

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

**FINANCIAL STATEMENTS AND  
AUDITOR'S REPORTS**

**FOR THE YEAR ENDED  
JUNE 30, 2012**

THE CITY OF FAIRVIEW, OKLAHOMA  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2012

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

**CITY OF FAIRVIEW, OKLAHOMA**  
**YEAR ENDED JUNE 30, 2012**  
**LIST OF PRINCIPAL OFFICIALS**

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MAYOR  
Garen Martens

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

CITY MANAGER  
Dale Sides

CITY CLERK  
Sally Jantz

CITY TREASURER  
Sally Jantz

# Derrel S. White, CPA

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

## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Fairview, OK

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Fairview, OK, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Fairview, OK's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairview, OK, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairview, OK's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Derrel S. White, CPA

Woodward, OK

January 2, 2012

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, 2012. 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, 2012, the City's total net assets, excluding discretely presented component units, were \$11,312,196, which was an increase of \$668,768 or 6% over prior year's balance of \$10,643,428.
- During the year, City's expenses for governmental activities amounted to \$1,310,513 and were funded by program revenues of \$317,723 and further funded programs with taxes and other general revenues and transfers that totaled \$1,078,247.
- In the City's business-type activities, including utilities and the airport, program revenues exceeded expenses by \$519,190, mainly attributable to utility revenues and sales tax restricted for debt payments. In addition, general revenues totaled \$64,121, which included interest and penalties.
- At June 30, 2012, the General Fund reported an unassigned fund balance of \$89,942, an increase of 12% over prior year unreserved, undesignated fund balance.
- For budgetary reporting purposes, the General Fund reported actual revenues above final estimates of revenues by \$51,668 or 8%, while expenditures were under the final appropriations by \$119,590 or 11%.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Reporting the City as a Whole

##### The Statement of Net Assets and the Statement of Activities

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

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

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

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

- Governmental activities- Most of the City's basic services are reported here, including the police, fire, general administration, streets, and parks. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- Business-type activities- The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's electric, water, wastewater, and sanitation activities are reported here.

**Reporting the City's Most Significant Funds**

Fund Financial Statements

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

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

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

**A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

Net Assets

The City's combined net assets, excluding component units, increased from \$10,643,428 to \$11,312,196 between fiscal years 2011 and 2012. Business-type activities reported an increase in net assets during the year while governmental activities noted a slight decrease.

	Governmental Activities		Business-Type Activities		Total		\$ Change	% Change
	2012	2011	2012	2011	2012	2011		
Current assets	\$ 1,257,145	\$ 1,047,727	\$ 2,185,360	\$ 1,866,394	\$ 3,442,505	\$ 2,914,121	\$ 528,384	18%
Non-current assets	-	-	128,174	137,888	128,174	137,888	(9,714)	-7%
Capital assets, net	2,745,328	2,995,793	10,167,369	9,439,879	12,912,697	12,435,672	477,025	4%
<b>Total assets</b>	<b>4,002,473</b>	<b>4,043,520</b>	<b>12,480,903</b>	<b>11,444,161</b>	<b>16,483,376</b>	<b>15,487,681</b>	<b>995,695</b>	<b>6%</b>
Current liabilities	27,612	41,781	416,622	444,511	444,234	486,292	(42,058)	-9%
Non-current liabilities	-	-	4,717,946	4,357,961	4,717,946	4,357,961	359,985	8%
<b>Total liabilities</b>	<b>27,612</b>	<b>41,781</b>	<b>5,134,568</b>	<b>4,802,472</b>	<b>5,162,180</b>	<b>4,844,253</b>	<b>317,927</b>	<b>7%</b>
<b>Net assets</b>								
Invested in capital assets, net of related debt	2,745,328	2,995,793	5,410,181	5,077,024	8,155,509	8,072,817	82,692	1%
Restricted	88,541	94,307	-	-	88,541	94,307	(5,766)	-6%
Unrestricted	1,140,992	911,639	1,936,154	1,564,665	3,077,146	2,476,304	600,842	24%
<b>Total net assets</b>	<b>\$ 3,974,861</b>	<b>\$ 4,001,739</b>	<b>\$ 7,346,335</b>	<b>\$ 6,641,689</b>	<b>\$ 11,321,196</b>	<b>\$ 10,643,428</b>	<b>\$ 677,768</b>	<b>6%</b>

CITY OF FAIRVIEW, OKLAHOMA  
MANAGEMENT DISCUSSION & ANALYSIS  
JUNE 30, 2012

Changes in Net Assets

For the year ended June 30, 2012, net assets of the primary government changed as follows:

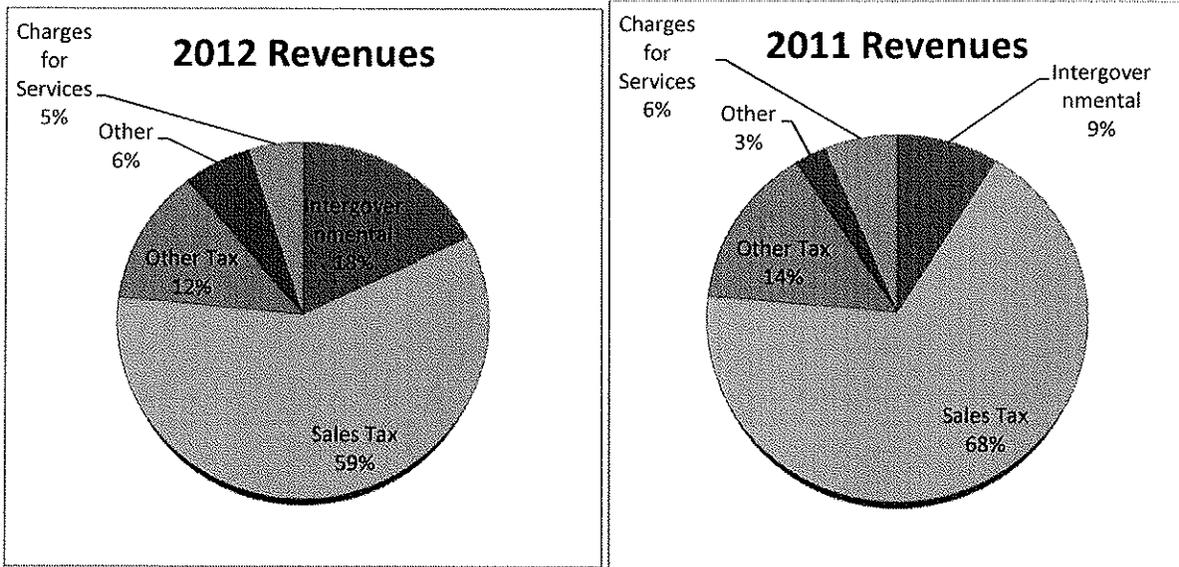
	Governmental Activities		Business-type Activities		Total		\$ Change	% Change
	2012	2011	2012	2011	2012	2011		
<b>Revenues</b>								
Program revenues	\$ 317,724	\$ 165,584	\$ 4,424,865	\$ 4,072,074	\$ 4,742,589	\$ 4,237,658	\$ 504,931	12%
Taxes and other general revenues	1,078,249	915,415	64,121	76,741	1,142,370	992,156	150,214	15%
<b>Total revenues</b>	<b>1,395,973</b>	<b>1,080,999</b>	<b>4,488,986</b>	<b>4,148,815</b>	<b>5,884,959</b>	<b>5,229,814</b>	<b>655,145</b>	<b>27%</b>
<b>Expenses</b>								
General government	162,365	168,870	-	-	162,365	168,870	(6,505)	-4%
Public safety and judiciary	549,706	548,674	-	-	549,706	548,674	1,032	0%
Transportation	267,986	276,741	-	-	267,986	276,741	(8,755)	-3%
Cultural, parks, and recreation	299,781	293,930	-	-	299,781	293,930	5,851	2%
Economic development	30,678	48,767	81,034	28,308	111,712	77,075	34,637	45%
Electric	-	-	2,424,673	2,233,761	2,424,673	2,233,761	190,912	9%
Water	-	-	235,049	194,851	235,049	194,851	40,198	21%
Sewer	-	-	97,226	116,645	97,226	116,645	(19,419)	-17%
Sanitation	-	-	290,771	289,344	290,771	289,344	1,427	0%
Airport	-	-	62,500	70,448	248,887	70,448	178,439	253%
Customer service	-	-	714,422	642,681	498,502	642,681	(144,179)	-22%
<b>Total expenses</b>	<b>1,310,516</b>	<b>1,336,982</b>	<b>3,905,675</b>	<b>3,576,038</b>	<b>5,186,658</b>	<b>4,913,020</b>	<b>273,638</b>	<b>6%</b>
Excess (deficiency) before transfers	\$ 85,457	\$ (255,983)	\$ 583,311	\$ 572,777	\$ 698,301	\$ 316,794	\$ 381,507	120%
Transfers	(112,335)	283,830	112,335	(283,830)	-	-	-	0%
<b>Increase (decrease) in net assets</b>	<b>\$ (26,878)</b>	<b>\$ 27,847</b>	<b>\$ 695,646</b>	<b>\$ 288,947</b>	<b>\$ 698,301</b>	<b>\$ 316,794</b>	<b>\$ 381,507</b>	<b>120%</b>

The City's governmental activities' decrease in net assets of \$26,878 represents a 1% decrease over the prior year. The most significant contributing factor to this change was an increase in transfers to the business-type activities for purchases made in the limited sales tax funds. The business-type activities' increase in net assets of \$695,646 represents a 10% positive change in net assets. Revenues for business-type activities were up due to an increase in utility billings through customer usage. Expenses remained consistent with prior year, noting a 5% change. As a whole, the City's financial condition improved from the prior year.

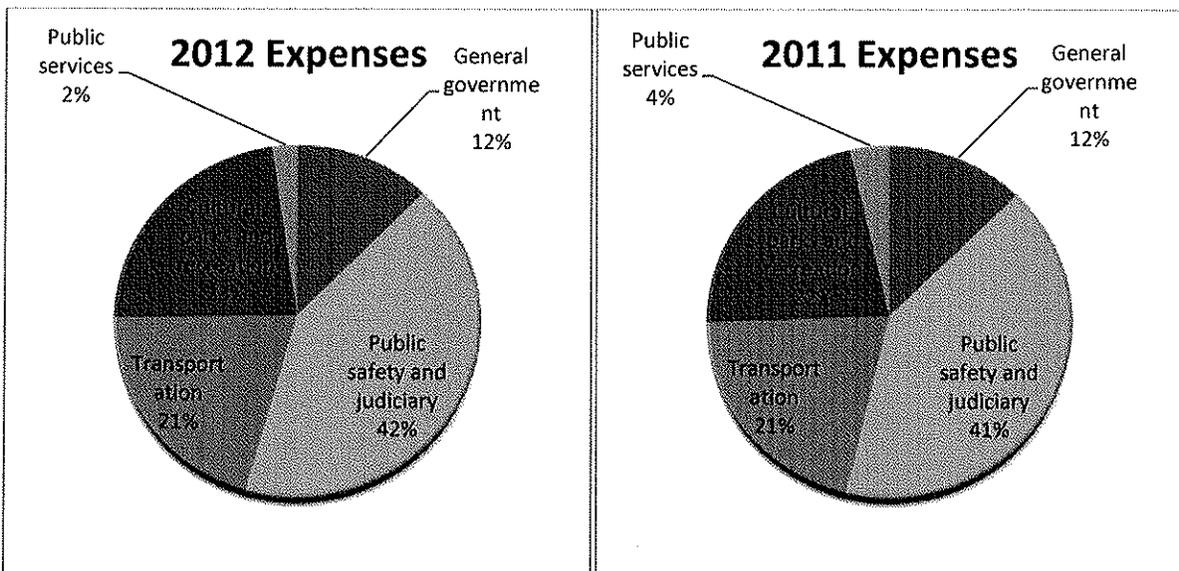
Governmental Activities

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

For the year ended June 30, 2012, the City's governmental activities were funded as follows:



Sales tax provided the largest source of funding for governmental activities at 59% in the current year compared to 68% in the prior year with other taxes, including use tax, alcohol beverage tax, and franchise taxes contributing 12% of the funding for the fiscal year. Intergovernmental revenues also represented 18% of funding as compared to 9% of funding in the prior year. Intergovernmental revenues include grants and contributions from external governmental agencies.

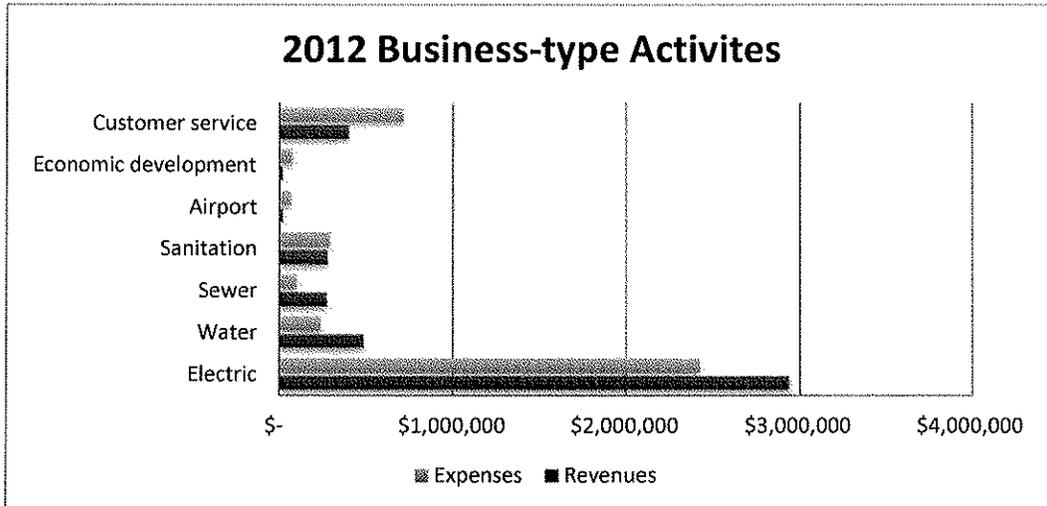


For the year ended June 30, 2012, total expenses for governmental activities by department allocation were consistent with prior year.

Business-type Activities

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

- Total business-type activities reported net operating revenue of \$519,190, before transfers and miscellaneous income, for the year ended June 30, 2012.
- Electric, water, and sewer, reported net revenue for the year ended June 30, 2012, while the sanitation, airport, economic development, and customer service reported net expenses, as detailed below.



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

As the City completed its 2012 fiscal year, the governmental funds reported a combined fund balance of \$1,229,533 or 22% increase from the prior year.

Other fund highlights include:

- For the year ended June 30, 2012, the General Fund's total fund balance increased by \$17,662 or 12%.
- The other governmental funds' total fund balance increased \$205,925 or 24%. The most significant increase was noted in the Sales Tax 65% fund.

General Fund Budgetary Highlights

The adopted General Fund budget for the fiscal year 2012 was \$1,088,983. This was an increase of approximately 4% over the previous year's budget. The adopted budget was not amended during the fiscal year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

At the end of June 30, 2012, the City had \$8,155,509 invested in capital assets, net of depreciation, including vehicles and equipment for police and fire operations, park facilities, and street activities in governmental activities and electric lines, water lines and sewer lines in business-type activities.

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

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Land	97,848	117,518	717,239	700,789	815,087	818,307
Buildings	1,427,394	1,524,450	3,006,124	3,055,657	4,433,518	4,580,107
Other improvements	778,816	826,360	-	-	778,816	826,360
Machinery & equipment	444,270	527,465	115,731	123,001	560,001	650,466
Utility property & improvements	-	-	4,472,849	3,729,641	4,472,849	3,729,641
Airport infrastructure	-	-	1,794,802	1,794,802	1,794,802	1,794,802
Construction in process	-	-	60,624	35,989	60,624	35,989
<b>Totals</b>	<b>2,748,328</b>	<b>2,995,793</b>	<b>10,167,369</b>	<b>9,439,879</b>	<b>12,915,697</b>	<b>12,435,672</b>

This year's more significant capital asset additions included:

- In Governmental Activities, \$20,371 for a phone system and approximately \$10,000 in signal lights on Main Street.
- In Business-type Activities, over \$944,000 for sewer lagoon improvements and water improvements and \$36,900 in conference center renovations.

Long-Term Debt

During the fiscal year, the City completed the line of construction for the lagoon improvements. This increase in debt is offset by payments made on existing long term debt. Changes in long-term debt by type of debt are as follows: Note the City's discretely presented component unit is excluded from the table below.

**Primary Government Long-Term Debt**

	Business-type	
	Activities	
	2012	2011
Revenue bonds	2,840,000	4,208,943
Notes payable	2,045,362	291,800
subtotal	4,885,362	4,500,743
less current portion	(255,986)	(168,200)
<b>Total long term debt</b>	<b>4,629,376</b>	<b>4,332,543</b>

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

Economic Environment

The City of Fairview has been insulated, for the most part, from the national economic recession. Overall tax revenues for the City increased during fiscal year 2012 showing improvement of approximately 9%. This increase is in addition to the 9% increase noted from fiscal year 2011. Utility revenues showed modest increase of 8% due to the rate structure and increase in demand. Because the City has effective processes in place to deal with the economic declines, the impact on the City has not been as detrimental as it has in other cities and other part of the country. Continued improvement in the economic position is cautiously projected.

Governmental Activities

General fund revenues are expected increase during fiscal year 2012 due to an increase in sales tax and fine revenues. Total expenses are budgeted to increase accordingly with a 3.8% change over prior year. The most significant increase is related to

personnel services. The General fund will be funded in part by transfers from the Utility Authority in the amount of \$482,715, which is consistent with prior year. No significant capital projects are budgeted for the governmental activities.

Business-type Activities

Utility Authority revenues are expected to increase 2.5% over prior year attributable to increases in utility services, including electricity, water, sewer, and sanitation. The Utility Authority has budgeted a 2.9% increase in expenses, which is mainly attributable to service the new debt. After supporting the operations of governmental activities, the Utility Authority is projected to breakeven for the fiscal year.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

**City of Fairview, Oklahoma**  
**Statement of Net Assets**  
**June 30, 2012**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Unit</b>
<b>Current Assets:</b>				
Cash, including time deposits	\$ 258,832	\$ 620,550	\$ 879,382	\$ 437,157
Investments	-	202,002	202,002	-
Receivable from other governments	97,443	43,872	141,315	60,069
Accounts receivable (net)	5,481	358,245	363,726	829,871
Prepaid assets	63,628	63,628	127,256	-
Note receivable, current portion	-	-	-	29,122
Supplies	-	-	-	110,109
<b>Total current assets</b>	<b>425,384</b>	<b>1,288,297</b>	<b>1,713,681</b>	<b>1,466,328</b>
<b>Restricted assets:</b>				
Cash	831,761	722,063	1,553,824	189,006
Investments	-	175,000	175,000	-
<b>Total restricted assets</b>	<b>831,761</b>	<b>897,063</b>	<b>1,728,824</b>	<b>189,006</b>
<b>Noncurrent Assets:</b>				
Other assets	-	128,174	128,174	116,306
Land and construction in progress	97,848	777,863	875,711	-
Other capital assets (net of accumulated depreciation)	2,647,480	9,389,506	12,036,986	4,235,638
<b>Total noncurrent assets</b>	<b>2,745,328</b>	<b>10,295,543</b>	<b>13,040,871</b>	<b>4,351,944</b>
<b>Total assets</b>	<b>\$ 4,002,473</b>	<b>\$ 12,480,903</b>	<b>\$ 16,483,376</b>	<b>\$ 6,007,278</b>
<b>LIABILITIES</b>				
<b>Current liabilities:</b>				
Accounts payable	\$ 10,953	\$ 29,462	\$ 40,415	\$ 596,962
Compensated absences, current	16,659	21,587	38,246	311,826
Notes payable, current	-	100,986	100,986	388,823
<b>Total current liabilities</b>	<b>27,612</b>	<b>152,035</b>	<b>179,647</b>	<b>1,297,611</b>
<b>Liabilities payable from restricted assets:</b>				
Accrued interest payable	-	272	272	-
Customer deposits payable	-	191,101	191,101	-
Bonds payable, current	-	155,000	155,000	-
<b>Total liabilities payable from restricted assets</b>	<b>-</b>	<b>346,373</b>	<b>346,373</b>	<b>-</b>
<b>Noncurrent liabilities:</b>				
Deferred revenue	-	15,784	15,784	-
Notes payable, non-current	-	1,944,376	1,944,376	2,681,363
Bonds payable, non-current	-	2,685,000	2,685,000	-
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>4,645,160</b>	<b>4,645,160</b>	<b>2,681,363</b>
<b>Total liabilities</b>	<b>27,612</b>	<b>5,143,568</b>	<b>5,171,160</b>	<b>3,978,974</b>
<b>NET ASSETS</b>				
invested in capital assets, net of related debt	2,745,328	5,410,181	8,155,509	1,183,573
Restricted	88,541	-	88,541	249,075
Unrestricted	1,140,992	1,927,154	3,068,146	585,656
<b>Total net assets</b>	<b>\$ 3,974,861</b>	<b>\$ 7,337,335</b>	<b>\$ 11,312,196</b>	<b>\$ 2,028,304</b>

**City of Fairview, Oklahoma**  
**Statement of Activities**  
**June 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
<b>Governmental activities:</b>					
<b>General government:</b>					
General government	\$ 119,840	\$ 2,374	\$ -	\$ -	\$ (117,466)
Administration	42,525	-	-	-	(42,525)
Total general government	162,365	2,374	-	-	(159,991)
<b>Public safety and judiciary:</b>					
Legal & courts	9,554	9,788	-	-	234
Police	391,246	14,808	2,980	-	(373,458)
Animal control	35,891	821	-	-	(35,070)
Fire	113,015	3,167	5,413	-	(104,435)
Total public safety and judiciary	549,706	28,584	8,393	-	(512,729)
<b>Transportation:</b>					
Streets	267,983	-	22,425	164,700	(80,858)
Total transportation	267,983	-	22,425	164,700	(80,858)
<b>Cultural, parks and recreation:</b>					
Parks	187,804	27,916	66	-	(159,822)
Library	111,977	3,327	10,629	-	(98,021)
Total cultural, parks and recreation	299,781	31,243	10,695	-	(257,843)
<b>Community development:</b>					
Tourism	14,269	-	-	-	(14,269)
Economic developmnt	326	-	42,709	-	42,383
Cemetery	3,494	6,600	-	-	3,106
Health	12,589	-	-	-	(12,589)
Total community development	30,678	6,600	42,709	-	18,631
Total governmental activities	1,310,513	68,801	84,222	164,700	(992,790)
<b>Business-type activities:</b>					
Electric	2,424,673	2,940,492	-	-	515,819
Water	235,049	487,336	-	-	252,287
Sewer	97,226	271,129	-	-	173,903
Sanitation	290,771	278,293	-	-	(12,478)
Airport	62,500	20,672	-	-	(41,828)
Economic development	81,034	17,068	-	-	(63,966)
Customer service	714,422	-	-	409,875	(304,547)
Total business-type activities	3,905,675	4,014,990	-	409,875	519,190
Total primary government	\$ 5,216,188	\$ 4,083,791	\$ 84,222	\$ 574,575	\$ (473,600)
<b>Component unit:</b>					
Fairview Municipal Hospital	5,831,026	5,513,606	48,238	406,506	137,324
Total component unit	\$ 5,831,026	\$ 5,513,606	\$ 48,238	\$ 406,506	\$ 137,324

(Continued)

**City of Fairview, Oklahoma**  
**Statement of Activities**  
**June 30, 2012**

Changes in Net Assets:

(Continued)

	Governmental Activities	Business-type Activities	Total	Component Units
Net (expense)/revenue	\$ (992,790)	\$ 519,190	\$ (473,600)	\$ 137,324
General revenues:				
Taxes:				
Sales taxes	819,749	-	819,749	-
Use taxes	77,464	-	77,464	-
Franchise taxes	36,547	-	36,547	-
Alcoholic beverage tax	58,928	-	58,928	-
Investment income	1,323	7,080	8,403	11,935
Oil and gas royalties	38,473	-	38,473	-
Penalties	-	41,780	41,780	-
Gain (loss) on disposal of assets	-	-	-	11,964
Miscellaneous	45,763	15,261	61,024	84,913
Transfers-Internal activity	(112,335)	112,335	-	-
Total general revenues and transfers	<u>965,912</u>	<u>176,456</u>	<u>1,142,368</u>	<u>108,812</u>
Change in net assets	(26,878)	695,646	668,768	246,136
Net assets-beginning	4,001,739	6,641,689	10,643,428	1,782,168
Net assets-ending	<u>\$ 3,974,861</u>	<u>\$ 7,337,335</u>	<u>\$ 11,312,196</u>	<u>\$ 2,028,304</u>

**City of Fairview, Oklahoma  
Balance Sheet  
June 30, 2012**

	General Fund	Sales Tax 35% Improvement Fund	Sales Tax 65% Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash, including time deposits	\$ 71,470	\$ 287,474	\$ 388,604	\$ 343,045	\$ 1,090,593
Taxes receivable	51,521	15,355	28,516	2,051	97,443
Other accounts receivable	5,481	-	-	-	5,481
Prepaid deposits	63,628	-	-	-	63,628
Total assets	<u>\$ 192,100</u>	<u>\$ 302,829</u>	<u>\$ 417,120</u>	<u>\$ 345,096</u>	<u>\$ 1,257,145</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 9,212	-	-	\$ 1,741	\$ 10,953
Compensated absences, current	16,659	-	-	-	16,659
Total liabilities	<u>25,871</u>	<u>-</u>	<u>-</u>	<u>1,741</u>	<u>27,612</u>
<b>FUND BALANCES</b>					
Nonspendable	63,628	-	-	-	63,628
Reserved	-	-	-	24,913	24,913
Committed	-	302,829	417,120	133,617	853,566
Assigned	12,659	-	-	184,825	197,484
Unassigned	89,942	-	-	-	89,942
Total fund balances	<u>166,229</u>	<u>302,829</u>	<u>417,120</u>	<u>343,355</u>	<u>1,229,533</u>
Total liabilities and fund balances	<u>\$ 192,100</u>	<u>\$ 302,829</u>	<u>\$ 417,120</u>	<u>\$ 345,096</u>	<u>\$ 1,257,145</u>
Total fund balance - total governmental funds					1,229,533
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:					
Land and capital assets, net of accumulated depreciation are not financial resources and, therefore, are not reported in the funds.					
				Land	97,848
				Capital assets	5,043,757
				Less: Accumulated depreciation	<u>(2,396,277)</u>
					2,745,328
Net assets of governmental activities					<u>\$ 3,974,861</u>

**City of Fairview, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**June 30, 2012**

	General Fund	Sales Tax 35% Improvement Fund	Sales Tax 65% Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Sales tax	\$ 409,875	\$ 143,456	\$ 266,418	\$ -	\$ 819,749
Use taxes	77,464	-	-	-	77,464
Franchise taxes	36,547	-	-	-	36,547
Alcoholic beverage tax	58,928	-	-	-	58,928
Hotel/motel tax	-	-	-	42,709	42,709
Motor vehicle and gas tax	-	-	-	22,425	22,425
Licenses and permits	2,318	-	-	-	2,318
Fines and forfeitures	14,466	-	-	-	14,466
Investment income	404	343	277	299	1,323
Charges for services	40,869	-	-	4,690	45,559
Rents and royalties	44,931	-	-	-	44,931
Intergovernmental	-	23,700	141,000	14,642	179,342
Donations	-	-	-	4,446	4,446
Miscellaneous	6,882	19,670	31,470	7,411	65,433
Total revenues	<u>692,684</u>	<u>187,169</u>	<u>439,165</u>	<u>96,622</u>	<u>1,415,640</u>
<b>EXPENDITURES</b>					
Current:					
General government:					
General government	103,358	3,850	-	-	107,208
Administration	42,525	-	-	-	42,525
Total general government	<u>145,883</u>	<u>3,850</u>	<u>-</u>	<u>-</u>	<u>149,733</u>
Public safety and judiciary:					
Legal and courts	9,554	-	-	-	9,554
Police	369,067	-	-	1,650	370,717
Animal control	35,891	-	-	-	35,891
Fire	91,411	-	-	3,120	94,531
Total public safety and judiciary	<u>505,923</u>	<u>-</u>	<u>-</u>	<u>4,770</u>	<u>510,693</u>
Transportation:					
Street	152,851	-	-	30,695	183,546
Total transportation	<u>152,851</u>	<u>-</u>	<u>-</u>	<u>30,695</u>	<u>183,546</u>
Cultural, parks and recreation:					
Parks	53,738	-	2,903	-	56,641
Library	100,089	-	-	8,560	108,649
Cemetery	3,494	-	-	-	3,494
Total cultural, parks and recreation	<u>157,321</u>	<u>-</u>	<u>2,903</u>	<u>8,560</u>	<u>168,784</u>
Public service					
Tourism	-	3,000	-	11,269	14,269
Health	12,589	-	-	-	12,589
Total public service	<u>12,589</u>	<u>3,000</u>	<u>-</u>	<u>11,269</u>	<u>26,858</u>
Capital outlay	-	5,500	20,372	14,232	40,104
Total expenditures	<u>974,567</u>	<u>12,350</u>	<u>23,275</u>	<u>69,526</u>	<u>1,079,718</u>
Excess (deficiency) of revenues over expenditures	<u>(281,883)</u>	<u>174,819</u>	<u>415,890</u>	<u>27,096</u>	<u>335,922</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	303,900	-	-	4,356	308,256
Transfers out	(4,355)	(129,819)	(286,417)	-	(420,591)
Total other financing sources and uses	<u>299,545</u>	<u>(129,819)</u>	<u>(286,417)</u>	<u>4,356</u>	<u>(112,335)</u>
Net change in fund balances	17,662	45,000	129,473	31,452	223,587
Fund balances - beginning	148,567	257,829	267,647	311,903	1,005,946
Fund balances - ending	<u>\$ 166,229</u>	<u>\$ 302,829</u>	<u>\$ 417,120</u>	<u>\$ 343,355</u>	<u>\$ 1,229,533</u>

(Continued)

**City of Fairview, Oklahoma**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**June 30, 2012**

		(Continued)
Reconciliation of the change in fund balances - total governmental funds		
to the change in net assets of governmental activities:		
Net change in fund balances - total governmental funds		\$ 223,587
<p style="margin-left: 40px;">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.</p>		
Capital asset purchases capitalized	40,103	
Depreciation expense	<u>(270,898)</u>	(230,795)
Sale of assets		<u>(19,670)</u>
Change in Net Assets of Governmental Activities		<u>\$ (26,878)</u>

City of Fairview, Oklahoma  
General Fund  
June 30, 2012  
Budget and Actual (Non-GAAP Budgetary Basis)

	Approved Budget	Actual	Variance - Favorable (Unfavorable)
<b>REVENUES</b>			
Sales taxes	\$ 335,000	\$ 409,620	\$ 74,620
Use taxes	50,000	77,464	27,464
Franchise taxes	44,000	36,547	(7,453)
Beverage taxes	59,000	58,928	(72)
Licenses and permits	2,220	2,318	98
Fines and forfeitures	30,665	14,466	(16,199)
Charges for services	18,700	40,869	22,169
Rent and royalties	24,500	44,931	20,431
Interest income	490	404	(86)
Miscellaneous	650	6,882	6,232
Total revenues before carryover	565,225	692,429	127,204
Budgeted carryover (1)	75,536	-	(75,536)
Total revenues and budgeted carryover	<u>640,761</u>	<u>692,429</u>	<u>51,668</u>
<b>EXPENDITURES</b>			
General government:			
General government	128,039	98,184	29,855
Administration	53,710	42,525	11,185
Total general government	<u>181,749</u>	<u>140,709</u>	<u>41,040</u>
Public safety and judiciary:			
Legal and courts	12,733	9,554	3,179
Police	398,858	369,067	29,791
Animal control	47,986	35,891	12,095
Fire	94,619	91,411	3,208
Total public safety and judiciary	<u>554,196</u>	<u>505,923</u>	<u>48,273</u>
Transportation:			
Streets	183,481	152,851	30,630
Total transportation	<u>183,481</u>	<u>152,851</u>	<u>30,630</u>
Cultural, parks and recreation:			
Parks	47,760	53,738	(5,978)
Library	106,467	100,089	6,378
Cemetery	4,300	3,494	806
Health and social services	11,030	12,589	(1,559)
Total cultural, parks and recreation	<u>169,557</u>	<u>169,910</u>	<u>(353)</u>
Total expenditures	<u>1,088,983</u>	<u>969,393</u>	<u>119,590</u>
Revenue over (under) expenditures	(448,222)	(276,964)	171,258
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers, net	495,000	299,545	(195,455)
Net other financing sources (uses)	<u>495,000</u>	<u>299,545</u>	<u>(195,455)</u>
Revenues and other financing sources over (under) expenditures and other uses	46,778	22,581	(24,197)
Fund balance at beginning of year (Non-GAAP budgetary basis)	75,536	148,567	73,031
Less budgeted carryover (1)	<u>(75,536)</u>	<u>-</u>	<u>75,536</u>
Fund balance at end of year (Non-GAAP budgetary basis)	<u>\$ 46,778</u>	<u>\$ 171,148</u>	<u>\$ 124,370</u>
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>			
Revenue and expenditure accruals		(4,919)	
Fund balance at end of year (GAAP basis)		<u>\$ 166,229</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 purposes.

City of Fairview, Oklahoma  
Statement of Net Assets  
June 30, 2012

	Fairview Utility Authority	Fairview Airport Authority	Fairview Economic Development Authority	Total Enterprise Funds	Component Unit Fairview Municipal Hospital Authority
<b>ASSETS</b>					
Current assets:					
Cash, including time deposits	\$ 568,508	\$ -	\$ 52,042	\$ 620,550	\$ 437,157
Investments	202,002	-	-	202,002	-
Prepaid deposits	63,628	-	-	63,628	-
Receivable from other governments	43,872	-	-	43,872	-
Accounts receivable (net)	358,245	-	-	358,245	829,871
Note receivable, current portion	-	-	-	-	29,122
Supplies	-	-	-	-	110,109
Total current assets	<u>1,236,255</u>	<u>-</u>	<u>52,042</u>	<u>1,288,297</u>	<u>1,406,259</u>
Restricted assets:					
Cash, including time deposits	693,871	28,192	-	722,063	189,006
Investments	175,000	-	-	175,000	-
Receivable	-	-	-	-	60,069
Total restricted assets	<u>868,871</u>	<u>28,192</u>	<u>-</u>	<u>897,063</u>	<u>249,075</u>
Noncurrent assets:					
Other assets	-	-	-	-	116,306
Unamortized bond issue costs	128,174	-	-	128,174	-
Capital assets (net)	8,352,421	1,814,948	-	10,167,369	4,235,638
Total noncurrent assets	<u>8,480,595</u>	<u>1,814,948</u>	<u>-</u>	<u>10,295,543</u>	<u>4,351,944</u>
<b>Total assets</b>	<b>\$ 10,585,721</b>	<b>\$ 1,843,140</b>	<b>\$ 52,042</b>	<b>\$ 12,480,903</b>	<b>\$ 6,007,278</b>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 19,948	\$ 514	\$ 9,000	\$ 29,462	\$ 491,180
Wages and benefits payable	-	-	-	-	311,826
Other accrued liabilities	-	-	-	-	105,782
Compensated absences, current	21,587	-	-	21,587	-
Notes payable, current	100,986	-	-	100,986	388,823
Total current liabilities	<u>142,521</u>	<u>514</u>	<u>9,000</u>	<u>152,035</u>	<u>1,297,611</u>
Liabilities payable from restricted assets:					
Accrued interest payable	272	-	-	272	-
Customer deposits payable	191,101	-	-	191,101	-
Bonds payable, current	155,000	-	-	155,000	-
Total liabilities payable from restricted assets	<u>346,373</u>	<u>-</u>	<u>-</u>	<u>346,373</u>	<u>-</u>
Noncurrent liabilities:					
Deferred revenue	15,784	-	-	15,784	-
Notes payable, non-current	1,944,376	-	-	1,944,376	2,681,363
Bonds payable, noncurrent	2,685,000	-	-	2,685,000	-
Total noncurrent liabilities	<u>4,645,160</u>	<u>-</u>	<u>-</u>	<u>4,645,160</u>	<u>2,681,363</u>
<b>Total liabilities</b>	<b>5,134,054</b>	<b>514</b>	<b>9,000</b>	<b>5,143,568</b>	<b>3,978,974</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	3,467,059	1,814,948	-	5,282,007	1,183,573
Restricted	-	-	-	-	249,075
Unrestricted	1,984,608	27,678	43,042	2,055,328	595,656
<b>Total net assets</b>	<b>\$ 5,451,667</b>	<b>\$ 1,842,626</b>	<b>\$ 43,042</b>	<b>\$ 7,337,335</b>	<b>\$ 2,028,304</b>

**City of Fairview, Oklahoma**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**June 30, 2012**

	Fairview Utility Authority	Fairview Airport Authority	Fairview Economic Development Authority	Total Enterprise Funds	Component Unit Fairview Municipal Hospital Authority
<b>Operating revenues:</b>					
Charges for services:					
Electric charges	\$ 2,940,492	\$ -	\$ -	\$ 2,940,492	\$ -
Water charges	487,336	-	-	487,336	-
Sewer charges	271,129	-	-	271,129	-
Sanitation charges	278,293	-	-	278,293	-
Patient services	-	-	-	-	5,513,606
Penalties	41,780	-	-	41,780	-
Total charges for services	4,019,030	-	-	4,019,030	5,513,606
Lease and rental income	-	19,071	17,068	36,139	-
Miscellaneous	15,257	1,601	-	16,858	84,913
Total operating revenues	4,034,287	20,672	17,068	4,072,027	5,598,519
<b>Operating expenses:</b>					
Cost of goods sold	2,076,328	-	-	2,076,328	-
Personal services	655,473	-	-	655,473	1,011,130
Materials and supplies	242,106	855	-	242,961	487,783
Other services and charges	335,989	9,442	54,515	399,946	3,698,655
Bad debt expense	9,981	-	-	9,981	-
Depreciation and amortization	300,937	52,203	-	353,140	486,576
Total operating expenses	3,620,814	62,500	54,515	3,737,829	5,684,144
Net operating income	413,473	(41,828)	(37,447)	334,198	(85,625)
<b>Nonoperating revenue (expense):</b>					
Grants and contributions	-	-	-	-	48,238
Intergovernmental	409,875	-	-	409,875	406,506
Investment income	6,763	39	278	7,080	11,935
Interest expense	(167,842)	-	-	(167,842)	(146,882)
Gain on sale of assets	-	-	-	-	11,964
Total nonoperating revenue (expense)	248,796	39	278	249,113	331,761
Net income before contributions and transfers	662,269	(41,789)	(37,169)	583,311	246,136
Transfers from other funds	391,600	24,635	-	416,235	-
Transfers to other funds	(303,900)	-	-	(303,900)	-
Change in net assets	749,969	(17,154)	(37,169)	695,646	246,136
Net assets-beginning of year	4,701,698	1,859,780	80,211	6,641,689	1,782,168
Net assets-end of year	\$ 5,451,667	\$ 1,842,626	\$ 43,042	\$ 7,337,335	\$ 2,028,304

City of Fairview, Oklahoma  
Statement of Cash Flows  
June 30, 2012

	Fairview Utility Authority	Fairview Airport Authority	Fairview Economic Development Authority	Component Unit Fairview Municipal Hospital Authority
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 4,015,796	\$ 19,071	\$ 17,068	\$ 5,525,157
Payments to suppliers	(2,679,627)	(10,127)	(45,515)	(1,929,227)
Payments to employees	(654,690)	-	-	(3,036,246)
Other operating revenues	15,257	1,601	-	90,402
<b>Net cash provided (used) by operating activities</b>	<b>696,736</b>	<b>10,545</b>	<b>(28,447)</b>	<b>650,086</b>
<b>Cash flows from non-capital financing activities:</b>				
Receipts under interfund agreements	409,875	-	-	(49,101)
Transfers from other funds	391,600	24,635	-	-
Transfers to other funds	(303,900)	-	-	-
<b>Net cash provided (used) by non-capital financing activities</b>	<b>497,575</b>	<b>24,635</b>	<b>-</b>	<b>(49,101)</b>
<b>Cash flows from capital and related financing activities:</b>				
Purchases of capital assets	(1,043,934)	(24,635)	-	(47,147)
Principal paid on bonds and notes	(215,600)	-	-	(439,229)
Issuance of debt	600,219	-	-	45,000
Interest and fiscal charges paid on bonds and notes	(5,645)	-	-	(146,882)
Other capital related financing activities	-	-	-	11,964
Capital grants and contributions	-	-	-	398,976
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(664,960)</b>	<b>(24,635)</b>	<b>-</b>	<b>(177,318)</b>
<b>Cash flows from investing activities:</b>				
Purchase of investments	(202,002)	-	-	-
Investment income	6,763	41	278	1,245
<b>Net cash provided (used) by investing activities</b>	<b>(195,239)</b>	<b>41</b>	<b>278</b>	<b>1,245</b>
Net increase (decrease) in cash and cash equivalents	334,112	10,586	(28,169)	424,912
Cash and cash equivalents, July 1, 2011	928,267	17,606	80,211	201,251
Cash and cash equivalents, June 30, 2012	<b>\$ 1,262,379</b>	<b>\$ 28,192</b>	<b>\$ 52,042</b>	<b>\$ 626,163</b>
Cash, including time deposits	\$ 568,508	\$ -	\$ 52,042	\$ 437,157
Restricted cash, including time deposits	693,871	28,192	-	189,006
Total cash and cash equivalents, end of year	<b>\$ 1,262,379</b>	<b>\$ 28,192</b>	<b>\$ 52,042</b>	<b>\$ 626,163</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ 413,473	\$ (41,828)	\$ (37,447)	\$ (85,625)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	300,937	52,203	-	486,576
Bad debt expense	9,981	-	-	763,849
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	520	-	-	(798,487)
(Increase) decrease in inventory	-	-	-	(8,810)
(Increase) decrease in prepaid deposits	-	-	-	79,912
(Increase) decrease in third party payors	-	-	-	46,088
Increase (decrease) in accounts payable	(25,204)	170	9,000	103,759
Increase (decrease) in compensated absences	783	-	-	62,824
Increase (decrease) in deferred revenue	(3,754)	-	-	-
Total adjustments	283,263	52,373	9,000	735,711
<b>Net cash provided (used) by operating activities</b>	<b>\$ 696,736</b>	<b>\$ 10,545</b>	<b>\$ (28,447)</b>	<b>\$ 650,086</b>

**CITY OF FAIRVIEW, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2012**

**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, 2012.

**(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

Management has elected to exclude the Fairview Industrial Development Authority as a component unit of the City. The Authority was created August 5, 1975 to secure, develop, and maintain industrial and manufacturing activities. For the year ended June 30, 2008, net assets of the Authority were \$5,105 which is less than 0.1% of the net assets of the primary government of the City of Fairview. The Authority was audited by another auditor for the fiscal year ending June 30, 2012.

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

***Government-wide Financial Statements***

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

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

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

***Fund Financial Statements:***

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

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

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

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

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

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

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

***Restricted Assets***

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

***Use of Estimates***

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

***Interfund Balances***

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

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

**(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:

**CITY OF FAIRVIEW, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2012**

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

**Major Proprietary Funds**

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

(E) **Assets, Liabilities and Equity:**

Cash and Investments

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

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

Receivables and Uncollectible Accounts

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

Prepays

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

Capital Assets, Depreciation, and Amortization

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

*Government-Wide Statements*

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

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

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

*Fund Financial Statement*

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

Restricted Assets

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

Long-Term Debt

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

Equity Classifications

In the government-wide financial statement, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets 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 Assets

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

Invested in capital assets, net of related debt

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

Restricted net assets

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

(F) Revenues, 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 within the General Fund and Sales Tax Improvement funds as follows:

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

Charges for Services

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

Grants and Contributions

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

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

Compensated Absences

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

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

Deficits resulting from accrual reporting do not constitute violations of the Oklahoma State Statutes. For the year ended June 30, 2012, the City reported no individual fund deficits.

**(B) Budget Requirements:**

Budget Policy and Practice

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

Budget Basis of Accounting

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

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

For the year ended June 30, 2012, 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

**CITY OF FAIRVIEW, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2012**

Lodging Tax

Tourism

For the year ended June 30, 2012, 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 related. The most significant requirement is the calculation of debt service coverage. Debt service coverage states the charges for the operation of sewer and garbage services (the "system") along with the other revenues pledged shall provide Net Revenues Available for Debt Service which must equal 1.25 times average annual debt service on the note for the Authority. For the year ended June 30, 2012, the City was in compliance with this requirement.

<u>Debt Service Coverage</u>	\$ -	\$ -
	<u>1992 OWRB</u>	<u>2008 Bond</u>
Gross revenue available for debt service		
Operating revenues of system	\$ 549,422	\$ 2,940,492
Sales tax pledged	-	400,414
Total gross revenues available for debt service	<u>549,422</u>	<u>3,340,906</u>
Operating expenses		
Operating expenses of system	387,997	2,424,673
Excluding depreciation, amortization, and interest expense	(39,052)	(41,238)
Net revenues available for debt service	<u>\$ 200,477</u>	<u>\$ 957,471</u>
 Debt service requirements		
Average annual debt service	<u>\$ 35,469</u>	<u>312,360</u>
 Computed coverage	<u>5.65</u>	<u>3.07</u>
 Coverage requirement	<u>1.25</u>	<u>1.25</u>

**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.

**CITY OF FAIRVIEW, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2012**

Investments

As of June 30, 2012, 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 Days to Maturity (2)</u>
<b>Proprietary funds</b>				
<b>POOLED INVESTMENTS:</b>				
Certificates of deposit	\$ 377,002	\$ 377,002	N/A	198
Total proprietary investments	<u>\$ 377,002</u>	<u>\$ 377,002</u>		
Grand total investments	<u>\$ 377,002</u>	<u>\$ 377,002</u>		
<b>Reconciliation to Statement of Net Assets</b>				
Investments	\$ 202,002			
Restricted Investments	175,000			
Total Investments	<u>\$ 377,002</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.

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

**(B) Accounts Receivable:**

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

	<u>Governmental Activities</u>	<u>Business-type Activites</u>	<u>Total</u>
Receivable from other governments			
Sales and use taxes receivable	\$ 75,031	\$ 34,411	\$ 109,442
County taxes receivable	3,491	-	3,491
Total from other governments	<u>78,522</u>	<u>34,411</u>	<u>112,933</u>
Accounts receivable			
Utility revenue receivable	-	599,403	599,403
Fines receivable	5,481	-	5,481
Allowance for doubtful accounts	-	(241,158)	(241,158)
	<u>\$ 5,481</u>	<u>\$ 358,245</u>	<u>\$ 363,726</u>

**CITY OF FAIRVIEW, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2012**

(C) **Capital Assets:**

Governmental Activities

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

	Balance at July 1, 2011	Additions	Disposals	Balance at June 30, 2012
Land	\$ 117,518	\$ -	\$ 19,670	\$ 97,848
Buildings	2,778,268	-	-	2,778,268
Other improvements	1,043,591	9,430	-	1,053,021
Machinery, furniture & equip.	1,181,796	30,673	-	1,212,469
Construction in process	-	-	-	-
	<u>5,121,173</u>	<u>40,103</u>	<u>19,670</u>	<u>5,141,606</u>
Less accumulated depreciation	2,125,380	270,898	-	2,396,278
Net property, plant, & equipment	<u>\$ 2,995,793</u>			<u>\$ 2,745,328</u>

Business-Type Activities

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

	Balance at July 1, 2011	Additions	Disposals	Balance at June 30, 2012
Land	\$ 700,789	\$ 16,450	\$ -	\$ 717,239
Buildings	3,795,055	50,346	-	3,845,401
Machinery, furniture, & equip	1,097,854	33,425	-	1,131,279
Infrastructure/utility system	7,735,889	943,711	-	8,679,600
Construction in progress	35,989	24,635	-	60,624
	<u>13,365,576</u>	<u>1,068,567</u>	<u>-</u>	<u>14,434,143</u>
Less accumulated depreciation	3,925,697	341,077	-	4,266,774
Net property, plant, & equipment	<u>\$ 9,439,879</u>			<u>\$ 10,167,369</u>

Fixed assets of the Enterprise Funds were comprised of the following at June 30, 2012:

	Fairview Utility Authority	Fairview Airport Authority	Total
Land	\$ 705,511	\$ 11,728	\$ 717,239
Buildings	3,845,401	-	3,845,401
Machinery, furniture, & equip.	1,131,279	-	1,131,279
Infrastructure	6,249,495	2,430,105	8,679,600
Construction in progress	-	60,624	60,624
	<u>3,579,265</u>	<u>687,509</u>	<u>4,266,774</u>
Less accumulated depreciation			
Net property, plant, & equipment	<u>\$ 8,352,421</u>	<u>\$ 1,814,948</u>	<u>\$ 10,167,369</u>

**CITY OF FAIRVIEW, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2012**

Depreciation

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

<b>Governmental Activities</b>		<b>Business-type Activities</b>	
General government:	\$ 12,630	Electric	\$ 41,238
Public safety and judiciary:	39,013	Water	53,379
Transportation:	84,437	Sewer	66,113
Cultural, parks and recreation:	134,817	Sanitation	27,061
Parks	<u>\$ 270,897</u>	General government	101,084
		Airport	52,203
			<u>\$ 341,078</u>

(D) Long-Term Debt:

Business-Type Activities

As of June 30, 2012, the long-term debt payable from enterprise fund resources consisted of the following:

**NOTE PAYABLE:**

Note Payable to the Oklahoma Water Resources Board (OWRB), original amount of \$550,000 dated April 1992, payable in quarterly installments at a variable interest rate set by OWRB currently at 4.4%, final payment due August 2019. Funds were used to finance construction, acquisition, equipment additions and improvements to the existing sewer treatment facilities. The note is secured by the revenues of the Authority's sewer and garbage systems. \$ 272,100

Note payable to OWRB original amount of \$1,980,000, dated December 2010, to fund improvements on the Authority's lagoon system, rebuilding dikes and replacing pumps. The loan is structured as a construction line of credit, which was closed in March 2012. 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. 1,773,262

Total notes payable \$ 2,045,362

**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. \$ 2,840,000

Total revenue bonds payable \$ 2,840,000

**CITY OF FAIRVIEW, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2012**

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

<u>Type of Debt</u>	<u>Balance at July 1, 2011</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2012</u>	<u>Due Within One Year</u>
Enterprise Fund Debt:					
Notes payable	\$ 1,520,743	\$ 600,219	\$ 75,600	\$ 2,045,362	\$ 100,986
Revenue bonds payable	2,980,000	-	140,000	2,840,000	155,000
Total enterprise fund debt	<u>\$ 4,500,743</u>	<u>\$ 600,219</u>	<u>\$ 215,600</u>	<u>\$ 4,885,362</u>	<u>\$ 255,986</u>

Annual Debt Service Requirements

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2012 are as follows:

<u>Year Ending June 30</u>	<u>Notes Payable</u>		<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 100,986	\$ 63,576	\$ 155,000	\$ 126,113
2014	105,675	60,918	165,000	119,025
2015	110,436	58,159	175,000	111,488
2016	115,570	55,293	195,000	103,388
2017	120,992	52,317	205,000	94,500
2018-2022	557,435	215,266	1,285,000	315,900
2023-2027	528,183	138,247	660,000	37,913
2028-2032	406,085	49,816	-	-
Totals	<u>\$ 2,045,362</u>	<u>\$ 693,592</u>	<u>\$ 2,840,000</u>	<u>\$ 908,327</u>

**CITY OF FAIRVIEW, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2012**

(E) Interfund Transactions and Balances:

Operating transfers for the year ended June 30, 2012 were as follows:

<u>OPERATING TRANSFERS:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<b>GENERAL FUND:</b>		
Utility Authority (an enterprise fund)	\$ 303,900	\$ -
Police Sepcial Fund	-	3,485
Fire Special Fund	-	871
Total General Fund	303,900	4,356
<b>SPECIAL REVENUE FUNDS:</b>		
Sales Tax 65% Fund :		
Economic Development Authority (an enterprise fund)	-	248,337
Utility Authority (an enterprise fund)	-	13,444
Airport Authority (an enterprise fund)	-	24,635
Sales Tax 35% Fund :		
Utility Authority (an enterprise fund)	-	129,819
Police Special Fund :		
General Fund	3,485	-
Fire Special Fund :		
General Fund	871	-
Total Special Revenue Fund	4,356	416,235
<b>ENTERPRISE FUNDS:</b>		
Fairview Economic Development Authority:		
Sales Tax 65% Fund ( a special revenue fund)	248,337	-
Fairview Utility Authority:		
General Fund	-	303,900
Sales Tax 35% Fund ( a special revenue fund)	129,819	-
Sales Tax 65% Fund ( a special revenue fund)	13,444	-
Fairview Airport Authority:		
Sales Tax 65% Fund ( a special revenue fund)	24,635	-
Total Enterprise Funds	416,235	303,900
Total cash transfers	\$ 724,491	\$ 724,491

**NOTE 4: OTHER NOTES**

(A) Employee Pension and Other Benefit Plans:

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

The fair value of the defined contribution plan assets for the City is \$942,343 as of June 30, 2012. Fair value of the assets is based upon published market prices at the specified date. The City Manager participates in the City Manager Only (CMO) Plan administered by OMRF. A copy of the stand-alone plan financial report can be obtained from Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, OK 73105.

Firefighters participate in the Oklahoma Firefighters Pension Plan.

**CITY OF FAIRVIEW, OKLAHOMA**  
**Notes to Financial Statements**  
**June 30, 2012**

**Oklahoma Firefighter's Pension Plan**

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

	<u>Oklahoma Firefighter's Pension and Retirement System</u>
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality hired before age 45.
Authority establishing contribution obligations and benefits	State Statute
Plan member's contribution rate	8% of covered payroll
City's contribution rate	13% of covered payroll, \$60 per year for volunteer firefighters
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 1/2% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested, at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Benefits and eligibility for distribution (volunteer)	20 years credited service equal to \$7.53 per month per year of service, with a maximum of 30 years considered.
Deferred retirement option	Yes, 20 years credited service with continued service for 30 or more years

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

**Annual Required Contributions**

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

	<u>Oklahoma Firefighter's Pension and Retirement System</u>
Provision for:	
Cost of living adjustment	Yes, if vested by 5/83
Death (duty, non-duty, post retirement)	Yes
Disability (duty, non-duty)	Yes
Cost of living allowances	Yes
Valuation Date	7/1/09
Actuarial cost method	Individual entry age normal
Amortization method/period	Level dollar 30 years, open
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increase	5.0% - 19.0%
Post retirement benefit increase (max)	2.0%
Inflation	3.0%
Other	1994 group annuity table set forward 1 year for men and 2 years for women

Employer contribution rates are determined by Oklahoma State Statute.

(B) **Commitments and Contingencies:**

*Grant Program Involvement*

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

*Litigation*

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

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

City of Fairview, Oklahoma  
 Combining Balance Sheet  
 June 30, 2012

	Centennial Commission Fund	Street & Alley Fund	Economic & Tourism Fund	Sales Tax Fund	Uniform Building Code Fund	Cemetery Special Fund	Police Department Fund	Fire Special Fund	Library Special Fund	Insurance Fund	Skate Park Fund	Cemetery Care Fund	FEMA Fund	Aquatic Center Fund	Total Other Governmental Funds
<b>ASSETS</b>															
Cash, including time deposits	\$ 3,343	\$ 76,750	\$ 92,750	\$ 1,283	\$ -	\$ 676	\$ 12,814	\$ 62,871	\$ 8,706	\$ 2,414	\$ 2,639	\$ 24,117	\$ 51,816	\$ 66	\$ 345,045
Taxes receivable	-	2,061	-	-	-	-	12,814	-	8,706	-	-	-	-	-	2,061
Total assets	\$ 3,343	\$ 81,801	\$ 92,750	\$ 1,283	\$ -	\$ 676	\$ 25,628	\$ 62,871	\$ 17,412	\$ 2,414	\$ 2,639	\$ 24,117	\$ 51,816	\$ 66	\$ 345,096
<b>LIABILITIES</b>															
Accounts payable	-	-	-	\$ 1,163	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,163
Total liabilities	-	-	-	\$ 1,163	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,163
<b>FUND BALANCES</b>															
Reserved	-	-	-	120	-	676	-	-	-	-	-	24,117	-	-	24,913
Committed	-	81,801	-	-	-	-	-	-	-	-	-	-	51,816	-	133,617
Assigned	3,343	-	92,750	-	-	-	12,814	62,871	8,128	2,414	2,639	-	-	66	184,825
Total fund balances	\$ 3,343	\$ 81,801	\$ 92,750	\$ 120	\$ -	\$ 676	\$ 25,628	\$ 62,871	\$ 16,938	\$ 2,414	\$ 2,639	\$ 24,117	\$ 51,816	\$ 66	\$ 343,355
Total liabilities and fund balances	\$ 3,343	\$ 81,801	\$ 92,750	\$ 1,283	\$ -	\$ 676	\$ 25,628	\$ 62,871	\$ 17,412	\$ 2,414	\$ 2,639	\$ 24,117	\$ 51,816	\$ 66	\$ 345,096

City of Fairview, Oklahoma  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 June 30, 2012

	Centennial Commission Fund	Street & Alley Fund	Economic & Tourism Fund	Sales Tax Fund	Uniform Building Code Fund	Cemetery Fund	Police Department Fund	Fire Department Fund	Library Special Fund	Insurance Fund	State Park Fund	Centenary Care Fund	FEMA Fund	Aquatic Center Fund	Total Governmental Funds
<b>REVENUES</b>															
Investment income	-	-	133	-	-	-	-	118	-	-	-	42	-	-	289
Charges for services	-	22,425	42,709	-	-	-	-	4,413	1,334	-	-	3,300	-	-	4,692
Intergovernmental programs	-	-	-	-	-	-	2,980	1,000	10,229	-	-	-	-	-	79,776
Donations	-	-	-	-	-	-	-	-	400	-	-	-	-	65	4,446
Miscellaneous	-	22,425	42,842	18	95	-	2,980	5,531	11,963	7,383	-	3,342	-	65	7,411
Total revenues	-	44,850	85,584	18	95	-	5,960	11,042	24,936	17,766	-	6,642	-	65	96,622
<b>EXPENDITURES</b>															
Public safety and judiciary:															
Police	-	-	-	-	72	-	1,578	3,120	-	-	-	-	-	-	1,650
Fire	-	-	-	-	72	-	1,578	3,120	-	-	-	-	-	-	3,120
Total public safety and judiciary	-	-	-	-	144	-	3,156	6,240	-	-	-	-	-	-	4,770
Transportation:															
Street	-	185	-	-	-	-	-	-	-	8,783	-	-	21,716	-	30,695
Total transportation	-	185	-	-	-	-	-	-	-	8,783	-	-	21,716	-	30,695
Cultural, parks and recreation:															
Library	-	-	-	-	-	-	-	-	8,560	-	-	-	-	-	8,560
Total cultural, parks, and recreation	-	-	-	-	-	-	-	-	8,560	-	-	-	-	-	8,560
Community development:															
Tourism	1,150	-	10,119	-	-	-	-	-	-	-	-	-	-	-	11,269
Total community development	1,150	-	10,119	-	-	-	-	-	-	-	-	-	-	-	11,269
Capital outlay	-	8,430	-	-	-	-	-	-	4,802	-	-	-	-	-	14,232
Total expenditures	1,150	31,015	10,119	-	72	-	1,578	3,120	13,362	8,783	-	-	21,716	-	69,576
Excess (deficiency) of revenues over expenditures	(1,150)	13,835	32,723	18	(16)	-	1,402	2,411	(1,399)	(1,400)	-	3,342	(21,716)	65	27,046
Transfers in	-	-	-	-	-	-	3,485	871	-	-	-	-	-	-	4,356
Total other financing sources and uses	-	-	-	-	-	-	3,485	871	-	-	-	-	-	-	4,356
Net change in fund balances	(1,150)	12,309	32,723	18	(16)	-	4,887	3,282	(1,399)	(1,400)	6	3,342	(21,716)	65	31,452
Fund balances - beginning	4,493	68,992	60,027	102	16	676	7,927	56,369	9,527	3,814	2,833	20,775	73,532	-	311,903
Fund balances - ending	3,343	81,301	92,750	120	0	676	12,814	62,651	8,128	2,414	2,839	24,117	51,816	65	343,355

# Derrel S. White, CPA

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council  
City of Fairview, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Fairview, Oklahoma, which represent the financial statements for the primary government unit as of and for the year ended June 30, 2012, which collectively comprise the City of Fairview, Oklahoma's basic financial statements and have issued our report thereon dated January 2, 2012. Our opinion on the financial statements of the primary government unit as a whole and the each major fund and the aggregate remaining funds was unqualified. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Fairview, OK's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



Derrel S. White, CPA

Woodward, OK  
January 2, 2013