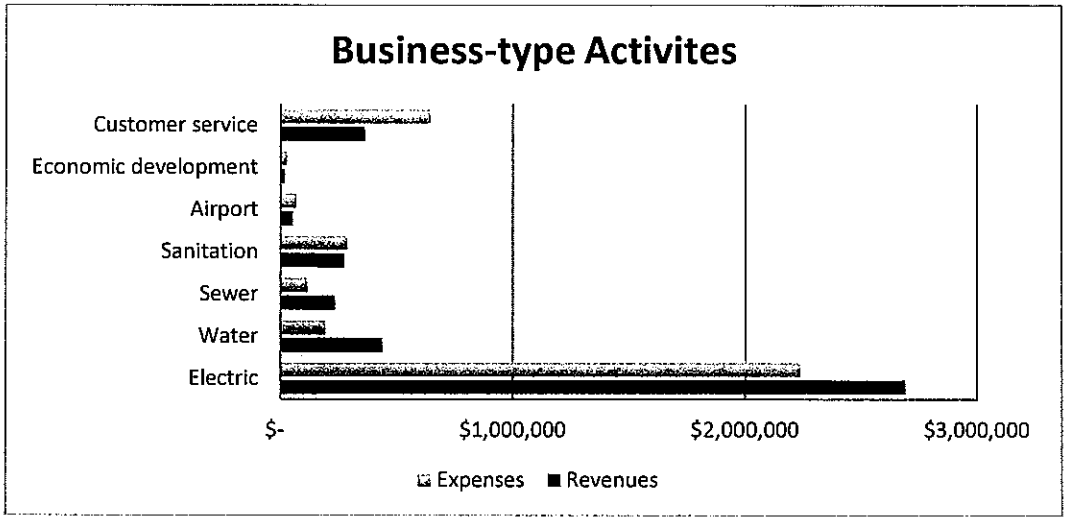


For the year ended June 30, 2011, total expenses for governmental activities by department allocation were consistent with prior year.

Business-type Activities

In reviewing the business-type activities net (expense)/revenue, the following highlights should be noted:

- Total business-type activities reported net operating revenue of $496,036, before transfers and miscellaneous income, for the year ended June 30, 2011.
- Electric, water, and sewer, reported net revenue for the year ended June 30, 2011, while the sanitation, airport, economic development, and customer service reported net expenses, as detailed below.



A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2011 fiscal year, the governmental funds reported a combined fund balance of $1,005,964 or 7% increase from the prior year.

Other fund highlights include:

- For the year ended June 30, 2011, the General Fund's total fund balance increased by $4,975 or 3%.
- The other governmental funds' total fund balance increased $63,952 or 8%.

General Fund Budgetary Highlights

The adopted General Fund budget for the fiscal year 2011 was approximately $1,051,317. This was a decrease of $12,907 over the previous year's budget. The adopted budget was amended once during the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2011, the City had $8,072,817 invested in capital assets, net of depreciation, including vehicles and equipment for police and fire operations, park facilities, and street activities in governmental activities and electric lines, water lines and sewer lines in business-type activities.

Note the City's discretely presented component unit is excluded from the table below.

Primary Government Capital Assets (net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	117,518	117,518	700,789	689,061	818,307	806,579
Buildings	1,524,450	1,621,507	3,055,657	3,026,320	4,580,107	4,647,827
Other improvements	826,360	773,462	-	-	826,360	773,462
Machinery & equipment	527,465	527,386	123,001	168,127	650,466	695,513
Utility property & improvements	-	-	3,729,641	2,622,014	3,729,641	2,622,014
Airport infastructure	-	-	1,794,802	1,847,004	1,794,802	1,847,004
Construction in process	-	-	35,989	-	35,989	-
Totals	2,995,793	3,039,873	9,439,879	8,352,526	12,435,672	11,392,399

This year's more significant capital asset additions included:

- In Governmental Activities, $109,243 for parking lot and paving improvements, $114,716 for a John Deere wheel loader and equipment, and $21,144 for a new police car.
- In Business-type Activities, $1.2 million for sewer lagoon improvements and $179,000 in conference center renovations.

Long-Term Debt

During the fiscal year, the City issued new debt to fund the wastewater project. This increase in debt is offset by payments made on existing long term debt. Changes in long-term debt by type of debt are as follows: Note the City's discretely presented component unit is excluded from the table below.

Primary Government Long-Term Debt

	Business-type Activities	
	2011	2010
Revenue bonds	4,208,943	3,105,000
Notes payable	291,800	316,400
subtotal	4,500,743	3,421,400
less current portion	(168,200)	(149,100)
Total long term debt	4,332,543	3,272,300

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Economic Environment

The City of Fairview has been insulated, for the most part, from the national economic recession. Overall tax revenues for the City increased during fiscal year 2011 showing improvement of approximately 9%. Utility revenues showed modest increase due to the rate structure and increase in demand. Because the City has effective processes in place to deal with the economic declines, the impact on the City has not been as detrimental as it has in other cities and other part of the country. Continued improvement in the economic position is cautiously projected.

Governmental Activities

General fund revenues are expected increase during fiscal year 2012 due to an increase in sales tax and fine revenues. Total expenses are budgeted to increase accordingly with a 3.4% change over prior year. The most significant increase is related to

personnel services. The General fund will be funded in part by transfers from the Utility Authority in the amount of $495,000, which is consistent with prior year. No significant capital projects are budgeted for the governmental activities.

Business-type Activities

Utility Authority revenues are expected to increase 4% over prior year attributable to increases in utility services, including electricity, water, and sewer. The City has implemented a sewer tap fee used to pay down the wastewater improvement loan. The Utility Authority has budgeted a 4% increase in expenses, which is mainly attributable to service the new debt. Prior year reserves will be used to supplement the cost of providing services to City customers.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall at 123 South Sixth Avenue, Fairview, OK 73737 or 580-227-4416.

City of Fairview, Oklahoma
Statement of Net Assets
June 30, 2011

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash, including time deposits	$ 228,038	$ 453,585	$ 681,623
Investments	-	200,000	200,000
Receivable from other governments	77,453	33,456	110,909
Accounts receivable (net)	5,480	368,226	373,706
Prepaid assets	63,628	63,628	127,256
Note receivable, current portion	-	-	-
Supplies	-	-	-
Total current assets	374,599	1,118,895	1,493,494
Restricted assets:			
Cash	673,128	572,499	1,245,627
Investments	-	175,000	175,000
Total restricted assets	673,128	747,499	1,420,627
Noncurrent Assets:			
Other assets	-	137,888	137,888
Land and construction in progress	117,518	736,778	854,296
Other capital assets (net of accumulated depreciation)	2,878,275	8,703,101	11,581,376
Total noncurrent assets	2,995,793	9,577,767	12,573,560
Total assets	$ 4,043,520	$ 11,444,161	$ 15,487,681
LIABILITIES			
Current liabilities:			
Accounts payable	$ 19,958	$ 71,380	$ 91,338
Compensated absences, current	21,823	20,804	42,627
Notes payable, current	-	28,200	28,200
Total current liabilities	41,781	120,384	162,165
Liabilities payable from restricted assets:			
Accrued interest payable	-	333	333
Customer deposits payable	-	183,794	183,794
Bonds payable, current	-	140,000	140,000
Total liabilities payable from restricted assets	-	324,127	324,127
Noncurrent liabilities:			
Deferred revenue	-	25,418	25,418
Notes payable, non-current	-	1,492,543	1,492,543
Bonds payable, non-current	-	2,840,000	2,840,000
Total noncurrent liabilities	-	4,357,961	4,357,961
Total liabilities	41,781	4,802,472	4,844,253
NET ASSETS			
Invested in capital assets, net of related debt	2,995,793	5,077,024	8,072,817
Restriced for:			
Cemetery care	20,775	-	20,775
FEMA project	73,532	-	73,532
Unrestricted	911,639	1,564,665	2,476,304
Total net assets	$ 4,001,739	$ 6,641,689	$ 10,643,428

See accompanying notes to financial statements.

City of Fairview, Oklahoma
Statement of Activities
June 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants & Contributions	Net (Expense)/ Revenue
Governmental activities:					
General government:					
General government	$ 116,906	$ 7,552	$ -	$ 16,612	$ (92,742)
Administration	51,964	-	-	-	(51,964)
Total general government	168,870	7,552	-	16,612	(144,706)
Public safety and judiciary:					
Legal & courts	9,508	16,722	-	-	7,214
Police	386,026	14,596	536	-	(370,894)
Animal control	39,685	538	-	-	(39,147)
Fire	113,455	1,725	5,497	-	(106,233)
Total public safety and judiciary	548,674	33,581	6,033	-	(509,060)
Transportation:					
Streets	276,741	-	24,321	21,873	(230,547)
Total transportation	276,741	-	24,321	21,873	(230,547)
Cultural, parks and recreation:					
Parks	185,417	22,101	-	-	(163,316)
Library	104,894	2,740	12,860	-	(89,294)
Cemetery	3,619	3,030	-	-	(589)
Total cultural, parks and recreation	293,930	27,871	12,860	-	(253,199)
Community development:					
Tourism	37,419	-	-	-	(37,419)
Economic developmnt	326	-	14,881	-	14,555
Health	11,022	-	-	-	(11,022)
Total community development	48,767	-	14,881	-	(33,886)
Total governmental activities	1,336,982	69,004	58,095	38,485	(1,171,398)
Business-type activities:					
Electric	2,233,761	2,687,165	-	-	453,404
Water	194,851	436,823	-	-	241,972
Sewer	116,645	235,117	-	-	118,472
Sanitation	289,344	275,205	-	-	(14,139)
Airport	70,448	18,219	-	34,190	(18,039)
Economic development	28,308	20,343	-	-	(7,965)
Customer service	642,681	-	-	365,012	(277,669)
Total business-type activities	3,576,038	3,672,872	-	399,202	496,036
Total primary government	$ 4,913,020	$ 3,741,876	$ 58,095	$ 437,687	$ (675,362)

(Continued)

See accompanying notes to financial statements.

City of Fairview, Oklahoma
Statement of Activities
June 30, 2011

Changes in Net Assets: (Continued)

	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	$ (1,171,398)	$ 496,036	$ (675,362)
General revenues:			
Taxes:			
Sales taxes	730,023	-	730,023
Use taxes	55,527	-	55,527
Franchise taxes	38,498	-	38,498
Alcoholic beverage tax	61,223	-	61,223
Investment income	6,132	12,440	18,572
Oil and gas royalities	22,971	-	22,971
Penalties	-	36,372	36,372
Gain (loss) on disposal of assets	-	2,396	2,396
Miscellaneous	1,041	25,533	26,574
Transfers-Internal activity	283,830	(283,830)	-
Total general revenues and transfers	1,199,245	(207,089)	992,156
Change in net assets	27,847	288,947	316,794
Net assets-beginning	3,973,892	6,352,742	10,326,634
Net assets-ending	$ 4,001,739	$ 6,641,689	$ 10,643,428

See accompanying notes to financial statements.

City of Fairview, Oklahoma
Balance Sheet
June 30, 2011

	General Fund	Sales Tax 35% Improvement Fund	Sales Tax 65% Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash, including time deposits	$ 78,194	$ 246,119	$ 265,901	$ 310,952	$ 901,166
Taxes receivable	41,806	11,710	21,746	2,191	77,453
Other accounts receivable	5,480	-	-	-	5,480
Prepaid deposits	63,628	-	-	-	63,628
Total assets	$ 189,108	$ 257,829	$ 287,647	$ 313,143	$ 1,047,727
LIABILITIES					
Accounts payable	$ 18,718	$ -	$ -	$ 1,240	$ 19,958
Compensated absences, current	21,823	-	-	-	21,823
Total liabilities	40,541	-	-	1,240	41,781
FUND BALANCES					
Reserved for:					
Cemetery care	-	-	-	20,775	20,775
FEMA project				73,532	73,532
Unreserved, reported in:					
General fund	148,567	-	-	-	148,567
Capital projects fund	-	257,829	287,647	-	545,476
Special revenue funds	-	-	-	217,596	217,596
Total fund balances	148,567	257,829	287,647	311,903	1,005,946
Total liabilities and fund balances	$ 189,108	$ 257,829	$ 287,647	$ 313,143	$ 1,047,727

Total fund balance - total governmental funds		1,005,946
Amounts reported for *governmental activities* in the statement of net assets are different because:		
Land and capital assets, net of accumulated depreciation are not financial resources and, therefore, are not reported in the funds.		
Land	117,518	
Capital assets	5,003,654	
Less: Accumulated depreciation	(2,125,379)	2,995,793
Net assets of governmental activities		$ 4,001,739

See accompanying notes to financial statements.

City of Fairview, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
June 30, 2011

	General Fund	Sales Tax 35% Improvement Fund	Sales Tax 65% Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Sales tax	$ 365,012	$ 127,754	$ 237,257	$ -	$ 730,023
Use taxes	55,527	-	-	-	55,527
Franchise taxes	38,498	-	-	-	38,498
Alcoholic beverage tax	61,223	-	-	-	61,223
Hotel/motel tax	-	-	-	14,881	14,881
Motor vehicle and gas tax	-	-	-	24,321	24,321
Licenses and permits	2,355	-	-	-	2,355
Fines and forfeitures	14,596	-	-	-	14,596
Investment income	651	2,020	2,993	468	6,132
Charges for services	44,366	-	-	3,172	47,538
Rents and royalities	28,024	-	-	-	28,024
Intergovernmental	7,037	-	-	16,757	23,794
Donations	-	-	-	1,600	1,600
Miscellaneous	597	430	-	31,460	32,487
Total revenues	617,886	130,204	240,250	92,659	1,080,999
EXPENDITURES					
Current:					
General government:					
General government	98,715	7,975	-	-	106,690
Administration	51,964	-	-	-	51,964
Total general government	150,679	7,975	-	-	158,654
Pubic safety and judiciary:					
Legal and courts	9,508	-	-	-	9,508
Police	351,073	-	-	1,032	352,105
Animal control	39,685	-	-	-	39,685
Fire	86,230	-	-	3,958	90,188
Total public safety and judiciary	486,496	-	-	4,990	491,486
Transportation:					
Street	165,915	-	-	28,118	194,033
Total transportation	165,915	-	-	28,118	194,033
Cultural, parks and recreation:					
Parks	52,042	-	2,212	-	54,254
Library	91,644	-	-	8,668	100,312
Cemetery	3,619	-	-	-	3,619
Total cultural, parks and recreation	147,305	-	2,212	8,668	158,185
Community development					
Tourism	-	-	-	37,419	37,419
Health	11,022	-	-	-	11,022
Total community development	11,022	-	-	37,419	48,441
Capital outlay	-	120,505	109,243	15,355	245,103
Total expenditures	961,417	128,480	111,455	94,550	1,295,902
Excess (deficiency) of revenues over expenditures	(343,531)	1,724	128,795	(1,891)	(214,903)
OTHER FINANCING SOURCES (USES)					
Transfers in	355,000	-	103,225	6,494	464,719
Transfers out	(6,494)	(10,000)	(164,395)	-	(180,889)
Total other financing sources and uses	348,506	(10,000)	(61,170)	6,494	283,830
Net change in fund balances	4,975	(8,276)	67,625	4,603	68,927
Fund balances - beginning	143,592	266,105	220,022	307,300	937,019
Fund balances - ending	$ 148,567	$ 257,829	$ 287,647	$ 311,903	$ 1,005,946

(Continued)

See accompanying notes to financial statements.

City of Fairview, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
June 30, 2011

(Continued)

Reconciliation of the change in fund balances - total governmental funds to the change in net assets of governmental activities:		
Net change in fund balances - total governmental funds		$ 68,927
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital asset purchases capitalized	245,103	
Depreciation expense	(286,183)	(41,080)
Change in Net Assets of Governmental Activities		$ 27,847

See accompanying notes to financial statements.

City of Fairview, Oklahoma
General Fund
June 30, 2011
Budget and Actual (Non-GAAP Budgetary Basis)

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Sales taxes	$ 320,000	$ -	$ 320,000	$ 365,012	$ 45,012
Use taxes	49,500	-	49,500	55,527	6,027
Franchise taxes	45,000	-	45,000	38,498	(6,502)
Beverage taxes	59,000	-	59,000	61,223	2,223
Licenses and permits	2,310	-	2,310	2,355	45
Fines and forfeitures	21,665	-	21,665	14,596	(7,069)
Charges for services	18,700	-	18,700	44,366	25,666
Rent and royalities	24,000	-	24,000	28,024	4,024
Interest income	400	-	400	651	251
Intergovernmental	-	-	-	7,037	
Miscellaneous	7,440	-	7,440	597	(6,843)
Total revenues before carryover	548,015	-	548,015	617,886	62,834
Budgeted carryover (1)	78,297	-	78,297	-	(78,297)
Total revenues and budgeted carryover	626,312	-	626,312	617,886	(15,463)
EXPENDITURES					
General government:					
General government	127,321	-	127,321	98,715	28,606
Administration	51,745	500	52,245	51,964	281
Total general government	179,066	500	179,566	150,679	28,887
Pubic safety and judiciary:					
Legal and courts	12,665	-	12,665	9,508	3,157
Police	397,398	(10,000)	387,398	351,073	36,325
Animal control	43,567	-	43,567	39,685	3,882
Fire	91,847	-	91,847	86,230	5,617
Total public safety and judiciary	545,477	(10,000)	535,477	486,496	48,981
Transportation:					
Streets	171,800	-	171,800	165,915	5,885
Total transportation	171,800	-	171,800	165,915	5,885
Cultural, parks and recreation:					
Parks	46,780	8,000	54,780	52,042	2,738
Library	93,944	-	93,944	91,644	2,300
Cemetery	4,250	-	4,250	3,619	631
Health and social services	10,000	1,500	11,500	11,022	478
Total cultural, parks and recreation	154,974	9,500	164,474	158,327	6,147
Total expenditures	1,051,317	-	1,051,317	961,417	89,900
Revenue over (under) expenditures	(425,005)	-	(425,005)	(343,531)	74,437
OTHER FINANCING SOURCES (USES)					
Operating transfers, net	482,421	-	482,421	348,506	(133,915)
Net other financing sources (uses)	482,421	-	482,421	348,506	(133,915)
Revenues and other financing sources over (under) expenditures and other uses	57,416	-	57,416	4,975	(59,478)
Fund balance at beginning of year (Non-GAAP budgetary basis)	78,297	-	78,297	145,733	67,436
Less budgeted carryover (1)	(78,297)	-	(78,297)	-	78,297
Fund balance at end of year (Non-GAAP budgetary basis)	$ 57,416	$ -	$ 57,416	$ 150,708	$ 86,255
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue accruals				1,877	
Expenditure accruals				(4,018)	
Fund balance at end of year (GAAP basis)				$ 148,567	

(1) Budgets include fund balances carried over from prior years. It is not revenue of the current period, but is presented as revenue only for budgetary reporting purposes.

See accompanying notes to financial statements.

City of Fairview, Oklahoma
Statement of Net Assets
June 30, 2011

	Fairview Utility Authority	Fairview Airport Authority	Fairview Economic Development Authority	Total Enterprise Funds
ASSETS				
Current assets:				
Cash, including time deposits	$ 373,374	$ -	$ 80,211	$ 453,585
Investments	200,000	-	-	200,000
Prepaid deposits	63,628	-	-	63,628
Receivable from other governments	33,456			33,456
Accounts receivable (net)	368,226	-	-	368,226
Note receivable, current portion	-	-	-	-
Supplies	-	-	-	-
Total current assets	1,038,684	-	80,211	1,118,895
Restricted assets:				
Cash, including time deposits	554,893	17,606	-	572,499
Investments	175,000	-	-	175,000
Receivable	-	-	-	-
Total restricted assets	729,893	17,606	-	747,499
Noncurrent assets:				
Note receivable	-	-	-	-
Other assets	-	-	-	-
Unamortized bond issue costs	137,888	-	-	137,888
Capital assets (net)	7,597,361	1,842,518	-	9,439,879
Total noncurrent assets	7,735,249	1,842,518	-	9,577,767
Total assets	$ 9,503,826	$ 1,860,124	$ 80,211	$ 11,444,161
LIABILITIES				
Current liabilities:				
Accounts payable	$ 71,036	$ 344	$ -	$ 71,380
Wages and benefits payable	-	-	-	-
Other accrued liabilities	-	-	-	-
Compensated absences, current	20,804	-	-	20,804
Notes payable, current	28,200	-	-	28,200
Total current liabilities	120,040	344	-	120,384
Liabilities payable from restricted assets:				
Accrued interest payable	333	-	-	333
Customer deposits payable	183,794	-	-	183,794
Bonds payable, current	140,000	-	-	140,000
Total liabilities payable from restricted assets	324,127	-	-	324,127
Noncurrent liabilities:				
Deferred revenue	25,418	-	-	25,418
Notes payable, non-current	1,492,543	-	-	1,492,543
Bonds payable, noncurrent	2,840,000	-	-	2,840,000
Total noncurrent liabilities	4,357,961	-	-	4,357,961
Total liabilities	4,802,128	344	-	4,802,472
NET ASSETS				
Invested in capital assets, net of related debt	3,096,618	1,842,518	-	4,939,136
Unrestricted	1,605,080	17,262	80,211	1,702,553
Total net assets	$ 4,701,698	$ 1,859,780	$ 80,211	$ 6,641,689

See accompanying notes to financial statements.

City of Fairview, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Assets
June 30, 2011

	Fairview Utility Authority	Fairview Airport Authority	Fairview Economic Development Authority	Total Enterprise Funds
Operating revenues:				
Charges for services:				
Electric charges	$ 2,687,165	$ -	$ -	$ 2,687,165
Water charges	436,823	-	-	436,823
Sewer charges	235,117	-	-	235,117
Sanitation charges	275,205	-	-	275,205
Patient services	-	-	-	-
Penalties	36,372	-	-	36,372
Total charges for services	3,670,682	-	-	3,670,682
Lease and rental income	-	18,219	20,343	38,562
Miscellaneous	25,533	-	-	25,533
Total operating revenues	3,696,215	18,219	20,343	3,734,777
Operating expenses:				
Cost of goods sold	1,913,772	-	-	1,913,772
Personal services	643,281	-	-	643,281
Materials and supplies	291,690	6,668	-	298,358
Other services and charges	246,351	11,578	1,847	259,776
Bad debt expense	1,389	-	-	1,389
Depreciation and amortization	260,327	52,203	-	312,530
Total operating expenses	3,356,810	70,449	1,847	3,429,106
Net operating income	339,405	(52,230)	18,496	305,671
Nonoperating revenue (expense):				
Grants and contributions	-	34,190	-	34,190
Intergovernmental	365,012	-	-	365,012
Investment income	11,821	184	435	12,440
Interest expense	(146,932)	-	-	(146,932)
Gain on sale of assets	-	-	2,396	2,396
Total nonoperating revenue (expense)	229,901	34,374	2,831	267,106
Net Income before contributions and transfers	569,306	(17,856)	21,327	572,777
Transfers from other funds	174,395	-	-	174,395
Transfers to other funds	(355,000)	-	(103,225)	(458,225)
Change in net assets	388,701	(17,856)	(81,898)	288,947
Net assets-beginning of year	4,312,997	1,877,636	162,109	6,352,742
Net assets-end of year	$ 4,701,698	$ 1,859,780	$ 80,211	$ 6,641,689

See accompanying notes to financial statements.

City of Fairview, Oklahoma
Statement of Cash Flows
June 30, 2011

	Fairview Utility Authority	Fairview Airport Authority	Fairview Economic Development Authority
Cash flows from operating activities:			
Receipts from customers	$ 3,664,894	$ 18,219	$ 20,343
Payments to suppliers	(2,422,140)	(176,073)	(2,822)
Payments to employees	(661,238)	-	-
Other operating revenues	25,533	-	-
Net cash provided (used) by operating activities	607,049	(157,854)	17,521
Cash flows from non-capital financing activities:			
Receipts under interfund agreements	365,012	-	-
Transfers from other funds	174,395	-	-
Transfers to other funds	(355,000)	-	-
Net cash provided (used) by non-capital financing activities	184,407	-	-
Cash flows from capital and related financing activities:			
Purchases of capital assets	(1,433,265)	(47,717)	-
Principal paid on bonds and notes	(149,600)	-	-
Issuance of debt	1,228,943	-	-
Interest and fiscal charges paid on bonds and notes	(76)	-	-
Other capital related financing activities	(205,996)		
Capital grants and contributions	-	34,190	-
Net cash provided (used) by capital and related financing activities	(559,994)	(13,527)	-
Cash flows from investing activities:			
Investment income	11,821	184	434
Net cash provided (used) by investing activities	11,821	184	434
Net increase (decrease) in cash and cash equivalents	243,283	(171,197)	17,955
Cash and cash equivalents, July 1, 2010	684,984	188,803	62,256
Cash and cash equivalents, June 30, 2011	$ 928,267	$ 17,606	$ 80,211
Cash, including time deposits	$ 373,374	$ -	$ 80,211
Restricted cash, including time deposits	554,893	17,606	-
Total cash and cash equivalents, end of year	$ 928,267	$ 17,606	$ 80,211
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	$ 339,405	$ (52,230)	$ 18,496
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	260,327	52,203	-
Bad debt expense	1,389		
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(2,034)	-	-
(Increase) decrease in inventory	-	-	-
(Increase) decrease in prepaid deposits	-	-	-
(Increase) decrease in third party party payors	-	-	-
Increase (decrease) in accounts payable	29,673	(157,827)	(975)
Increase (decrease) in wages & benefits payable	(12,327)	-	-
Increase (decrease) in compensated absences	(5,630)	-	-
Increase (decrease) in deferred revenue	(3,754)	-	-
Total adjustments	267,644	(105,624)	(975)
Net cash provided (used) by operating activities	$ 607,049	$ (157,854)	$ 17,521
Supplemental Cash Disclosure			
Assets purchased under other finanicng arrangements	-	-	-
Financed insurance	-	-	-

See accompanying notes to financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(A) Introduction:

The accounting and reporting framework and the more significant accounting principles and practices of the City of Fairview (City) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2011.

(B) Financial Reporting Entity:

The City of Fairview is a Council-Manager form of government in which citizens elect a five-member City Council. The Council, vested with the legislative powers, appoints the City Manager who is the executive and administrative had of the City government. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

Due to restrictions of the state constitution relating to the issuance of municipal debt, the City created public trusts pursuant to Title 60 of Oklahoma State Law to finance City services with revenue bonds or other non-general obligation financing, and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the City. Public trusts created to provide financing services are blended into the City's primary government although retaining separate legal identity. Component units that do not meet the criteria for blending are reported discretely.

Blended Component Units Reported with Primary Government

Component Unit	Brief Description/Inclusion Criteria	Reporting Fund Type
Fairview Utility Authority (FUA)	Created February 2, 1982 to develop and operate all public utilities of whatever nature, including water, sewer, electric, garbage, cable TV, airport, and streets	Enterprise Fund
Fairview Airport Authority	Created April 20, 1976 to plan, establish, develop, operate, and regulate airports and air navigation facilities wither within or without the territorial boundaries of the City	Enterprise Fund
Fairview Economic Development Authority	Created August 1, 1993 to stimulate economic growth and development of the City through financing and development of commercial and industrial projects, agriculture business, health care facilities, energy development, transportation, and recreation	Enterprise Fund

Management has elected to exclude the Fairview Industrial Development Authority as a component unit of the City. The Authority was created August 5, 1975 to secure, develop, and maintain industrial and manufacturing activities. For the year ended June 30, 2008, net assets of the Authority were $5,105 which is less than 0.1% of the net assets of the primary government of the City of Fairview. The Authority was audited by another auditor for the fiscal year ending June 30, 2011.

(C) Government-wide and Fund Financial Statements:

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and statement of activities. These statements report financial information for the City as a whole. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. .

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary.

Measurement Focus and Basis of Accounting

The financial statements of the City are prepared in accordance with accounting principles generally accepted in the United States of America, GAAP. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility and repair services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of the City's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

Interfund Balances

Generally, outstanding balances between funds reported and due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

All activity between governmental and blended business-type activities are eliminated and any residual balances outstanding between the activities are reported in the government-wide financial statements as internal balances.

(□) **Fund Types and Major Funds:**

Major and Non-Major Governmental Funds

General Fund
The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds
Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for certain purposes. The reporting entity includes the following special revenue funds:

Fund	Brief Description	Major vs. Non-Major
Sales Tax Improvement 35%	Accounts for 35% of 1 cent sales tax restricted for general capital improvements	Major
Sales Tax Improvement 65%	Accounts for 65% of 1 cent sales tax restricted for general capital improvements	Major
Centennial Commission	Accounts for the revenues and expense related to the Oklahoma Centennial celebration.	Non-Major
Street & Alley	Accounts for commercial vehicle tax and gasoline excise tax legally restricted for street and alley repairs and maintenance.	Non-Major
Economic & Tourism	Accounts for the receipts from the hotel/motel tax Board restricted for economic development and tourism	Non-Major
Sales Tax	Accounts for receipt and payment of sales taxes collected by the City	Non-Major
Auditorium Special	Accounts for revenues and expenses earmarked for the auditorium renovation	Non-Major
Cemetery Special	Accounts for revenues and expenses related to the municipal cemetery	Non-Major
Cemetery Care	Accounts for 50 percent of cemetery revenue.. Of the 50 percent 12.5 percent is restricted by State law for cemetery capital improvements.	Non-Major
Police Department	Accounts for revenues and expenses related to the police department	Non-Major
Fire Department	Accounts for revenues and expenses related to the fire department	Non-Major
Library Special	Accounts for revenues and expenses related to the municipal library	Non-Major
Insurance Fund	Accounts for reimbursement received from insurance companies and the related expenses for repair of capital assets	Non-Major
Skate Park Fund	Accounts for revenues and expenses related to the municipal skate park	Non-Major
FEMA Fund	Accounts for federal funds received related to storm damage to the City of Fairview	Non-Major

Major Proprietary Funds

Fund	Brief Description
Fairview Utility Authority	Accounts for the activities of the public trust in providing all public utilities
Fairview Airport Authority	Accounts for the activities of the public trust in providing airport operations
Fairview Municipal Hospital Authority	Accounts for the activities of the public trust in providing health care to the public
Fairview Economic Development Authority	Accounts for the activities of the public trust in providing economic development

(E) Assets, Liabilities and Equity:

Cash and Investments

For the purposes of the Statement of Net Assets and Statement of Cash Flows, "cash and cash equivalents" includes all demand and savings accounts, and certificate of deposit or short-term investment with an original maturity of three months or less. In addition, revenue bond trust account investments in open-ended mutual funds are considered "cash and cash equivalents". Cash deposits are reported at carrying amount which reasonably estimates fair value.

Investments are reported at costs which approximated fair value, unless otherwise indicated. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Receivables and Uncollectible Accounts

Significant receivables include sales and use tax receivables and amounts due from customers primarily for utility services. These receivables are due within one year. Certain enterprise funds report accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowance amount is estimated using accounts receivable past due more than 60 to 90 days, depending on the fund.

Prepaids

Prepaids are payments to vendors that benefit future reporting periods and are also reported on the consumption basis.

Capital Assets, Depreciation, and Amortization

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. Fixed assets are indentified by the City as assets with an initial, individual cost of greater than $1,000 and an estimated useful life in excess of two years.
Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets, dated back to July 1, 1980, have been valued at estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Proprietary fund and similar component unit fixed assets are recorded in the respective funds or component units and depreciated using the straight-line method. When proprietary fund fixed assets are disposed, the cost and applicable accumulated depreciation is removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

- Buildings	20-50 years
- Other Improvements	10-50 years
- Machinery, Furniture and Equipment	3-20 years
- Infrastructure	30-50 years

Fund Financial Statement

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include current assets of proprietary fund types that are legally restricted as to their use.

Long-Term Debt

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

Equity Classifications

Fund Balance
The governmental fund financial statements report reserved fund balance for amounts no available for appropriation or legally restricted for specified purposes beyond the restrictions applicable to the fund.

Net Assets
Both proprietary fund financial statements and government-wide financial statements report net assets. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net assets.

Invested in capital assets, net of related debt
The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets
Amounts reported as restricted consist of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

(F) Revenues, E□penditures and E□penses:

Sales Tax

The City presently levies a four-cent sales tax on taxable sales within the City. The sales tax is collected by the Oklahoma Tax Commission and remitted to the City in the month following receipt by the Tax Commission. Sales tax collected by the State in June (which represent sales for May) and received by the City in July have been accrued and are included under the caption "Receivable from other governments". The sales tax received is recorded as sales tax revenue within the General Fund and Sales Tax Improvement funds as follows:

- 1 cent: Restricted for general capital improvements, ending in 2012
- 1 cent: Earmarked for payment of renovating, expanding, and equipping the Fairview Municipal Hospital Authority facilities
- 1 cent: Pledged to secure payment on the Fairview Utility System Revenue Notes, Series 2008
- 1 cent: Available for general City use

Charges for Services

Program revenues reported with governmental activities include charges for services like permits and fees, parks charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

Grants and Contributions

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activities grants and contributions include restricted investment income, donations from others, as well as grants from Federal and state agencies.

Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, after one year of service, employees are entitled to all accrued vacation leave and comp time upon termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued in the government-wide and proprietary financial statements.

NOTE 2: STEWARD□SHIP, COMPLIANCE AN□ ACCOUNTABILITY

(A) □e□icit Fund Net Assets□Fund Balance:

Deficits resulting from accrual reporting do not constitute violations of the Oklahoma State Statues. For the year ended June 30, 2011, the City reported no individual fund deficits.

(B) Budget Re□uirements:

Budget Policy and Practice

The City Manager submits an annual budget to the City Council in accordance with the City Charter and the Oklahoma Municipal Budget Act. The budget is presented to the City Council for review, and public hearings are held to address priorities and the allocation of resources. In June, the City Council adopts the annual fiscal year budgets for City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Council review and approval process.

Budget Basis of Accounting

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: Personal services, other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the City Council. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Council approval.

The budgets for the operating funds and proprietary fund operations are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued. The budget and actual financial statements are reported on these bases. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

For the year ended June 30, 2011, the City complied, in all material respects, with the applicable budget laws.

There was one supplemental appropriation during the fiscal year.

(C) Revenue Restrictions:

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions o□Use
Sales Tax	See Note 1(F)
Gasoline Excise and Commercial Vehicle Tax	Street and Alley Purposes
Cemetery Revenue (12.5%)	Cemetery Capital Improvements
Lodging Tax	Tourism

For the year ended June 30, 2011, the City complied, in all material respects, with these revenue restrictions.

(□) □e□t Restrictions and Covenants:

The debt issued by the Fairview Utility Authority contains a number of covenants that are financial related. The most significant requirement is the calculation of debt service coverage. Debt service coverage states the charges for the operation of sewer and garbage services (the "system") along with the other revenues pledged shall provide Net Revenues Available for Debt Service which must equal 1.25 times average annual debt service on the note for the Authority. For the year ended June 30, 2011, the City was not in compliance with this requirement.

□e□t Service Coverage	1□□2 OWRB	200□ Bond
Gross revenue available for debt service		
Operating revenues of system	$ 510,322	$ 3,123,988
Sales tax pledged	-	181,639
Total gross revenues available for debt service	510,322	3,305,627
Operating expenses		
Operating expenses of system	405,989	2,428,612
Excluding depreciation, amortization, and interest expense	(77,556)	(57,303)
Net reveues available for debt service	$ 181,889	$ 934,318
Debt service requirements		
Average annual debt service	$ 24,835	309,296
Computed coverage	7.32	3.02
Coverage requirement	1.25	1.25

NOTE 3: □ETAIL NOTES ON FUN□S AN□ ACCOUNT GROUPS

The following notes present detail information to support the amounts reported in the combined financial statements for its various assets, liabilities, equity, revenues and expenditures/expenses. Detail notes for the transactions of the Fairview Hospital Authority and the Fairview Industrial Authority are included in their respective audits, as those audits were performed by another auditor.

(A) Cas□ and Investments:

Deposits

Deposits of the City's reporting entity are insured or collateralized with securities held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of the City or applicable public trust.

Investments

As of June 30, 2011, the City's reporting entity had the following investments:

Types o□Investments	Fair Value□ Carrying Amount	Cost	Average Credit □uality□ Ratings (1)	Weig□ted Average □ays to Maturity (2)
Proprietary □unds				
POOLED INVESTMENTS:				
Certificates of deposit	$ 375,000	$ 375,000	N/A	198
Total proprietary investments	$ 375,000	$ 375,000		
Grand total investments	$ 375,000	$ 375,000		

Reconciliation to Statement o□Net Assets	
Investments	$ 200,000
Restsricted Investments	175,000
Total Investments	$ 375,000

(1) Ratings are provided where applicable to indicate associated **Credit Ris□□** N/A indicates not applicable.

(2) **Interest rate ris□** is estimated using either duration or weighted average days to maturity depending on the respective policy.

Generally, the City's investing activities are managed under the custody of the City Manager and City Council. Investing is performed in accordance with State Statutes and the City Charter.

(B) **Accounts Receivable:**

Governmental activities report sales and use taxes receivable, county tax receivable, grant receivables and police fine receivables. Accounts receivable of the business-type activities consists of utilities receivable for water, sewer, and solid waste hauling fees.

	Governmental Activities	Business-type Activites	Total
Receivable from other governments			
Sales and use taxes receivable	$ 70,512	$ 33,456	$ 103,968
County taxes receivable	6,941	-	6,941
Total from other governments	77,453	33,456	110,909
Accounts receivable			
Utiltiy revenue receivable	-	540,385	540,385
Fines receivable	5,480	-	5,480
Allowance for doubtful accounts	-	(172,159)	(172,159)
	$ 5,480	$ 368,226	$ 373,706

(C) **Restricted Assets:**

The amounts reported as restricted assets on the combined balance sheet are comprised of cash and investments held by the trustee banks on behalf of the Utility trust authorities related to their required reserve accounts, customer deposits and cash restricted by the Board for capital improvements.

	Cash and Cash Equivalents	Investments	Total
Governmental activities			
Capital projects	$ 512,020	$ -	$ 512,020
FEMA reimbursement	73,532		73,532
Streets & alleys	66,801	-	66,801
Cemetery	20,775	-	20,775
Total governmental activites	673,128	-	673,128
Business-type activities			
Meter Deposits	$ 11,444	$ 175,000	$ 186,444
Debt Service Reserve			
1992 OWRB	52,482	-	52,482
2009 Series Revenue Bond	91,373	-	91,373
Airport Authority	17,606		17,606
Board restrictions	399,594	-	399,594
Total business-type activites	572,499	175,000	747,499
tal primary government restricted assets	$ 1,245,627	$ 175,000	$ 1,420,627

(□) **Capital Assets:**

Governmental Activities

A summary of the changes in the governmental activities fixed assets is as follows:

	Balance at July 1, 2010	Additions	□isposals	Balance at June 30, 2011
Land	$ 117,518	$ -	$ -	$ 117,518
Buildings	2,778,268	-	-	2,778,268
Other improvements	934,348	109,243	-	1,043,591
Machinery, furniture & equip.	1,045,936	135,860	-	1,181,796
Construction in process	-	-	-	-
	4,876,070	245,103	-	5,121,173
Less accumulated depreciation	1,839,197	286,183	-	2,125,380
Net property, plant, & equipment	$ 3,036,873			$ 2,995,793

Business-Type Activities

A summary of the changes in the business-type activities fixed assets is as follows:

	Balance at July 1, 2010	Additions	□isposals	Balance at June 30, 2010
Land	$ 689,061	$ 11,728	$ -	$ 700,789
Buildings	3,685,933	224,527	115,405	3,795,055
Machinery, furniture, & equip	1,097,854	-	-	1,097,854
Infastructure/utility system	6,527,151	1,208,738	-	7,735,889
Construction in progress	-	35,989	-	35,989
	11,999,999	1,480,982	115,405	13,365,576
Less accumulated depreciation	3,644,473	295,801	14,577	3,925,697
Net property, plant, & equipment	$ 8,355,526			$ 9,439,879

Fixed assets of the Enterprise Funds were comprised of the following at June 30, 2011:

	Fairview Utility Aut□ority	Fairview Airport Aut□ority	Total
Land	$ 689,061	$ 11,728	$ 700,789
Buildings	3,795,055	-	3,795,055
Machinery, furniture, & equip.	1,097,853	-	1,097,853
Infrastructure	5,305,783	2,430,105	7,735,888
Construction in progress	-	35,989	35,989
Less accumulated depreciation	3,290,391	635,304	3,925,695
Net property, plant, & equipment	$ 7,597,361	$ 1,842,518	$ 9,439,879

Depreciation

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities		Business-type Activities	
General government:	$ 14,798	Electric	$ 41,238
Public safety and judiciary:	57,188	Water	18,064
Transportation:	82,708	Sewer	57,180
Cultural, parks and recreation:	131,489	Sanitation	20,376
Parks	$ 286,183	General government	106,740
		Airport	52,203
			$ 295,801

(E) Long-Term □e□t:

Business-Type Activities

As of June 30, 2011, the long-term debt payable from enterprise fund resources consisted of the following:

NOTE PAYABLE:

Note Payable to the Oklahoma Water Resources Board (OWRB), original amount of $550,000 dated April 1992, payable in quarterly installments at a variable interest rate set by OWRB currently at 4.4%, final payment due August 2019. Funds were used to finance construction, acquisition, equipment additions and improvements to the existing sewer treatment facilities. The note is secured by the revenues of the Authority's sewer and garbage systems.	$ 291,800
Note payable to the OWRB original amount of $1,980,000, dated December 2010, to fund improvements on the wastewater system. The loan is structured as a construction line of credit. At June 30, 2011The bonds are secured by the Authority's sewer and sanitation system revenues and pledged sales tax, carrying an interest rate of 3.1% which includes an administrative fee of 0.5%, final maturity on September 15, 2031.	1,228,943
Total notes payable	$ 1,520,743

BON□S PAYABLE:

Series Utility System Revenue Note, Series 2008 original issue amount of $3,165,000, dated October 2008, for the purpose of the design and construction of a new municipal swimming pool, and renovations to the Civic Auditorium. The bonds are secured by the Authority's electrical and water system revenues and pledged sales tax, carrying an interest rate of 4.5%, final maturity on March 1, 2024.	$ 2,980,000
Total revenue bonds payable	$ 2,980,000

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2011:

Type of Debt	Balance at July 1, 2010	Amount Issued	Amount Retired	Balance at June 30, 2011	Due Within One Year
Enterprise Fund Debt:					
Notes payable	$ 316,400	$ 1,228,943	$ 24,600	$ 1,520,743	$ 28,200
Revenue bonds payable	3,105,000	-	125,000	2,980,000	140,000
Total enterprise fund debt	$ 3,421,400	$ 1,228,943	$ 149,600	$ 4,500,743	$ 168,200

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2011 are as follows:

Year Ending June 30	Notes Payable		Revenue Bonds	
	Principal	Interest	Principal	Interest
2012	$ 28,200	$ 12,265	$ 140,000	$ 129,375
2013	28,200	6,403	155,000	122,625
2014	30,600	6,403	165,000	115,313
2015	33,000	2,925	175,000	111,488
2016	35,700	2,382	195,000	103,388
2017-2021	136,180	3,430	1,195,000	370,688
2022-2024	-	-	955,000	77,625
Totals	$ 291,880	$ 33,808	$ 2,980,000	$ 1,030,502

The $1,980,000 construction line of credit has not closed as of June 30, 2011; therefore, a payback schedule is not finalized. It is excluded from the table above.

(F) **Interfund Transactions and Balances:**

Operating transfers for the year ended June 30, 2011 were as follows:

OPERATING TRANSFERS:	Transfers In	Transfers Out
GENERAL FUND:		
Utility Authority (an enterprise fund)	$ 355,000	$ -
Police Sepcial Fund	-	5,192
Fire Special Fund	-	1,298
Uniform Building Code Fund	-	4
Total General Fund	355,000	6,494
SPECIAL REVENUE FUNDS:		
Sales Tax 65% Fund :		
Real Estate Fund	103,225	-
Utility Authority (an enterprise fund)	-	164,395
Sales Tax 35% Fund :		
Utility Authority (an enterprise fund)	-	10,000
Police Special Fund :		
General Fund	5,192	-
Fire Special Fund :		
General Fund	1,298	-
Uniform Building Code Fund		
General Fund	4	-
Total Special Revenue Fund	109,719	174,395
ENTERPRISE FUNDS:		
Fairview Utility Authority:		
General Fund	-	355,000
Sales Tax 35% Fund (a special revenue fund)	10,000	-
Sales Tax 65% Fund (a special revenue fund)	164,395	-
Fairview Economic Development Authority:		
Sales Tax 65% Fund (a special revenue fund)	-	103,225
Total Enterprise Funds	174,395	458,225
Total cash transfers	$ 639,114	$ 639,114

NOTE □: OTHER NOTES

(A) Employee Pension and Other Benefit Plans:

Substantially all of the City's full time employees, with the exception of firefighters, participate in a defined contribution plan administered by the Oklahoma Municipal Retirement System (OMRF), a statewide fund established to administer pension plans for municipal employees. The defined contribution plan is funded through selected rates of contributions as elected by each municipality. The funds are credited to individual participant accounts and pooled for investment purposes through OMRF. All gains and/or losses are credited directly to each participant. Upon retirement, termination of employment, disability, or death, the vest portion of a participant's account is paid to the participant or beneficiary. This amount is based on an accumulation of employee and employer contributions, forfeitures, if applicable, and earnings or losses.

The fair value of the defined contribution plan assets for the City is $942,343 as of June 30, 2011. Fair value of the assets is based upon published market prices at the specified date. The City Manager participates in the City Manager Only (CMO) Plan administered by OMRF. A copy of the stand-alone plan financial report can be obtained from Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, OK 73105.

Firefighters participate in the Oklahoma Firefighters Pension Plan.

Oklahoma Firefighter's Pension Plan

The City of Fairview, as the employer, participates in a statewide cost-sharing multi-employer defined benefit plans on behalf of firefighters. The system is administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and State appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	Oklahoma Firefighter's Pension and Retirement System
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality hired before age 45.
Authority establishing contribution obligations and benefits	State Statute
Plan member's contribution rate City's contribution rate	8% of covered payroll 13% of covered payroll, $60 per year for volunteer firefighters
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Benefits and eligibility for distribution (volunteer)	20 years credited service equal to $5.46 per month per year of service, with a maximum of 30 years considered.
Deferred retirement option	Yes, 20 years credited service with continued service for 30 or more years

The system is administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriates, as necessary.

Annual Required Contributions

Actuarial assumptions and other information used to determine the annual required contributions (ARC) are:

	Oklahoma Firefighter's Pension and Retirement System
Provision for:	
Cost of living adjustment	Yes, if vested by 5/83
Death (duty, non-duty, post retirement)	Yes
Disability (duty, non-duty)	Yes
Cost of living allowances	Yes
Valuation Date	7/1/09
Actuarial cost method	Individual entry age normal
Amortization method/period	Level dollar 30 years, open
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increase	5.0% - 19.0%

Post retirement benefit increase (max)	2.0%
Inflation	3.0%
Other	1994 group annuity table set forward 1 year for men and 2 years for women

Employer contribution rates are determined by Oklahoma State Statute.

(B) Commitments and Contingencies:

Grant Program Involvement

In the normal course of operations, the City participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The City is a party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a City "Sinking Fund" for the payment of any court assessed judgment rendered against the City.

While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the City and the State statute relating to judgments, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

City o□Fairview, O□la□oma
Com□ining Balance S□eet
June 30, 2011

	Centennial Commission Fund	Street □ Alley Fund	Economic □ Tourism Fund	Sales Ta□ Fund	Uni□orm Building Code Fund	Cemetery Special Fund	Police □epartment Fund	Fire Special Fund	Li□rary Special Fund	Insurance Fund	S□ate Par□ Fund	Cemetery Care Fund	FEMA Fund	Total Ot□er Governmental Funds
ASSETS														
Cash, including time deposits	$ 4,493	$ 66,801	$ 60,027	$ 1,342	$ 16	$ 676	$ 7,927	$ 59,389	$ 9,527	$ 3,814	$ 2,633	$ 20,775	$ 73,532	$ 310,952
Taxes receivable	-	2,191	-	-	-	-	-	-	-	-	-	-	-	2,191
Total assets	$ 4,493	$ 68,992	$ 60,027	$ 1,342	$ 16	$ 676	$ 7,927	$ 59,389	$ 9,527	$ 3,814	$ 2,633	$ 20,775	$ 73,532	$ 313,143
LIABILITIES														
Accounts payable	$ -	$ -	$ -	$ 1,240	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,240
Total liabilities	-	-	-	1,240	-	-	-	-	-	-	-	-	-	1,240
FUN□ BALANCES														
Reserved for:														
Cemetery care	-	-	-	-	-	-	-	-	-	-	-	20,775	-	20,775
FEMA project	-	-	-	-	-	-	-	-	-	-	-	-	73,532	73,532
Unreserved, reported in:														
Special revenue funds	4,493	68,992	60,027	102	16	676	7,927	59,389	9,527	3,814	2,633	-	-	217,596
Total fund balances	4,493	68,992	60,027	102	16	676	7,927	59,389	9,527	3,814	2,633	20,775	73,532	311,903
Total liabilities and fund balances	$ 4,493	$ 68,992	$ 60,027	$ 1,342	$ 16	$ 676	$ 7,927	$ 59,389	$ 9,527	$ 3,814	$ 2,633	$ 20,775	$ 73,532	$ 313,143

See accompanying notes to financial statements.

City o□Fairview, O□la□oma
Com□ining Statement o□Revenues, E□penditures, and C□anges in Fund Balances
June 30, 2011

	Centennial Commission Fund	Street □ Alley Fund	Economic □ Tourism Fund	Sales Ta□ Fund	Uni□orm Building Code Fund	Cemetery Fund	Police □epartment Fund	Fire □epartment Fund	Li□rary Special Fund	Insurance Fund	S□ate Par□ Fund	Cemetery Care Fund	FEMA Fund	Total Governmental Funds
REVENUES														
Investment income	$ -	$ -	$ 210	$ -	$ -	$ -	$ -	$ 187	$ -	$ -	$ 8	$ 63	$ -	$ 468
Charges for services	-	-	-	-	144	150	538	-	900	-	-	1,440	-	3,172
Intergovernmental programs	-	24,321	14,881	-	-	-	-	4,397	12,360	-	-	-	-	55,959
Donations	-	-	-	-	-	-	-	1,100	500	-	-	-	-	1,600
Miscellaneous	-	-	-	12	-	-	-	-	-	16,612	-	-	14,836	31,460
Total revenues	-	24,321	15,091	12	144	150	538	5,684	13,760	16,612	8	1,503	14,836	92,659
E□PEN□ITURES														
Current:														
Pubic safety and judiciary:														
Police	-	-	-	-	132	-	900	-	-	-	-	-	-	1,032
Fire	-	-	-	-	-	-	-	3,958	-	-	-	-	-	3,958
Total public safety and judiciary	-	-	-	-	132	-	900	3,958	-	-	-	-	-	4,990
Transportation:														
Street	-	19,689	-	-	-	-	-	-	-	4,825	-	-	3,604	28,118
Total transportation	-	19,689	-	-	-	-	-	-	-	4,825	-	-	3,604	28,118
Cultural, parks and recreation:														
Library	-	-	-	-	-	-	-	-	8,668	-	-	-	-	8,668
Total cultural, parks, and recreation	-	-	-	-	-	-	-	-	8,668	-	-	-	-	8,668
Community development:														
Tourism	-	-	37,419	-	-	-	-	-	-	-	-	-	-	37,419
Total community development	-	-	37,419	-	-	-	-	-	-	-	-	-	-	37,419
Capital outlay	-	-	-	-	-	-	5,790	-	-	9,565	-	-	-	15,355
Total expenditures	-	19,689	37,419	-	132	-	6,690	3,958	8,668	14,390	-	-	3,604	94,550
Excess (deficiency) of revenues over expenditures	-	4,632	(22,328)	12	12	150	(6,152)	1,726	5,092	2,222	8	1,503	11,232	(1,891)
OTHER FINANCING SOURCES (USES)														
Transfers in	-	-	-	-	4	-	5,192	1,298	-	-	-	-	-	6,494
Transfers out	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	-	-	-	4	-	5,192	1,298	-	-	-	-	-	6,494
Net change in fund balances	-	4,632	(22,328)	12	16	150	(960)	3,024	5,092	2,222	8	1,503	11,232	4,603
Fund balances - beginning	4,493	64,360	82,355	90	-	526	8,887	56,365	4,435	1,592	2,625	19,272	62,300	307,300
Fund balances - ending	$ 4,493	$ 68,992	$ 60,027	$ 102	$ 16	$ 676	$ 7,927	$ 59,389	$ 9,527	$ 3,814	$ 2,633	$ 20,775	$ 73,532	$ 311,903

See accompanying notes to financial statements.

Derrel S. White, CPA

P.O. Box 842
Woodward, OK 73802
(580) 256-6830

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*

To the City Council
City of Fairview, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Fairview, Oklahoma, which represent the financial statements for the primary government unit as of and for the year ended June 30, 2011, which collectively comprise the City of Fairview, Oklahoma's basic financial statements and have issued our report thereon dated December 20, 2011. Our opinion on the financial statements of the primary government unit as a whole and the each major fund and the aggregate remaining funds was unqualified. Because the financial statements did not include a component unit, which is required under generally accepted accounting principles in the United States, we did not express an opinion on the reporting entity for the City of Fairview, OK in accordance with GAAP. 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 City of Fairview, OK'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 an opinion on the effectiveness of City of Fairview, OK's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Fairview, OK's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Fairview, OK'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*.

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

Derrel S. White, CPA

Woodward, OK
December 20, 2011