

**CITY OF FAIRVIEW, OKLAHOMA  
FAIRVIEW, OKLAHOMA**

**FINANCIAL STATEMENTS AND  
AUDITOR'S REPORTS**

**FOR THE YEAR ENDED  
JUNE 30, 2014**

	<u>Page</u>
LIST OF PRINCIPAL OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	11
Statement of Activities	12
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	17
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) – Sales Tax 2012	18
Statement of Net Position – Proprietary Funds and Component Units	19
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds and Component Units	20
Statement of Cash Flows – Proprietary Funds and Component Units	21
Notes to Financial Statements	22
REQUIRED SUPPLEMENTARY INFORMATION:	
Combining Balance Sheet – Nonmajor Governmental Funds	35
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	36
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	37



## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Fairview, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying 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, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Fairview Municipal Hospital Authority, which represent 26 percent, 16 percent, and 46 percent, respectively, of the assets, net position, and revenues of the City of Fairview, Oklahoma. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Fairview Municipal Hospital Authority, is based solely on the report of the other auditors. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairview, Oklahoma, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and combining nonmajor fund financial statements on pages 4-10 and 38-39 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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2015, on our consideration of the City of Fairview, Oklahoma'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* in considering City of Fairview, Oklahoma's internal control over financial reporting and compliance.

**FSW&B CPA'S- PLLC**

FSW&B CPA's-PLLC  
Stillwater, Oklahoma  
January 15, 2015

**CITY OF FAIRVIEW, OKLAHOMA**  
**YEAR ENDED JUNE 30, 2014**  
**LIST OF PRINCIPAL OFFICIALS**

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MAYOR

Vernon Hoehn

COUNCIL MEMBERS

David DeBoer  
Dr. Don Klinger  
Irv Ogden  
Jared Thompson

CITY MANAGER

Paul Southwick

CITY CLERK

Sally Jantz

CITY TREASURER

Sally Jantz

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, 2014. 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, 2014, the City's total net position, excluding discretely presented component units, was \$12,170,515, which was an increase of \$1,402,695 or 12% over prior year's balance of \$12,170,515.
- During the year, City's expenses for governmental activities amounted to \$1,497,521 and were funded by program revenues of \$348,849 and further funded programs with taxes and other general revenues and transfers that totaled \$1,200,422.
- In the City's business-type activities, including utility services and the airport, program revenues exceeded expenses by \$819,905, mainly attributable to federal grant funding for improvement projects at the municipal airport. In addition, general revenues totaled \$531,050, which included restricted sales tax, interest and penalties.
- At June 30, 2014, the General Fund reported an unassigned fund balance of \$875,031, which can be used to pay for the ongoing operations of the City. Refer below for additional discussion of this increase over prior year balance of \$623,931.
- For budgetary reporting purposes, the General Fund reported actual revenues above final estimates of revenues by \$46,945 or 5%, while expenditures were under the final appropriations by \$1,173,654 or 15%. The amended budget of the General Fund was \$1,377,610.

## 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 Position 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 Position 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 position and changes in them from the prior year. You can think of the City's net position – 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 position 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 Position 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 Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. 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 Position

The City's combined net position, excluding component units, increased from \$12,170,515 to \$13,573,210 between fiscal years 2013 and 2014. Business-type activities reported an increase in net position during the year whereas governmental activities noted a slight decrease.

	Governmental Activities		Business-Type Activities		Total		Change	
	2014	2013	2014	2013	2014	2013	\$	%
Current assets	\$ 1,961,626	\$ 2,096,012	\$ 3,114,563	\$ 2,356,623	\$ 5,076,189	\$ 4,452,635	\$ 623,554	14%
Capital assets, net	2,524,254	2,577,826	11,435,450	10,068,651	13,959,704	12,646,477	1,313,227	10%
<b>Total assets</b>	<b>4,485,880</b>	<b>4,673,838</b>	<b>14,550,013</b>	<b>12,425,274</b>	<b>19,035,893</b>	<b>17,099,112</b>	<b>1,936,781</b>	<b>11%</b>
Current liabilities	82,326	75,620	960,372	547,925	1,042,698	623,545	419,153	67%
Non-current liabilities	-	-	4,419,985	4,305,052	4,419,985	4,305,052	114,933	3%
<b>Total liabilities</b>	<b>82,326</b>	<b>75,620</b>	<b>5,380,357</b>	<b>4,852,977</b>	<b>5,462,683</b>	<b>4,928,597</b>	<b>534,086</b>	<b>11%</b>
Net position								
Invested in capital assets,								
net of related debt	2,524,254	2,577,826	6,769,513	5,468,999	9,293,767	8,046,825	1,246,942	15%
Restricted	106,977	104,198	1,000,160	800,679	1,107,137	904,877	202,260	22%
Unrestricted	1,772,323	1,916,194	1,399,983	1,302,619	3,172,306	3,218,813	(46,507)	-1%
<b>Total net position</b>	<b>\$ 4,403,554</b>	<b>\$ 4,598,218</b>	<b>\$ 9,169,656</b>	<b>\$ 7,572,297</b>	<b>\$ 13,573,210</b>	<b>\$ 12,170,515</b>	<b>\$ 1,402,695</b>	<b>12%</b>

Total assets, combined, increased 11% over prior year, most of which was noted in current assets of the business-type activities. The most significant change was in current assets, specifically restricted cash on hand. Liabilities correspondingly increased 11% year over year. This is due to increase the debt obligations related to the airport and the completion of the water improvements. The increase is offset by payments made on long-term debt held by the Fairview Utility Authority. Total net position increased \$1,402,695 or 12%, as discussed below.

Changes in Net Position

For the year ended June 30, 2014, net position of the primary government changed as follows:

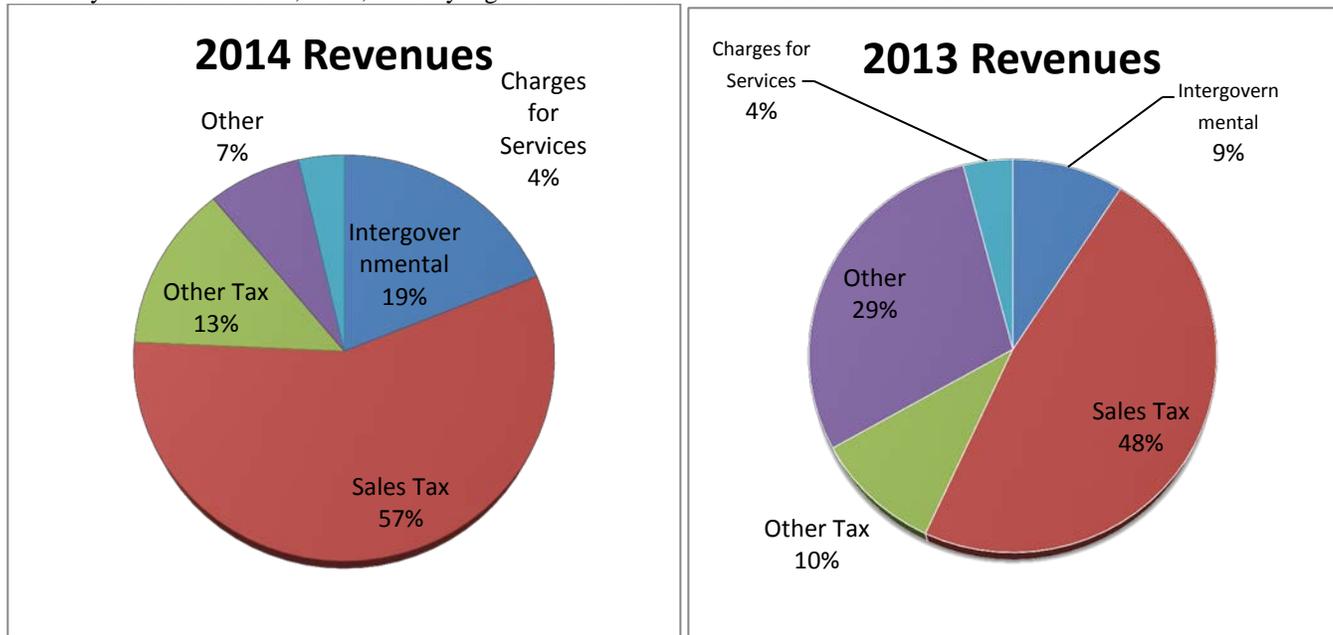
	Governmental Activities		Business-type Activities		Total		Change	
	2014	2013	2014	2013	2014	2013	\$	%
<b>Revenues</b>								
Program revenues	\$ 348,839	\$ 258,758	\$ 5,214,696	\$ 4,609,885	\$ 5,563,535	\$ 4,868,643	\$ 694,892	14%
Taxes and other general revenues	1,200,422	1,703,736	531,050	65,557	1,731,472	1,769,293	(37,821)	-2%
<b>Total revenues</b>	<b>1,549,261</b>	<b>1,962,494</b>	<b>5,745,746</b>	<b>4,675,442</b>	<b>7,295,007</b>	<b>6,637,936</b>	<b>657,071</b>	<b>12%</b>
<b>Expenses</b>								
General government	233,019	251,687	-	-	233,019	251,687	(18,668)	-7%
Public safety and judiciary	669,781	591,172	-	-	669,781	591,172	78,609	13%
Transportation	240,893	269,304	-	-	240,893	269,304	(28,411)	-11%
Cultural, parks, and recreation	348,862	305,864	-	-	348,862	305,864	42,998	14%
Economic development	4,966	33,859	43,752	38,903	48,718	72,762	(24,044)	-33%
Electric	-	-	2,553,053	2,531,225	2,553,053	2,531,225	21,828	1%
Water	-	-	246,307	250,154	246,307	250,154	(3,847)	-2%
Sewer	-	-	230,134	206,841	230,134	206,841	23,293	11%
Sanitation	-	-	353,398	357,100	353,398	357,100	(3,702)	-1%
Airport	-	-	67,422	65,443	67,422	65,443	1,979	3%
Customer service	-	-	900,725	749,891	900,725	749,891	150,834	20%
<b>Total expenses</b>	<b>1,497,521</b>	<b>1,451,886</b>	<b>4,394,791</b>	<b>4,199,557</b>	<b>5,892,312</b>	<b>5,651,443</b>	<b>240,869</b>	<b>4%</b>
Excess (deficiency) before transfers	\$ 51,740	\$ 510,608	\$ 1,350,955	\$ 475,885	\$ 1,402,695	\$ 986,493	\$ 416,202	42%
Transfers	(246,404)	112,749	246,404	(112,749)	-	-	-	0%
<b>Increase (decrease) in net assets</b>	<b>\$ (194,664)</b>	<b>\$ 623,357</b>	<b>\$ 1,597,359</b>	<b>\$ 363,136</b>	<b>\$ 1,402,695</b>	<b>\$ 986,493</b>	<b>\$ 416,202</b>	<b>42%</b>

Total revenues increased 12% when compared to prior year or \$657,071. This is directly related to the Federal funding of the airport improvements totaling \$1,061,452. The grant funding in the current year is offset by prior year's refunding of over \$550,000 in retiree contributions by the Oklahoma Municipal Retirement Fund (OMRF). Expenses remained consistent year over year, noting a 4% increase. In addition to inflation absorbed by the City, there was an increase in depreciation on capital assets purchased and constructed during the fiscal year and interest paid on outstanding debt obligations. As a whole, the City's financial condition improved from the prior year.

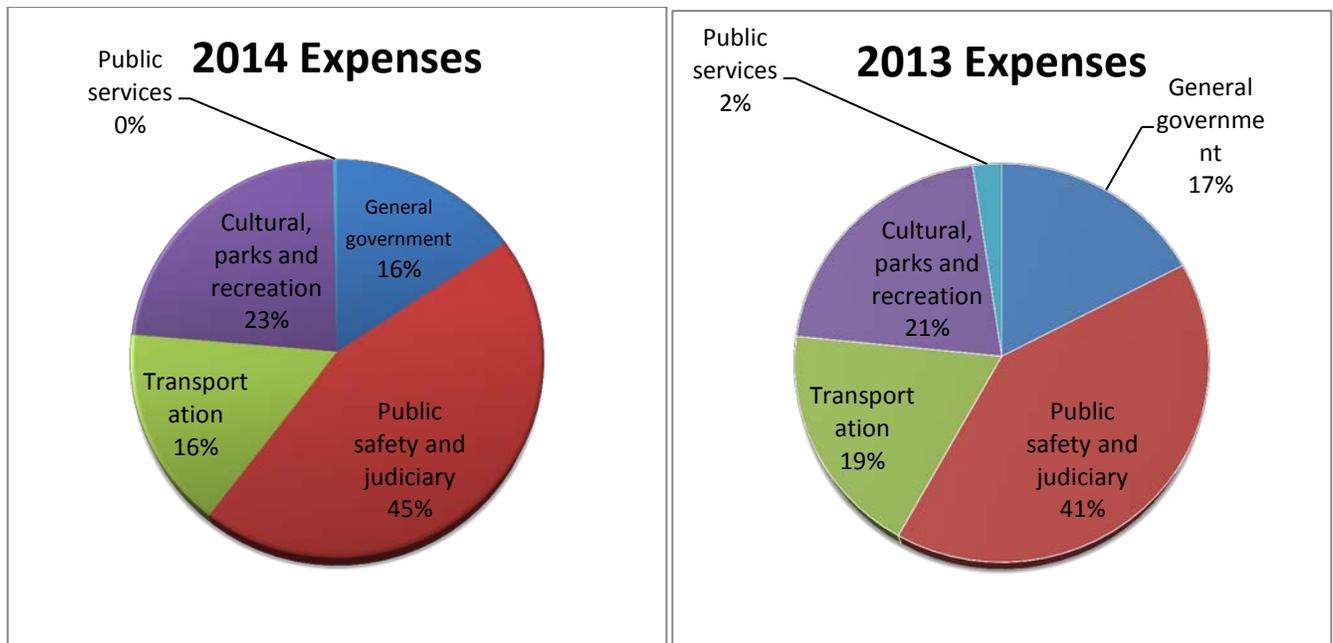
Governmental Activities

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.

For the year ended June 30, 2014, the City's governmental activities were funded as follows:



Sales tax provided the largest source of funding for governmental activities at 57% in the current year compared to 48% in the prior year with other taxes, including use tax, alcohol beverage tax, and franchise taxes contributing 13% of the funding for the fiscal year. Other revenues, which include the refund from OMRF in 2013, noted a significant decline from 29% of revenue sources to 7% in fiscal year 2014 as expected. Intergovernmental revenues also represented 19% of funding in fiscal year 2014. Intergovernmental revenues include grants and contributions from external governmental agencies.

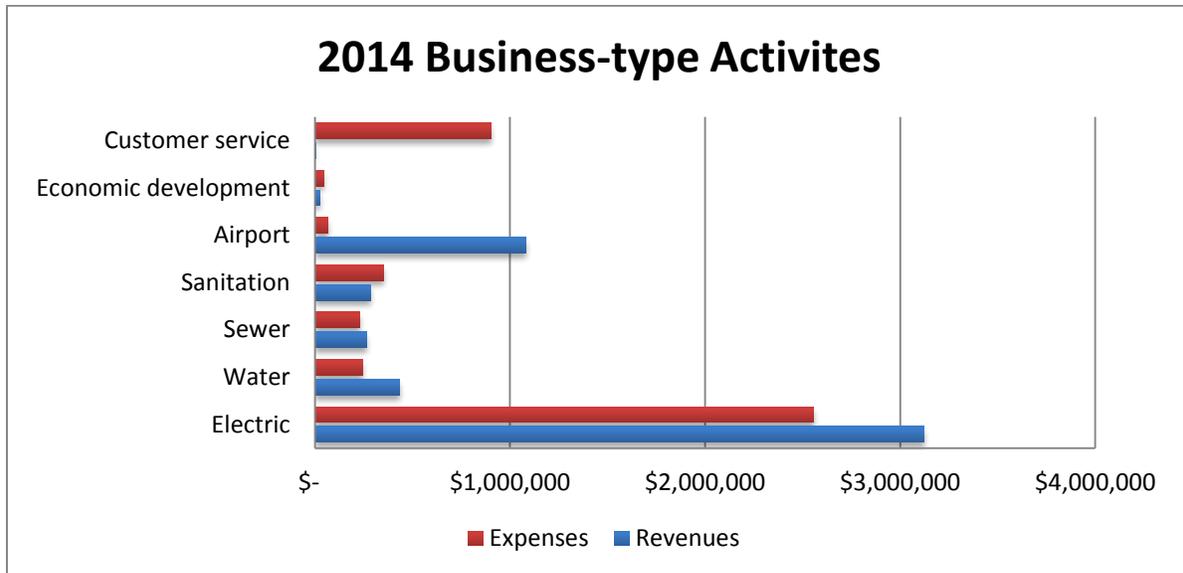


For the year ended June 30, 2014, total expenses for governmental activities were \$1,497,521. Public safety and judiciary was the largest expense at 45% of governmental operating costs, which was consistent with prior year at 41%. Cultural, parks and recreation followed as the next largest expense at 23% or \$348,862. Overall expenses 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 \$819,905, before transfers and miscellaneous income, for the year ended June 30, 2014.
- Electric, water, sewer, and airport reported net revenue for the year ended June 30, 2014, while the sanitation, economic development, and customer service reported net expenses, as detailed below. Customer service is not expected to cover the cost operations for that department.



**A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its 2014 fiscal year, the governmental funds reported a combined fund balance of \$1,879,300 or 7% decrease from the prior year. The City funded capital assets from the Sales Tax 35%, Sales Tax 65%, and Sales Tax 2012 funds during the fiscal year, which resulted in a decrease fund balance. As the Sales Tax 35% and Sales Tax 65% ordinances expired in November 2012, the citizens of Fairview elected to continue the one cent capital improvement sales tax which is reported in the Sales Tax 2012 fund. These costs, as well as all other governmental activity expenses, were primarily funded by tax revenues. It should be noted that governmental expenses are adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. Government-wide statement is full accrual; capital outlay expenses are eliminated and capital assets are reported.

General Fund Budgetary Highlights

The amended General Fund budget for the fiscal year 2014 was \$1,173,654. This was decrease of approximately 13% over the previous year's budget. The adopted budget was amended during the fiscal year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

At the end of June 30, 2014, the City had \$9,293,767 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.

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	126,000	132,670	725,511	737,239	851,511	869,909
Buildings	1,247,996	1,330,337	2,806,365	2,967,308	4,054,361	4,297,645
Other improvements	848,858	749,412	-	-	848,858	749,412
Machinery & equipment	301,400	365,407	405,775	158,994	707,175	524,401
Utility property & improvements	-	-	4,507,110	4,488,471	4,507,110	4,488,471
Airport infrastructure	-	-	2,990,689	1,778,143	2,990,689	1,778,143
Construction in process	-	-	-	60,624	-	60,624
<b>Totals</b>	<b><u>2,524,254</u></b>	<b><u>2,577,826</u></b>	<b><u>11,435,450</u></b>	<b><u>10,190,779</u></b>	<b><u>13,959,704</u></b>	<b><u>12,768,605</u></b>

This year's more significant capital asset additions included:

- Street resurfacing and alleyway improvements
- Ballpark dugout and storage shed improvements
- Utility billing software
- Airport runway project
- Sewer and waterline improvements
- Bucket truck

Long-Term Debt

During the fiscal year, the City completed the line of construction for the lagoon improvements. 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	
	<u>2014</u>	<u>2013</u>
Revenue bonds	2,520,000	2,685,000
Notes payable	<u>2,145,937</u>	<u>1,914,652</u>
subtotal	4,665,937	4,599,652
less current portion	<u>(421,688)</u>	<u>(294,600)</u>
<b>Total long term debt</b>	<b><u>4,244,249</u></b>	<b><u>4,305,052</u></b>

**ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES**

Economic Environment

According to the Oklahoma Economic Report, the state's gross receipts are higher than ever before. State Treasurer, Ken Miller, stated when talking about July 2014 sales tax "collections have been higher than the same month of the prior year in 45 of the past 51 months, which indicates a steady economic expansion". Unemployment numbers from June 2014 reflect Oklahoma's relative economic strength compared to the nation as a whole, reporting 4.5% statewide compared to 6.1% nationally. The economic environment of the state sheds light on the local economy.

The City of Fairview has noted increase in sales and other tax revenues when compared to prior year. Utility billing has remained strong due to an increasing customer base. Continued improvement in the City's economic position is cautiously projected.

#### Governmental Activities

Sales tax and other tax revenues are budgeted at 90% of current year collections. This conservative approach ensures the City does not rely on funds that economically or seasonally dependent. If collections occur in consistent with fiscal year 2014, an additional \$59,000 in taxes will be available in the General Fund.

Employee raises, as recommended by the City Manager, are included in the budget. Increases are merit based estimated at \$3,000.

Operational expenses are budgeted consistent with prior year. Moderate increases were noted in the budget based upon projected increases in operating supplies and insurance cost.

Capital projects for the City are budgeted in the Sales Tax 35%, Sales Tax 65%, and the Sales Tax 2012 Fund. In total, the City has budgeted \$675,000 in capital improvements during fiscal year 2015 including street improvements, electric department trencher, water tower improvements, nitrate project research, sewer line extension, used sanitation truck, and other equipment and improvements

#### Business-type Activities

Utility rate increases are included in the budget as detailed in the FUA budget, consistent with the rate study. An additional 5% water increase was included based upon the addition of a nitrate system for the water plant, information which was not available during the rate study.

Employee raises, as recommended by the City Manager, are included in the budget. Increases are merit based estimated at \$6,000.

Operational expenses are budgeted consistent with prior year. Moderate increases were noted in the budget based upon projected increases in operating supplies and insurance cost.

### **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 Position**  
**June 30, 2014**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Discrete Component Unit Fairview Municipal Hospital Authority</b>
<b>Current Assets:</b>				
Cash, including time deposits	\$ 1,253,887	\$ 903,003	\$ 2,156,890	\$ 84,314
Investments	-	204,228	204,228	-
Receivable from other governments	83,535	361,486	445,021	75,182
Accounts receivable (net)	34,362	301,430	335,792	1,525,354
Prepaid assets	55,806	55,807	111,613	-
Note receivable, current portion	-	-	-	442,820
Supplies	-	-	-	85,436
<b>Total current assets</b>	<b>1,427,590</b>	<b>1,825,954</b>	<b>3,253,544</b>	<b>2,213,106</b>
<b>Restricted assets:</b>				
Cash	534,036	1,113,609	1,647,645	302,813
Investments	-	175,000	175,000	-
<b>Total restricted assets</b>	<b>534,036</b>	<b>1,288,609</b>	<b>1,822,645</b>	<b>302,813</b>
<b>Noncurrent Assets:</b>				
Other assets	-	-	-	46,787
Land and construction in progress	126,000	725,511	851,511	25,956
Other capital assets (net of accumulated depreciation)	2,398,254	10,709,939	13,108,193	4,147,159
<b>Total noncurrent assets</b>	<b>2,524,254</b>	<b>11,435,450</b>	<b>13,959,704</b>	<b>4,219,902</b>
<b>Total assets</b>	<b>\$ 4,485,880</b>	<b>\$ 14,550,013</b>	<b>\$ 19,035,893</b>	<b>\$ 6,735,821</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 37,809	\$ 489,547	\$ 527,356	\$ 1,478,962
Payroll liabilities	20,100	13,540	33,640	149,706
Compensated absences, current	24,417	22,732	47,149	165,764
Other accrued liabilities	-	11,035	11,035	-
Notes payable, current	-	246,688	246,688	354,537
<b>Total current liabilities</b>	<b>82,326</b>	<b>783,542</b>	<b>865,868</b>	<b>2,148,969</b>
<b>Liabilities payable from restricted assets:</b>				
Accrued interest payable	-	64,117	64,117	-
Customer deposits payable	-	113,449	113,449	-
Bonds payable, current	-	175,000	175,000	-
<b>Total liabilities payable from restricted assets</b>	<b>-</b>	<b>352,566</b>	<b>352,566</b>	<b>-</b>
<b>Noncurrent liabilities:</b>				
Notes payable, non-current	-	1,899,249	1,899,249	2,091,967
Bonds payable, non-current	-	2,345,000	2,345,000	-
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>4,244,249</b>	<b>4,244,249</b>	<b>2,091,967</b>
<b>Total liabilities</b>	<b>82,326</b>	<b>5,380,357</b>	<b>5,462,683</b>	<b>4,240,936</b>
<b>NET Position</b>				
Invested in capital assets, net of related debt	2,524,254	6,769,513	9,293,767	1,752,429
Restricted	106,977	1,000,160	1,107,137	377,995
Unrestricted	1,772,323	1,399,983	3,172,306	364,461
<b>Total net position</b>	<b>\$ 4,403,554</b>	<b>\$ 9,169,656</b>	<b>\$ 13,573,210</b>	<b>\$ 2,494,885</b>

**City of Fairview, Oklahoma**  
**Statement of Activities**  
**Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 233,019	\$ 12,174	\$ 22,384	\$ 173,908	\$ (24,553)
Total general government	<u>233,019</u>	<u>12,174</u>	<u>22,384</u>	<u>173,908</u>	<u>(24,553)</u>
Public safety and judiciary:					
Legal & courts	16,646	4,925	-	-	(11,721)
Police	496,687	16,334	-	-	(480,353)
Animal control	40,428	852	-	-	(39,576)
Fire	116,020	-	3,800	-	(112,220)
Total public safety and judiciary	<u>669,781</u>	<u>22,111</u>	<u>3,800</u>	<u>-</u>	<u>(643,870)</u>
Transportation:					
Streets	240,893	-	25,001	55,341	(160,551)
Total transportation	<u>240,893</u>	<u>-</u>	<u>25,001</u>	<u>55,341</u>	<u>(160,551)</u>
Cultural, parks and recreation:					
Parks	222,089	15,107	12,632	-	(194,350)
Library	126,773	3,241	-	-	(123,532)
Total cultural, parks and recreation	<u>348,862</u>	<u>18,348</u>	<u>12,632</u>	<u>-</u>	<u>(317,882)</u>
Community development:					
Cemetery	4,966	3,140	-	-	(1,826)
Total community development	<u>4,966</u>	<u>3,140</u>	<u>-</u>	<u>-</u>	<u>(1,826)</u>
Total governmental activities	<u>1,497,521</u>	<u>55,773</u>	<u>63,817</u>	<u>229,249</u>	<u>(1,148,682)</u>
Business-type activities:					
Electric	2,553,053	3,122,487	-	-	569,434
Water	246,307	432,829	-	-	186,522
Sewer	230,134	263,907	-	-	33,773
Sanitation	353,398	283,121	-	-	(70,277)
Airport	67,422	19,224	-	1,061,452	1,013,254
Economic development	43,752	26,483	-	-	(17,269)
Customer service	900,725	-	-	5,193	(895,532)
Total business-type activities	<u>4,394,791</u>	<u>4,148,051</u>	<u>-</u>	<u>1,066,645</u>	<u>819,905</u>
Total primary government	<u>\$ 5,892,312</u>	<u>\$ 4,203,824</u>	<u>\$ 63,817</u>	<u>\$ 1,295,894</u>	<u>\$ (328,777)</u>
Component unit:					
Fairview Municipal Hospital	5,850,458	4,633,721	18,133	-	(1,198,604)
Total component unit	<u>\$ 5,850,458</u>	<u>\$ 4,633,721</u>	<u>\$ 18,133</u>	<u>\$ -</u>	<u>\$ (1,198,604)</u>

(Continued)

**City of Fairview, Oklahoma**  
**Statement of Activities**  
**Year Ended June 30, 2014**

**Changes in Net Assets:**

(Continued)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Fairview Municipal Hospital Authority</b>
Net (expense)/revenue	\$ (1,148,682)	\$ 819,905	\$ (328,777)	\$ (1,198,604)
General revenues:				
Taxes:				
Sales tax	879,587	439,793	1,319,380	456,979
Use tax	109,188	-	109,188	-
Franchise taxes	31,331	-	31,331	-
Alcoholic beverage tax	65,663	-	65,663	-
Investment income	1,887	4,730	6,617	1,028
Oil and gas royalties	21,291	-	21,291	-
Penalties	-	54,084	54,084	-
Gain (loss) on disposal of assets	-	-	-	-
Miscellaneous	91,475	32,443	123,918	1,026,594
Transfers-Internal activity	(246,404)	246,404	-	-
Total general revenues and transfers	<u>954,018</u>	<u>777,454</u>	<u>1,731,472</u>	<u>1,484,601</u>
Change in net position	(194,664)	1,597,359	1,402,695	285,997
Net position-beginning	4,598,218	7,572,297	12,170,515	2,208,888
Net position-ending	<u>\$ 4,403,554</u>	<u>\$ 9,169,656</u>	<u>\$ 13,573,210</u>	<u>\$ 2,494,885</u>

**City of Fairview, Oklahoma**  
**Balance Sheet**  
**June 30, 2014**

	<u>General Fund</u>	<u>Sales Tax 2012 Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash, including time deposits	\$ 1,015,816	\$ 341,502	\$ 430,605	\$ 1,787,923
Taxes receivable	47,969	35,566	-	83,535
Other accounts receivable	34,362	-	-	34,362
Prepaid deposits	55,806	-	-	55,806
Total assets	<u>\$ 1,153,953</u>	<u>\$ 377,068</u>	<u>\$ 430,605</u>	<u>\$ 1,961,626</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 23,135	\$ -	\$ 14,674	\$ 37,809
Payroll liabilities	20,100	-	-	20,100
Compensated absences, current	24,417	-	-	24,417
Total liabilities	<u>67,652</u>	<u>-</u>	<u>14,674</u>	<u>82,326</u>
<b>FUND BALANCES</b>				
Nonspendable	55,807	-	-	55,807
Reserved	28,920	-	22,250	51,170
Committed	29,781	377,068	393,681	800,530
Assigned	96,762	-	-	96,762
Unassigned	875,031	-	-	875,031
Total fund balances	<u>1,086,301</u>	<u>377,068</u>	<u>415,931</u>	<u>1,879,300</u>
Total liabilities and fund balances	<u>\$ 1,153,953</u>	<u>\$ 377,068</u>	<u>\$ 430,605</u>	<u>\$ 1,961,626</u>
Total fund balance - total governmental funds				1,879,300
Amounts reported for <i>governmental activities</i> 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.				
			\$ 126,000	
			5,477,481	
			(3,079,227)	2,524,254
Net assets of governmental activities				<u>\$ 4,403,554</u>

**City of Fairview, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**June 30, 2014**

	General Fund	Sales Tax 2012 Fund	Non-Major Governmental Funds	Total Governmental Funds
<b><u>REVENUES</u></b>				
Sales tax	\$ 439,794	\$ 439,793	\$ -	\$ 879,587
Use taxes	109,188	-	-	109,188
Franchise taxes	31,331	-	-	31,331
Alcoholic beverage tax	65,663	-	-	65,663
Motor vehicle and gas tax	25,001	-	-	25,001
Licenses and permits	3,659	-	-	3,659
Fines and forfeitures	22,111	-	-	22,111
Investment income	1,123	254	510	1,887
Charges for services	25,288	-	-	25,288
Rents and royalties	29,807	-	-	29,807
Intergovernmental	8,192	5,192	9,000	22,384
Donations	12,632	-	-	12,632
Miscellaneous	265,381	55,343	-	320,724
Total revenues	<u>1,039,170</u>	<u>500,582</u>	<u>9,510</u>	<u>1,549,262</u>
<b><u>EXPENDITURES</u></b>				
Current:				
General government:				
General government	210,672	7,908	-	218,580
Total general government	<u>210,672</u>	<u>7,908</u>	<u>-</u>	<u>218,580</u>
Public safety and judiciary:				
Legal and courts	16,646	-	-	16,646
Police	441,895	-	38,611	480,506
Animal control	40,428	-	-	40,428
Fire	105,173	-	-	105,173
Total public safety and judiciary	<u>604,142</u>	<u>-</u>	<u>38,611</u>	<u>642,753</u>
Transportation:				
Street	141,564	-	-	141,564
Total transportation	<u>141,564</u>	<u>-</u>	<u>-</u>	<u>141,564</u>
Cultural, parks and recreation:				
Parks	80,426	-	-	80,426
Library	124,284	-	-	124,284
Cemetery	4,966	-	-	4,966
Total cultural, parks and recreation	<u>209,676</u>	<u>-</u>	<u>-</u>	<u>209,676</u>
Capital outlay	7,600	155,246	68,531	231,377
Total expenditures	<u>1,173,654</u>	<u>163,154</u>	<u>107,142</u>	<u>1,443,950</u>
Excess (deficiency) of revenues over expenditures	<u>(134,484)</u>	<u>337,428</u>	<u>(97,632)</u>	<u>105,312</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	227,280	-	-	227,280
Transfers out	(102,155)	(261,474)	(110,055)	(473,684)
Total other financing sources and uses	<u>125,125</u>	<u>(261,474)</u>	<u>(110,055)</u>	<u>(246,404)</u>
Net change in fund balances	(9,359)	75,954	(207,687)	(141,092)
Fund balances - beginning	1,095,660	301,114	623,618	2,020,392
Fund balances - ending	<u>\$ 1,086,301</u>	<u>\$ 377,068</u>	<u>\$ 415,931</u>	<u>\$ 1,879,300</u>

(Continued)

**City of Fairview, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**June 30, 2014**

(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 \$ (141,092)

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	231,377	
Depreciation expense	<u>(284,949)</u>	<u>(53,572)</u>

Change in Net Assets of Governmental Activities \$ (194,664)

**City of Fairview, Oklahoma  
General Fund  
Year Ended June 30, 2014  
Budget and Actual (Non-GAAP Budgetary Basis)**

	<b>Approved Budget</b>	<b>Revisions</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance - Favorable (Unfavorable)</b>
<b>REVENUES</b>					
Sales taxes	\$ 395,000	\$ 40,000	\$ 435,000	\$ 439,794	\$ 4,794
Use taxes	66,537	52,000	118,537	109,188	(9,349)
Franchise taxes	25,000	5,000	30,000	31,331	1,331
Beverage taxes	60,218	-	60,218	65,663	5,445
Licenses and permits	2,650	-	2,650	3,659	1,009
Fines and forfeitures	39,070	-	39,070	22,111	(16,959)
Charges for services	11,975	-	11,975	25,288	13,313
Rent and royalties	33,000	8,000	41,000	29,807	(11,193)
Interest income	250	-	250	1,123	873
Intergovernmental	-	231,325	231,325	262,442	31,117
Miscellaneous	1,200	21,000	22,200	48,764	26,564
Total revenues before carryover	<u>634,900</u>	<u>357,325</u>	<u>992,225</u>	<u>1,039,170</u>	<u>46,945</u>
<b>EXPENDITURES</b>					
General government:					
General government	188,500	187,275	375,775	218,272	157,503
Total general government	<u>188,500</u>	<u>187,275</u>	<u>375,775</u>	<u>218,272</u>	<u>157,503</u>
Public safety and judiciary:					
Legal and courts	12,900	4,500	17,400	16,646	754
Police	442,750	9,000	451,750	441,895	9,855
Animal control	49,000	(3,750)	45,250	40,428	4,822
Fire	131,625	(7,000)	124,625	105,173	19,452
Total public safety and judiciary	<u>636,275</u>	<u>2,750</u>	<u>639,025</u>	<u>604,142</u>	<u>34,883</u>
Transportation:					
Streets	139,000	12,000	151,000	141,564	9,436
Total transportation	<u>139,000</u>	<u>12,000</u>	<u>151,000</u>	<u>141,564</u>	<u>9,436</u>
Cultural, parks and recreation:					
Parks	78,460	2,500	80,960	80,426	534
Library	114,500	11,000	125,500	124,284	1,216
Cemetery	800	4,550	5,350	4,966	384
Total cultural, parks and recreation	<u>193,760</u>	<u>18,050</u>	<u>211,810</u>	<u>209,676</u>	<u>2,134</u>
Total expenditures	<u>1,157,535</u>	<u>220,075</u>	<u>1,377,610</u>	<u>1,173,654</u>	<u>203,956</u>
Revenue over (under) expenditures	(522,635)	137,250	(385,385)	(134,484)	(157,011)
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers, net	515,000	(137,250)	377,750	125,125	(252,625)
Net other financing sources (uses)	<u>515,000</u>	<u>(137,250)</u>	<u>377,750</u>	<u>125,125</u>	<u>(252,625)</u>
Revenues and other financing sources over (under) expenditures and other uses	(7,635)	-	(7,635)	(9,359)	(409,636)
Fund balance at beginning of year (Non-GAAP budgetary basis)	72,000	-	72,000	692,950	620,950
Adjustment to reflect governmental funds combined	-	-	-	385,048	385,048
Fund balance at end of year (Non-GAAP budgetary basis)	<u>\$ 64,365</u>	<u>\$ -</u>	<u>\$ 64,365</u>	<u>\$ 1,068,639</u>	<u>\$ 596,362</u>
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>					
Revenue and expenditure accruals				17,662	
Fund balance at end of year (GAAP basis)				<u>\$ 1,086,301</u>	

(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.

**City of Fairview, Oklahoma  
Sales Tax 2012 Fund  
Year Ended June 30, 2014  
Budget and Actual (Non-GAAP Budgetary Basis)**

	<u>Approved Budget</u>	<u>Revisions</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<b>REVENUES</b>					
Sales taxes	\$ 395,000	\$ -	\$ 395,000	\$ 404,227	\$ 9,227
Interest income	35	-	35	254	219
Other income	-	-	-	60,535	60,535
Total revenues before carryover	<u>395,035</u>	<u>-</u>	<u>395,035</u>	<u>465,016</u>	<u>69,981</u>
<b>EXPENDITURES</b>					
General government:					
Capital projects	<u>370,951</u>	<u>13,000</u>	<u>383,951</u>	<u>163,154</u>	<u>220,797</u>
Total general government	<u>370,951</u>	<u>13,000</u>	<u>383,951</u>	<u>163,154</u>	<u>220,797</u>
Revenue over (under) expenditures	24,084	(13,000)	11,084	301,862	(150,816)
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers, net	<u>21,050</u>	<u>-</u>	<u>21,050</u>	<u>(261,474)</u>	<u>(282,524)</u>
Net other financing sources (uses)	<u>21,050</u>	<u>-</u>	<u>21,050</u>	<u>(261,474)</u>	<u>(282,524)</u>
Revenues and other financing sources over (under) expenditures and other uses	45,134	(13,000)	32,134	40,388	(433,340)
Fund balance at beginning of year (Non-GAAP budgetary basis)	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>301,114</u>	<u>101,114</u>
Fund balance at end of year (Non-GAAP budgetary basis)	<u>\$ 245,134</u>	<u>\$ (13,000)</u>	<u>\$ 232,134</u>	<u>\$ 341,502</u>	<u>\$ (332,226)</u>
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>					
Revenue and expenditure accruals				35,566	
Fund balance at end of year (GAAP basis)				<u>\$ 377,068</u>	

(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.

**City of Fairview, Oklahoma**  
**Statement of Net Position**  
**June 30, 2014**

	<b>Fairview Utility Authority</b>	<b>Fairview Airport Authority</b>	<b>Fairview Economic Development Authority</b>	<b>Total Enterprise Funds</b>	<b>Component Unit Fairview Municipal Hospital Authority</b>
<b>ASSETS</b>					
Current assets:					
Cash, including time deposits	\$ 861,292	\$ -	\$ 41,711	\$ 903,003	\$ 84,314
Investments	204,228	-	-	204,228	-
Prepaid deposits	55,807	-	-	55,807	-
Receivable from other governments	35,566	325,920	-	361,486	-
Accounts receivable (net)	301,330	-	100	301,430	1,525,354
Estimated third party payor	-	-	-	-	442,820
Supplies	-	-	-	-	85,436
<b>Total current assets</b>	<b>1,458,223</b>	<b>325,920</b>	<b>41,811</b>	<b>1,825,954</b>	<b>2,137,924</b>
Restricted assets:					
Cash, including time deposits	974,404	139,205	-	1,113,609	302,813
Investments	175,000	-	-	175,000	-
Receivable	-	-	-	-	75,182
<b>Total restricted assets</b>	<b>1,149,404</b>	<b>139,205</b>	<b>-</b>	<b>1,288,609</b>	<b>377,995</b>
Noncurrent assets:					
Other assets	-	-	-	-	46,787
Capital assets (net)	8,424,761	2,990,689	20,000	11,435,450	4,173,115
<b>Total noncurrent assets</b>	<b>8,424,761</b>	<b>2,990,689</b>	<b>20,000</b>	<b>11,435,450</b>	<b>4,219,902</b>
<b>Total assets</b>	<b>\$ 11,032,388</b>	<b>\$ 3,455,814</b>	<b>\$ 61,811</b>	<b>\$ 14,550,013</b>	<b>\$ 6,735,821</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 237,525	\$ 252,022	\$ -	\$ 489,547	\$ 1,478,962
Wages and benefits payable	13,540	-	-	13,540	145,907
Other accrued liabilities	11,035	-	-	11,035	3,799
Compensated absences, current	22,732	-	-	22,732	165,764
Notes payable, current	246,688	-	-	246,688	354,537
<b>Total current liabilities</b>	<b>531,520</b>	<b>252,022</b>	<b>-</b>	<b>783,542</b>	<b>2,148,969</b>
Liabilities payable from restricted assets:					
Accrued interest payable	64,117	-	-	64,117	-
Customer deposits payable	113,449	-	-	113,449	-
Bonds payable, current	175,000	-	-	175,000	-
<b>Total liabilities payable from restricted assets</b>	<b>352,566</b>	<b>-</b>	<b>-</b>	<b>352,566</b>	<b>-</b>
Noncurrent liabilities:					
Notes payable, non-current	1,899,249	-	-	1,899,249	2,091,967
Bonds payable, noncurrent	2,345,000	-	-	2,345,000	-
<b>Total noncurrent liabilities</b>	<b>4,244,249</b>	<b>-</b>	<b>-</b>	<b>4,244,249</b>	<b>2,091,967</b>
<b>Total liabilities</b>	<b>5,128,335</b>	<b>252,022</b>	<b>-</b>	<b>5,380,357</b>	<b>4,240,936</b>
<b>NET POSITION</b>					
Invested in capital assets, net of related debt	3,758,824	2,990,689	20,000	6,769,513	1,752,429
Restricted	860,955	139,205	-	1,000,160	377,995
Unrestricted	1,284,274	73,898	41,811	1,399,983	364,461
<b>Total net position</b>	<b>\$ 5,904,053</b>	<b>\$ 3,203,792</b>	<b>\$ 61,811</b>	<b>\$ 9,169,656</b>	<b>\$ 2,494,885</b>

**City of Fairview, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Year Ended June 30, 2014**

	<b>Fairview Utility Authority</b>	<b>Fairview Airport Authority</b>	<b>Fairview Economic Development Authority</b>	<b>Total Enterprise Funds</b>	<b>Component Unit Fairview Municipal Hospital Authority</b>
<b>Operating revenues:</b>					
Charges for services:					
Electric charges	\$ 3,122,487	\$ -	\$ -	\$ 3,122,487	\$ -
Water charges	432,829	-	-	432,829	-
Sewer charges	263,907	-	-	263,907	-
Sanitation charges	283,121	-	-	283,121	-
Patient services	-	-	-	-	4,633,721
Penalties	54,084	-	-	54,084	-
Total charges for services	4,156,428	-	-	4,156,428	4,633,721
Lease and rental income	-	19,217	22,770	41,987	-
Miscellaneous	32,432	7	3,713	36,152	1,026,594
Total operating revenues	<u>4,188,860</u>	<u>19,224</u>	<u>26,483</u>	<u>4,234,567</u>	<u>5,660,315</u>
<b>Operating expenses:</b>					
Cost of goods sold	2,275,857	-	-	2,275,857	-
Personal services	708,324	-	-	708,324	965,346
Materials and supplies	227,875	2,203	-	230,078	460,222
Other services and charges	368,368	10,477	17,075	395,920	3,736,485
Depreciation and amortization	392,943	54,742	-	447,685	572,667
Total operating expenses	<u>3,973,367</u>	<u>67,422</u>	<u>17,075</u>	<u>4,057,864</u>	<u>5,734,720</u>
Net operating income	215,493	(48,198)	9,408	176,703	(74,405)
<b>Nonoperating revenue (expense):</b>					
Grants and contributions	-	1,061,452	-	1,061,452	18,133
Intergovernmental	444,986	-	-	444,986	456,979
Investment income	4,403	231	96	4,730	1,028
Interest expense	(336,916)	-	-	(336,916)	(115,738)
Debt forgiveness	-	-	-	-	-
Total nonoperating revenue (expense)	<u>112,473</u>	<u>1,061,683</u>	<u>96</u>	<u>1,174,252</u>	<u>360,402</u>
<b>Net income before contributions and transfers</b>	327,966	1,013,485	9,504	1,350,955	285,997
Transfers from other funds	279,794	379,309	-	659,103	-
Transfers to other funds	(399,138)	-	(13,561)	(412,699)	-
<b>Change in net position</b>	208,622	1,392,794	(4,057)	1,597,359	285,997
Net position-beginning of year	5,695,431	1,810,998	65,868	7,572,297	2,208,888
Net position-end of year	<u>\$ 5,904,053</u>	<u>\$ 3,203,792</u>	<u>\$ 61,811</u>	<u>\$ 9,169,656</u>	<u>\$ 2,494,885</u>

**City of Fairview, Oklahoma**  
**Statement of Cash Flows**  
**Year Ended June 30, 2014**

	Fairview Utility Authority	Fairview Airport Authority	Fairview Economic Development Authority	Component Unit Fairview Municipal Hospital Authority
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 4,179,849	\$ (306,703)	\$ 22,670	\$ 4,695,569
Payments to suppliers	(2,677,332)	239,342	(17,075)	(921,739)
Payments to employees	(697,647)	-	-	(3,108,433)
Other operating revenues	32,432	7	3,713	115,268
<b>Net cash provided (used) by operating activities</b>	<b>837,302</b>	<b>(67,354)</b>	<b>9,308</b>	<b>780,665</b>
<b>Cash flows from non-capital financing activities:</b>				
Receipts under interfund agreements	444,986	-	-	-
Transfers from other funds	279,794	379,309	-	-
Transfers to other funds	(399,138)	-	(13,561)	-
Payments on financed insurance	-	-	-	(67,999)
Proceeds from line of credit	-	-	-	50,000
Payments on line of credit	-	-	-	(50,052)
Non capital contributions and donations	-	-	-	18,582
<b>Net cash provided (used) by non-capital financing activities</b>	<b>325,642</b>	<b>379,309</b>	<b>(13,561)</b>	<b>(49,469)</b>
<b>Cash flows from capital and related financing activities:</b>				
Purchases of capital assets	(547,196)	(1,267,285)	-	(739,354)
Proceeds from issuance of debt	208,237	-	-	-
Principal paid on bonds and notes	(196,200)	-	-	(375,510)
Interest and fiscal charges paid on bonds and notes	(273,106)	-	-	(115,743)
Capital grants and contributions	-	1,061,452	-	445,518
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(808,265)</b>	<b>(205,833)</b>	<b>-</b>	<b>(785,089)</b>
<b>Cash flows from investing activities:</b>				
Proceeds from note receivable	-	-	-	-
Investment income	4,403	228	96	1,028
<b>Net cash provided (used) by investing activities</b>	<b>4,403</b>	<b>228</b>	<b>96</b>	<b>1,028</b>
Net increase (decrease) in cash and cash equivalents	359,082	106,350	(4,157)	(52,865)
Cash and cash equivalents, July 1, 2013	1,476,614	32,855	45,868	439,992
Cash and cash equivalents, June 30, 2014	<u>\$ 1,835,696</u>	<u>\$ 139,205</u>	<u>\$ 41,711</u>	<u>\$ 387,127</u>
Cash, including time deposits	\$ 861,292	\$ -	\$ 41,711	\$ 84,314
Restricted cash, including time deposits	974,404	139,205	-	302,813
Total cash and cash equivalents, end of year	<u>\$ 1,835,696</u>	<u>\$ 139,205</u>	<u>\$ 41,711</u>	<u>\$ 387,127</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ 215,493	\$ (48,198)	\$ 9,408	\$ (74,405)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	392,943	54,742	-	572,667
Provision for bad debts	-	-	-	581,400
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	23,421	(325,920)	(100)	(1,116,393)
(Increase) decrease in inventory	-	-	-	3,502
(Increase) decrease in prepaid deposits	18	-	-	89,030
(Increase) decrease in third party payors	-	-	-	(314,480)
Increase (decrease) in accounts payable	194,750	252,022	-	1,066,353
Increase (decrease) in payroll liabilities	-	-	-	(5,320)
Increase (decrease) in compensated absences	10,677	-	-	(21,689)
Total adjustments	<u>621,809</u>	<u>(19,156)</u>	<u>(100)</u>	<u>855,070</u>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 837,302</b>	<b>\$ (67,354)</b>	<b>\$ 9,308</b>	<b>\$ 780,665</b>
<b>Supplemental Cash Disclosure</b>				
Assets purchased under other financing arrangements	-	-	-	65,240
Financed insurance	-	-	-	77,242

**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, 2014.

**(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***

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Reporting Fund Type</u>
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

***Discretely Presented Component Unit***

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Reporting Fund Type</u>
Fairview Municipal Hospital Authority	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

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, 2014, the Fairview Industrial Authority was inactive.

**(C) Government-wide and Fund Financial Statements:**

***Government-wide Financial Statements***

The government-wide financial statements include the statement of net position 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 providing 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.

**(D) 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:

<u>Fund</u>	<u>Brief Description</u>	<u>Major vs. Non-Major</u>
Sales Tax 2012	Accounts for 1 cent sales tax restricted for general capital improvements, approved November 2012, expiring September 2027	Major
Sales Tax Improvement 35%	Accounts for 35% of 1 cent sales tax restricted for general capital improvements, expired November 2012	Non-Major
Sales Tax Improvement 65%	Accounts for 65% of 1 cent sales tax restricted for general capital improvements, expired November 2012	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

**Major Proprietary Funds**

<u>Fund</u>	<u>Brief Description</u>
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 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 Position 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.

Prepaid deposits

Prepaid deposits represent cash hold in escrow with the Oklahoma Municipal Assurance Group related to the City's worker's compensation insurance.

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 identified by the City as assets with an initial, individual cost of greater than \$1,500 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 Position. 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 trustee accounts held for debt service on outstanding obligations and other 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

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *nonspendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

**Restricted** fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

**Committed** fund balance represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The City Ordinance is the highest level of decision-making authority of the City.

**Assigned** fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body

has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

**Unassigned** fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

*Net position*

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

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 position

Amounts reported as restricted consist of net position 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, Expenditures and Expenses:**

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 as follows:

- 1 cent: Restricted for general capital improvements accounted for in the Sales Tax 2012 Fund
- 1 cent: Restricted for renovating, expanding, and equipping and debt obligations of the Fairview Municipal Hospital Authority facilities. Sales tax is recorded in the Fairview Municipal Hospital Authority, a discretely presented component unit of the City
- 1 cent: Pledged to secure payment on the Fairview Utility System Revenue Notes, Series 2008 accounted for the Fairview Utility Authority
- 1 cent: Unrestricted and 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, specifically water, sewer, and garbage utility services.

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: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**(A) Deficit Fund Net Position/Fund Balance:**

Deficits resulting from accrual reporting do not constitute violations of the Oklahoma State Statutes. For the year ended June 30, 2014, the City reported no individual fund deficits.

**(B) Budget Requirements:**

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, 2014, the City complied, in all material respects, with the applicable budget laws.

**(C) Revenue Restrictions:**

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

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
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, 2014, the City complied, in all material respects, with these revenue restrictions.

**(D) Debt Restrictions and Covenants:**

The debt issued by the Fairview Utility Authority contains a number of covenants that are financial in nature. The most significant requirement is the debt service coverage ratio. Debt service coverage ratio calculates 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, 2014, the City was in compliance with this requirement.

**NOTE 3: DETAIL NOTES ON FUNDS AND 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) Cash 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, 2014, the City's reporting entity had the following investments:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Months to Maturity (2)</u>
<b>Proprietary funds</b>				
<u>POOLED INVESTMENTS:</u>				
Certificates of deposit	\$ 379,228	\$ 379,228	N/A	6.25
Total proprietary investments	<u>\$ 379,228</u>	<u>\$ 379,228</u>		
Grand total investments	<u>\$ 379,228</u>	<u>\$ 379,228</u>		

**Reconciliation to Statement of Net Assets**

Investments	\$ 204,228
Restricted Investments	<u>175,000</u>
Total Investments	<u>\$ 379,228</u>

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

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

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 and allowance:**

Governmental activities report sales and use taxes receivable and county tax receivable. The City has not recorded an allowance on the taxes receivable from the state and county government.

Accounts receivable of the business-type activities consists of utilities receivable for water, sewer, and solid waste hauling fees. Based upon historical knowledge and collection experience, the City has recorded an allowance of \$166,880 on accounts receivable in business-type activities.

**(C) Capital Assets:**

Governmental Activities

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

	Balance at July 1, 2013	Additions	Disposals	Balance at June 30, 2014
Land	\$ 113,000	\$ 13,000	\$ -	\$ 126,000
Buildings	2,778,268	16,350	-	2,794,618
Other improvements	1,108,206	154,107	-	1,262,313
Machinery, furniture & equip.	1,233,714	47,920	-	1,281,634
	5,233,188	231,377	-	5,464,565
Less accumulated depreciation	2,655,362	284,949	-	2,940,311
Net property, plant, & equipment	<u>\$ 2,577,826</u>			<u>\$ 2,524,254</u>

Business-Type Activities

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

	Balance at July 1, 2013	Additions	Disposals	Balance at June 30, 2014
Land	\$ 737,239	\$ 19,675	\$ -	\$ 756,914
Buildings	3,845,401	5,800	-	3,851,201
Machinery, furniture, & equip	1,226,214	343,583	-	1,569,797
Infrastructure/utility system	8,860,321	183,938	-	9,044,259
Construction in progress	60,624	1,261,488	-	1,322,112
	14,729,799	1,814,484	-	16,544,283
Less accumulated depreciation	4,661,148	447,685	-	5,108,833
Net property, plant, & equipment	<u>\$ 10,068,651</u>			<u>\$ 11,435,450</u>

Fixed assets of the Enterprise Funds were comprised of the following at June 30, 2014:

	Fairview Utility Authority	Fairview Airport Authority	Economic Development Authority	Total
Land	\$ 705,511	\$ 11,728	\$ 20,000	\$ 737,239
Buildings	3,845,401	-	-	3,845,401
Machinery, furniture, & equip.	1,569,796	-	-	1,569,796
Infrastructure	6,612,712	2,453,010	-	9,065,722
Construction in progress	-	1,322,112	-	1,322,112
	12,733,420	3,786,850	20,000	16,540,270
Less accumulated depreciation	4,308,659	796,161	-	5,104,820
Net property, plant, & equipment	<u>\$ 8,424,761</u>	<u>\$ 2,990,689</u>	<u>\$ 20,000</u>	<u>\$ 11,435,450</u>

Depreciation

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

<b>Governmental Activities</b>		<b>Business-type Activities</b>	
General government:	\$ 14,440	Electric	\$ 40,740
Public safety and judiciary:	27,028	Water	60,147
Transportation:	99,329	Sewer	123,080
Cultural, parks and recreation:	144,152	Sanitation	59,007
Parks	<u>\$ 284,949</u>	General government	109,969
		Airport	54,742
			<u>\$ 447,685</u>

(D) **Long-Term Debt:**

Business-Type Activities

As of June 30, 2014, 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 semi-annual installments August 15 and February 15 at a variable interest rate. The rate at June 30, 2014 was 1.51%, 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. \$ 205,200

Oklahoma Water Resources Board issued a construction line of credit to extend financing to the Fairview Utility Authority for improvements on the Authority's lagoon system, including rebuilding dikes and replacing pumps. The line was established not to exceed \$1,980,000, dated December 2010. During construction, the Authority was made semi-annual interest payments on the balance drawn. In July 2014, the Authority was notified the certification of project completed was received, which initiated principle and interest payments to begin effective September 15, 2014. The note is secured by the Authority's sewer and sanitation system revenues and 0.5% pledged sales tax, carrying an interest rate of 3.1% which includes an administrative fee of 0.5%, final maturity on September 15, 2031. 1,732,500

Note payable to Farmers and Merchants Bank in the original amount of \$208,237, carrying an interest rate of 3.3%, maturing October 2014. Loan was used to provide short term capital to the Fairview Airport Authority. 208,237

Total notes payable \$ 2,145,937

**BONDS 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. \$ 2,520,000

Total revenue bonds payable \$ 2,520,000

**CITY OF FAIRVIEW, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2014**

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2014:

	<u>Balance at July 1, 2013</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2014</u>	<u>Due Within One Year</u>
Business-type activities					
<i>Notes payable</i>					
OWRB 1992	\$ 236,400	\$ -	\$ 31,200	\$ 205,200	\$ 33,000
OWRB 2010	1,678,252	54,248	-	1,732,500	75,627
Farmers & Merchants	-	208,237	-	208,237	138,061
<i>Total notes payable</i>	<u>1,914,652</u>	<u>262,485</u>	<u>31,200</u>	<u>2,145,937</u>	<u>246,688</u>
Revenue bonds payable	2,685,000	-	165,000	2,520,000	175,000
Total business-type activities	<u>\$ 4,599,652</u>	<u>\$ 262,485</u>	<u>\$ 196,200</u>	<u>\$ 4,665,937</u>	<u>\$ 421,688</u>

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2014 are as follows:

Year Ending June 30	<u>Notes Payable</u>		<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 246,688	\$ 61,417	\$ 175,000	\$ 111,488
2016	183,759	56,296	195,000	103,388
2017	119,089	52,711	205,000	94,500
2018	124,839	48,168	225,000	85,051
2019	130,869	37,237	235,000	74,813
2020-2024	481,509	148,353	1,485,000	193,950
2025-2029	550,183	81,614	-	-
2030-2031	309,001	12,366	-	-
Totals	<u>\$ 2,145,937</u>	<u>\$ 498,162</u>	<u>\$ 2,520,000</u>	<u>\$ 663,190</u>

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

Operating transfers for the year ended June 30, 2014 were as follows:

<u>OPERATING TRANSFERS:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>GENERAL FUND:</u>		
Utility Authority (an enterprise fund)	\$ 183,719	\$ 102,155
Fairview Economic Development Authority	13,561	-
Sales Tax 35% Fund ( a special revenue fund)	<u>30,000</u>	<u>-</u>
Total General Fund	<u>227,280</u>	<u>102,155</u>
<u>SPECIAL REVENUE FUNDS:</u>		
2012 Sales Tax Fund :		
Utility Authority (an enterprise fund)	-	97,583
Airport Authority (an enterprise fund)	-	163,891
Sales Tax 65% Fund :		
Utility Authority (an enterprise fund)	-	72,850
Sales Tax 35% Fund :		
General Fund	-	30,000
Utility Authority (an enterprise fund)	-	7,205
Total Special Revenue Fund	<u>-</u>	<u>371,529</u>
<u>ENTERPRISE FUNDS:</u>		
Fairview Utility Authority:		
General Fund	102,156	183,719
2012 Sales Tax Fund ( a special revenue fund)	97,583	-
Sales Tax 35% Fund ( a special revenue fund)	7,205	-
Sales Tax 65% Fund ( a special revenue fund)	72,850	-
Airport Authority (an enterprise fund)	-	215,419
Fairview Airport Authority:		
2012 Sales Tax Fund ( a special revenue fund)	163,891	-
Utility Authority (an enterprise fund)	215,418	-
Fairview Economic Development Authority:		
General Fund	-	13,561
Total Enterprise Funds	<u>659,103</u>	<u>412,699</u>
Total cash transfers	<u>\$ 886,383</u>	<u>\$ 886,383</u>

**NOTE 4: 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 \$1,069,083 as of June 30, 2014. 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.

	<u>Oklahoma Firefighter's Pension and Retirement System</u>
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	8% of covered payroll
City's contribution rate	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 \$7.53 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:

	<u>Oklahoma Firefighter's Pension and Retirement System</u>
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. The City contributed \$3,369 for the year ended June 30, 2014.

**(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.

*Component Unit Line of Credit*

The City of Fairview has extended a \$125,000 line of credit to the Fairview Regional Medical Center at the request of the Fairview Municipal Hospital Authority. At June 30, 2014, the Fairview Regional Medical Center had not drawn on the line. The line of credit carries a 0% interest rate to be repaid in twelve months.

**(C) Date of Management's Review**

Subsequent events were evaluated through January 15, 2015, which is the date the financial statements were available to be issued.

**City of Fairview, Oklahoma  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2014**

	<b>Sales Tax 35% Improvement Fund</b>	<b>Sales Tax 65% Improvement Fund</b>	<b>Cemetery Care Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>				
Cash, including time deposits	\$ 114,382	\$ 293,973	\$ 22,250	\$ 430,605
Total assets	<u>\$ 114,382</u>	<u>\$ 293,973</u>	<u>\$ 22,250</u>	<u>\$ 430,605</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 14,674	\$ -	\$ 14,674
Total liabilities	<u>-</u>	<u>14,674</u>	<u>-</u>	<u>14,674</u>
<b>FUND BALANCES</b>				
Reserved	-	-	22,250	22,250
Committed	114,382	279,299	-	393,681
Total fund balances	<u>114,382</u>	<u>279,299</u>	<u>22,250</u>	<u>415,931</u>
Total liabilities and fund balances	<u>\$ 114,382</u>	<u>\$ 293,973</u>	<u>\$ 22,250</u>	<u>\$ 430,605</u>

**City of Fairview, Oklahoma**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**June 30, 2014**

	Sales Tax 35% Improvement Fund	Sales Tax 65% Improvement Fund	Cemetery Care Fund	Total Non-Major Governmental Funds
<b><u>REVENUES</u></b>				
Investment income	\$ 164	\$ 346	\$ -	\$ 510
Charges for services	-	-	-	-
Intergovernmental programs	-	9,000	-	9,000
Donations	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>164</u>	<u>9,346</u>	<u>-</u>	<u>9,510</u>
<b><u>EXPENDITURES</u></b>				
Current:				
General government:				
General government	17,772	20,839	-	38,611
Total general government	<u>17,772</u>	<u>20,839</u>	<u>-</u>	<u>38,611</u>
Capital outlay	49,770	14,761	4,000	68,531
Total expenditures	<u>67,542</u>	<u>35,600</u>	<u>4,000</u>	<u>107,142</u>
Excess (deficiency) of revenues over expenditures	<u>(67,378)</u>	<u>(26,254)</u>	<u>(4,000)</u>	<u>(97,632)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in/(out)	(37,205)	(72,850)	-	(110,055)
Total other financing sources and uses	<u>(37,205)</u>	<u>(72,850)</u>	<u>-</u>	<u>(110,055)</u>
Net change in fund balances	(104,583)	(99,104)	(4,000)	(207,687)
Fund balances - beginning	218,965	378,403	26,250	623,618
Fund balances - ending	<u>\$ 114,382</u>	<u>\$ 279,299</u>	<u>\$ 22,250</u>	<u>\$ 415,931</u>



INDEPENDENT AUDITOR'S 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, in accordance with the 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, 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, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Fairview, Oklahoma's basic financial statements, and have issued our report thereon dated January 15, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Fairview, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Fairview, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Fairview, Oklahoma's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Fairview, Oklahoma's financial statements are free from 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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**FSW&B CPA'S- PLLC**

FSW&B CPA's-PLLC  
Stillwater, Oklahoma  
January 15, 2015