THE CITY OF LINDSAY
OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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RAHHAL HENDERSON JOHNSON, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Lindsay, Oklahoma

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Lindsay, Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Lindsay, Oklahoma's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Lindsay Municipal Hospital Authority, which is both a major fund and 100 percent of the assets, net assets, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Lindsay Municipal Hospital Authority, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lindsay, Oklahoma, as of June 30, 2010, 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.

As discussed in Note 8 to the financial statements, certain errors resulting in overstatement (understatement) of previously reported fund balance as of June 30, 2009 were discovered by management of the City of Lindsay, Oklahoma during the current year. Accordingly, adjustments have been made to fund balance for various funds as of July 1, 2009 to correct the errors.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2012, on our consideration of the City of Lindsay, Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on

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internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension plan schedule of funding progress on pages 7 through 14 and 48 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lindsay, Oklahoma's financial statements as a whole. The combining nonmajor governmental fund financial statements, schedule of expenditures of federal and state awards, and schedule of debt service coverage requirement are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor governmental fund financial statements, schedule of expenditures of federal and state awards, and schedule of debt service coverage requirements 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.

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma

June 18, 2012

The management of the City of Lindsay is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2010. Management of the City is responsible for the fair presentation of this annual report, for maintaining appropriate internal controls over financial reporting, and for complying with applicable laws, regulations, and provisions of grants and contracts. The City reports its financial statements and schedules on an 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).

FINANCIAL HIGHLIGHTS

- The City's total net assets decreased by $384,347, and the assets of the City exceed its liabilities at June 30, 2010, by $7,569,785 (net assets). Of this amount, $3,036,643 (unrestricted net assets) is available to meet the government's ongoing needs.

- At June 30, 2010, the City's governmental funds reported combined ending fund balances of $1,395,022.

- At the end of fiscal year 2010, unassigned fund balance for the General Fund was $202,508 or 13.6% of General Fund revenues.

ABOUT THE CITY

The City of Lindsay is an incorporated municipality with a population of approximately 2,600 located in Garvin County in central Oklahoma. The City is a Council/Manager form of government and operates under home-rule charter that provides for three branches of government:

- Legislative – the City Council is a seven-member governing body elected by the citizens
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is an attorney appointed by the mayor and approved by the City Council

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and through its Public Works Authority and Industrial Authority, certain utility services including electric, water, wastewater, and sanitation, along with industrial development.

The City's Financial Reporting Entity

This annual report includes all activities for which the City of Lindsay City Council is financially accountable. These activities, defined as the City's financial reporting entity, are operated within separate legal entities that make up the primary government.

The City's financial reporting entity includes the following separate legal entities.

- **The City of Lindsay** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City – *reported as part of the primary government*

- **The Lindsay Public Works Authority (LPWA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, electric and sanitation services of the City, with the City Council members serving as the trustees

- **The Lindsay Municipal Hospital Authority (LMHA)** – public trust created pursuant to 60 O.S. § 176 to provide health care services to the residents of the City of Lindsay and Garvin County (presented as a discretely-presented component unit)

- **The Lindsay Industrial Development Authority (LIDA)** - public trust created pursuant to 60 O.S. § 176 that promotes, develops and secures industrial development within the City (discretely presented component unit - not included in this report)

In addition, as required by state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City's financial reporting entity. The public trusts do not issue separate annual financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Lindsay (the "City"), the Lindsay Public Works Authority (the "Public Works Authority") and the Lindsay Municipal Hospital Authority ("LMHA"). Included in this report are government-wide statements for each of the 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 separately and combined. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

Reporting the City as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions to ask about the City's finances is, "Has the City's overall financial condition improved, declined or remained steady as a result of the year's activities?" 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. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's roads, and quality of service to assess the overall health of the City. 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.

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, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* – Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's electric, water, sewer, and sanitation utilities are reported as business-type activities.

Reporting the City's Most Significant Funds - Fund Financial Statements

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain 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. The City's two kinds of funds – *governmental and proprietary* - use different accounting approaches.

Governmental funds - All 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. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. 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 you determine (through a review of changes to fund balance) 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 - The City operates one proprietary fund, the Lindsay Public Works Authority (major fund). When the City, through the Public Works Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the government-wide financial statements. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The City's proprietary fund is the Lindsay Public Works Authority that accounts for the operation of the electric, water, sewer, and sanitation activities.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 26-44 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents Budgetary Comparison Schedules for the General Fund, the EMS Fund, and the LPWA Designated Sales Tax Fund, a federal and state award schedule, and a debt service coverage requirement schedule.

THE CITY AS A WHOLE

For the year ended June 30, 2010, net assets for the governmental and business-type activities decreased $384,387.

Following is a summary of net assets reported for the City of Lindsay.

The City of Lindsay Net Assets
June 30, 2010

TABLE 1
NET ASSETS (in Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2010	2009		2010	2009		2010	2009	
Current and other assets	$ 1,705	$ 1,729	-1%	$ 3,091	$ 2,971	4%	$ 4,796	$ 4,700	2%
Capital assets, net	2,165	2,339	-7%	4,370	4,612	-5%	6,535	6,951	-6%
Other non-current assets	-	-	0%	35	-	100%	35	-	100%
Total assets	3,870	4,068	-5%	7,496	7,583	-1%	11,366	11,651	-2%
Current liabilities	234	235	0%	903	834	8%	1,137	1,069	6%
Non-current liabilities	103	167	-38%	2,556	2,530	1%	2,659	2,697	-1%
Total liabilities	337	402	-16%	3,459	3,364	3%	3,796	3,766	1%
Net assets									
Invested in capital assets, net of related debt	2,165	2,317	-7%	1,854	1,869	-1%	4,019	4,186	-4%
Restricted	459	200	130%	55	65	-15%	514	265	94%
Unrestricted	908	1,149	-21%	2,128	2,285	-7%	3,037	3,434	-12%
Total net assets	$ 3,533	$ 3,666	-4%	$ 4,037	$ 4,219	-4%	$ 7,570	$ 7,885	-4%

The largest portion of the City's net assets reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding.

The decrease of 38% of governmental other non-current liabilities is due to deferred grant revenue and current portion of accrued compensated absences included in current liabilities in the current year.

The governmental activities restricted net assets increased 130% due to the restriction of the EMS fund balance in the current year.

The City of Lindsay' Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2010
(In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2010	2009		2010	2009		2010	2009	
Revenues									
Charges for service	$ 315	$ 496	-36%	$ 4,170	$3,919	6%	$ 4,485	$ 4,415	2%
Operating grants and contributions	498	206	142%	3	-	100%	501	206	143%
Capital grants and contributions	105	214	-51%	101	-	100%	206	214	-4%
Taxes	1,816	2,267	-20%	-	-	-	1,816	2,267	-20%
Investment income	11	34	-68%	19	13	46%	30	47	-36%
Miscellaneous	78	129	-40%	-	-	100%	78	129	-40%
Total revenues	2,823	3,346	-16%	4,293	3,932	9%	7,116	7,278	-2%
Expenses									
General government	217	216	0%	-	-	-	217	216	0%
Public safety	2,400	2,685	-11%	-	-	-	2,400	2,685	-11%
Streets	231	255	-9%	-	-	-	231	255	-9%
Culture, parks and recreation	498	366	36%	-	-	-	498	366	36%
Cemetery	66	80	-18%	-	-	-	66	80	-18%
Airport	30	33	-9%	-	-	-	30	33	-9%
Interest on long-term debt	2	6	-67%	-	-	-	2	6	-67%
Electric	-	-	-	2,460	1,924	28%	2,460	1,924	28%
Water	-	-	-	679	530	28%	679	530	28%
Sewer	-	-	-	214	165	30%	214	165	30%
Sanitation	-	-	-	427	368	16%	427	368	16%
Golf	-	-	-	237	332	-29%	237	332	-29%
Pool	-	-	-	39	30	31%	39	30	31%
Admin	-	-	-	-	1,046	-100%	-	1,046	-100%
Total expenses	3,444	3,641	-5%	4,056	4,395	-8%	7,500	8,036	-7%
Excess (deficiency) before transfers	(621)	(295)	111%	237	(463)	-151%	(384)	(758)	-49%
Transfers	419	(224)	-287%	(419)	224	-287%	-	-	-
Change in net assets	(202)	(519)	-61%	(182)	(239)	-24%	(384)	(758)	-49%
Beginning net assets	3,735	4,185	-11%	4,219	4,458	-5%	7,954	8,643	-8%
Ending net assets	$ 3,533	$ 3,666	-4%	$ 4,037	$4,219	-4%	$ 7,570	$ 7,885	-4%

Governmental Activities

The City's governmental activities had a decrease in net assets of $201,938. The decrease is due in part to a decrease in sales tax and grant revenue from the prior year.

TABLE 3
Net Revenue (Expense) of Governmental Activities
(In Thousands)

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2010	2009		2010	2009	
General government	$ 217	$ 215	1%	$ (77)	$ (72)	7%
Public safety	2,400	2,686	-11%	(1,950)	(2,140)	-9%
Streets	231	255	-9%	(205)	(255)	-20%
Culture, parks and recreation	498	366	36%	(223)	(333)	-33%
Cemetery	66	80	-18%	(45)	(68)	-34%
Airport	30	33	-9%	(25)	149	-117%
Interest on long-term debt	2	6	-67%	(2)	(6)	-67%
Total	$ 3,444	$ 3,641	-5%	$(2,527)	($2,725)	-7%

Business-type Activities

The business-type activities had a decrease in net assets of $182,409. The decrease is due in part to an increase in utility expenditures including electric, water, sewer and sanitation.

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2010	2009		2010	2009	
Electric	$ 2,460	$ 1,924	28%	$ 319	$ 629	-49%
Water	679	530	28%	(9)	63	-114%
Sewer	214	165	30%	47	26	81%
Sanitation	427	368	16%	35	(5)	800%
Golf	237	332	-29%	(152)	(236)	36%
Pool	39	30	30%	(23)	(15)	-53%
Admin	-	1,045	-100%	-	(937)	100%
Total	$ 4,056	$ 4,394	-8%	$ 217	$(475)	-146%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2010 fiscal year, the governmental funds reported a combined fund balance of $1,395,022. For the year ended June 30, 2010, the General Fund's total fund balance increased by $6,318. The proprietary funds reported a combined net asset balance of $4,036,993. The LPWA total net assets decreased by $182,409.

Budgetary Highlights

For the year ended June 30, 2010, the General Fund reported actual budgetary basis revenues under final estimates by $495,199 or a 15.5% negative variance. General Fund actual expenditures were under final appropriations by $720,523 or a 20.8% positive variance.

The EMS Fund reported actual budgetary basis revenues under final estimates by $122,289 or a 21.4% negative variance. EMS Fund actual expenditures were under final appropriations by $648,373 or a 55.6% positive variance.

The LPWA Designated Sales Tax Fund reported actual budgetary basis revenues under final estimates by $140,758 or a 25.6% negative variance. LPWA Designated Sales Tax Fund actual expenditures were under final appropriations by $193,208 or a 35.1% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2010, the City had approximately $6.5 million in capital assets (net of accumulated depreciation), as reported on an accrual basis, including land, buildings, machinery and equipment, and park facilities. Below are details regarding the City's capital assets for the year ended June 30, 2010.[1]

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	$ 126	$ 126	$ 395	$ 395	$ 521	$ 521
Buildings	363	383	273	280	636	663
Land Improvements	20	22	-	-	20	22
Machinery, furniture and equipment	430	516	306	352	736	868
Infrastructure	1,226	1,291	3,396	3,586	4,622	4,877
Construction in progress	-	-	-	-	-	-
Totals	$ 2,165	$ 2,338	$ 4,370	$ 4,613	$ 6,535	$ 6,951

This year's more significant capital asset additions include the following:

- 2005 mower for the golf course
- Sewer Pump
- Rebuild infrastructure from ice storm damage
- 2010 Ford F550 Ford truck for the fire department
- Storm Siren
- Street overlay project

[1] For more detailed information on capital asset activity please refer to page 33, Note 3. Capital Assets and Depreciation

Debt Administration

At year-end, the City had $2.5 million in long-term debt outstanding which represents a $214,000 decrease from the prior year.

TABLE 6
Long-Term Debt
(In Thousands)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2010	2009	2010	2009	2010	2009	2009-2010
Notes payable	-	22	2,551	2,743	2,551	2,765	-7.7%
Totals	$ -	$ 22	$ 2,551	$ 2,743	$ 2,551	$ 2,765	-7.7%

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

The following information outlines significant known factors that will affect subsequent year finances:

- The FY 2011 budget is consistent to prior years.
- Effective February 8, 2010, utility rates increased including water, sewer, sanitation and electric.

Contacting the City's Financial Management

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at P.O. Box 708, Lindsay, Oklahoma 73572 or telephone at 405-756-3430.

BASIC FINANCIAL STATEMENTS – STATEMENT OF NET ASSETS AND ACTIVITES

Statement of Net Assets – June 30, 2010

	Governmental Activities	Business-type Activities	Total	Lindsay Municipal Hospital Authority
ASSETS				
Cash and cash equivalents	$ 1,122,328	$ 1,974,554	$ 3,096,882	$ 417,656
Short-term investments	-	-	-	725,867
Investments	-	94,000	94,000	-
Accounts receivable,net of allowance	177,045	771,932	948,977	1,049,942
Notes receivable	92,292	-	92,292	-
Internal balances	80	(80)	-	-
Due from other governmental agencies	309,347	103,932	413,279	-
Inventories	3,693	146,426	150,119	145,539
Prepaid expenses	-	-	-	168,581
Assets restricted for capital acquisitions	-	-	-	60,369
Capital assets:				
Land and construction in progress	125,750	395,000	520,750	116,666
Other capital assets, net of depreciation	2,039,472	3,975,197	6,014,669	955,638
Unamortized note issuance costs	-	34,728	34,728	-
Total Assets	3,870,007	7,495,689	11,365,696	3,640,258
LIABILITIES				
Accounts payable and accrued expenses	222,829	399,134	621,963	376,340
Due to other governments	-	243,788	243,788	-
Deferred revenue	-	-	-	292,333
Accrued interest payable	-	30,965	30,965	-
Long-term liabilities:				
Due within one year	11,439	229,141	240,580	25,403
Due in more than one year	102,947	2,555,668	2,658,615	66,889
Total liabilities	337,215	3,458,696	3,795,911	760,965
NET ASSETS				
Invested in capital assets, net of related debt	2,165,222	1,853,563	4,018,785	779,971
Restricted for:				
City donation	112,037	-	112,037	-
Debt service	-	55,212	55,212	-
Public works	63,448	-	63,448	-
Economic development	26,180	-	26,180	-
Emergency medical services	213,720	-	213,720	-
Other	43,760	-	43,760	60,369
Unrestricted	908,425	2,128,218	3,036,643	2,038,953
Total net assets	$ 3,532,792	$ 4,036,993	$ 7,569,785	$ 2,879,293

See accompanying notes to these financial statements.

Statement of Activities – Year Ended June 30, 2010

		Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Lindsay Municipal Hospital Authority
Primary government								
Governmental Activities								
General Government	$ 217 286	$ -	$ 74,329	$ 65 897	$ (77 060)	$ -	$ (77 060)	$ -
Public Safety	2 399 717	288 521	122,418	38 710	(1 950 068)	-	(1 950 068)	-
Highways and streets	230 786	-	25 882	-	(204 904)	-	(204 904)	-
Culture and Recreation	497 962	-	274 867	-	(223 095)	-	(223 095)	-
Cemetary	85 899	21 113	-	-	(44 786)	-	(44 786)	-
Airport	30 392	5 557	-	-	(24 835)	-	(24 835)	-
Interest on Long-term debt and fiscal agent fees	1 580	-	-	-	(1 580)	-	(1 580)	-
Total governmental activities	3 443 622	315 191	497,496	104 607	(2 526 328)	-	(2 526 328)	-
Business-type activities								
Electric	2 459 679	2 674 615	2 627	101 305	-	318,868	318 868	-
Water	679 219	670,067	-	-	-	(9 152)	(9,152)	-
Sewer	213 458	260 952	-	-	-	47 494	47,494	-
Sanitation	427,328	462 291	-	-	-	34 963	34 963	-
Golf Course	237,224	85,374	-	-	-	(151 850)	(151 850)	-
Pool	38,976	16 288	-	-	-	(22 688)	(22 688)	-
Total business-type activities	4 055 884	4,169 587	2 627	101 305	-	217,635	217 635	-
Total primary government	7 499 506	4,484 778	500 123	205 912	(2 526,328)	217 635	(2 308 693)	-
Component units								
Lindsay Municipal Hospital Authority	7 487 492	7,534,777	-	9 101				56 386
Total component units	7 487 492	7 534 777	-	9 101				56 386
General revenues:								
Taxes								
Sales and use taxes					$ 1 724 518	$ -	$ 1 724 518	$ -
Franchise taxes and public service taxes					92 326	-	92 326	-
Unrestricted investment earnings					10 612	18,570	29 182	6 603
Miscellaneous					78 320	-	78 320	171 451
Transfers					418 614	(418 614)	-	-
Total general revenues and transfers					2 324 390	(400,044)	1 924 346	178,054
Change in net assets					(201 938)	(182 409)	(384,347)	234 440
Net assets - beginning restated					3,734,730	4,219,402	7,954 132	2 644 853
Net assets - ending					$ 3 532 792	$ 4 036 993	$ 7 569,785	$ 2 879 293

See accompanying notes to these financial statements.

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

Governmental Funds Balance Sheet – June 30, 2010

	General Fund	Special Sales Tax	EMS Fund	Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 407,258	$ -	$ 150,296	$ 337,653	$ 227,121	$ 1,122,328
Receivable from other governments	199,275	52,450	52,450	-	5,172	309,347
Due from other funds	3,972	-	-	-	6,867	10,839
Court fines receivable, net	20,761	-	-	-	-	20,761
Ambulance receivable, net	149,194	-	-	-	-	149,194
Note receivable	-	-	-	92,292	-	92,292
Other receivables	7,090	-	-	-	-	7,090
Inventories	3,693	-	-	-	-	3,693
Total assets	791,243	52,450	202,746	429,945	239,160	1,715,544
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	10,655	-	-	-	-	10,655
Accrued payroll payable	212,174	-	-	-	-	212,174
Due to other funds	3,972	-	1,037	-	5,750	10,759
Deferred revenue	86,934	-	-	-	-	86,934
Total liabilities	313,735	-	1,037	-	5,750	320,522
Fund balances:						
Restricted for:						
Street and Alley	-	-	-	-	12,835	12,835
City Donation	-	-	-	-	112,037	112,037
Library	-	-	-	-	2,013	2,013
Public Works	-	52,450	-	-	10,998	63,448
Fire	-	-	-	-	5,830	5,830
Economic Development	-	-	-	-	26,180	26,180
Airport	-	-	-	-	3,276	3,276
Cemetery	-	-	-	-	19,806	19,806
Emergency Medical Services	-	-	199,949	-	13,771	213,720
Assigned to:						
FY 2011 Budget	275,000	-	-	-	-	275,000
Street and Alley	-	-	-	-	696	696
Library	-	-	-	-	13	13
Public Works	-	-	-	-	136	136
Airport	-	-	-	-	5,615	5,615
Cemetery	-	-	-	-	20,099	20,099
Capital Improvements	-	-	-	429,945	-	429,945
Emergency Medical Services	-	-	1,760	-	105	1,865
Unassigned	202,508	-	-	-	-	202,508
Total fund balances	477,508	52,450	201,709	429,945	233,410	1,395,022
Total liabilities and fund balances	$ 791,243	$ 52,450	$ 202,746	$ 429,945	$ 239,160	$ 1,715,544

See accompanying notes to these financial statements.

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance – Year Ended June 30, 2010

	General Fund	Special Sales Tax	EMS Fund	Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	$ 956,486	$ 409,242	$ 409,241	$ -	$ -	$ 1,774,969
Intergovernmental	153,696	-	38,710	-	300,590	492,996
Charges for services	273,903	-	-	-	5,269	279,172
Fines and foreitures	21,877	-	-	-	-	21,877
Licenses and permits	7,578	-	-	-	-	7,578
Investment income	4,227	-	1,760	2,068	2,557	10,612
Miscellaneous	69,187	-	-	60,710	25,196	155,093
Total revenues	1,486,954	409,242	449,711	62,778	333,612	2,742,297
EXPENDITURES						
Current:						
General government	191,308	-	-	-	-	191,308
Public Safety	1,422,299	-	-	-	5,378	1,427,677
Highway and streets	105,806	-	-	-	-	105,806
Culture and recreation	199,198	-	-	-	276,956	476,154
Airport	-	-	-	-	3,688	3,688
Cemetery	55,858	-	-	-	-	55,858
Public Health and Welfare	798,321	-	1,127	-	-	799,448
Capital Outlay	22,100	-	38,710	-	154,202	215,012
Debt Service:						
Principal	-	-	21,690	-	-	21,690
Interest and other charges	-	-	1,580	-	-	1,580
Total Expenditures	2,794,890	-	63,107	-	440,224	3,298,221
Excess (deficiency) of revenues over expenditures	(1,307,936)	409,242	386,604	62,778	(106,612)	(555,924)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,315,260	-	-	-	11,166	1,326,426
Transfers out	(1,006)	(356,792)	(455,000)	(72,318)	-	(885,116)
Total other financing sources and uses	1,314,254	(356,792)	(455,000)	(72,318)	11,166	441,310
Net change in fund balances	6,318	52,450	(68,396)	(9,540)	(95,446)	(114,614)
Fund balances - beginning, restated	471,190	-	270,105	439,485	328,856	1,509,636
Fund balances - ending	$ 477,508	$ 52,450	$ 201,709	$ 429,945	$ 233,410	$ 1,395,022

See accompanying notes to these financial statements.

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Assets Reconciliation:

Total fund balance, governmental funds	$	1,395,022
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		2,165,222
Certain long-term assets are not available to pay current fund liabilities and, therefore are deferred in the funds:		
Grants receivable		70,633
Court fines receivable		16,301
Some liabilities, (such as Accrued Compensated Absences), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.		(114,386)
Net Assets of Governmental Activities in the Statement of Net Assets	$	3,532,792

Changes in Fund Balances – Changes in Net Assets Reconciliation:

Net change in fund balances - total governmental funds:	$	(114,614)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays for capital assets as expenditures while governmental activities report depreciaton expense to allocate those expenditues over the life of the assets:		
Capital asset purchases capitalized		172,576
Depreciation expense		(346,288)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Deferred revenue		80,773
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:		
Principal payments on long-term debt		21,690
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Change in accrued compensated absences		(16,075)
Change in net assets of governmental activities	$	(201,938)

See accompanying notes to these financial statements.

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

Proprietary Funds Statement of Net Assets – June 30, 2010

	Lindsay Public Works Authority
ASSETS	
Current assets:	
Cash and cash equivalents	$ 1,840,541
Restricted:	
Restricted cash and cash equivalents	65,790
Accounts Receivable, net	771,932
Receivables from other governments	103,932
Inventories	146,426
Total current assets	2,928,621
Non-current assets:	
Restricted:	
Cash and cash equivalents	68,239
Investments	94,000
Capital Assets:	
Land and construction in progress	395,000
Other capital assets,net of accumulated depreciation	3,975,197
Unamortized note issue costs	34,728
Total non-current assets	4,567,164
Total assets	7,495,785
LIABILITIES	
Current Liabilities:	
Accounts payable	287,956
Salaries payable	111,164
Accrued interest payable	30,965
Due to other governments	243,788
Due to other funds	80
Other payables	30
Compensated absences	9,159
Due to depositors	28,113
Notes payable	191,869
Total current liabilities	903,124
Non-current liabilities:	
Compensated absences	82,436
Due to depositors	113,739
Notes payable	2,359,493
Total non-current liabilities	2,555,668
Total liabilities	3,458,792
NET ASSETS	
Invested in capital assets, net of related debt	1,853,563
Restricted for debt service	55,212
Unrestricted	2,128,218
Total net assets	$ 4,036,993

See accompanying notes to these financial statements.

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Assets – Year Ended June 30, 2010

	Lindsay Public Works Authority
OPERATING REVENUES	
Electric	$ 2,583,870
Water	647,333
Sewer	252,098
Sanitation	446,606
Golf course	85,374
Pool	16,288
Miscellaneous	138,018
Total operating revenues	4,169,587
OPERATING EXPENSES	
Billing	200,256
Electric	1,869,267
Water	261,639
Sewer	99,081
Sanitation	308,583
Administration/Legal	247,884
Golf Course	221,998
Pool	38,354
General government	339,507
Depreciation expense	369,774
Amortization expense	6,945
Total Operating Expenses	3,963,288
Operating income	206,299
NON-OPERATING REVENUES (EXPENSES)	
Investment income	18,570
Interest expense	(92,596)
Total non-operating revenue (expenses)	(74,026)
Income before contributions and transfers	132,273
Capital contributions	126,628
Transfers in	356,792
Transfers out	(798,102)
Change in net assets	(182,409)
Total net assets - beginning	4,219,402
Total net assets - ending	$ 4,036,993

See accompanying notes to these financial statements.

Proprietary Funds Statement of Cash Flows – Year Ended June 30, 2010

	Lindsay Public Works Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 4,276,917
Payments to suppliers	(2,481,699)
Payments to employees	(1,085,185)
Interfund receipts/payments	360,959
Receipts of customer meter deposits	49,884
Refunds of customer meter deposits	(41,734)
Net cash provided by (used in) operating activities	1,079,142
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to other funds	(798,102)
Net cash provided by (used in) noncapital financing activities	(798,102)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfer of sales tax for capital related debt service	356,792
Purchases of capital assets	(127,549)
Contributed capital assets	22,696
Principal paid on debt	(191,908)
Interest and fiscal agent fees paid on debt	(78,393)
Net cash provided by (used in) capital and related financing activities	(18,362)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	18,570
Net cash provided by investing activities	18,570
Net increase in cash and cash equivalents	281,248
Balances - beginning of year, restated	1,693,322
Balances - end of year	$ 1,974,570
Reconciliation to Statement of Net Assets:	
Cash and cash equivalents	1,840,541
Restricted cash and cash equivalents - current	65,790
Total cash and cash equivalents, end of year	1,906,331
	(Continued)
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	$ 206,299
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	369,774
Amortization expense	6,945
Change in assets and liabilities:	
Due from other funds	10,000
Due to other funds	350,959
Due to other govenments	243,788
Accounts receivable	(136,458)
Inventory	(1,163)
Accounts payable	(31,789)
Accrued payroll payable	35,805
Deposits subject to refund	8,150
Accrued compensated absences	16,832
Net cash provided by (used in) operating activities	$ 1,079,142

See accompanying notes to these financial statements.

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

Footnotes to the Basic Financial Statements:

1. Financial Reporting Entity

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" and includes all component units for which the City is financially accountable.

The City's financial reporting entity includes the primary government (City of Lindsay), a blended component unit and two discretely presented component units.

The City of Lindsay– that operates the public safety, streets and highways, parks and recreation, and administrative activities.

The City of Lindsay is a Council/Manager form of government with a population of approximately 2,900 located in Garvin County in south-central Oklahoma. The City is governed by a five-member council and operates under state law and City ordinances through the three branches of democratic government:

- Legislative – the City Council is a five-member governing body elected by the citizens at large
- Executive – the City Manager is the Chief Executive Officer and is appointed by the City Council
- Judicial – the Municipal Judge is a practicing attorney appointed by the City Council

The City provides typical municipal services such as public safety, culture and recreation, cemetery, streets and public works.

Blended Component Units [City Council serves as governing body (trustees)]:

The City of Lindsay Public Works Authority – that operates the electric, water, wastewater and sanitation services of the City

The blended component unit (LPWA) has the City Council as their governing body (trustees) and the City is able to impose its will on the LPWA through required approval of all debt obligations issued by these entities.

Discretely Presented Component Units [Separate governing body (trustees) from the City Council]:

Lindsay Municipal Hospital Authority – that provides health care services to the residents of Lindsay and Garvin County

Lindsay Industrial Development Authority – that promotes, develops and secures industrial development within the City (not included in this report)

Complete financial statements for each of the individual component units may be obtained at the City's administrative offices.

The City provides typical municipal services such as public safety, street and alley maintenance, parks and recreation, and, through its public trusts, certain utility services including electric, water, wastewater, and sanitation, and economic development activities.

The component units are Public Trusts established pursuant to Title 60 of Oklahoma State law. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance City services through issuance of revenue bonds or other non-general obligation debt and to enable the City Council to delegate certain functions to the governing body (Trustees) of the Authorities. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. The City, as beneficiary of the Public Trusts, receives title to any residual assets when a Public Trust is dissolved.

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The statement of net assets and activities is reported on the accrual basis of accounting and the economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

Program revenues within the Statement of Activities are derived directly from each activity or from parties outside of the City's taxpayers. The City has the following program revenues in each activity:

- General Government – license and permits, mowing fees, operating and capital grants
- Public Safety – fines and forfeitures, fire run charges, ambulance runs, restricted operating grants and restricted capital grants
- Streets and Highways – commercial vehicle and gasoline excise tax shared by the State
- Culture and recreation – library fees, operating grants
- Cemetery – cemetery openings/closings and interments
- Airport – hangar rentals and other receipts

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

For business-type activities, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied as they apply to the accrual basis, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Governmental Funds:

The City's governmental funds are comprised of the following:

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds
- Special Sales Tax – accounts for the collection and transfer of dedicated sales tax to the Public Works Authority
- EMS Fund – accounts for a 1 cent dedicated sales tax to be used for emergency medical services
- Capital Improvement Fund – accounts for capital expenditures of all departments, in all funds. Receives transfers from other funds and hospital note receivable payments as its main revenue sources.

Aggregated Non-Major Funds (Reported as Other Governmental Funds):

Special Revenue Funds:

- City Donation – accounts for donations received for various purposes
- Street and Alley Fund – accounts for state shared gasoline excise and commercial vehicle taxes legally restricted for street and alley purposes
- LPWA Donation Fund – accounts for donations received for the Public Works Authority
- Library Fund – accounts for revenues received from library fines, copies, etc. Funds are used for operations of the library.
- Grant Fund – accounts for various grants for the city
- Juvenile Grant Fund – accounts for the juvenile grant funds received and related expenditures

Capital Project Funds:

- Airport Fund – accounts for transfers, revenues and expenditures for airport operations
- Cemetery Care Fund – accounts for 12.5 percent of cemetery revenues restricted by State law for cemetery capital improvements

The governmental funds are reported on the modified accrual basis of accounting and current financial resources measurement focus. On the modified accrual basis of accounting revenues are recorded when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and payable from current financial resources. The City defines revenue availability as collected within 60 days of period end.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the accrual basis of accounting and economic resources measurement focus at the government-wide level.

The General Fund, Special Sales Tax Fund, EMS Fund and Capital Improvement Fund are considered major funds and are therefore displayed in separate columns. All other governmental funds are considered non-major funds and are aggregated under the column Other Governmental Funds.

Proprietary Funds:

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds include enterprise funds. Enterprise funds are used to account for business-like activities provided to the general public. Proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The City's enterprise fund is the Lindsay Public Works Authority.

For business-type activities and proprietary funds, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The City's proprietary fund is comprised of the following:

Major Fund:

- Lindsay Public Works Authority (LPWA) – accounts for the operation of the electric, water, sewer, sanitation, golf course and swimming pool activities

For purposes of the statement of revenues, expenses and changes in fund net assets, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

3. Cash, Cash Equivalents, Deposits and Investments

For the purposes of the statements of net assets, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three-months or less. Revenue bond and promissory note trust account investments in open-ended mutual fund shares are also considered cash equivalents and are reported at the funds' current share prices.

Investments consist of non-negotiable certificates of deposit whose original maturity term exceeds three months and mutual funds. These non-negotiable certificates of deposit are carried at cost. Marketable investments are carried at fair value.

For the year ended June 30, 2010, the City recognized $29,182 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

At June 30, 2010, the primary government held the following deposits and investments:

PRIMARY GOVERNMENT:

Type	Maturities	Credit Rating	Carrying Value
Deposits:			
Petty cash			$ 1,234
Demand deposits			3,009,471
Time deposits			94,000
			$ 3,104,705
Investments:			
Cavanal Hill U.S. Treasury Admin Fund		AAAm	$ 86,177
			$ 86,177
Total deposits and investments			$ 3,190,882
Reconciliation to Statement of Net Assets:			
Cash and cash equivalents			$ 3,096,882
Investments			94,000
			$ 3,190,882

Custody Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by either a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2010, the City was not exposed to custodial credit risk as defined above.

As of June 30, 2010, the deposits and investments for the Lindsay Municipal Hospital Authority were $1,143,52. All of the amounts were fully insured and collateralized.

Investment Interest Rate Risk - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of June 30, 2010, the City's investments consisted of $86,177 of money market open-ended mutual funds invested in U.S. Treasury securities with a credit rating of AAAm as rated by Standard and Poor's.

Concentration of Investment Credit Risk - the City places no limit on the amount it may invest in any one issuer.

Restricted Cash and Investments – The amounts reported as restricted assets on the statement of net assets are comprised of amounts restricted for debt service, debt reserve, or construction purposes. The restricted assets as of June 30, 2010 are as follows:

Type of Restricted Asset	Current Cash and cash equivalents	Noncurrent Cash and cash equivalents	Investments	Total
Utility Deposits	$ 28,113	$ 19,739	$ 94,000	$ 141,852
OWRB Debt Service	37,677	48,500	-	86,177
Total	$ 65,790	$ 68,239	$ 94,000	$ 228,029

4. Accounts Receivable

Accounts Receivable - Accounts receivable of the business-type activities consist of customers utilities services provided, both billed and unbilled, due at year end, reported net of allowance for uncollectible amounts. The governmental activities receivables include ambulance and court fines receivables.

	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
Governmental Activities:			
Ambulance receivable	$ 677,847	$ 521,563	$ 156,284
Court fines	103,803	83,042	20,761
Total Governmental Activities	$ 781,650	$ 604,605	$ 177,045
Business-Type Activities:			
Utilities	$ 1,210,400	$ 438,468	$ 771,932

5. Note Receivable

At June 30, 2006, the City of Lindsay had a $500,000 note receivable from the Lindsay Municipal Hospital Authority. In October 2006 the note was renegotiated to be due in monthly installments of $2,453 with interest of 5%. During the 2010 fiscal year, the hospital made an additional payment of $150,000 in addition to increased monthly payments of $4,907. The balance of the note receivable at June 30, 2010 is 92,292.

	Balance July 1, 2009	Additions	Disposals	Balance June 30, 2010
LMHA note receivable	$ 240,123	$ -	$ (147,831)	$ 92,292

The increased monthly payments of $4,907 will result in an early maturity in fiscal year 2012 as follows:

Year Ended June 30,	Principal	Interest
2011	$52,107	$6,776
2012	40,185	1,523
Total	$92,292	$8,299

6. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of $500 is used to report capital assets. Capital assets are reported at actual or estimated historical cost. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2003. Prior to July 1, 2003, governmental funds' infrastructure assets, such as streets, bridges, drainage systems and traffic signal systems were not capitalized. Infrastructure assets acquired since that date are recorded at cost. Donated capital assets are recorded at their fair value at the date of donation.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Asset	Years
Buildings	50
Infrastructure	30
Vehicles	5
Computer equipment	5
Machinery and equipment	10

For the year ended June 30, 2010, capital assets balances changed as follows:

Primary Government:

	Restated Balance at July 01, 2009	Additions	Disposals	Balance at June 30, 2010
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 125,750	$ -	$ -	$ 125,750
Total capital assets not being depreciated	125,750	-	-	125,750
Other capital assets:				
Buildings	1,081,341	-	-	1,081,341
Land Improvements	27,500	-	-	27,500
Computers & Electronics	110,927	8,504	-	119,431
Furniture & Fixtures	28,180	-	-	28,180
Vehicles	1,518,017	38,710	-	1,556,727
Infrastructure	2,968,618	89,006	-	3,057,624
Machinery and equipment	784,909	36,829	-	821,738
Total other capital assets at historical cost	6,519,492	173,049	-	6,692,541
Less accumulated depreciation for:				
Buildings	698,263	19,876	-	718,139
Land Improvements	5,806	1,833	-	7,639
Computers & Electronics	95,825	7,935	-	103,760
Furniture & Fixtures	17,919	1,481	-	19,400
Vehicles	1,234,708	113,319	-	1,348,027
Infrastructure	1,677,363	154,324	-	1,831,687
Machinery and equipment	576,897	47,520	-	624,417
Total accumulated depreciation	4,306,781	346,288	-	4,653,069
Other capital assets, net	2,212,711	(173,239)	-	2,039,472
Governmental activities capital assets, net	$ 2,338,461	$ (173,239)	$ -	$ 2,165,222
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 395,000	$ -	$ -	$ 395,000
Total capital assets not being depreciated	395,000	-	-	395,000
Other capital assets:				
Buildings	848,582	2,969	72,000	779,551
Computers & Electronics	95,885	-	-	95,885
Furniture & Fixtures	8,840	-	-	8,840
Vehicles	925,000	-	-	925,000
Machinery & equipment	626,471	66,292	-	692,763
Infrastructure	14,765,414	57,529	-	14,822,943
Total other capital assets at historical cost	17,270,192	126,790	72,000	17,324,982
Less accumulated depreciation for:				
Buildings	568,762	9,333	72,000	506,095
Computers & Electronics	81,419	13,448	-	94,867
Furniture & Fixtures	3,278	1,768	-	5,046
Vehicles	744,643	64,200	-	808,843
Machinery and equipment	474,301	33,775	-	508,076
Infrastructure	11,179,608	247,250	-	11,426,858
Total accumulated depreciation	13,052,011	369,774	72,000	13,349,785
Other capital assets, net	4,218,181	(242,984)	-	3,975,197
Business-type activities capital assets, net	$ 4,613,181	$ (242,984)	$ -	$ 4,370,197

	Balance at July 01, 2009	Additions	Disposals	Balance at June 30, 2010
Lindsay Municipal Hospital Authority:				
Capital assets not being depreciated:				
Land	$ 14,164	$ -	$ -	$ 14,164
Construction in progress	-	102,502	-	102,502
Total capital assets not being depreciated	14,164	102,502	-	116,666
Other capital assets:				
Buildings	1,814,026	30,975	-	1,845,001
Land Improvements	34,266	-	-	34,266
Machinery and equipment	1,880,835	93,816	-	1,974,651
Total other capital assets at historical cost	3,729,127	124,791	-	3,853,918
Less accumulated depreciation for:				
Buildings	1,354,720	109,455	-	1,464,175
Land Improvements	33,682	583	-	34,265
Machinery and equipment	1,242,608	157,232	-	1,399,840
Total accumulated depreciation	2,631,010	267,270	-	2,898,280
Other capital assets, net	1,098,117	(142,479)	-	955,638
Municipal Hospital capital assets, net	$ 1,112,281	$ (39,977)	$ -	$ 1,072,304

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefiting from the use of the specific asset. Depreciation expense has been allocated as follows:

Governmental Activities:		Business-Type Activities:	
General government	$ 13,000	Administration	$ 2,145
Public safety	149,882	Electric	49,041
Highways and streets	121,524	Water	218,842
Culture and recreation	25,617	Sewer	49,659
Cemetery	9,561	Pool	622
Airport	26,704	Billing	3,082
		General Government	7,256
		Sanitation	23,901
		Golf Course	15,226
	$ 346,288		$ 369,774

7. Long-Term Debt and Debt Service Requirements

Type of Debt	Balance July 01, 2009	Additions	Deductions	Balance June 30, 2010	Due Within One Year
Governmental Activities:					
Capital lease payable	$ 21,690	$ -	$ 21,690	$ -	$ -
Accrued compensated absences	98,311	16,075	-	114,386	11,439
Total Governmental Activities	$ 120,001	$ 16,075	$ 21,690	$ 114,386	$ 11,439
Business-Type Activities:					
Notes Payable	$ 2,743,269	$ -	191,907	$ 2,551,362	191,869
Meter Deposit Liability	132,414	51,172	41,734	141,852	28,113
Accrued compensated absences	74,763	16,832	-	91,595	9,159
Total Business-Type Activities	2,950,446	68,004	233,641	2,784,809	229,141
Total Long-Term Debt	$ 3,070,447	$ 84,079	$ 255,331	$ 2,899,195	$ 240,580

Reconciliation to Statement of Net Assets:	
Governmental Activities:	
Due within one year	$ 11,439
Due in more than one year	102,947
Total Governmental Activities Long-term liabilities	$ 114,386
Business-Type Activities:	
Due within one year	$ 229,141
Due in more than one year	2,555,668
Total Business-Type Activities Long-term liabilities	$ 2,784,809

Type of Debt	Balance July 01, 2009	Additions	Deductions	Balance June 30, 2010	Due Within One Year
Component Unit:					
Lindsay Municipal Hospital Authority:					
Notes payable to City of Lindsay	$ 240,123	$ -	$ 147,831	$ 92,292	$ 25,403
Total Lindsay Municipal Hospital	$ 240,123	$ -	$ 147,831	$ 92,292	$ 25,403

Governmental Activities:

At June 30, 2010, the governmental activities long-term payable from taxes and other general revenues include the following:

Accrued Compensated Absences

Current portion	11,439
Noncurrent portion	102,947
Total Accrued Compensated Absences	$ 114,386

Business-Type Activities:

Long-term debt commitments payable from net revenues generated by the utility resources or other resources pledged to City's business-type activities at June 30, 2010, includes the following:

Long-Term Note Commitments

OWRB Amended Series 2000 Promissory Note dated February 2000, original amount of $485,000, due in semi-annual installments each Feb 15 and August 15, final installment due September 2019, interest rate of 3.365%. Note is secured by a pledge of utility revenues and sales tax and also a mortgage with power of sale and security agreement.	$	465,000
OWRB-DWSRF Promissory Note dated November 2000, original amount $3,195,000, due in semi-annual principal installments each March 15 and September 15, final installment due Sept 15,2021, interest rate of 3.58%. The note is secured by a pledge of net utility revenues. All funds of this note had not been drawn as of June 30, 2010.		1,917,361
Note payable to First National Bank, original amount of $166,000, payable in monthly installments of $1,335 with a 5.25% interest rate, final payment due June 14, 2020.		124,586
Note payable to Kempf, annual payment of $23,235 with a 0% interest rate, final payment due July 2011.		300
Note payable to Oklahoma Dept of Commerce dated Sept 1, 2000, original amount of $87,500, payable in monthly installments of $365 with a 0% interest rate, final payment due October 2020.		44,115
Total Notes Payable	$	2,551,362
Current portion		191,869
Noncurrent portion		2,359,493
Total Notes Payable	$	2,551,362

Meter Deposit Liability

Current portion		28,113
Noncurrent portion		113,739
Total Meter Deposit Liability	$	141,852

Accrued Compensated Absences

Current portion		9,159
Noncurrent portion		82,436
Total Accrued Compensated Absences	$	91,595

Long-term debt service requirements to maturity are as follows:

Year Ended June 30,	Business-Type Notes Payable Principal	Business-Type Notes Payable Interest
2011	$191,869	$76,996
2012	196,536	72,608
2013	207,455	66,650
2014	213,430	60,441
2015	219,634	53,872
2016-2020	1,225,180	157,480
2021-2025	297,258	9,364
Total	$2,551,362	$497,411

Interest expense was charged to functions as follows in the Statement of Activities:

Business-Type Activities:	
Administration	$ 21,227
Water	58,199
Sewer	11,899
Sanitation	1,271
Total Interest Expense	$ 92,596

Compensated Absences

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave, as well as sick and comp time benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation and comp pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds.

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has pledged one cent (or 33.3%) of future sales tax revenues and net utility revenues to repay the $485,000 and $3,195,000 Series 1999 and Series 2001 DWSRF OWRB Promissory Notes, respectively. Proceeds from the notes provided financing for capital assets. The notes are payable from pledged sales tax revenues and net utility revenues and are payable through 2026. The total principal and interest payable for the remainder of the life of this notes is $2,844,050. Pledged sales taxes received in the current year were $409,242 and net utility revenues were $622,255. Debt service payments of $232,231 for the current fiscal year were 22.5% of both pledged sales taxes and net utility revenues of $1,031,497.

8. Net Assets and Fund Balances

Net Assets:

Net assets as reported in the government-wide and proprietary fund financial statements are displayed in three components:

a. *Invested in capital assets, net of related debt* - Consists of capital assets and related accounts, 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 improvements of those assets.

b. *Restricted net assets* - Consists of net assets with constraints placed on the 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.

c. *Unrestricted net assets* - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Balances

The City has early implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". Under that standard, governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned and unassigned. These classifications are defined as:

a. Nonspendable – includes amounts that cannot be spend because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

b. Restricted – consists of fund balance with constraints place on the use of resources either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city's highest level of decision-making authority. The City's highest level of decision-making authority is made by ordinance. The City currently reports no committed fund balance.

d. Assigned – includes amounts that are constrained by the city's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.

e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the City's policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Prior Period Adjustments:

	General Fund	Capital Improvement Fund	Airport Fund	Governmental Activities
Beginning fund balance/net assets as previously reported	$ 424,013	$ 199,362	$ (25,096)	$ 3,665,653
Correction of errors:				
Overstatement of bonds outstanding	47,177	-	-	47,177
Understatement of notes receivable	-	240,123	-	-
Overstatement of accounts payable	-	-	21,900	21,900
Beginning fund balance/net assets as restated	$ 471,190	$ 439,485	$ (3,196)	$ 3,734,730

Proprietary fund equity is classified the same as in the government-wide statements.

Enterprise Funds:

Debt service and reserve for promissory notes:	
Cash and investments	$86,177
Less: accrued interest payable	(30,965)
Total Enterprise Fund Restriction for Debt Service	$55,212

Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

9. Sales Tax Revenue

Sales tax revenue represents a 4 cent tax on each dollar of taxable sales of which 1 cent is transferred to the Lindsay Public Works Authority and used to secure debt payments and 1 cent is voter restricted (Ordinance #452) for Emergency Services.

10. Internal Balances and Transfers Between Legal Entities

The City's policy is to eliminate interfund transfers and balances in the statements of activities and net assets to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances and then offset in the total column in the government-wide statements. Interfund transfers and balances between funds are not eliminated in the fund financial statements.

Internal balances between fund and legal entities are comprised of the following:

Due From	Due To	Amount	Nature of Balance
Cleet	General Fund	$ 14	court activity
General Fund	Police Bond Fund	3,957	court activity
Airport	LPWA	80	operational subsidy
EMS Fund	Juvenile Grant Fund	1,037	grant funds from prior year
Donation Fund	Grant Fund	5,830	fire grants recorded in wrong fund
Total		$ 10,918	

Reconciliation to Fund Financial Statements:

	Due From	Due To	Net Internal Balances
Governmental Funds	$ 10,839	$ (10,759)	$ 80
Proprietary Funds	-	(80)	(80)
Total	$ 10,839	$ (10,839)	$ -

Transfers between funds and legal entities are comprised of the following:

Transfer From	Transfer To	Amount	Purpose of Transfer
General Fund	Street & Alley	$ 1,006	Write off of old interfund balances
LPWA	General Fund	787,942	Operational subsidy
Emergency Services 1% Tax	General Fund	455,000	Operational subsidy
Capital Improvement	General Fund	10,260	Reimburse expenditures
Capital Improvement	General Fund	62,058	Reimburse expenditures
LPWA Designated Sales Tax	LPWA	356,792	Sales tax transfer
LPWA	Airport	10,160	write off of old interfund balances
Total		$ 1,683,218	

Reconciliation to Fund Financial Statements:

	Transfers In	Transfers Out	Net Transfers
Governmental Funds	$ 1,326,426	$ (885,116)	$ 441,310
Proprietary Funds	356,792	(798,102)	(441,310)
	$ 1,683,218	$ (1,683,218)	-

Reconciliation to Statement of Activities:

Net Transfers	441,310
Business-type activity capital assets bought by governmental funds	(22,696)
Transfers - internal activity	$ 418,614

11. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The City manages these various risks of loss as follows:

- General Liability, Fleet Coverage, and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool.
- Workers' Compensation – Workers' compensation is covered through purchase of commercial insurance – CompSource Oklahoma.
- Employee's Group Health and Life – Covered through participation in Oklahoma State Employees and Educators Group Insurance Board and Aetna.

The City's risk is transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claims reserves and other purposes for the benefit of the city. Management believes such insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City, and such claims have not exceeded the coverage over the past three fiscal years.

12. Retirement Plan Participation

The City participates in three employee retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
- Principal Mutual Life Defined Contribution Plan – a defined contribution plan

Oklahoma Firefighter's Pension and Retirement System

Pursuant to the requirements of Title 11, section 22-102, the City of Lindsay participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Firefighters Pension Board on behalf of both paid and volunteer firefighters. The paid firefighter contributes 8% to the plan, while the City is required by state law to contribute 13% per year per firefighter to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The City's obligation to fund the plan extends only to making the statutorily required contributions.

The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the OFPRS, 4545 Lincoln Blvd. Suite 265, Oklahoma City, OK, 73105-3414.

For 2010, the City's annual required contribution was $48,299 for the OFPRS plan and was equal to the City's actual contribution. The state made on-behalf payments of $80,994 (or 21.8% of covered payroll) for the fiscal year. The on-behalf payments are reported as both revenue and expense.

Oklahoma Police Pension and Retirement System:

Pursuant to the requirements of Title 11, section 50-102, the City of Lindsay participates in the statewide cost-sharing multi-employer defined benefit plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). The paid police officer contributes 8% to the plan. The City is required by state law to contribute 13% per year per paid police officer to the statewide plan. The plan is funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary.

The OPPRS issues a publicly available report that includes financial statements, which can be obtained from the Oklahoma Police Pension and Retirement System, 1001 N.W. 63rd Street, Oklahoma City, OK, 73116-7335.

For 2010, the City's annual required contribution was $35,372 and was equal to the City's actual contribution. The state made on-behalf payments of $23,944 (or 8.8% of covered payroll) for the fiscal year. The on-behalf payments are reported as both revenue and expense.

OMRF Defined Benefit Plan

The City contributes to the City of Lindsay Plan and Trust in the form of The Oklahoma Municipal Retirement System Master Defined Benefit Plan and Trust, an agent multiple employer - defined benefit plan, for all eligible employees except for those covered by the Police and Firefighter Pension Systems. Administration of the City's individual plan rests with the City Council. The overall operations of OMRF are supervised by a nine-member Council of Trustees elected by the participating municipalities. JP Morgan Chase of Oklahoma City acts as administrator and securities custodian.

Eligibility Factors, Contribution Methods and Benefit Provisions

Provision	OMRF Plan
a. Eligible to Participate	Full-time, non-uniformed employees of the City upon hire.
b. Contribution Requirements:	
-Authorization	By City ordinance
-Actuarially Determined	Yes
-Employer Rate	11.89% of covered payroll
-Employee Rate	3.75% of earnings
c. Period Required to Vest	10 years of credited service
d. Eligibility for Distribution	-Normal retirement at age 65 with 10 years of service -Early retirement at age 55 with 10 years of service -Disability retirement with 10 years of service -Marital death benefit with 10 years of service
e. Benefit Determination Base	Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service
f. Benefit Determination Methods:	
-Normal Retirement	2.25% of final average salary multiplied by credited years of service
-Early Retirement	Actuarially reduced benefit based upon age and years of service at termination
-Disability Retirement	Same as normal retirement
-Death Benefit	50% of employee's accrued benefit, but terminates upon spouse remarriage
-Prior to 10 Years Service	Return of employee contributions with accrued interest
g. Form of Benefit Payments	Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, optional form based on actuarial equivalent.

Actuarial Assumptions

For Plan Year Beginning July 1, 2009 (Date of Last Acutarial Valuation: January 1, 2009)

a. Actuarial Cost Method	Entry age normal
b. Rate of Return on Investments	7.5%
c. Projected Salary Increase	Rates by age
d. Post Retirement Cost-of-Living Increase	N/A
e. Inflation Rate	Separate inflation rate not available; inflation included in projected salary increase
f. Mortality	UP 94 mortality
g. Asset Valuation Method	Actuarial method

Funded Status and Funding Progress

As of January 1, 2009, the funded status of the OMRF agent multiple employer defined benefit plan is as follows:

Actuarial accrued liability (AAL)	$3,777,814
Actuarial value of plan assets	3,250,762
Unfunded actuarial accrued liability (UAAL)	$ 527,052

Funded ratio (actuarial value of plan assets/AAL)	86%
Annual covered payroll (active plan members)	$1,333,767
UAAL as a percentage of covered payroll	39.5%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

OMRF issues separate plan financial statements which may be obtained by contacting the Oklahoma Municipal Retirement Fund, 525 Central Park Drive, Suite 320, Oklahoma City, Oklahoma, 73105.

Summary of Contributions:

Oklahoma Municipal Retirement Fund

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	$ 67,199	100%	-
2009	64,051	100%	-
2010	79,299	100%	-

Oklahoma Police Pension and Retirement System

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	$ 32,460	100%	-
2009	33,643	100%	-
2010	35,372	100%	-

Oklahoma Firefighter's Pension and Retirement System

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2008	$ 45,257	100%	-
2009	49,854	100%	-
2010	48,299	100%	-

13. Commitments and Contingencies

Commitments:
At June 30, 2010, the City and its public trusts had no outstanding construction contracts.

Litigation:
The City and its public trusts are parties to various legal proceedings or have threatened litigation which normally occurs in the course of municipal governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. State Constitution and statutes provide for the levy of an ad valorem tax over a three-year period by a Sinking Fund for the payment of any court assessed judgment rendered against the City. (This provision is not available to public trusts.) While the outcome of the above noted proceedings or threatened litigation 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.

Federal and State Award Programs:

The City of Lindsay participates in various federal or state grant/loan programs from year to year. In 2010, the City's involvement in federal and state award programs was not material. 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. The City has not been notified of any noncompliance with federal or state award requirements.

Lindsay Municipal Hospital Authority:

Net Patient Service Revenue

The Lindsay Municipal Hospital Authority has agreements with third-party payers that provide for payments to the Authority at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts.

Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

The Lindsay Municipal Hospital Authority has agreements with third-party payers that provide for payments to the Authority at amounts different from its established rates. The payment arrangements include:

- **Medicare** - Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Authority is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare fiscal intermediary.

- **Medicaid** - The Authority has also been reimbursed for services rendered to patients covered by the state Medicaid program on a prospective basis at set per diem rates with no retroactive adjustment.

- **Department of Corrections** - Inpatient and outpatient services rendered to Department of Corrections patients are reimbursed under a cost-reimbursement methodology.

The Authority receives an additional 110% of cost for inpatient services and outpatient services are reimbursed 115% of cost (see Note L). Less that 10% of net patient service revenues are from participation in the Medicare and state sponsored Medicaid programs for the year ended June 30, 2010. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term. Approximately 80% of net patient service revenues are from patients covered under agreements with the Department of Corrections for the year ended June 30, 2010.

The Authority has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Authority under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Charity Care

The Lindsay Municipal Hospital Authority provides charity care to patients who are unable to pay for services. The amount of charity care is included in net patient service revenue and is not separately classified from the provision for uncollectible accounts.

Medical Malpractice Claims

Prior to September 2007, the Lindsay Municipal Hospital Authority purchased medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Beginning September 2007, the Authority became a member of Cimarron Insurance Exchange, RRG (Reciprocal Risk Retention Group) (the RRG) approved by the state of Vermont to provide hospital professional and general liability coverage to its subscribers. The RRG was formed in order to stabilize the cost and availability of hospital professional and general liability insurance by taking advantage of the self-funding capabilities of a homogenous group of healthcare providers.

The RRG members are provided hospital professional and general liability insurance under claims-made policies on a fixed premium basis.

Contracts with the Oklahoma Department of Corrections

During 2001, the Lindsay Municipal Hospital Authority entered into three agreements with the Oklahoma Department of Corrections (DOC) related to services to be provided by the Hospital. Those agreements were the Occupancy Agreement, the Contract for Inpatient Medical Services and the Outpatient Medical Services Contract. Each agreement was for an initial period of ten years, with two five-year renewal options.

Under the Occupancy Agreement, the Authority granted to DOC exclusive rights to occupy 21 beds of the Hospital and certain outpatient facilities for provision of medical services to prisoners of the DOC. As consideration for these exclusive rights, the DOC agreed to pay an amount not to initially exceed $950,000 for the building improvements and equipment necessary to equip the Hospital for the DOC's use. Under the Occupancy Agreements, the Authority will amortize all leasehold improvements made by the DOC over the initial term of ten years and all equipment purchased by the DOC over a period of five years. Additionally, a reserve fund of $60,000 for replacement of equipment has been funded by the Authority and the DOC. At June 30, 2010 this fund is recorded on the balance sheet as non-current cash restricted for capital acquisitions.

In the event of termination of the Occupancy Agreement, the Authority may either pay the DOC the unamortized balance of leasehold improvements made by the DOC and the unamortized balance of major movable equipment or return such equipment to the DOC. Accordingly, the portion of the DOC's advance under the Occupancy Agreement related to the leasehold improvements and major moveable equipment are reflected on the accompanying balance sheet as deferred revenue and accrued expense as of June 30, 2010, of approximately $292,333. Lease revenue recognized during 2010 under the Occupancy Agreement was approximately $139,555.

Under the Contract for Inpatient Medical Services, the DOC agreed to reimburse the Authority under a cost reimbursement methodology for care provided to prisoners under the contract. The cost reimbursement is based on inpatient Medical Services, The DOC agreed to reimburse the Authority under a cost reimbursement methodology for care provided to prisoners under the Contract. The cost reimbursement is based on inpatient utilization and will be no less than 84% and no more than 95%. In addition, to the cost reimbursement, the DOC agrees to pay a 10% administrative fee to the Authority. All reimbursements from the DOC under the Contract for Inpatient Medical Services is reflected as net patient service revenue on the accompanying statement of revenues, expenses and changes in net assets.

Under the Outpatient Medical Services Contract, the DOC agreed to reimburse the Authority under a cost reimbursement methodology at 115% of the Hospital's costs for outpatient services provided to prisoners under the contract. All reimbursements from the DOC under the Outpatient Medical Services Contract is reflected as net patient service revenue on the accompanying statement of revenues, expenses and changes in net assets.

REQUIRED SUPPLEMENTAL INFORMATION

Budgetary Comparison Schedules (Budgetary Basis) – Year Ended June 30, 2010

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Beginning Budgetary Fund Balance:	$270,500	$270,500	$471,190	$200,690
Resources (Inflows):				
Taxes	1,411,000	1,411,000	956,486	(454,514)
Intergovernmental	55,000	55,000	48,758	(6,242)
Charges for services	345,050	345,050	273,903	(71,147)
Fines and forfeitures	102,160	102,160	21,877	(80,283)
Licenses and permits	7,000	7,000	7,578	578
Investment Income	2,590	2,590	4,227	1,637
Miscellaneous	112,675	112,675	69,187	(43,488)
Other Financing Resources - Transfers In	1,157,000	1,157,000	1,315,260	158,260
Total Resources (Inflows)	3,192,475	3,192,475	2,697,276	(495,199)
Amounts available for appropriation	$3,462,975	$3,462,975	$3,168,466	($294,509)
Charges to Appropriations (Outflows):				
Public Safety	1,685,050	1,685,050	1,329,200	355,850
Streets	136,800	136,800	105,806	30,994
Culture & Recreation	280,000	280,000	199,198	80,802
General government	313,750	313,750	201,569	112,181
Cemetery	75,455	75,455	55,858	19,597
Health & Public Safety -Ambulance	919,420	919,420	798,321	121,099
Other Financing Uses - Transfers Out	52,500	52,500	1,006	51,494
Total Charges to Appropriations	3,462,975	3,462,975	2,690,958	720,523
Ending Budgetary Fund Balance	$ -	$ -	$477,508	$426,014

	EMS Fund			
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
Beginning Budgetary Fund Balance	$ 532,500	$ 532,500	$ 270,105	($262,395)
Resources (Inflows):				
Taxes	567,000	567,000	409,241	(157,759)
Grant Revenue	-	-	38,710	38,710
Investment income	5,000	5,000	1,760	(3,240)
Total Resources (Inflows)	572,000	572,000	449,711	(122,289)
Amounts available for appropriation	1,104,500	1,104,500	719,816	(384,684)
Charges to appropriations (outflows):				
Public Health and Welfare	454,500	454,500	1,127	453,373
Debt Service	23,270	23,270	23,270	-
Capital Outlay	38,710	38,710	38,710	-
Transfer out	650,000	650,000	455,000	195,000
Total Charges to Appropriations	1,166,480	1,166,480	518,107	648,373
Ending Budgetary Fund Balance	$ (61,980)	$ (61,980)	$ 201,709	$263,689

Footnotes to Budgetary Comparison Schedules:

1. The City prepares its budgets for all funds on the modified accrual basis of accounting with the exception certain expenditures related to on-behalf payments for police and fire. For budgetary purposes expenditures are recorded in the period the invoice is received. All unexpended encumbrances lapse at year-end and therefore are not recorded as expenditures for budgetary purposes.

2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the approval of the City Manager. All supplemental appropriations require the approval of the City Council. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.

3. The budgetary basis differs from the modified accrual basis as shown in the schedule below:

	General Fund
Total budgetary revenues and transfers	$2,697,276
Add: On-behalf payments	104,938
Total revenues as recorded on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$2,802,214
Total budgetary expenditures and transfers	$2,690,958
Add: On-behalf payments	104,938
Total expenditures as recorded on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$2,795,896

OMRF Agent Multiple Employer Defined Benefit Pension Plan - Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -- Entry Age	Unfunded Liability UAAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/04	$2,857,683	$3,022,580	$164,897	94.5%	$ 789,116	20.9%
1/1/05	$2,991,187	$3,267,972	$276,785	91.5%	$ 845,231	32.7%
1/1/06	$3,232,323	$3,639,786	$407,463	88.8%	$ 997,396	40.9%
1/1/07	$3,500,245	$3,806,723	$306,478	91.9%	$1,048,711	29.2%
1/1/08	$3,369,445	$3,526,602	$157,157	95.5%	$1,176,779	13.4%
1/1/09	$3,250,762	$3,777,814	$527,052	86.0%	$1,333,767	39.5%

SUPPLEMENTAL INFORMATION

Combining Balance Sheet – Nonmajor Funds – June 30, 2010

	Special Revenue Funds							Capital Project Fund	
	City Donation	Street & Alley	Airport	LPWA Donation	Library	Grant	Juvenile Grant	Cemetery Care	Total Governmental Funds
ASSETS									
Cash and cash equivalents	$ 117 867	$ 8 818	$ 8 811	$ 11 134	$ 1 567	$ 26 180	$ 12 839	$ 39 905	$ 227 121
Receivable from other governments	-	4 713	-	-	459	-	-	-	5,172
Due from other funds	-	-	-	-	-	5 830	1 037	-	6 867
Total assets	117 867	13 531	8 811	11 134	2 026	32 010	13 876	39 905	239 160
LIABILITIES AND FUND BALANCES									
Liabilities									
Due to other funds	5 830	-	(80)	-	-	-	-	-	5 750
Total liabilities	5,830	-	(80)	-	-	-	-	-	5 750
Fund balances									
Restricted for									
Street and Alley	-	12 835	-	-	-	-	-	-	12 835
City Donation	112 037	-	-	-	-	-	-	-	112 037
Library	-	-	-	-	2 013	-	-	-	2 013
Public Works	-	-	-	10 998	-	-	-	-	10 998
Fire	-	-	-	-	-	5 830	-	-	5 830
Economic Development	-	-	-	-	-	26 180	-	-	26 180
Airport	-	-	3 276	-	-	-	-		3 276
Cemetery	-	-	-	-	-	-	-	19 806	19 806
Emergency Medical Services	-	-	-	-	-	-	13 771	-	13 771
Assigned to									-
Street and Alley	-	696		-	-	-	-	-	696
Library	-	-	-	-	13	-	-	-	13
Public Works	-	-	-	136	-	-	-	-	136
Airport	-	-	5 615	-	-	-	-	-	5 615
Cemetery	-	-	-	-	-	-	-	20 099	20 099
Emergency Medical Services	-	-	-	-	-	-	105	-	105
Total fund balances (deficits)	112,037	13,531	8 891	11 134	2 026	32 010	13,876	39 905	233 410
Total liabilities and fund balances	$ 117 867	$ 13 531	$ 8 811	$ 11,134	$ 2 026	$ 32,010	$ 13 876	$ 39 905	$ 239 160

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Funds – Year Ended June 30, 2010

	Special Revenue Funds							Capital Project Fund	
	City Donation	Street & Alley	Airport	LPWA Donation	Library	Grant	Juvenile Grant	Cemetery Care	Total-Other Governmental Funds
REVENUES									
Intergovernmental	$ -	$ 25,882	$ -	$ -	$ 4,591	$ 270,117	$ -	$ -	$ 300,590
Charges for services	-	-	-	-	-	-	-	5,269	5,269
Investment income	981	696	58	136	13	273	105	295	2,557
Miscellaneous	19,639	-	5,557	-	-	-	-	-	25,196
Total revenues	20,620	26,578	5,615	136	4,604	270,390	105	5,564	333,612
EXPENDITURES									
Current									
Public Safety	5,328	-	-	-	-	-	50	-	5,378
Culture and recreation	7,839	-	-	4,242	2,088	262,787	-	-	276,956
Airport	-	-	3,688	-	-	-	-	-	3,688
Capital Outlay	28,409	89,006	-	33,972	1,315	1,500	-	-	154,202
Total Expenditures	41,576	89,006	3,688	38,214	3,403	264,287	50	-	440,224
Excess (deficiency) of revenues over expenditures	(20,956)	(62,428)	1,927	(38,078)	1,201	6,103	55	5,564	(106,612)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	1,006	10,160	-	-	-	-	-	11,166
Transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources and uses	-	1,006	10,160	-	-	-	-	-	11,166
Net change in fund balances	(20,956)	(61,422)	12,087	(38,078)	1,201	6,103	55	5,564	(95,446)
Fund balances (deficits) - beginning	132,993	74,953	(3,196)	49,212	825	25,907	13,821	34,341	328,856
Fund balances (deficits) - ending	$ 112,037	$ 13,531	$ 8,891	$ 11,134	$ 2,026	$ 32,010	$ 13,876	$ 39,905	$ 233,410

Schedule of Expenditures of Federal and State Awards – For the Year Ended June 30, 2010

Federal/State Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA Number	Grant #	Award Amount	Awards Expended
FEDERAL AWARDS:				
DEPT OF HOUSING AND URBAN DEVELOPMENT:				
Passed through the Oklahoma Housing Finance Agency:				
Home Investment Partnership Program	14.239	1217 Home 08	260,000	260,000
DEPARTMENT OF HOMELAND SECURITY:				
Passed through the Oklahoma Department of Civil Emergency Management:				
FEMA - Hazard Mitigation	97.039	FEMA-14-1-DR-OK	$ 787	$ 787
FEMA - Wind/Tornado Storm Damage Disaster	97.036	PA-1917 PW199	3,187	3,187
FEMA - Ice Storm Damage Disaster	97.036	PA-1883 PW512	62,895	62,895
FEMA - Wind/Tornado Storm Damage Disaster	97.036	PA-1917 PW246	4,551	4,551
FEMA - Ice Storm Damage Disaster	97.036	PA-1883 PW335	5,086	5,086
FEMA - Ice Storm Damage Disaster	97.036	PA-1883	1,797	1,797
FEMA - Ice Storm Damage Disaster	97.036	PA-1876 PW83	2,576	2,576
FEMA - Ice Storm Damage Disaster	97.036	PA-1883 PW63	1,695	1,695
FEMA - Wind/Tornado Storm Damage Disaster	97.036	PA-1917 PW128	932	932
FEMA - Wind/Tornado Storm Damage Disaster	97.036	PA-1917 PW165	21,352	21,352
FEMA - Ice Storm Damage Disaster	97.036	PA-1883 PW67	77,377	77,377
Total Department of Homeland Security			$ 182,235	$ 182,235
Total Federal Awards			$ 442,235	$ 442,235
STATE AWARDS:				
OKLAHOMA DEPARTMENT OF AGRICULTURE:				
Rural Fire Grant			$ 5,100	$ 5,100
Firefighter Assistance Grant			730	730
			$ 5,830	$ 5,830
OKLAHOMA DEPARTMENT OF LIBRARIES:				
State Aid			4,591	4,591
Automation Grant		Auto Grant 09	1,500	1,500
			6,091	6,091
ASSOCIATION OF SOUTH CENTRAL OKLAHOMA GOVERNMENTS:				
09 REAP Grant		REAP 09-075	49,805	38,710
Community Expansion for Nutrition Assistance (CENA)		02 CENA 09	2,000	2,000
			51,805	40,710
Total State Awards			$ 63,726	$ 52,631

Schedule of Debt Service Coverage Requirement – Year Ended June 30, 2010

DEBT SERVICE COVERAGE:	OWRB Series 2000 & DWSRF 2000 Promissory Notes
GROSS REVENUE AVAILABLE:	
Charges for services (electric, water and sewer)	$3,621,319
Investment income	18,570
Sales tax pledged	409,242
Total Gross Revenue Available	4,049,131
OPERATING EXPENSES:	
Total Operating Expenses	3,017,634
Net Revenue Available for Debt Service	$1,031,497
Debt Service on all Obligations Payable:	
Maximum annual debt service - OWRB Series 2000	$56,481
Average annual debt service - OWRB DWSRF 2000	191,644
	$248,125
Computed Coverage	416%
Coverage Requirement	125%

RAHHAL HENDERSON JOHNSON, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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 Lindsay, Oklahoma

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Lindsay, Oklahoma, as of and for the year ended June 30, 2010, which collectively comprise City of Lindsay, Oklahoma's basic financial statements and have issued our report thereon dated June 18, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Lindsay Municipal Hospital Authority as described in our report on City of Lindsay, Oklahoma's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

Management of City of Lindsay, Oklahoma is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Lindsay, Oklahoma 's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Lindsay, Oklahoma's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Lindsay, Oklahoma'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 significant deficiencies or material weaknesses. The other auditors did not identify any deficiencies in internal control over financial reporting, that they considered to be

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material weaknesses as defined previously. However, we identified certain deficiencies in internal control over financial reporting , described in the accompanying schedule of findings and responses as 2010-1 through 2010-12, that we consider to be material weaknesses. The other auditors identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as 2010-13 and 2010-14, that they consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Lindsay, Oklahoma'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 the other auditors' tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, the results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2010-1, 2010-4, 2010-7 through 2010-10.

City of Lindsay, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit City of Lindsay, Oklahoma's response and, accordingly, we express no opinion on it.

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

Rahhal Henderson Johnson, PLLC

Ardmore, Oklahoma
June 18, 2012

CITY OF LINDSAY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2010

2010-1 Conflict of Interest

Condition – City of Lindsay paid council member owned business for insurance policies during his term of office.

Criteria – Oklahoma Statutes Title 11, Section 8-113; Title 60, Section 178.8; Title 62, Section 371 " Municipalities may not contract, directly or indirectly, with a member of the governing body. Exceptions include utilities, financial institutions, and sole source vendors."

Cause – Insurance policies were automatically renewed when council member was appointed to fill an open position on the council.

Effect – Non-compliance with Oklahoma Statutes.

Recommendation – We recommend that procedures be put into place to ensure council members have appropriately disclosed all business relationships.

Views of Responsible Officials – All council members will sign disclosure statements at the time elected or appointed.

2010-2 Employee Utility Receivables

Condition – Employees were not charged late charges on past due utility accounts.

Criteria – Consistent procedures for handling past due utility accounts receivable should be followed for all utility customers.

Context – 4 of 10 employees tested were not charged late fees on past due utility accounts.

Recommendation – We recommend the City review past due accounts and follow approved policies on termination of service for lack of payment for all utility customers. No preferential treatment should be given to employees.

Views of Responsible Officials – Billing clerk is monitoring all accounts and notifies the city manager of any employee accounts which are past due. The verbal policy is that all accounts are to be treated consistently without preferential treatment.

2010-3 Inventory

Condition – A physical inventory count was not taken at year-end.

Criteria – Physical inventory counts should be completed to verify quantities on hand. Such counts are required by City policy.

Cause – Inadequately designed internal controls related to inventory.

Effect – Inventory detail was not verified with quantities on hand.

Recommendation – We recommend inventory be counted annually and reconciled to the general ledger.

Views of Responsible Officials – Procedures are now in place to perform inventory counts at year-end.

2010-4 Cash Receipts

Condition – Cash receipts were not deposited by the immediate next banking day.

Criteria – Oklahoma Statutes Title 62, Section 517.3 "The treasurer of every public entity shall deposit daily not later than the immediately next banking day, all funds in either state or county depositories within Oklahoma."

Cause – Inadequate design of controls for cash receipts.

Context – 8 of 45 days collections of utility receipts were not deposited by the immediate next banking day; 10 of 25 days of court receipts were not deposited by the immediate next banking day.

Recommendation – We recommend all cash receipts be deposited by the next immediate banking day in compliance with state statute.

Views of Responsible Officials – Court receipt procedures have been changed and all court receipts are now given to a cashier. The court clerk is provided a receipt and then balances receipts in the court system to this receipt. All receipts are balanced and deposited daily.

2010-5 Segregation of Duties

Condition – A cash drawer is not assigned to individual cashiers. All cashiers work from all cash drawers. In addition, all cashiers were involved at times in preparation of bank deposits and depositing receipts at the bank.

Criteria – Adequately designed internal control procedures for cash receipting should provide for adequate segregation of duties among those who collect, prepare deposits, post receipts, and deposit cash receipts.

Cause – Lack of segregation of duties surrounding cash receipts.

Effect – Inadequate design of internal control procedures surrounding key financial duties.

Recommendation – We recommend that each cashier be assigned an individual cash drawer. A separate individual with no access to the cash drawer should prepare the deposit and reconcile it to the cash receipts posted in the system. Another individual should deposit the cash receipts.

Views of Responsible Officials – The procedures have been modified. Each cashier now has their own cash drawer. The mail is opened by another staff member then given to a clerk without a cash drawer to post. The city clerk reviews all deposits.

2010-6 Utility Adjustments

Condition – Utility adjustments are not approved by management.

Criteria – Adequate segregation of duties related to billing includes authorization of adjustments by someone not involved in other aspects of the billing process.

Context – 6 of 25 utility adjustments tested did not have proper approval.

Recommendation – We recommend that procedures be modified to determine that all utility adjustments be approved by management.

Views of Responsible Officials – The procedures in place have always been to have all adjustments approved by someone other than the preparer. Appropriate controls will continue to be stressed.

2010-7 Purchasing

Condition – Purchasing procedures were not followed consistently.

Criteria – Oklahoma Statutes Title 62, Section 310.1 – 310.9 – Purchase orders shall have written approval of a purchasing officer and an encumbering clerk prior to release; individual receiving satisfactory delivery of merchandise shall acknowledge that fact by signing the invoice or delivery ticket; invoices are required, after satisfactory delivery, and shall be itemized.

Context – 1 of 25 purchase orders was dated after the vendor invoice; 1 of 25 invoices had no receipt of goods signature; 1 of 25 purchases lacked proper approval; 1 of 17 expenditures was not supported by an invoice.

Recommendation – We recommend that purchasing procedure compliance be stressed with all involved in the purchasing process.

Views of Responsible Officials – A continued focus on compliance will be stressed with all involved in purchasing.

2010-8 Payroll

Condition – Employee time sheets were could not be located. An employee, who was not eligible, was paid overtime.

Criteria – The Fair Labor Standards Act (FLSA) exempts some employees from overtime pay provisions. These exemptions include executive, administrative and professional work. Exemptions are determined based on each specific employment situation rather than job titles. If an employee is determined to not be exempt, certain records are required including the hours worked each day and the total hours worked each workweek.

Cause – Failure in the operation of control procedures surrounding payroll.

Context – 8 of 25 employee time sheets tested were missing; 1 exempt employee was paid overtime.

Recommendation – We recommend City should reinforce procedures for retaining signed and approved time sheets for employees. The City should also determine if employees meet the criteria as exempt under FLSA guidelines. A review process should be put into place to compare approved pay amounts for each employee with amounts actually received.

Views of Responsible Officials – Time sheets are required for all payroll and a control sheet is used to verify information input for payroll processing. Job descriptions are being developed which describe job expectations within the FLSA guidelines.

2010-9 Payroll Taxes

Condition – Federal payroll reports were not filed timely and State payroll reports were not paid or filed timely from the period October 2008 through year end June 30, 2010.

Criteria – Payroll taxes should be paid and reports filed as required by taxing authority regulations.

Context – Federal penalties in the amount of $32,948 were paid in December, 2010 and January, 2011. State penalties in the amount of $10,241 were paid in August, 2010.

Recommendation – We recommend that controls over the processing of all payroll reports be reviewed and a monitoring process put in place to determine taxes are paid timely.

Views of Responsible Officials – Management is now reviewing payroll tax remittances after each payroll. An external consultant has been hired to process payroll tax reports on the City's behalf.

2010-10 Sales Taxes

Condition – Oklahoma Sales Tax reports were not filed or paid for the period July, 2008 through year end at June 30, 2010.

Criteria – All tax remittances due to other governments should be paid and \reports filed as required by regulations.

Context – Sales taxes and penalties in the amount of $224,956 were paid in October, 2010.

Recommendation – We recommend that controls over the processing of all sales tax reports be reviewed and a monitoring process put in place to determine taxes are paid timely.

Views of Responsible Officials – Management is now reviewing sales tax remittances each month. An external consultant has been hired to process sales tax reports on the City's behalf.

2010-11 Court

Condition – Partial payments received for court fines are receipted by the Court Clerk, but are not posted in the court software until the fine is paid in full. Payments posted to court software are not reconciled to receipts posted to the general ledger.

Criteria – Cash receipts posted to the subsidiary ledger should be reconciled to the general ledger on a daily basis.

Effect – The court software does not reflect all of the payments received.

Recommendation – We recommend all payments should be posted to the court software when received and revenue reports from the court software should be reconciled to the general ledger.

Views of Responsible Officials – The procedures have been modified and all payments are now posted to the court records.

2010-12 Unauthorized payments

Condition – Former city manager (released March, 2010) received severance pay and vacation pay for contract buyout in excess of amounts supported by records and allowed by City policy.

Criteria – City Manager employment contract allows for severance pay of a sum equal to three (3) months of current salary at the time of termination. Vacation should be paid per City of Lindsay Personnel Policies based on term of employment plus sick leave converted to vacation upon retirement age with a maximum consideration of 40 days.

Context – Projected overpayment of severance pay in the amount of $1,231 and vacation pay in the amount of $12,324.

Recommendation – We recommend procedures be put into place to ensure that all such payments receive specific council approval before they are released.

Views of Responsible Officials – Litigation is being pursued to resolve this issue as it relates to the former city manager.

Lindsay Municipal Hospital Authority

2010-13 **Preparation of financial statements**

Condition – As auditors, we(the other auditors) were requested to draft the financial statements and accompanying notes to the financial statements. The Authority does not have an internal control system over financial reporting designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting standards, on a periodic or annual basis. This circumstance is not unusual in an organization of your size (reference to the Hospital Authority). It is the responsibility of management and those charged with governance to make the decisions whether to accept the degree of risk associated with this condition because of cost and other considerations.

Criteria – Statement on Auditing Standards (SAS) 115 requires the auditor to assess the Authority's accounting staffs ability to apply Generally Accepted Accounting Principals (GAAP) on an ongoing basis.

Cause– The board had considered the cost benefit of improving the internal control over financial reporting and has decided to accept the risk associated with this condition.

Effect – Material misstatements could occur in the financial statements and not be detected by management in a timely manner.

Recommendation – It is recommended that the Authority implement a system that allows the preparation of financial statements in accordance with GAAP.

2010-14 **The lack of segregation of duties was in the cash receipts and disbursement cycles.**

Condition – One individual has incompatible duties in the payroll transaction cycle. The individual has incompatible duties in the payroll transaction cycle. The individual has the ability to generate a payroll payment, add employees, issue checks, EFTs, change master files and reconciles employee payroll records to control account.

Criteria –Management is responsible for establishing and maintaining effective internal controls.

Cause– Duties in the payroll cycle are not adequately segregated.

Effect – Potential material misstatements in the financial statements or material misappropriations due to error or fraud could occur and not be detected in a timely manner.

Recommendation – Management should evaluate the cost benefit of further segregation of duties.