

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

**FINANCIAL STATEMENTS AND  
AUDITOR'S REPORTS**

**FOR THE YEAR ENDED  
JUNE 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Fairview, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fairview, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Fairview Municipal Hospital Authority, which is the only discretely presented component unit of the City.

### **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 represents the only discretely presented component unit. 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 the 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. 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, based on our audit and the report of other auditors, 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, 2016, 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, budgetary comparison information and net pension liability schedules on pages 4–10, 35–36 and 37 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 and other auditors 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairview, Oklahoma's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016 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 the City of Fairview, Oklahoma's internal control over financial reporting and compliance.

*FSW&B CPAs-PLLC*

FSW&B CPAs-PLLC  
Woodward, Oklahoma  
December 14, 2016

**CITY OF FAIRVIEW, OKLAHOMA**  
**YEAR ENDED JUNE 30, 2016**  
**LIST OF PRINCIPAL OFFICIALS**

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MAYOR  
Jared Thompson

COUNCIL MEMBERS  
Dana Baldwin, Ward 4  
Stan Hargrove, Ward 1  
Vernon Hoehn, Ward 3  
Irv Ogden, At Large

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, 2016. 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, 2016, the City's total net position, excluding discretely presented component units, was \$14,867,742, which was an increase of \$654,264 or 5% over prior year's balance of \$14,213,478, as restated.
- During the year, City's expenses for governmental activities amounted to \$1,865,311 and were funded by program revenues of \$395,866 and further funded programs with taxes and other general revenues and transfers that totaled \$1,370,208.
- In the City's business-type activities, including utility services and the airport, program revenues exceeded expenses by \$129,571, mainly attributable to federal grant funding for improvement projects at the municipal airport. In addition, general revenues totaled \$623,910, which included restricted sales tax, interest and penalties.
- At June 30, 2016, the General Fund reported an unassigned fund balance of \$1,030,420, which can be used to pay for the ongoing operations of the City. Governmental funds of the City, noted an increase over prior year balance of \$221,214.
- For budgetary reporting purposes, the General Fund reported actual revenues above final estimates of revenues by \$158,502 or 14%, while expenditures were under the final appropriations by \$254,555 or 14%. The amended budget of the General Fund was \$1,840,848.

## 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 \$629,287 between fiscal years 2015 and 2016. Both governmental activities and business-type activities reported an increase in net position during the year.

	Governmental Activities		Business-Type Activities		Total		Change	
	2016	2015	2016	2015	2016	2015	\$	%
Current assets	\$ 2,356,188	\$ 2,181,632	\$ 3,232,760	\$ 3,118,574	\$ 5,588,948	\$ 5,300,206	\$ 288,742	5%
Capital assets, net	2,582,742	2,408,579	11,195,512	11,282,951	13,778,254	13,691,530	86,724	1%
<b>Total assets</b>	<b>4,938,930</b>	<b>4,590,211</b>	<b>14,428,272</b>	<b>14,401,525</b>	<b>19,367,202</b>	<b>18,991,736</b>	<b>375,466</b>	<b>2%</b>
Deferred outflow of resources	1,838	3,088	-	-	1,838	3,088	(1,250)	-40%
Current liabilities	107,378	118,669	519,410	423,041	626,788	541,710	85,078	16%
Non-current liabilities	33,298	129,593	3,745,185	4,065,449	3,778,483	4,195,042	(416,559)	-10%
<b>Total liabilities</b>	<b>140,676</b>	<b>248,262</b>	<b>4,264,595</b>	<b>4,488,490</b>	<b>4,405,271</b>	<b>4,736,752</b>	<b>(331,481)</b>	<b>-7%</b>
Deferred inflow of resources	96,027	19,617	-	-	96,027	19,617	76,410	390%
Net position								
Net inv't in capital assets	2,582,742	2,408,579	7,126,238	7,042,502	9,708,980	9,451,081	257,899	3%
Restricted	74,645	74,645	1,098,050	1,278,596	1,172,695	1,353,241	(180,546)	-13%
Unrestricted	2,046,678	1,842,196	1,939,389	1,591,937	3,986,067	3,434,133	551,934	16%
<b>Total net position</b>	<b>\$ 4,704,065</b>	<b>\$ 4,325,420</b>	<b>\$ 10,163,677</b>	<b>\$ 9,913,035</b>	<b>\$ 14,867,742</b>	<b>\$ 14,238,455</b>	<b>\$ 629,287</b>	<b>4%</b>

Total assets remained consistent with prior year, noting a 2% change. Liabilities correspondingly decreased 7% year over year resulting from payments made on debt obligations of the City. Overall, the City's net position increased year over year.

Changes in Net Position

For the year ended June 30, 2016, net position of the primary government changed as follows:

	Governmental Activities		Business-type Activities		Total		Change	
	2016	2015	2016	2015	2016	2015	\$	%
<b>Revenues</b>								
Program revenues	\$ 395,886	\$ 140,468	\$ 4,355,326	\$ 4,613,421	\$ 4,751,212	\$ 4,753,889	\$ (2,677)	0%
Taxes and other general revenues	1,370,209	1,257,594	623,910	580,150	1,994,119	1,837,744	156,375	9%
<b>Total revenues</b>	<b>1,766,095</b>	<b>1,398,062</b>	<b>4,979,236</b>	<b>5,193,571</b>	<b>6,745,331</b>	<b>6,591,633</b>	<b>153,698</b>	<b>8%</b>
<b>Expenses</b>								
General government	294,912	273,507	-	-	294,912	273,507	21,405	8%
Public safety and judiciary	809,830	587,651	-	-	809,830	587,651	222,179	38%
Transportation	236,844	284,530	-	-	236,844	284,530	(47,686)	-17%
Cultural, parks, and recreation	523,726	417,524	-	-	523,726	417,524	106,202	25%
Economic development	-	-	134,502	23,993	134,502	23,993	110,509	461%
Electric	-	-	2,428,483	2,558,373	2,428,483	2,558,373	(129,890)	-5%
Water	-	-	261,790	244,032	261,790	244,032	17,758	7%
Sewer	-	-	191,615	182,280	191,615	182,280	9,335	5%
Sanitation	-	-	336,984	386,786	336,984	386,786	(49,802)	-13%
Airport	-	-	148,052	145,547	148,052	145,547	2,505	2%
Customer service	-	-	724,329	676,043	724,329	676,043	48,286	7%
<b>Total expenses</b>	<b>1,865,312</b>	<b>1,563,212</b>	<b>4,225,755</b>	<b>4,217,054</b>	<b>6,091,067</b>	<b>5,780,266</b>	<b>310,801</b>	<b>5%</b>
Excess (deficiency) before transfers	\$ (99,217)	\$ (165,150)	\$ 753,481	\$ 976,517	\$ 654,264	\$ 811,367	\$ (157,103)	-19%
Transfers	502,839	233,138	(502,839)	(233,138)	-	-	-	0%
<b>Increase (decrease) in net position</b>	<b>\$ 403,622</b>	<b>\$ 67,988</b>	<b>\$ 250,642</b>	<b>\$ 743,379</b>	<b>\$ 654,264</b>	<b>\$ 811,367</b>	<b>\$ (157,103)</b>	<b>-19%</b>

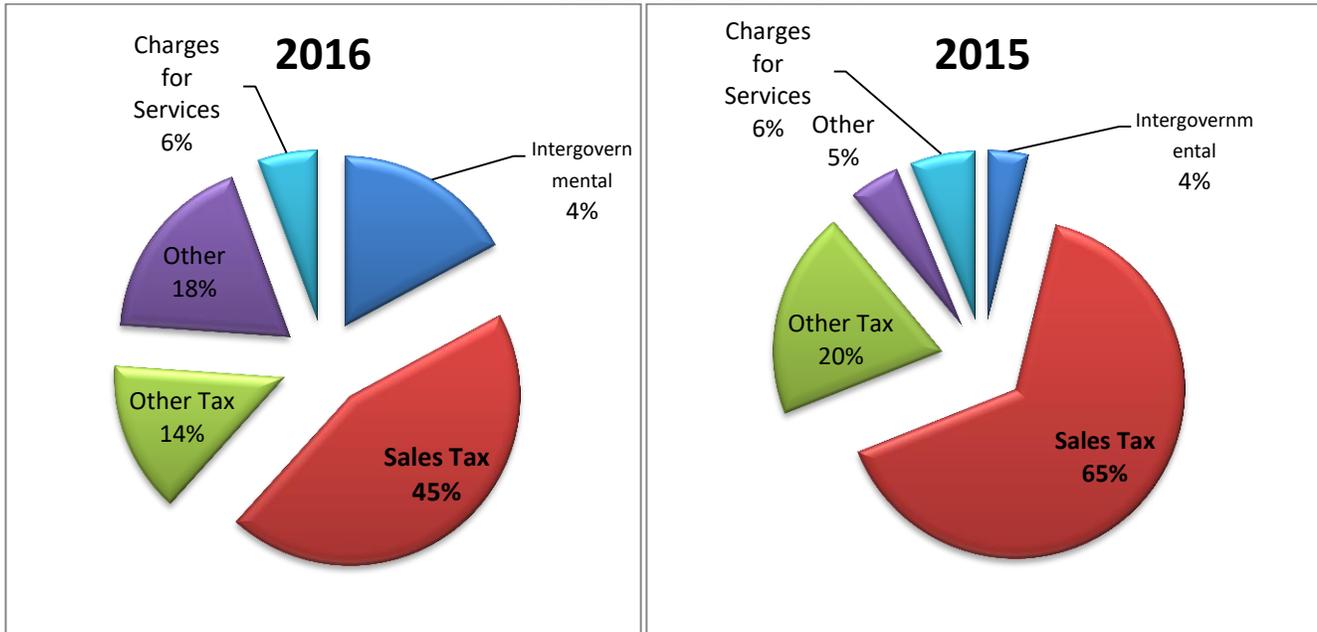
Total revenues increased 8% when compared to prior year resulting from an increase in oil/gas royalties and reimbursements, offset by a decline in sales tax and other taxes. Expenses remained consistent year over year, noting a 5% increase. The most significant increase was noted in public safety due to training and personnel costs as well as increase in capital additions to the Fire department. Additionally, the City took over operations of a local golf course, which is included in economic development expenses.

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.

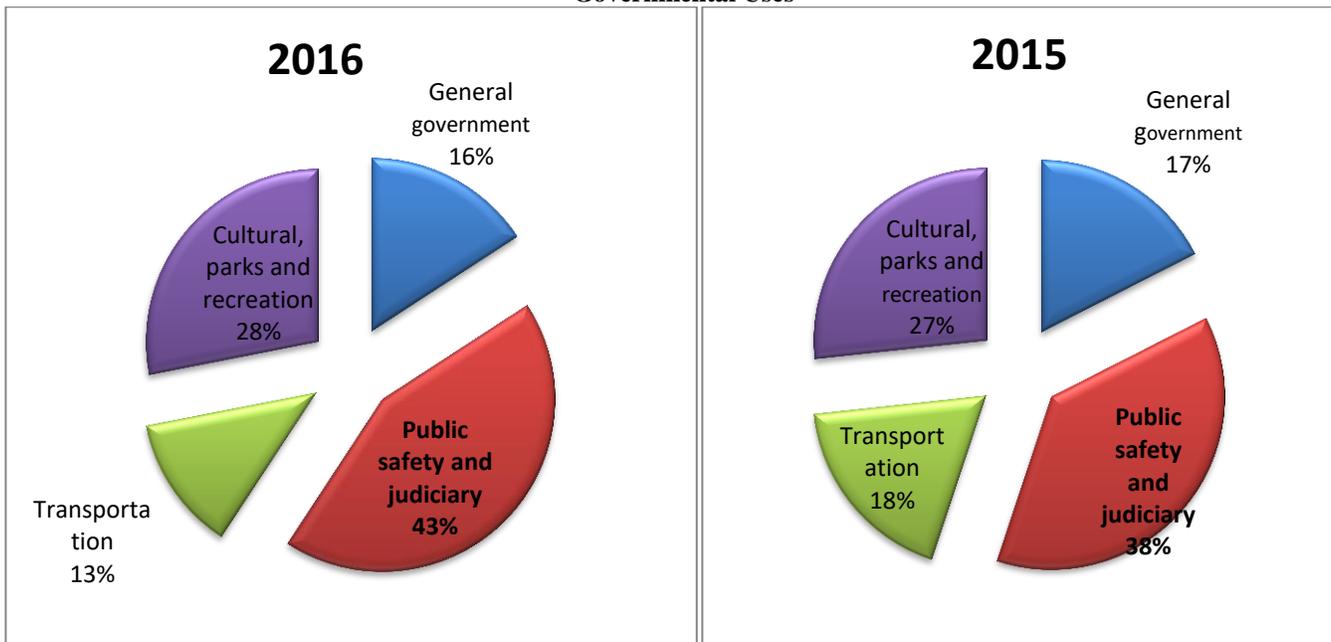
For the year ended June 30, 2016, the City's governmental activities were funded as follows:

**Governmental Revenue Sources**



Sales tax provided the largest source of funding for governmental activities at 45% in the current year compared to 65% in the prior year with other taxes, including use tax, alcohol beverage tax, and franchise taxes contributing 14% of the funding for the fiscal year. Intergovernmental revenues include grants and contributions from external governmental agencies. Other income supplemented the decrease in sales tax to fund programs of the City.

**Governmental Uses**

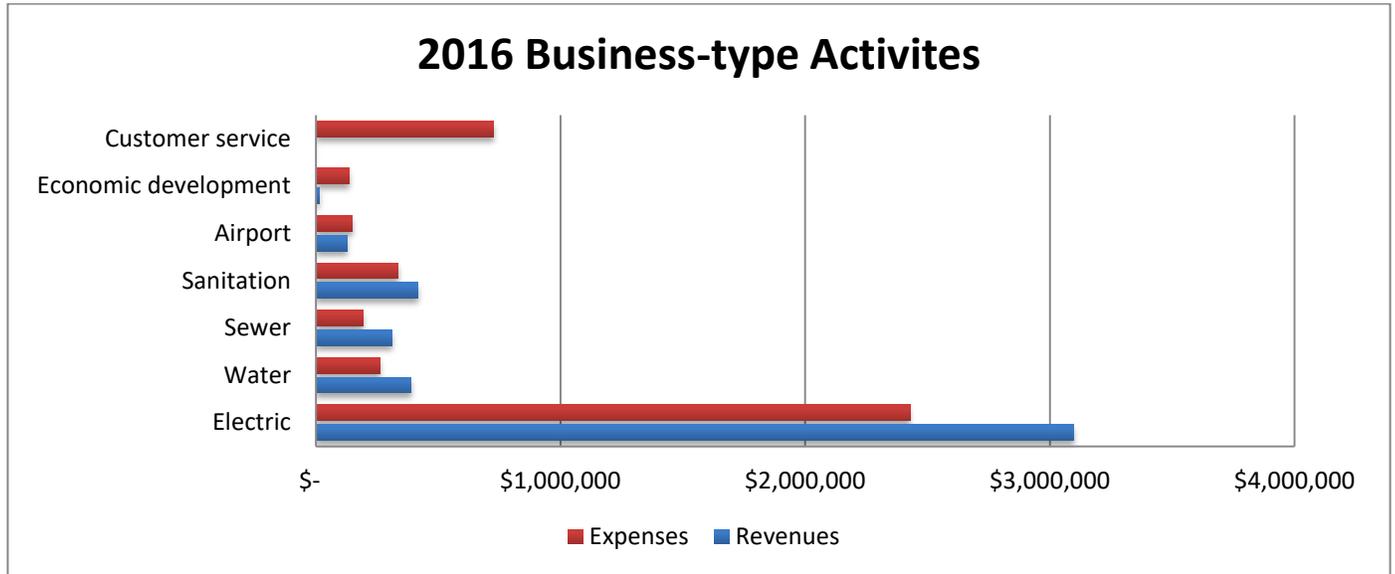


For the year ended June 30, 2016, total expenses for governmental activities were \$1,865,311. Public safety and judiciary was the largest expense at 43% of governmental operating costs, which was consistent with prior year at 38%. Cultural, parks and recreation followed as the next largest expense at 28% or \$523,726. 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 \$129,571, before transfers and miscellaneous income, for the year ended June 30, 2016.
- Electric, water, sewer, and sanitation reported net revenue for the year ended June 30, 2016, 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 2016 fiscal year, the governmental funds reported a combined fund balance of \$2,248,810 or 11% increase 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 totaling \$480,935. 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 General Fund budget for the fiscal year 2016 was \$1,840,848, as amended during the fiscal year. The City complied in all material respects with the Oklahoma Municipal Budget Act and local policies and procedures.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

At the end of June 30, 2016, the City had \$9,708,980 net investment in capital assets, including vehicles and equipment for police and fire operations, park facilities, and street activities in governmental activities and electric lines, water lines and sewer lines in business-type activities.

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

**Primary Government Capital Assets (net of accumulated depreciation)**

	Governmental		Business-type		Total	
	Activities		Activities			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land and construction in process	153,145	145,650	710,511	744,886	863,656	890,536
Buildings	1,050,613	1,085,502	2,606,605	2,706,485	3,657,218	3,791,987
Other improvements	730,519	771,527	-	-	730,519	771,527
Machinery & equipment	648,465	405,900	335,437	351,111	983,902	757,011
Utility property & improvements	-	-	4,400,606	4,356,625	4,400,606	4,356,625
Airport infrastructure	-	-	3,142,353	3,123,844	3,142,353	3,123,844
<b>Totals</b>	<b><u>\$ 2,582,742</u></b>	<b><u>\$ 2,408,579</u></b>	<b><u>\$ 11,195,512</u></b>	<b><u>\$ 11,282,951</u></b>	<b><u>\$ 13,778,254</u></b>	<b><u>\$ 13,691,530</u></b>

This year's more significant capital asset additions included:

- New fire truck and radios
- 2013 Chevy Tahoe for the Police department
- Completion of the Airport runway extension project
- Acquisition of golf course and related equipment

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>2016</u>	<u>2015</u>
Revenue bonds	\$ 2,150,000	\$ 2,345,000
Notes payable	1,919,274	1,895,448
subtotal	4,069,274	4,240,448
less current portion	(324,089)	(346,817)
<b>Total long term debt</b>	<b><u>\$ 3,745,185</u></b>	<b><u>\$ 3,893,631</u></b>

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

Economic Environment

According to the Tulsa World newspaper, "gross revenue for the state of Oklahoma continued a downward spiral for the 18th consecutive month in August, as unemployment figures show the state's jobless numbers exceeded the national rate for the first time in almost 26 years." "We keep scouring through the data to find signs of an impending turnaround, but it's just not there," Miller said. "Some aspects of the August report aren't as negative as in prior months. A few revenue streams have ticked back up, but we can't yet point to a positive trend." The economic environment of the state sheds light on the local economy of the City.

The financial position of the City continues to show a moderate growth pattern, despite the declining sales tax. The year-to-year progress of revenue exceeding expenses is leading to financial stability and improvement to the City's cash position.

Governmental Activities

Oil and gas operations in the state of Oklahoma have been declining over the last several months. For the City of Fairview, this represents between 8% and 13% of sales tax collections. In light of this decline, and the City's desire to budget conservative, sales tax is budgeted at 85% of current year collections. All 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 consistent with fiscal year 2016, an additional \$60,500 in taxes will be available in the General Fund. Correspondingly, the 3 cents of restricted sales tax will also increase as budgeted in their respective funds.

A cost of living increase of 2% was included for employees, resulting in an increase of \$18,000 in expenses for the fund.

Operational expenses are budgeted with citywide cost cutting efforts in mind. Materials & Supplies and Other Charges & Services are budgeted for a decrease of approximately 14% over current year actual costs. Note that the decrease was not taken at the expense of personnel of the City. The City General Fund personnel costs exceed 65% of the total budget. Management has consistently been focused on ensuring the proper people are in place to address the needs of the community.

Capital projects for the City are budgeted in the Capital Improvement Fund estimated at over \$529,000. Total requested projects exceeded \$1 million. The City Manager assessed the needs of the City and the availability of funding and manpower in the next fiscal year to recommend the projects included in the budget. A significant capital improvement for fiscal year 2017 includes remote read meters for electric and water utilities. The meters are expected to increase billing efficiency and accuracy for the City.

Business-type Activities

Utility rate increases are included in the budget as detailed in the FUA budget, consistent with the rate study. The increases are budgeted to generate approximately \$241,000.

A cost of living increase of 2% was included for employees, resulting in an increase of \$10,800 in expenses for the fund

Operational expenses are budgeted consistent with prior year other than the addition of the Golf Course which was acquired during fiscal year 2016.

**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, 2016**

<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	\$ 1,914,979	\$ 949,997	\$ 2,864,976	\$ 167,437
Investments	-	206,017	206,017	-
Receivable from other governments	74,371	58,230	132,601	64,875
Due from other funds	-	127,479	127,479	-
Accounts receivable (net)	9,098	399,597	408,695	546,884
Prepaid assets	55,807	55,807	111,614	-
Note receivable, current portion	-	-	-	-
Supplies	-	-	-	107,871
<b>Total current assets</b>	<b>2,054,255</b>	<b>1,797,127</b>	<b>3,851,382</b>	<b>887,067</b>
<b>Restricted assets:</b>				
Cash	301,933	1,260,633	1,562,566	182,380
Investments	-	175,000	175,000	-
<b>Total restricted assets</b>	<b>301,933</b>	<b>1,435,633</b>	<b>1,737,566</b>	<b>182,380</b>
<b>Noncurrent Assets:</b>				
Other assets	-	-	-	32,938
Land and construction in progress	153,145	710,511	863,656	25,956
Other capital assets (net of accumulated depreciation)	2,429,597	10,485,001	12,914,598	3,840,306
<b>Total noncurrent assets</b>	<b>2,582,742</b>	<b>11,195,512</b>	<b>13,778,254</b>	<b>3,899,200</b>
<b>Total assets</b>	<b>\$ 4,938,930</b>	<b>\$ 14,428,272</b>	<b>\$ 19,367,202</b>	<b>\$ 4,968,647</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred charges on pension obligations	1,838	-	1,838	-
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 69,524	\$ 30,209	\$ 99,733	\$ 498,401
Payroll liabilities	16,360	4,449	20,809	232,341
Compensated absences, current	21,074	15,689	36,763	238,962
Due to other funds	420	(420)	-	-
Other accrued liabilities	-	12,811	12,811	-
Notes payable, current	-	119,089	119,089	282,806
<b>Total current liabilities</b>	<b>107,378</b>	<b>181,827</b>	<b>289,205</b>	<b>1,252,510</b>
<b>Liabilities payable from restricted assets:</b>				
Customer deposits payable	-	132,583	132,583	-
Bonds payable, current	-	205,000	205,000	-
<b>Total liabilities payable from restricted assets</b>	<b>-</b>	<b>337,583</b>	<b>337,583</b>	<b>-</b>
<b>Noncurrent liabilities:</b>				
Pension liability	33,298	-	33,298	-
Notes payable, non-current	-	1,800,185	1,800,185	1,994,916
Bonds payable, non-current	-	1,945,000	1,945,000	-
<b>Total noncurrent liabilities</b>	<b>33,298</b>	<b>3,745,185</b>	<b>3,778,483</b>	<b>1,994,916</b>
<b>Total liabilities</b>	<b>140,676</b>	<b>4,264,595</b>	<b>4,405,271</b>	<b>3,247,426</b>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred charges on pension obligations	96,027	-	96,027	-
<b>NET POSITION</b>				
Net investment in capital assets	2,582,742	7,126,238	9,708,980	1,609,099
Restricted	74,645	1,098,050	1,172,695	247,255
Unrestricted	2,046,678	1,939,389	3,986,067	(135,133)
<b>Total net position</b>	<b>\$ 4,704,065</b>	<b>\$ 10,163,677</b>	<b>\$ 14,867,742</b>	<b>\$ 1,721,221</b>

**City of Fairview, Oklahoma**  
**Statement of Activities**  
**Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 294,912	\$ 4,615	\$ 40,533	\$ 133,910	\$ (115,854)
Total general government	294,912	4,615	40,533	133,910	(115,854)
Public safety and judiciary:					
Legal & courts	18,524	-	-	-	(18,524)
Police	568,703	42,768	-	-	(525,935)
Animal control	6,534	-	-	-	(6,534)
Fire	171,521	2,445	-	-	(169,076)
Code enforcement	44,548	-	-	-	(44,548)
Total public safety and judiciary	809,830	45,213	-	-	(764,617)
Transportation:					
Streets	236,844	-	24,361	-	(212,483)
Total transportation	236,844	-	24,361	-	(212,483)
Cultural, parks and recreation:					
Parks	278,242	16,814	-	-	(261,428)
Library	180,038	3,055	100,000	-	(76,983)
Cemetery	3,604	3,520	-	-	(84)
Event center	61,842	23,865	-	-	(37,977)
Total cultural, parks and recreation	523,726	47,254	100,000	-	(376,472)
Total governmental activities	1,865,311	97,082	164,894	133,910	(1,469,425)
Business-type activities:					
Electric	2,428,483	3,095,666	-	-	667,183
Water	261,790	390,157	-	-	128,367
Sewer	191,615	311,750	-	-	120,135
Sanitation	336,984	416,210	-	-	79,226
Airport	148,052	16,752	-	109,692	(21,608)
Economic development	134,502	15,099	-	-	(119,403)
Customer service	724,329	-	-	-	(724,329)
Total business-type activities	4,225,755	4,245,634	-	109,692	129,571
Total primary government	\$ 6,091,066	\$ 4,342,716	\$ 164,894	\$ 243,602	\$ (1,339,854)
Component unit:					
Fairview Municipal Hospital	6,927,411	5,952,995	90,743	-	(883,673)
Total component unit	\$ 6,927,411	\$ 5,952,995	\$ 90,743	\$ -	\$ (883,673)

(Continued)

**City of Fairview, Oklahoma**  
**Statement of Activities**  
**Year Ended June 30, 2016**

**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	\$ (1,469,425)	\$ 129,571	\$ (1,339,854)	\$ (883,673)
General revenues:				
Taxes:				
Sales tax	779,670	394,492	1,174,162	379,246
Use tax	97,511	-	97,511	-
Franchise taxes	27,001	-	27,001	-
Alcoholic beverage tax	66,345	-	66,345	-
Other taxes	60,515	-	60,515	-
Investment income	2,110	6,435	8,545	2,689
Oil and gas royalties	6,896	-	6,896	-
Penalties	-	55,063	55,063	-
Miscellaneous	175,475	76,724	252,199	37,614
Gain on sale of property	136,320	91,196	227,516	-
Change in pension obligation	18,365	-	18,365	-
Transfers-Internal activity	502,839	(502,839)	-	-
Total general revenues and transfers	<u>1,873,047</u>	<u>121,071</u>	<u>1,994,118</u>	<u>419,549</u>
Change in net position	403,622	250,642	654,264	(464,124)
Net position-beginning, restated	4,300,443	9,913,035	14,213,478	2,185,345
Net position-ending	<u>\$ 4,704,065</u>	<u>\$ 10,163,677</u>	<u>\$ 14,867,742</u>	<u>\$ 1,721,221</u>

**City of Fairview, Oklahoma  
Balance Sheet  
June 30, 2016**

	<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	\$ 1,170,186	\$ 860,521	\$ 186,205	\$ 2,216,912
Taxes receivable	43,517	30,854	-	74,371
Other accounts receivable	9,098	-	-	9,098
Prepaid deposits	55,807	-	-	55,807
Total assets	<u>\$ 1,278,608</u>	<u>\$ 891,375</u>	<u>\$ 186,205</u>	<u>\$ 2,356,188</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 59,252	\$ -	\$ 10,272	\$ 69,524
Payroll liabilities	16,360	-	-	16,360
Compensated absences, current	21,074	-	-	21,074
Due to other funds	420	-	-	420
Total liabilities	<u>97,106</u>	<u>-</u>	<u>10,272</u>	<u>107,378</u>
<b>FUND BALANCES</b>				
Nonspendable	55,807	-	-	55,807
Reserved	-	-	18,838	18,838
Committed	15,442	891,375	157,095	1,063,912
Assigned	79,833	-	-	79,833
Unassigned	1,030,420	-	-	1,030,420
Total fund balances	<u>1,181,502</u>	<u>891,375</u>	<u>175,933</u>	<u>2,248,810</u>
Total liabilities and fund balances	<u>\$ 1,278,608</u>	<u>\$ 891,375</u>	<u>\$ 186,205</u>	<u>\$ 2,356,188</u>
Total fund balance - total governmental funds				2,248,810
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:				
Land and capital assets, net of accumulated depreciation are not financial resources and, therefore, are not reported in the funds.				
	Land and construction in process	\$ 153,145		
	Capital assets	5,980,478		
	Less: Accumulated depreciation	<u>(3,550,881)</u>		2,582,742
Long-term liabilities are not due and payable in the current period and are not reported in the funds.				
	Pension deferred outflows/(inflows)	(94,189)		
	Net pension obligation	<u>(33,298)</u>		<u>(127,487)</u>
<b>Net position of governmental activities</b>				<b><u>\$ 4,704,065</u></b>

**City of Fairview, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**June 30, 2016**

	General Fund	Sales Tax 2012 Fund	Non-Major Governmental Funds	Total Governmental Funds
<b><u>REVENUES</u></b>				
Sales tax	\$ 389,835	\$ 389,835	\$ -	\$ 779,670
Use taxes	97,511	-	-	97,511
Franchise taxes	27,001	-	-	27,001
Alcoholic beverage tax	66,345	-	-	66,345
Hotel/motel tax	51,202	-	-	51,202
Motor vehicle and gas tax	24,361	-	-	24,361
Licenses and permits	4,615	-	-	4,615
Fines and forfeitures	42,768	-	-	42,768
Investment income	1,114	785	211	2,110
Charges for services	22,314	-	3,520	25,834
Rents and royalties	30,762	-	-	30,762
Intergovernmental	144,417	4,657	20,000	169,074
Donations	114,683	-	-	114,683
Gain on sale of assets	136,320	-	-	136,320
Miscellaneous	175,475	-	-	175,475
Total revenues	1,328,723	395,277	23,731	1,747,731
<b><u>EXPENDITURES</u></b>				
Current:				
General government:				
General government	251,581	26,396	-	277,977
Total general government	251,581	26,396	-	277,977
Public safety and judiciary:				
Legal and courts	18,524	-	-	18,524
Police	544,557	-	11,147	555,704
Animal control	6,534	-	-	6,534
Fire	125,242	-	-	125,242
Code Enforcement	44,548	-	-	44,548
Total public safety and judiciary	739,405	-	11,147	750,552
Transportation:				
Street	144,759	-	-	144,759
Total transportation	144,759	-	-	144,759
Cultural, parks and recreation:				
Parks	132,138	-	-	132,138
Library	177,549	-	-	177,549
Cemetery	-	-	3,604	3,604
Event Center	61,842	-	-	61,842
Total cultural, parks and recreation	371,529	-	3,604	375,133
Capital outlay	63,504	222,412	195,019	480,935
Total expenditures	1,570,778	248,808	209,770	2,029,356
Excess (deficiency) of revenues over expenditures	(242,055)	146,469	(186,039)	(281,625)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	452,902	49,937	84	502,923
Transfers out	(84)	-	-	(84)
Total other financing sources and uses	452,818	49,937	84	502,839
Net change in fund balances	210,763	196,406	(185,955)	221,214
Fund balances - beginning, restated	970,739	694,969	361,888	2,027,596
Fund balances - ending	\$ 1,181,502	\$ 891,375	\$ 175,933	\$ 2,248,810

**City of Fairview, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**June 30, 2016**

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Reconciliation of the change in fund balances - total governmental funds  
to the change in net position of governmental activities:

Net change in fund balances - total governmental funds \$ 221,214

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	480,935	
Depreciation expense	(316,890)	164,045

In the statement of activities, the cost of pension benefits earned net of employee  
contributions are reported as a component of pension expense. The fund financial  
statements report pension contributions as expenditures.

18,363

Change in Net Position of Governmental Activities \$ 403,622

**City of Fairview, Oklahoma**  
**Statement of Net Position**  
**June 30, 2016**

	<b>Fairview Utility Authority</b>	<b>Fairview Airport Authority</b>	<b>Fairview Economic Development Authority</b>	<b>Total Enterprise Funds</b>
<b>ASSETS</b>				
Current assets:				
Cash, including time deposits	\$ 848,324	\$ 7,715	\$ 93,958	\$ 949,997
Investments	206,017	-	-	206,017
Prepaid deposits	55,807	-	-	55,807
Receivable from other governments	58,230	-	-	58,230
Accounts receivable (net)	399,317	280	-	399,597
Due from other funds	127,899	-	-	127,899
Estimated third party payor	-	-	-	-
Supplies	-	-	-	-
Total current assets	<u>1,695,594</u>	<u>7,995</u>	<u>93,958</u>	<u>1,797,547</u>
Restricted assets:				
Cash, including time deposits	1,260,633	-	-	1,260,633
Investments	175,000	-	-	175,000
Receivable	-	-	-	-
Total restricted assets	<u>1,435,633</u>	<u>-</u>	<u>-</u>	<u>1,435,633</u>
Noncurrent assets:				
Other assets	-	-	-	-
Capital assets (net)	7,963,159	3,142,353	90,000	11,195,512
Total noncurrent assets	<u>7,963,159</u>	<u>3,142,353</u>	<u>90,000</u>	<u>11,195,512</u>
<b>Total assets</b>	<u>\$ 11,094,386</u>	<u>\$ 3,150,348</u>	<u>\$ 183,958</u>	<u>\$ 14,428,692</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 30,133	\$ 76	\$ -	\$ 30,209
Wages and benefits payable	4,449	-	-	4,449
Other accrued liabilities	8,019	-	-	8,019
Compensated absences, current	15,689	-	-	15,689
Notes payable, current	119,089	-	-	119,089
Total current liabilities	<u>177,379</u>	<u>76</u>	<u>-</u>	<u>177,455</u>
Liabilities payable from restricted assets:				
Accrued interest payable	4,792	-	-	4,792
Customer deposits payable	132,583	-	-	132,583
Bonds payable, current	205,000	-	-	205,000
Total liabilities payable from restricted assets	<u>342,375</u>	<u>-</u>	<u>-</u>	<u>342,375</u>
Noncurrent liabilities:				
Notes payable, non-current	1,800,185	-	-	1,800,185
Bonds payable, noncurrent	1,945,000	-	-	1,945,000
Total noncurrent liabilities	<u>3,745,185</u>	<u>-</u>	<u>-</u>	<u>3,745,185</u>
<b>Total liabilities</b>	<u>4,264,939</u>	<u>76</u>	<u>-</u>	<u>4,265,015</u>
<b>NET POSITION</b>				
Net investment in capital assets	3,893,885	3,142,353	90,000	7,126,238
Restricted	1,098,050	-	-	1,098,050
Unrestricted	<u>1,837,512</u>	<u>7,919</u>	<u>93,958</u>	<u>1,939,389</u>
<b>Total net position</b>	<u>\$ 6,829,447</u>	<u>\$ 3,150,272</u>	<u>\$ 183,958</u>	<u>\$ 10,163,677</u>

**City of Fairview, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Year Ended June 30, 2016**

	<b>Fairview Utility Authority</b>	<b>Fairview Airport Authority</b>	<b>Fairview Economic Development Authority</b>	<b>Total Enterprise Funds</b>
<b>Operating revenues:</b>				
Charges for services:				
Electric charges	\$ 3,095,666	\$ -	\$ -	\$ 3,095,666
Water charges	390,157	-	-	390,157
Sewer charges	311,750	-	-	311,750
Sanitation charges	416,210	-	-	416,210
Patient services	-	-	-	-
Penalties	55,063	-	-	55,063
Total charges for services	<u>4,268,846</u>	<u>-</u>	<u>-</u>	<u>4,268,846</u>
Lease and rental income	-	16,752	15,099	31,851
Miscellaneous	76,725	-	-	76,725
Total operating revenues	<u>4,345,571</u>	<u>16,752</u>	<u>15,099</u>	<u>4,377,422</u>
<b>Operating expenses:</b>				
Cost of goods sold	-	-	-	-
Personal services	724,247	-	-	724,247
Materials and supplies	223,593	-	5,033	228,626
Other services and charges	2,546,850	39,082	12,000	2,597,932
Depreciation and amortization	400,019	108,970	-	508,989
Total operating expenses	<u>3,894,709</u>	<u>148,052</u>	<u>17,033</u>	<u>4,059,794</u>
Net operating income	450,862	(131,300)	(1,934)	317,628
<b>Nonoperating revenue (expense):</b>				
Grants and contributions	-	109,692	-	109,692
Intergovernmental	394,492	-	-	394,492
Investment income	6,199	88	148	6,435
Gain on sale of property	-	-	91,196	91,196
Interest expense	(165,962)	-	-	(165,962)
Total nonoperating revenue (expense)	<u>234,729</u>	<u>109,780</u>	<u>91,344</u>	<u>435,853</u>
<b>Net Income before contributions and transfers</b>	685,591	(21,520)	89,410	753,481
Transfers from other funds	187,986	127,479	30,635	346,100
Transfers to other funds	(660,953)	(187,986)	-	(848,939)
<b>Change in net position</b>	212,624	(82,027)	120,045	250,642
Net position-beginning of year	6,616,823	3,232,299	63,913	9,913,035
Net position-end of year	<u>\$ 6,829,447</u>	<u>\$ 3,150,272</u>	<u>\$ 183,958</u>	<u>\$ 10,163,677</u>

**City of Fairview, Oklahoma**  
**Statement of Cash Flows**  
**Year Ended June 30, 2016**

	<b>Fairview Utility Authority</b>	<b>Fairview Airport Authority</b>	<b>Fairview Economic Development Authority</b>
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 4,201,400	\$ 34,177	\$ 15,099
Payments to suppliers	(2,906,807)	(40,676)	(17,033)
Payments to employees	(753,591)	-	-
Other operating revenues	76,725	-	-
<b>Net cash provided (used) by operating activities</b>	<b>617,727</b>	<b>(6,499)</b>	<b>(1,934)</b>
<b>Cash flows from non-capital financing activities:</b>			
Receipts under interfund agreements	394,492	-	-
Transfers from other funds	187,986	127,479	30,635
Transfers to other funds	(660,953)	(187,986)	-
Payments on financed insurance	-	-	-
Proceeds from line of credit	-	-	-
Payments on line of credit	-	-	-
Non capital contributions and donations	-	-	-
<b>Net cash provided (used) by non-capital financing activities</b>	<b>(78,475)</b>	<b>(60,507)</b>	<b>30,635</b>
<b>Cash flows from capital and related financing activities:</b>			
Purchases of capital assets	(243,443)	(127,479)	(70,000)
Gain on sale of capital assets	-	-	91,196
Principal paid on bonds and notes	(366,046)	-	-
Issuance of debt	195,683	-	-
Interest and fiscal charges paid on bonds and notes	(161,170)	-	-
Capital grants and contributions	-	109,692	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(574,976)</b>	<b>(17,787)</b>	<b>21,196</b>
<b>Cash flows from investing activities:</b>			
Investment income	6,199	88	148
<b>Net cash provided (used) by investing activities</b>	<b>6,199</b>	<b>88</b>	<b>148</b>
Net increase (decrease) in cash and cash equivalents	(29,525)	(84,705)	50,045
Cash and cash equivalents, July 1, 2015	2,138,482	92,420	43,913
Cash and cash equivalents, June 30, 2016	<u>\$ 2,108,957</u>	<u>\$ 7,715</u>	<u>\$ 93,958</u>
Cash, including time deposits	\$ 848,324	\$ 7,715	\$ 93,958
Restricted cash, including time deposits	1,260,633	-	-
Total cash and cash equivalents, end of year	<u>\$ 2,108,957</u>	<u>\$ 7,715</u>	<u>\$ 93,958</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ 450,862	\$ (131,300)	\$ (1,934)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	400,019	108,970	-
Provision for bad debts	-	-	-
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(67,446)	17,425	-
(Increase) decrease in due from other funds	(127,899)	-	-
(Increase) decrease in inventory	-	-	-
(Increase) decrease in prepaid deposits	-	-	-
(Increase) decrease in third party payors	-	-	-
Increase (decrease) in accounts payable	(8,465)	(1,594)	-
Increase (decrease) in payroll liabilities	(23,050)	-	-
Increase (decrease) in compensated absences	(6,294)	-	-
Total adjustments	<u>166,865</u>	<u>124,801</u>	<u>-</u>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 617,727</b>	<b>\$ (6,499)</b>	<b>\$ (1,934)</b>

**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, 2016.

**(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 head 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 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, 2016, 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 City's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

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

***Fund Financial Statements:***

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

***Measurement Focus and Basis of Accounting***

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

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

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

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

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

***Restricted Assets***

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

***Use of Estimates***

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

***Interfund Balances***

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

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

**(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:

Fund	Brief Description	Major vs. Non-Major
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**

Fund	Brief Description
Fairview Utility Authority	Accounts for the activities of the public trust in providing all public utilities
Fairview Airport Authority	Accounts for the activities of the public trust in providing airport operations
Fairview 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. At June 30, 2016, the City had \$662,965 held in uncollateralized liquid assets.

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 net investment in capital assets, 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 net investment in capital assets and legally restricted amounts are separated from unrestricted net position.

#### **Net investment in capital assets**

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.

#### **Unrestricted net position**

This consists of net position that does not meeting the criteria of "restricted" or "net investment in capital assets".

#### *Deferred Outflows of Resources and Deferred Inflows of Resources*

In addition to assets and liabilities, the statement of financial position and the governmental fund balance sheet may report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time.

### **(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
- 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, 2016, 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 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, 2016, 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, 2016, 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, 2016, 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, 2016, 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	\$ 381,017	\$ 381,017	N/A	4.27
Total proprietary investments	<u>\$ 381,017</u>	<u>\$ 381,017</u>		
Grand total investments	<u>\$ 381,017</u>	<u>\$ 381,017</u>		

**Reconciliation to Statement of Net Position**

Investments	\$ 206,017
Restricted Investments	<u>175,000</u>
Total Investments	<u>\$ 381,017</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 \$149,378 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:

	<i>Restated</i>			
	<b>Balance at July 1, 2015</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance at June 30, 2016</b>
Land and construction in process	\$ 145,650	\$ 7,495	\$ -	\$ 153,145
Buildings	2,794,618	-	-	2,794,618
Other improvements	1,262,313	38,355	-	1,300,668
Machinery, furniture & equip.	1,450,107	435,085	-	1,885,192
	<u>5,652,688</u>	<u>480,935</u>	<u>-</u>	<u>6,133,623</u>
Less accumulated depreciation	3,233,991	316,890	-	3,550,881
Net property, plant, & equipment	<u>\$ 2,418,697</u>			<u>\$ 2,582,742</u>

Business-Type Activities

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

	<b>Balance at July 1, 2015</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance at June 30, 2016</b>
Land	\$ 756,914	\$ 70,000	\$ -	\$ 826,914
Buildings	3,851,201	-	-	3,851,201
Machinery, furniture, & equip	1,630,594	84,013	-	1,714,607
Infrastructure/utility system	10,614,553	322,142	-	10,936,695
Construction in progress	54,605	-	54,605	-
	<u>16,907,867</u>	<u>476,155</u>	<u>54,605</u>	<u>17,329,417</u>
Less accumulated depreciation	5,624,916	508,989	-	6,133,905
Net property, plant, & equipment	<u>\$ 11,282,951</u>			<u>\$ 11,195,512</u>

Fixed assets of the Enterprise Funds were comprised of the following at June 30, 2016:

	<b>Fairview Utility Authority</b>	<b>Fairview Airport Authority</b>	<b>Economic Development Authority</b>	<b>Total</b>
Land	\$ 725,186	\$ 11,728	\$ 90,000	\$ 826,914
Buildings	3,851,201	-	-	3,851,201
Machinery, furniture, & equip.	1,714,607	-	-	1,714,607
Infrastructure	6,796,219	4,140,476	-	10,936,695
Construction in progress	-	-	-	-
	<u>13,087,213</u>	<u>4,152,204</u>	<u>90,000</u>	<u>17,329,417</u>
Less accumulated depreciation	5,124,054	1,009,851	-	6,133,905
Net property, plant, & equipment	<u>\$ 7,963,159</u>	<u>\$ 3,142,353</u>	<u>\$ 90,000</u>	<u>\$ 11,195,512</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:	\$ 16,609	Electric	\$ 47,363
Public safety and judiciary:	59,278	Water	67,060
Transportation:	92,085	Sewer	124,295
Cultural, parks and recreation:	148,919	Sanitation	49,427
Parks	<u>\$ 316,891</u>	General government	108,699
		Golf Course	3,175
		Airport	<u>108,970</u>
			<u>\$ 508,989</u>

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

Business-Type Activities

As of June 30, 2016, 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, 2015 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. \$ 144,600

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 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. 1,578,991

Note payable to Farmers and Merchants Bank in the original amount of \$195,683, carrying an interest rate of 2.9%, maturing September 2020. Loan was used to provide short term capital to the Fairview Airport Authority. 195,683

Total notes payable \$ 1,919,274

**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. \$ 2,150,000

Total revenue bonds payable \$ 2,150,000

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

	<u>Balance at July 1, 2015</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2016</u>	<u>Due Within One Year</u>
Business-type activities					
<i>Notes payable</i>					
OWRB 1992	\$ 180,300	\$ -	\$ 35,700	\$ 144,600	\$ 38,600
OWRB 2010	1,695,201	-	116,210	1,578,991	80,489
Farmers & Merchants	58,272	195,683	58,272	195,683	37,713
<i>Total notes payable</i>	<u>1,933,773</u>	<u>195,683</u>	<u>210,182</u>	<u>1,919,274</u>	<u>156,802</u>
Revenue bonds payable	2,345,000	-	195,000	2,150,000	205,000
Total business-type activities	<u>\$ 4,278,773</u>	<u>\$ 195,683</u>	<u>\$ 405,182</u>	<u>\$ 4,069,274</u>	<u>\$ 361,802</u>

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2016 are as follows:

Year Ending June 30	<u>Notes Payable</u>		<u>Revenue Bonds</u>	
	Principal	Interest	Principal	Interest
2017	\$ 156,802	\$ 47,288	\$ 205,000	\$ 94,500
2018	163,661	43,403	225,000	85,051
2019	170,832	39,363	235,000	74,813
2020	148,410	35,530	255,000	64,013
2021	129,504	32,190	275,000	52,313
2022-2026	501,011	122,854	955,000	77,625
2027-2031	649,054	52,763	-	-
Totals	<u>\$ 1,919,274</u>	<u>\$ 373,391</u>	<u>\$ 2,150,000</u>	<u>\$ 448,315</u>

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

Operating transfers for the year ended June 30, 2016 were as follows:

<u>OPERATING TRANSFERS:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>GENERAL FUND:</u>		
Utility Authority (an enterprise fund)	\$ 452,902	\$ -
Total General Fund	<u>452,902</u>	<u>-</u>
<u>SPECIAL REVENUE FUNDS:</u>		
2012 Sales Tax Fund :		
Utility Authority (an enterprise fund)	49,937	-
Total Special Revenue Fund	<u>49,937</u>	<u>-</u>
<u>ENTERPRISE FUNDS:</u>		
Fairview Utility Authority:		
General Fund	-	452,902
2012 Sales Tax Fund ( a special revenue fund)	-	49,937
Sales Tax 65% Fund ( a special revenue fund)	-	-
Airport Authority (an enterprise fund)	187,986	127,479
Economic Authority (an enterprise fund)	30,635	-
Fairview Airport Authority:		
Utility Authority (an enterprise fund)	127,479	187,986
Fairview Economic Development Authority:		
Utility Authority (an enterprise fund)	-	30,635
Total Enterprise Funds	<u>346,100</u>	<u>848,939</u>
Total cash transfers	<u>\$ 848,939</u>	<u>\$ 848,939</u>
GRAND TOTAL	<u>\$ 848,939</u>	<u>\$ 848,939</u>

**(F) Sale of Minerals**

In August 2015, the City sold 160 net mineral acres for \$852 per net acre. The gain on sale is reported in the statement of activities in governmental activities.

**NOTE 4: OTHER NOTES**

**(A) Employee Pension and Other Benefit Plans:**

*Oklahoma Municipal Retirement Fund Defined Contribution Plan*

Substantially all of the City's full time employees, with the exception of firefighters, participate in a defined contribution plan, the "Plan", administered by the Oklahoma Municipal Retirement System (OMRF), a statewide fund established to administer pension plans for municipal employees. As of June 30, 2015, the Plan covered 29 employees with a total payroll of \$1,015,360.

Employees are required to contribute a minimum of 3% to the Plan, but can contribute additional funds. The City contributes 4% of the covered employee's payroll. 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. Employees are 50% vested in employer contributions after 5 years of service with increasing vesting percentages until they are fully vested after 10 years of service.

Total employer contribution expense was \$40,614 for fiscal year 2016, while the employees contributed \$43,593. The Plan is administered by the Oklahoma Municipal Retirement Fund. The Plan has been established and can be amended by City Council's approval of an ordinance and Joinder agreement.

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.

*Firefighters Pension & Retirement Plan (FPRS)*

Plan Description – The City of Fairview, as the employer, participates in the Firefighters Pension & Retirement – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at [www.ok.gov/fprs](http://www.ok.gov/fprs).

Benefits provided – FPRS provides retirement, disability and death benefits to members of the plan.

Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per years of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$1,200 (fiscal year contributions).

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$3,298 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2015. Based upon this information the City's proportion was 0.003137%.

For the year ended June 30, 2016, the City recognized pension expense of \$(14,566). At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 658	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,180	3,663
Changes in proportion and differences between City contributions and proportionate share of contributions	-	92,364
City contributions subsequent to the measurement date	-	-
	\$ 1,838	\$ 96,027
Total		

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$(20,668)
2018	(20,668)
2019	(20,668)
2020	(15,765)
2021	(16,424)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation:	3%
Salary increases:	3.5% to 9.0% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expense

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

<u>Target Asset Class</u>	<u>Long-Term Expected Allocation</u>	<u>Real Rate of Return</u>
Fixed income	20%	5.48%
Domestic equity	37%	9.61%
International equity	20%	9.24%
Real Estate	10%	7.76%
Other assets	13%	6.88%

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percent point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability/(asset)	43,232	33,298	24,963

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS; which can be located at [www.ok.gov/fprs](http://www.ok.gov/fprs).

**(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 \$75,000 line of credit to the Fairview Regional Medical Center at the request of the Fairview Municipal Hospital Authority. At June 30, 2016, the Fairview Regional Medical Center had drawn \$75,000 on the line. The line of credit carries a 4.9% interest rate to be repaid in twelve months.

**(C) Restatement of Beginning Net Position**

The City's net position for governmental funds was restated by \$32,803 resulting from the changes in the City's pension obligation.

**(D) Subsequent Events**

The City of Fairview has incurred a breach of contract and has issued a written notice with intent to terminate the services of Cunningham Sandblasting and Painting, Inc for failure to perform work in accordance with the contract documents. An estimate of possible loss cannot be made therefore; no contingency loss accrual has been reflected in the financial statements.

**City of Fairview, Oklahoma**  
**General Fund**  
**Year Ended June 30, 2016**  
**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	\$ 398,636	\$ (3,000)	\$ 395,636	\$ 389,835	\$ (5,801)
Use taxes	94,997	4,000	98,997	97,511	(1,486)
Franchise taxes	25,000	-	25,000	27,001	2,001
Beverage taxes	59,647	5,000	64,647	66,345	1,698
Other taxes	29,650	-	29,650	51,202	21,552
Licenses and permits	2,600	-	2,600	4,615	2,015
Fines and forfeitures	34,650	-	34,650	42,768	8,118
Charges for services	21,500	-	21,500	22,314	814
Rent and royalties	30,000	136,000	166,000	167,082	1,082
Interest income	1,000	-	1,000	1,114	114
Intergovernmental	500	169,541	170,041	168,778	(1,263)
Miscellaneous	12,500	148,000	160,500	290,158	129,658
Total revenues before carryover	<u>710,680</u>	<u>459,541</u>	<u>1,170,221</u>	<u>1,328,723</u>	<u>158,502</u>
<b>EXPENDITURES</b>					
General government:					
General government	319,575	-	319,575	310,990	8,585
Total general government	<u>319,575</u>	<u>-</u>	<u>319,575</u>	<u>310,990</u>	<u>8,585</u>
Public safety and judiciary:					
Legal and courts	15,750	4,000	19,750	18,524	1,226
Police	530,000	15,000	545,000	544,557	443
Animal control	-	7,000	7,000	6,534	466
Fire	128,000	(2,682)	125,318	125,242	76
Code enforcement	39,000	6,000	45,000	44,548	452
Total public safety and judiciary	<u>712,750</u>	<u>29,318</u>	<u>742,068</u>	<u>739,405</u>	<u>2,211</u>
Transportation:					
Streets	183,000	124,955	307,955	144,759	163,196
Total transportation	<u>183,000</u>	<u>124,955</u>	<u>307,955</u>	<u>144,759</u>	<u>163,196</u>
Cultural, parks and recreation:					
Parks	103,500	30,000	133,500	132,138	1,362
Library	151,250	100,000	251,250	177,549	73,701
Cemetery	5,500	-	5,500	-	5,500
Event center	81,000	-	81,000	61,842	19,158
Total cultural, parks and recreation	<u>341,250</u>	<u>130,000</u>	<u>471,250</u>	<u>371,529</u>	<u>80,563</u>
Total expenditures	<u>1,556,575</u>	<u>284,273</u>	<u>1,840,848</u>	<u>1,566,683</u>	<u>254,555</u>
Revenue over (under) expenditures	(845,895)	175,268	(670,627)	(237,960)	(96,053)
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers, net	600,000	-	600,000	452,734	(147,266)
Net other financing sources (uses)	<u>600,000</u>	<u>-</u>	<u>600,000</u>	<u>452,734</u>	<u>(147,266)</u>
Revenues and other financing sources over (under) expenditures and other uses	(245,895)	175,268	(70,627)	214,774	(243,319)
Fund balance at beginning of year (Non-GAAP budgetary basis)				<u>1,017,778</u>	<u>1,017,778</u>
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 1,232,552	<u>\$ 774,459</u>
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>					
Revenue and expenditure accruals				(51,050)	
Fund balance at end of year (GAAP basis)				<u>\$ 1,181,502</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, 2016  
Budget and Actual (Non-GAAP Budgetary Basis)

	Approved Budget	Revisions	Amended Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES</b>					
Sales taxes	\$ 398,636	\$ (3,000)	\$ 395,636	\$ 389,835	\$ (5,801)
Interest income	400	-	400	785	385
Other income	570,550	-	570,550	4,657	(565,893)
Total revenues before carryover	<u>969,586</u>	<u>(3,000)</u>	<u>966,586</u>	<u>395,277</u>	<u>(571,309)</u>
<b>EXPENDITURES</b>					
General government:					
Capital projects	1,165,333	195,268	1,360,601	248,808	1,111,793
Total general government	<u>1,165,333</u>	<u>195,268</u>	<u>1,360,601</u>	<u>248,808</u>	<u>1,111,793</u>
Revenue over (under) expenditures	(195,747)	(198,268)	(394,015)	146,469	(1,683,102)
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers, net	-	195,268	195,268	49,937	(145,331)
Net other financing sources (uses)	<u>-</u>	<u>195,268</u>	<u>195,268</u>	<u>49,937</u>	<u>(145,331)</u>
Revenues and other financing sources over (under) expenditures and other uses	(195,747)	(3,000)	(198,747)	196,406	(1,828,433)
Fund balance at beginning of year (Non-GAAP budgetary basis)				<u>659,403</u>	<u>659,403</u>
Fund balance at end of year (Non-GAAP budgetary basis)				\$ 855,809	<u>\$ (1,169,030)</u>
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>					
Revenue and expenditure accruals				35,566	
Fund balance at end of year (GAAP basis)				<u>\$ 891,375</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.

**Schedules of Required Supplementary Information**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Oklahoma Fire Pension Retirement Plan  
Year Ended June 30, 2016**

	<u>2015*</u>	<u>2016*</u>
City's portion of the net pension liability (asset)	0.0126%	0.0031%
City's proportionate share of the net pension liability (asset)	\$ 129,593	\$ 33,298
City's covered-employee payroll	\$ 28,057	\$ 64,480
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	462%	52%
Plan fiduciary net position as a percentage of the total pension liability	-0.44%	0.003%

\* The amount presented for each fiscal year were determined as of the fiscal year-end that occurred previous

**SCHEDULE OF CITY CONTRIBUTIONS  
Oklahoma Fire Pension Retirement Plan**

	<u>2015*</u>	<u>2016*</u>
Contractually required contribution	\$ 4,710	\$ 1,200
Contributions in relation to the contractually required contribution	<u>(4,710)</u>	<u>(1,200)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 28,057	\$ 64,480
Contributions as a percentage of covered-employee payroll	16.79%	1.86%

Only the current 2 fiscal years are presented because 10 year data is not yet available.

**City of Fairview, Oklahoma  
Combining Balance Sheet  
Non-Major Governmental Funds  
June 30, 2016**

	<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	\$ -	\$ 167,367	\$ 18,838	\$ 186,205
Total assets	<u>\$ -</u>	<u>\$ 167,367</u>	<u>\$ 18,838</u>	<u>\$ 186,205</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 10,272	\$ -	\$ 10,272
Total liabilities	<u>-</u>	<u>10,272</u>	<u>-</u>	<u>10,272</u>
<b>FUND BALANCES</b>				
Reserved	-	-	18,838	18,838
Committed	-	157,095	-	157,095
Total fund balances	<u>-</u>	<u>157,095</u>	<u>18,838</u>	<u>175,933</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 167,367</u>	<u>\$ 18,838</u>	<u>\$ 186,205</u>

**City of Fairview, Oklahoma**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**June 30, 2016**

	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	\$ 12	\$ 199	\$ -	\$ 211
Charges for services	-	-	3,520	3,520
Intergovernmental programs	-	20,000	-	20,000
Donations	-	-	-	-
Gain on sale of assets	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>12</u>	<u>20,199</u>	<u>3,520</u>	<u>23,731</u>
<b><u>EXPENDITURES</u></b>				
Current:				
General government:				
General government	-	11,147	-	11,147
Total general government	<u>-</u>	<u>11,147</u>	<u>-</u>	<u>11,147</u>
Cultural, parks and recreation:				
Cemetery	-	-	3,604	3,604
Total cultural, parks and recreation	<u>-</u>	<u>-</u>	<u>3,604</u>	<u>3,604</u>
Capital outlay	<u>81,623</u>	<u>113,396</u>	<u>-</u>	<u>195,019</u>
Total expenditures	<u>81,623</u>	<u>124,543</u>	<u>3,604</u>	<u>209,770</u>
Excess (deficiency) of revenues over expenditures	<u>(81,611)</u>	<u>(104,344)</u>	<u>(84)</u>	<u>(186,039)</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in/(out)	-	-	84	84
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>84</u>	<u>84</u>
Net change in fund balances	(81,611)	(104,344)	-	(185,955)
Fund balances - beginning	81,611	261,439	18,838	361,888
Fund balances - ending	<u>\$ -</u>	<u>\$ 157,095</u>	<u>\$ 18,838</u>	<u>\$ 175,933</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, each major fund, and the aggregate remaining fund information of the City of Fairview, Oklahoma, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Fairview, Oklahoma's basic financial statements, and have issued our report thereon dated December 14, 2016.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the City of Fairview, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 CPAs-PLLC*

FSW&B CPAs-PLLC  
Woodward, Oklahoma  
December 14, 2016