



City of

# Lindsay, Oklahoma

ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011



**THE CITY OF LINDSAY  
OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS**

**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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As of and for the Year Ended June 30, 2011**

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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, 2011, 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, 2011, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 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 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 15 and 49 through 51 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 non-major 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 21, 2012

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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, 2011. 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 increased by \$373,234, and the assets of the City exceed its liabilities at June 30, 2011, by \$7,943,020 (net assets). Of this amount, \$3,525,284 (unrestricted net assets) is available to meet the government's ongoing needs.
- At June 30, 2011, the City's governmental funds reported combined ending fund balances of \$1,579,257.
- At the end of fiscal year 2011, unassigned fund balance for the General Fund was \$521,517 or 28.6% 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.

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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

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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 26-47 of this report.

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**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, a federal and state award schedule, and a debt service coverage requirement schedule.

**THE CITY AS A WHOLE**

For the year ended June 30, 2011, net assets for the governmental and business-type activities increased \$373,234.

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

**The City of Lindsay Net Assets**  
**June 30, 2011**

TABLE 1  
NET ASSETS (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2011	2010		2011	2010		2011	2010	
Current and other assets	\$ 1,671	\$ 1,705	-2%	\$ 3,140	\$ 3,091	2%	\$ 4,810	\$ 4,796	0%
Capital assets, net	2,006	2,165	-7%	4,271	4,370	-2%	6,277	6,535	-4%
Other non-current assets	-	-	0%	28	35	-21%	28	35	-21%
<b>Total assets</b>	<u>3,677</u>	<u>3,870</u>	<b>-5%</b>	<u>7,438</u>	<u>7,496</u>	<b>-1%</b>	<u>11,115</u>	<u>11,366</u>	<b>-2%</b>
Current liabilities	94	234	-60%	575	903	-36%	669	1,137	-41%
Non-current liabilities	93	103	-10%	2,410	2,556	-6%	2,503	2,659	-6%
<b>Total liabilities</b>	<u>187</u>	<u>337</u>	<b>-45%</b>	<u>2,985</u>	<u>3,459</u>	<b>-14%</b>	<u>3,172</u>	<u>3,796</u>	<b>-16%</b>
<b>Net assets</b>									
Invested in capital assets.									
net of related debt	1,980	2,165	-9%	1,939	1,854	5%	3,919	4,019	-2%
Restricted	444	454	-2%	55	55	1%	499	509	-2%
Unrestricted	1,066	914	17%	2,459	2,128	16%	3,525	3,042	16%
<b>Total net assets</b>	<u>\$ 3,490</u>	<u>\$ 3,533</u>	<b>-1%</b>	<u>\$ 4,453</u>	<u>\$ 4,037</u>	<b>10%</b>	<u>\$ 7,943</u>	<u>\$ 7,570</u>	<b>5%</b>

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 60% decrease of governmental current liabilities is due mainly to a decrease in accounts payable of about \$160,000. The 36% decrease in business-type activities current liabilities is due mainly to payment of delinquent sales taxes of about \$235,000 and an approximate \$100,000 decrease in accounts payable.

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**The City of Lindsay' Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2011  
(In Thousands)**

**TABLE 2  
CHANGES IN NET ASSETS (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2011	2010		2011	2010		2011	2010	
<b>Revenues</b>									
Charges for service	\$ 314	\$ 315	0%	\$ 4,553	\$ 4,170	9%	\$ 4,867	\$ 4,485	9%
Operating grants and contributions	184	497	-63%	-	3	-100%	184	500	-63%
Capital grants and contributions	41	105	-61%	-	101	-100%	41	206	-80%
Taxes	2,299	1,817	27%	-	-	-	2,299	1,817	27%
Investment income	9	11	-18%	20	19	5%	29	30	-3%
Miscellaneous	116	78	49%	-	-	-	116	78	49%
<b>Total revenues</b>	<b>2,963</b>	<b>2,823</b>	<b>5%</b>	<b>4,573</b>	<b>4,293</b>	<b>7%</b>	<b>7,536</b>	<b>7,116</b>	<b>6%</b>
<b>Expenses</b>									
General government	262	217	21%	-	-	-	262	217	21%
Public safety	2,107	2,400	-12%	-	-	-	2,107	2,400	-12%
Streets	199	231	-14%	-	-	-	199	231	-14%
Culture, parks and recreation	245	498	-51%	-	-	-	245	498	-51%
Cemetery	65	66	-2%	-	-	-	65	66	-2%
Airport	33	30	10%	-	-	-	33	30	10%
Interest on long-term debt	1	2	-50%	-	-	-	1	2	-50%
Electric	-	-	-	2,666	2,460	8%	2,666	2,460	8%
Water	-	-	-	725	679	7%	725	679	7%
Sewer	-	-	-	190	214	-11%	190	214	-11%
Sanitation	-	-	-	421	427	-1%	421	427	-1%
Golf	-	-	-	218	237	-8%	218	237	-8%
Pool	-	-	-	31	39	-21%	31	39	-21%
<b>Total expenses</b>	<b>2,912</b>	<b>3,444</b>	<b>-15%</b>	<b>4,251</b>	<b>4,056</b>	<b>5%</b>	<b>7,163</b>	<b>7,500</b>	<b>-4%</b>
Excess (deficiency) before transfers	51	(621)	-108%	322	237	36%	373	(384)	-197%
Transfers	(94)	419	-122%	94	(419)	-122%	-	-	-
<b>Change in net assets</b>	<b>(43)</b>	<b>(202)</b>	<b>-79%</b>	<b>416</b>	<b>(182)</b>	<b>-329%</b>	<b>373</b>	<b>(384)</b>	<b>-197%</b>
<b>Beginning net assets</b>	<b>3,533</b>	<b>3,735</b>	<b>-5%</b>	<b>4,037</b>	<b>4,219</b>	<b>-4%</b>	<b>7,570</b>	<b>7,954</b>	<b>-5%</b>
<b>Ending net assets</b>	<b>\$ 3,490</b>	<b>\$ 3,533</b>	<b>-1%</b>	<b>\$ 4,453</b>	<b>\$ 4,037</b>	<b>10%</b>	<b>\$ 7,943</b>	<b>\$ 7,570</b>	<b>5%</b>

**Governmental Activities**

The City's governmental activities had a decrease in net assets of \$42,676. Explanations for the more significant changes are as follows:

63% decrease in operating grants due primarily to a prior year \$260,000 OHFA grant which also explains the 51% decrease in culture, parks and recreation expenses.

27% increase in taxes resulting from a \$440,000 increase in sales tax revenue.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2011	2010		2011	2010	
General government	\$ 262	\$ 217	21%	\$ (251)	\$ (77)	226%
Public safety	2,107	2,400	-12%	(1,710)	(1,950)	-12%
Streets	199	231	-14%	(172)	(205)	-16%
Culture, parks and recreation	245	498	-51%	(192)	(223)	-14%
Cemetery	65	66	-2%	(42)	(45)	-7%
Airport	33	30	10%	(4)	(24)	-83%
Interest on long-term debt	1	2	-50%	(1)	(2)	-50%
<b>Total</b>	<u>\$ 2,912</u>	<u>\$ 3,444</u>	-15%	<u>\$(2,372)</u>	<u>\$(2,526)</u>	-6%

The 226% increase in General Government net expense was due mainly to prior year FEMA grant revenue of \$74,000 and increase in revenue received from the hospital of \$53,000.

**Business-type Activities**

The business-type activities had an increase in net assets of \$415,910. Explanations for the more significant changes are as follows:

\$101,000 decrease in capital grants is due to a FEMA electric capital grant received in the prior year.

122% change in transfers due to an increase of approximately \$37,000 in the operating transfer to the General Fund from LPWA and a \$153,000 increase in the sales tax transfer from LPWA Sales Tax Fund to the LPWA.

**TABLE 4**  
**Net Revenue (Expense) of Business-Type Activities**  
(In Thousands)

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2011	2010		2011	2010	
Electric	\$ 2,666	\$ 2,460	8%	\$ 174	\$ 319	-45%
Water	725	679	7%	(41)	(9)	356%
Sewer	190	214	-11%	156	47	232%
Sanitation	421	427	-1%	161	35	360%
Golf	218	237	-8%	(133)	(152)	-13%
Pool	31	39	-21%	(14)	(22)	-36%
<b>Total</b>	<u>\$ 4,251</u>	<u>\$ 4,056</u>	5%	<u>\$ 303</u>	<u>\$ 218</u>	39%

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The 232% increase in net revenue of the sewer activity is the result of an \$87,000 increase in charges for services revenue. The 360% increase in net revenue of the sanitation activity is due mainly to a \$119,000 increase in charges for services revenue.

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

As the City completed its 2011 fiscal year, the governmental funds reported a combined fund balance of \$1,579,257. For the year ended June 30, 2011, the General Fund's total fund balance increased by \$185,009 due in part to a decrease in public safety expenses of \$193,000. The proprietary funds reported a combined net asset balance of \$4,503,646. The LPWA total net assets increased by \$466,652 due in part to a decrease in transfers out of about \$380,000.

**Budgetary Highlights**

For the year ended June 30, 2011, the General Fund reported actual budgetary basis revenues over final estimates by \$61,116 or a 2.4% positive variance. General Fund actual expenditures were under final appropriations by \$398,893 or a 14% positive variance.

**CAPITAL ASSETS & DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2011, the City had approximately \$6.3 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, 2011.<sup>1</sup>

**TABLE 5**  
**Capital Assets**  
**(In Thousands)**  
**(Net of accumulated depreciation)**

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 126	\$ 126	\$ 395	\$ 395	\$ 521	\$ 521
Buildings	346	363	264	273	610	636
Land Improvements	18	20	-	-	18	20
Machinery, furniture and equipment	428	431	279	306	707	737
Infrastructure	1,063	1,225	3,333	3,396	4,396	4,621
Construction in progress	25	-	-	-	25	-
<b>Totals</b>	<u>\$ 2,006</u>	<u>\$ 2,165</u>	<u>\$ 4,271</u>	<u>\$ 4,370</u>	<u>\$ 6,277</u>	<u>\$ 6,535</u>

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

- 2010 Ford Crown Victoria police car

<sup>1</sup> For more detailed information on capital asset activity please refer to page 35, Note 6. Capital Assets and Depreciation

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- 2010 Brush/Rescue Body Fire Truck
- Sewer infrastructure improvements
- Water infrastructure improvements

**Debt Administration**

At year-end, the City had \$2.4 million in long-term debt outstanding which represents a \$164,000 decrease from the prior year.

**TABLE 6  
Long-Term Debt  
(In Thousands)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u>
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
	Capital leases	\$ 27	\$ -	\$ -	\$ -	\$ 27	\$ -
Notes payable	-	-	2,360	2,551	2,360	2,551	-7.5%
<b>Totals</b>	<b>\$ 27</b>	<b>\$ -</b>	<b>\$ 2,360</b>	<b>\$ 2,551</b>	<b>\$ 2,387</b>	<b>\$ 2,551</b>	<b>-6.4%</b>

**ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES**

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

- The FY 2012 budget is consistent to prior years.

**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.

**CITY OF LINDSAY, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

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**BASIC FINANCIAL STATEMENTS – STATEMENT OF NET ASSETS AND ACTIVITIES**

**CITY OF LINDSAY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2011**

**Statement of Net Assets – June 30, 2011**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Lindsay</u> <u>Municipal</u> <u>Hospital</u> <u>Authority</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,176,829	\$ 2,335,369	\$ 3,512,198	\$ 674,597
Short-term investments	-	-	-	411,092
Accounts receivable, net of allowance	153,273	673,963	827,236	834,032
Notes receivable	40,185	-	40,185	-
Internal balances	13,338	(13,338)	-	-
Due from other governmental agencies	283,306	-	283,306	-
Inventories	3,693	95,099	98,792	174,529
Prepaid expenses	-	-	-	179,059
Restricted cash and cash equivalents	-	48,501	48,501	-
Capital assets:				
Land and construction in progress	150,750	395,000	545,750	258,670
Other capital assets, net of depreciation	1,855,637	3,875,731	5,731,368	1,004,943
Unamortized note issuance costs	-	27,783	27,783	-
Total Assets	<u>3,677,011</u>	<u>7,438,108</u>	<u>11,115,119</u>	<u>3,536,922</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	62,637	294,541	357,178	516,076
Due to other governments	-	8,343	8,343	-
Due to depositors	-	-	-	-
Due to bondholders	1,896	-	1,896	-
Deferred revenue	11,095	-	11,095	152,778
Accrued interest payable	771	30,600	31,371	-
Long-term liabilities:				
Due within one year	17,301	241,037	258,338	27,953
Due in more than one year	93,195	2,410,683	2,503,878	12,232
Total liabilities	<u>186,895</u>	<u>2,985,204</u>	<u>3,172,099</u>	<u>709,039</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,979,596	1,938,993	3,918,589	1,110,835
Restricted for:				
City donation	44,112	-	44,112	-
Debt service	-	55,453	55,453	-
Economic development	28,553	-	28,553	-
Emergency medical services	225,101	-	225,101	-
Public works	73,228	-	73,228	-
Other	72,700	-	72,700	-
Unrestricted	1,066,826	2,458,458	3,525,284	1,717,048
Total net assets	<u>\$ 3,490,116</u>	<u>\$ 4,452,904</u>	<u>\$ 7,943,020</u>	<u>\$ 2,827,883</u>

See accompanying notes to these financial statements.

## Statement of Activities – Year Ended June 30, 2011

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			Lindsay Municipal Hospital Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
<b>Governmental Activities</b>								
General Government	\$ 261,962	\$ 420	\$ -	\$ 10,273	\$ (251,269)	\$ -	\$ (251,269)	\$ -
Public Safety	2,106,580	286,177	104,050	6,698	(1,709,655)	-	(1,709,655)	-
Highways and streets	198,506	-	26,026	-	(172,480)	-	(172,480)	-
Culture and Recreation	245,023	-	53,515	-	(191,508)	-	(191,508)	-
Cemetery	65,268	22,964	-	-	(42,304)	-	(42,304)	-
Airport	32,619	4,565	-	23,750	(4,304)	-	(4,304)	-
Interest on Long-term debt and fiscal agent fees	771	-	-	-	(771)	-	(771)	-
Total governmental activities	2,910,729	314,126	183,591	40,721	(2,372,291)	-	(2,372,291)	-
<b>Business-type activities:</b>								
Electric	2,665,762	2,839,287	-	-	-	173,525	173,525	-
Water	725,467	684,635	-	-	-	(40,832)	(40,832)	-
Sewer	189,549	345,639	-	-	-	156,090	156,090	-
Sanitation	421,114	581,707	-	-	-	160,593	160,593	-
Golf Course	217,772	84,529	-	-	-	(133,243)	(133,243)	-
Pool	30,908	16,834	-	-	-	(14,074)	(14,074)	-
Total business-type activities	4,250,572	4,552,631	-	-	-	302,059	302,059	-
Total primary government	7,161,301	4,866,757	183,591	40,721	(2,372,291)	302,059	(2,070,232)	-
<b>Component units:</b>								
Lindsay Municipal Hospital Authority	8,234,733	7,979,226	-	25,302	-	-	-	(230,205)
Total component units	8,234,733	7,979,226	-	25,302	-	-	-	(230,205)
<b>General revenues:</b>								
<b>Taxes:</b>								
Sales and use taxes					\$ 2,203,365	\$ -	\$ 2,203,365	\$ -
Franchise taxes and public service taxes					95,720	-	95,720	-
Intergovernmental revenue not restricted to specific programs					-	-	-	-
Unrestricted investment earnings					8,571	19,551	28,122	9,166
Miscellaneous					101,077	-	101,077	169,629
Gain on disposal of capital assets					15,182	-	15,182	-
Transfers					(94,300)	94,300	-	-
Total general revenues and transfers					2,329,615	113,851	2,443,466	178,795
Change in net assets					(42,676)	415,910	373,234	(51,410)
Net assets - beginning					3,532,792	4,036,994	7,569,786	2,879,293
Net assets - ending	\$ 3,490,116	\$ 4,452,904	\$ 7,943,020	\$ 2,827,883				

See accompanying notes to these financial statements.

**CITY OF LINDSAY, OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**

**CITY OF LINDSAY, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
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**Governmental Funds Balance Sheet – June 30, 2011**

	General Fund	Special Sales Tax	EMS Fund	Capital Improvement	Other Governmental Funds	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 424,585	\$ -	\$ 153,327	\$ 399,284	\$ 199,483	\$ 1,176,679
Receivable from other governments	147,278	62,230	62,230	-	11,568	283,306
Due from other funds	18,132	-	-	-	6,867	24,999
Court fines receivable, net	21,990	-	-	-	-	21,990
Ambulance receivable, net	124,292	-	-	-	-	124,292
Note receivable	-	-	-	40,185	-	40,185
Other receivables	7,141	-	-	-	-	7,141
Inventories	3,693	-	-	-	-	3,693
Total assets	<u>747,111</u>	<u>62,230</u>	<u>215,557</u>	<u>439,469</u>	<u>217,918</u>	<u>1,682,285</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	19,245	-	-	-	472	19,717
Accrued payroll payable	42,646	-	-	-	-	42,646
Due to other funds	4,794	-	1,037	-	5,830	11,661
Due to bondholders	1,896	-	-	-	-	1,896
Deferred revenue	15,739	-	-	-	11,095	26,834
Other payables	274	-	-	-	-	274
Total liabilities	<u>84,594</u>	<u>-</u>	<u>1,037</u>	<u>-</u>	<u>17,397</u>	<u>103,028</u>
<b>Fund balances:</b>						
<b>Restricted for:</b>						
Street and Alley	-	-	-	-	38,862	38,862
City Donation	-	-	-	-	44,112	44,112
Library	-	-	-	-	1,603	1,603
Public Works	-	62,230	-	-	10,998	73,228
Fire	-	-	-	-	5,830	5,830
Economic Development	-	-	-	-	28,553	28,553
Airport	-	-	-	-	3,733	3,733
Cemetery	-	-	-	-	22,672	22,672
Emergency Medical Services	-	-	211,154	-	13,947	225,101
<b>Assigned to:</b>						
Subsequent Year Budget	141,000	-	-	-	-	141,000
Street and Alley	-	-	-	-	866	866
Library	-	-	-	-	26	26
Public Works	-	-	-	-	219	219
Airport	-	-	-	-	5,615	5,615
Cemetery	-	-	-	-	23,283	23,283
Capital Improvements	-	-	-	439,469	-	439,469
Emergency Medical Services	-	-	3,366	-	202	3,568
Unassigned	521,517	-	-	-	-	521,517
Total fund balances	<u>662,517</u>	<u>62,230</u>	<u>214,520</u>	<u>439,469</u>	<u>200,521</u>	<u>1,579,257</u>
<b>Total liabilities and fund balances</b>	<u>\$ 747,111</u>	<u>\$ 62,230</u>	<u>\$ 215,557</u>	<u>\$ 439,469</u>	<u>\$ 217,918</u>	<u>\$ 1,682,285</u>

See accompanying notes to these financial statements.

**CITY OF LINDSAY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance – Year Ended June 30, 2011**

	<u>General Fund</u>	<u>Special Sales Tax</u>	<u>EMS Fund</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes	\$ 1,211,054	\$ 519,451	\$ 519,451	\$ -	\$ -	\$ 2,249,956
Intergovernmental	214,481	-	-	-	111,833	326,314
Charges for services	230,472	-	-	-	5,732	236,204
Fines and forfeitures	74,901	-	-	-	-	74,901
Licenses and permits	9,472	-	-	-	-	9,472
Investment income	2,686	-	1,606	2,748	1,531	8,571
Miscellaneous	82,094	-	-	6,776	40,353	129,223
Total revenues	<u>1,825,160</u>	<u>519,451</u>	<u>521,057</u>	<u>9,524</u>	<u>159,449</u>	<u>3,034,641</u>
<b>EXPENDITURES</b>						
Current:						
General government	240,543	-	-	-	4,333	244,876
Public Safety	1,228,894	-	-	-	13,201	1,242,095
Highway and streets	88,074	-	-	-	-	88,074
Culture and recreation	157,983	-	-	-	61,072	219,055
Airport	-	-	-	-	30,915	30,915
Cemetery	57,619	-	-	-	-	57,619
Public Health and Welfare	748,950	-	8,245	-	-	757,195
Capital Outlay	57,879	-	-	-	85,818	143,697
Debt Service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Total Expenditures	<u>2,579,942</u>	<u>-</u>	<u>8,245</u>	<u>-</u>	<u>195,339</u>	<u>2,783,526</u>
Excess (deficiency) of revenues over expenditures	<u>(754,782)</u>	<u>519,451</u>	<u>512,812</u>	<u>9,524</u>	<u>(35,890)</u>	<u>251,115</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from long-term debt	26,791	-	-	-	-	26,791
Transfers in	913,000	-	-	-	3,000	916,000
Transfers out	-	(509,671)	(500,000)	-	-	(1,009,671)
Total other financing sources and uses	<u>939,791</u>	<u>(509,671)</u>	<u>(500,000)</u>	<u>-</u>	<u>3,000</u>	<u>(66,880)</u>
Net change in fund balances	185,009	9,780	12,812	9,524	(32,890)	184,235
Fund balances - beginning	477,508	52,450	201,708	429,945	233,411	1,395,022
Fund balances - ending	<u>\$ 662,517</u>	<u>\$ 62,230</u>	<u>\$ 214,520</u>	<u>\$ 439,469</u>	<u>\$ 200,521</u>	<u>\$ 1,579,257</u>

See accompanying notes to these financial statements.

**CITY OF LINDSAY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
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**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

**Fund Balance – Net Assets Reconciliation:**

Total fund balance, governmental funds	\$	1,579,257
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.		
		2,006,387
Certain long-term assets are not available to pay current fund liabilities and, therefore are deferred in the funds:		
Court fines receivable		15,739
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.		
Accrued compensated absences liability		(83,705)
Notes payable		(26,791)
Interest payable		(771)
Net Assets of Governmental Activities in the Statement of Net Assets	\$	<u>3,490,116</u>

**Changes in Fund Balances – Changes in Net Assets Reconciliation:**

Net change in fund balances - total governmental funds:	\$	184,235
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 depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized		187,765
Depreciation expense		(345,788)
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold:		
Book value of disposed capital assets		(812)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Deferred revenue		(71,195)
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:		
Proceeds from long-term debt		(26,791)
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 interest payable		(771)
Change in accrued compensated absences		30,681
Change in net assets of governmental activities	\$	<u>(42,676)</u>

See accompanying notes to these financial statements.

**CITY OF LINDSAY, OKLAHOMA  
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**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS**

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**Proprietary Funds Statement of Net Assets – June 30, 2011**

	<b><u>Lindsay Public Works Authority</u></b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 2,142,439
Restricted:	
Cash and cash equivalents	68,373
Accounts receivable, net	673,963
Inventories	95,099
Total current assets	<u>2,979,874</u>
Non-current assets:	
Restricted:	
Cash and cash equivalents	79,074
Investments	94,000
Capital Assets:	
Land and construction in progress	395,000
Other capital assets, net of accumulated depreciation	3,875,731
Unamortized note issue costs	27,783
Total non-current assets	<u>4,471,588</u>
Total assets	<u><u>7,451,462</u></u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	266,036
Salaries payable	28,491
Accrued interest payable	30,600
Due to other governments	8,343
Due to other funds	13,338
Other payables	30
Compensated absences	13,680
Due to depositors	30,821
Notes payable	196,536
Total current liabilities	<u>587,875</u>
Non-current liabilities:	
Compensated absences	123,125
Due to depositors	124,573
Notes payable	2,162,985
Total non-current liabilities	<u>2,410,683</u>
Total liabilities	<u><u>2,998,558</u></u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,938,993
Restricted for debt service	55,453
Unrestricted	2,458,458
Total net assets	<u><u>\$ 4,452,904</u></u>

**CITY OF LINDSAY, OKLAHOMA**  
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**Proprietary Funds Statement of Revenues, Expenses and Changes in Net Assets – Year Ended June 30, 2011**

	<b><u>Lindsay Public Works Authority</u></b>
<b>OPERATING REVENUES</b>	
Electric	\$ 2,764,606
Water	666,627
Sewer	336,548
Sanitation	566,406
Golf course	84,529
Pool	16,834
Miscellaneous	117,081
Total operating revenues	<u>4,552,631</u>
<b>OPERATING EXPENSES</b>	
Billing	166,988
Electric	2,066,386
Water	292,254
Sewer	84,544
Sanitation	312,920
Administration/Legal	122,086
Golf Course	205,144
Pool	30,436
General government	540,007
Depreciation expense	345,190
Amortization expense	6,945
Total Operating Expenses	<u>4,172,900</u>
Operating income	<u>379,731</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment income	19,551
Loss on sale of fixed assets	(2,070)
Interest expense	(75,602)
Total non-operating revenue (expenses)	<u>(58,121)</u>
Income before contributions and transfers	321,610
Transfers in	510,580
Transfers out	(416,280)
Change in net assets	415,910
Total net assets - beginning	4,036,994
Total net assets - ending	<u>\$ 4,452,904</u>

See accompanying notes to these financial statements.

**CITY OF LINDSAY, OKLAHOMA**  
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**Proprietary Funds Statement of Cash Flows – Year Ended June 30, 2011**

	<u>Lindsay Public Works Authority</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 4,650,600
Payments to suppliers	(3,025,522)
Payments to employees	(1,038,744)
Interfund receipts/payments	13,258
Receipts of customer meter deposits	60,315
Refunds of customer meter deposits	(46,773)
<b>Net cash provided by (used in) operating activities</b>	<u>613,134</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	909
Transfers to other funds	(416,280)
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>(415,371)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Transfer of sales tax for capital related debt service	509,671
Purchases of capital assets	(248,073)
Cash received from capital grant	103,932
Principal paid on debt	(191,841)
Proceeds from sale of asset	280
Interest and fiscal agent fees paid on debt	(75,967)
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>98,002</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	19,551
<b>Net cash provided by (used in) investing activities</b>	<u>19,551</u>
<b>Net increase in cash and cash equivalents</b>	315,316
<b>Balances - beginning of year</b>	<u>1,974,570</u>
<b>Balances - end of year</b>	<u>\$ 2,289,886</u>
<b>Reconciliation to Statement of Net Assets:</b>	
Cash and cash equivalents	\$ 2,142,439
Restricted cash and cash equivalents - current	68,373
Restricted cash and cash equivalents - noncurrent	79,074
<b>Total cash and cash equivalents, end of year</b>	<u>\$ 2,289,886</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	\$ 379,731
Adjustments to reconcile operating income to net cash provided by (used) in operating activities:	
Depreciation expense	345,190
Amortization expense	6,945
Change in assets and liabilities:	
Due to other funds	13,258
Due to other governments	(235,445)
Accounts receivable	97,969
Inventory	51,327
Accounts payable	(21,920)
Accrued payroll payable	(82,673)
Deposits subject to refund	13,542
Accrued compensated absences	45,210
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 613,134</u>

See accompanying notes to these financial statements.

**CITY OF LINDSAY, OKLAHOMA  
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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

**CITY OF LINDSAY, OKLAHOMA  
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**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.

**CITY OF LINDSAY, OKLAHOMA  
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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, 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 – operating grants and donations
- Cemetery – cemetery openings/closings and lot sales
- Airport – hangar rentals, land leases and capital grants

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.

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*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 – a capital project fund that accounts for the collection and transfer of dedicated sales tax to the Public Works Authority for capital related debt service payments
- EMS Fund – a special revenue fund that accounts for a 1 cent dedicated sales tax to be used for emergency medical services
- Capital Improvement Fund – a capital project fund that 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
- Airport Fund – accounts for transfers, revenues and expenditures for airport operations

*Capital Project Funds:*

- 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.

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*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, 2011, the City recognized \$28,122 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, 2011, the primary government held the following deposits and investments:

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**PRIMARY GOVERNMENT:**

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
<b>Deposits:</b>			
Petty cash			\$ 1,234
Demand deposits			3,379,412
Time deposits	May 2012		<u>94,000</u>
			<u>\$ 3,474,646</u>
<b>Investments:</b>			
Cavanal Hill U.S. Treasury Admin Fund		AAAm	<u>\$ 86,053</u>
<b>Total deposits and investments</b>			<u><u>\$ 3,560,699</u></u>
<b>Reconciliation to Statement of Net Assets:</b>			
Cash and cash equivalents			\$ 3,512,198
Restricted cash and cash equivalents			<u>48,501</u>
			<u><u>\$ 3,560,699</u></u>

*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, 2011, the City was not exposed to custodial credit risk as defined above.

As of June 30, 2011, the deposits and investments for the Lindsay Municipal Hospital Authority were \$1,085,689. 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, 2011, the City's investments consisted of \$86,053 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.

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*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, 2011 are as follows:

<u>Type of Restricted Asset</u>	Current Cash and cash equivalents	Noncurrent Cash and cash equivalents	Investments	Total
Utility Deposits	\$ 30,821	\$ 30,573	\$ 94,000	\$ 155,394
OWRB Debt Service	37,552	48,501	-	86,053
Total	<u>\$ 68,373</u>	<u>\$ 79,074</u>	<u>\$ 94,000</u>	<u>\$ 241,447</u>

**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
<b>Governmental Activities:</b>			
Ambulance receivable	\$ 794,492	\$ 670,200	\$ 124,292
Court fines	109,798	87,958	21,840
Franchise tax receivable	7,141	-	7,141
Total Governmental Activities	<u>\$ 911,431</u>	<u>\$ 758,158</u>	<u>\$ 153,273</u>
<b>Business-Type Activities:</b>			
Utilities	<u>\$ 1,128,302</u>	<u>\$ 454,339</u>	<u>\$ 673,963</u>

**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, 2011 is \$40,185.

	Balance July 01, 2010	Additions	Disposals	Balance June 30, 2011
LMHA note receivable	<u>\$ 92,292</u>	<u>\$ -</u>	<u>\$ (52,107)</u>	<u>\$ 40,185</u>

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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	
2012	\$ 40,185	\$	1,523	

**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:

<u>Asset</u>	<u>Years</u>
Buildings	50
Infrastructure	30
Vehicles	5
Computer equipment	5
Machinery and equipment	10

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For the year ended June 30, 2011, capital assets balances changed as follows:

**Primary Government:**

	Balance at July 01, 2010	Additions	Disposals	Balance at June 30, 2011
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 125,750	\$ -	\$ -	\$ 125,750
Construction in progress	-	25,000	-	25,000
Total capital assets not being depreciated	<u>125,750</u>	<u>25,000</u>	<u>-</u>	<u>150,750</u>
Other capital assets:				
Buildings	1,081,341	2,945	-	1,084,286
Land Improvements	27,500	-	-	27,500
Computers & Electronics	119,431	4,750	6,461	117,720
Furniture & Fixtures	28,180	3,424	-	31,604
Vehicles	1,556,727	113,489	43,365	1,626,851
Infrastructure	3,057,624	-	-	3,057,624
Machinery and equipment	821,738	38,157	109,000	750,895
Total other capital assets at historical cost	<u>6,692,541</u>	<u>162,765</u>	<u>158,826</u>	<u>6,696,480</u>
Less accumulated depreciation for:				
Buildings	718,139	20,000	-	738,139
Land Improvements	7,639	1,833	-	9,472
Computers & Electronics	103,760	6,727	6,049	104,438
Furniture & Fixtures	19,400	1,431	-	20,831
Vehicles	1,348,027	107,477	42,965	1,412,539
Infrastructure	1,831,687	162,482	-	1,994,169
Machinery and equipment	624,417	45,838	109,000	561,255
Total accumulated depreciation	<u>4,653,069</u>	<u>345,788</u>	<u>158,014</u>	<u>4,840,843</u>
Other capital assets, net	<u>2,039,472</u>	<u>(183,023)</u>	<u>812</u>	<u>1,855,637</u>
Governmental activities capital assets, net	<u>\$ 2,165,222</u>	<u>\$ (158,023)</u>	<u>\$ 812</u>	<u>\$ 2,006,387</u>
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 395,000	\$ -	\$ -	\$ 395,000
Total capital assets not being depreciated	<u>395,000</u>	<u>-</u>	<u>-</u>	<u>395,000</u>
Other capital assets:				
Buildings	779,551	-	-	779,551
Computers & Electronics	95,885	4,716	-	100,601
Furniture & Fixtures	8,840	-	-	8,840
Vehicles	925,000	6,530	-	931,530
Machinery & equipment	692,763	47,069	6,000	733,832
Infrastructure	14,822,943	189,758	-	15,012,701
Total other capital assets at historical cost	<u>17,324,982</u>	<u>248,073</u>	<u>6,000</u>	<u>17,567,055</u>
Less accumulated depreciation for:				
Buildings	506,095	9,419	-	515,514
Computers & Electronics	94,866	1,026	-	95,892
Furniture & Fixtures	5,046	1,768	-	6,814
Vehicles	808,843	46,452	-	855,295
Machinery and equipment	508,076	33,587	3,650	538,013
Infrastructure	11,426,858	252,938	-	11,679,796
Total accumulated depreciation	<u>13,349,784</u>	<u>345,190</u>	<u>3,650</u>	<u>13,691,324</u>
Other capital assets, net	<u>3,975,198</u>	<u>(97,117)</u>	<u>2,350</u>	<u>3,875,731</u>
Business-type activities capital assets, net	<u>\$ 4,370,198</u>	<u>\$ (97,117)</u>	<u>\$ 2,350</u>	<u>\$ 4,270,731</u>

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	Balance at July 01, 2010	Additions	Disposals	Balance at June 30, 2011
<i>Lindsay Municipal Hospital Authority:</i>				
Capital assets not being depreciated:				
Land	\$ 14,164	\$ -	\$ -	\$ 14,164
Construction in progress	102,502	244,506	102,502	244,506
Total capital assets not being depreciated	<u>116,666</u>	<u>244,506</u>	<u>102,502</u>	<u>258,670</u>
Other capital assets:				
Buildings	1,845,001	-	-	1,845,001
Land Improvements	34,266	-	-	34,266
Machinery and equipment	1,974,651	321,907	(102,502)	2,399,060
Total other capital assets at historical cost	<u>3,853,918</u>	<u>321,907</u>	<u>(102,502)</u>	<u>4,278,327</u>
Less accumulated depreciation for:				
Buildings	1,464,175	110,241	-	1,574,416
Land Improvements	34,265	-	-	34,265
Machinery and equipment	1,399,840	264,863	-	1,664,703
Total accumulated depreciation	<u>2,898,280</u>	<u>375,104</u>	<u>-</u>	<u>3,273,384</u>
Other capital assets, net	955,638	(53,197)	(102,502)	1,004,943
Municipal Hospital capital assets, net	<u>\$ 1,072,304</u>	<u>\$ 191,309</u>	<u>\$ -</u>	<u>\$ 1,263,613</u>

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:

General government	\$ 13,174
Public safety	143,491
Highways and streets	130,016
Culture and recreation	26,342
Cemetery	6,061
Airport	26,704
	<u>\$ 345,788</u>

Business-Type Activities:

Administration	\$ 1,787
Electric	40,981
Water	218,059
Sewer	48,068
Pool	472
Billing	240
General Government	8,934
Sanitation	14,021
Golf Course	12,628
	<u>\$ 345,190</u>

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**7. Long-Term Debt and Debt Service Requirements**

<u>Type of Debt</u>	<u>Balance July 01, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Capital lease payable	\$ -	\$ 26,791	\$ -	\$ 26,791	\$ 8,930
Accrued compensated absences	114,386	-	30,681	83,705	8,371
Total Governmental Activities	<u>\$ 114,386</u>	<u>\$ 26,791</u>	<u>\$ 30,681</u>	<u>\$ 110,496</u>	<u>\$ 17,301</u>
<b>Business-Type Activities:</b>					
Notes payable	\$ 2,551,362	\$ -	191,841	\$ 2,359,521	196,536
Meter deposit liability	141,852	60,315	46,773	155,394	30,821
Accrued compensated absences	91,595	45,210	-	136,805	13,680
Total Business-Type Activities	<u>2,784,809</u>	<u>105,525</u>	<u>238,614</u>	<u>2,651,720</u>	<u>241,037</u>
Total Long-Term Debt	<u>\$ 2,899,195</u>	<u>\$ 132,316</u>	<u>\$ 269,295</u>	<u>\$ 2,762,216</u>	<u>\$ 258,338</u>

**Reconciliation to Statement of Net Assets:**

**Governmental Activities:**

Due within one year	\$ 17,301
Due in more than one year	93,195
Total Governmental Activities Long-term liabilities	<u>\$ 110,496</u>

**Business-Type Activities:**

Due within one year	\$ 241,037
Due in more than one year	2,410,683
Total Business-Type Activities Long-term liabilities	<u>\$ 2,651,720</u>

<u>Type of Debt</u>	<u>Balance July 01, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
<b>Component Unit:</b>					
<b>Lindsay Municipal Hospital Authority:</b>					
Notes payable to City of Lindsay	\$ 92,292	\$ -	\$ 52,107	\$ 40,185	\$ 27,953
Total Lindsay Municipal Hospital	<u>\$ 92,292</u>	<u>\$ -</u>	<u>\$ 52,107</u>	<u>\$ 40,185</u>	<u>\$ 27,953</u>

*Governmental Activities:*

At June 30, 2011, the governmental activities long-term payable from taxes and other general revenues include the following:

Capital Lease Payable

Lease obligation for purchase of police car, payable in 3 annual installments of \$10,070, interest of 6.25%, matures January 2014.

	\$ 26,791
Total Capital Leases Payable	<u>\$ 26,791</u>
Current portion	8,930
Noncurrent portion	17,861
Total Capital Leases Payable	<u>\$ 26,791</u>

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Accrued Compensated Absences

	Current portion	\$	8,371
	Noncurrent portion		75,334
	Total Accrued Compensated Absences	\$	<u>83,705</u>

*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, 2011, 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. \$ 425,000

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. 1,779,897

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. 114,884

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. 39,740

	Total Notes Payable	\$	<u>2,359,521</u>
	Current portion		196,536
	Noncurrent portion		2,162,985
	Total Notes Payable	\$	<u>2,359,521</u>

Meter Deposit Liability

	Current portion	\$	30,821
	Noncurrent portion		124,573
	Total Meter Deposit Liability	\$	<u>155,394</u>

Accrued Compensated Absences

	Current portion	\$	13,680
	Noncurrent portion		123,125
	Total Accrued Compensated Absences	\$	<u>136,805</u>

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

Year Ended June 30,	Governmental		Year Ended June 30,	Business-Type	
	Capital Lease Obligations			Notes Payable	
	Principal	Interest		Principal	Interest
2012	\$8,930	\$1,140	2012	\$ 196,536	\$ 72,608
2013	8,930	1,140	2013	207,455	66,650
2014	8,931	1,140	2014	213,430	60,441
2015	-	-	2015	219,634	53,872
2016	-	-	2016	225,966	47,043
2017-2021	-	-	2017-2021	1,195,633	118,214
2022-2026	-	-	2022-2026	100,867	1,587
Total	<u>\$26,791</u>	<u>\$3,420</u>	Total	<u>\$2,359,521</u>	<u>\$420,415</u>

### 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 these notes is \$2,595,887. Pledged sales taxes received in the current year were \$509,671 and net utility revenues were \$682,890. Debt service payments of \$256,363 for the current fiscal year were 21.5% of both pledged sales taxes and net utility revenues of \$1,192,561.

### 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.

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- 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*

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.

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	\$86,053
Less: accrued interest payable	<u>(30,600)</u>
Total Enterprise Fund Restriction for Debt Service	<u>\$55,453</u>

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**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:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
General Fund	Police Bond Fund	\$ 3,957	court activity
Police Bond Fund	General Fund	837	court activity
LPWA	General Fund	13,338	expenses paid on behalf of LPWA
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		<u>\$ 24,999</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 24,999	\$ (11,661)	\$ 13,338
Proprietary Funds	-	(13,338)	(13,338)
Total	<u>\$ 24,999</u>	<u>\$ (24,999)</u>	<u>\$ -</u>

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
LPWA	General Fund	\$ 413,000	Operational subsidy
Emergency Services 1% Tax	General Fund	500,000	Operational subsidy
LPWA Designated Sales Tax	LPWA	509,671	Sales tax transfer
LPWA	Airport	3,000	Grant match
Total		<u>\$ 1,425,671</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 916,000	\$ (1,009,671)	\$ (93,671)
Proprietary Funds	510,580	(416,280)	94,300
	<u>\$ 1,426,580</u>	<u>\$ (1,425,951)</u>	<u>629</u>

**Reconciliation to Statement of Activities:**

Net Transfers	(93,671)
Business-type activity capital assets bought by governmental funds	(629)
Transfers - internal activity	<u>\$ (94,300)</u>

## **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 purchase of commercial insurance – 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 2011, the City's annual required contribution was \$33,712 for the OFPRS plan and was equal to the City's actual contribution. The state made on-behalf payments of \$71,893 (or 24.6% of covered payroll) for the fiscal year. The on-behalf payments are reported as both revenue and expense.

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*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. 63<sup>rd</sup> Street, Oklahoma City, OK, 73116-7335.

For 2011, the City's annual required contribution was \$29,417 and was equal to the City's actual contribution. The state made on-behalf payments of \$22,826 (or 9.1% 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.

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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	11.48% 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, 2010 (Date of Last Actuarial Valuation: January 1, 2010)**

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, 2010, the funded status of the OMRF agent multiple employer defined benefit plan is as follows:

Actuarial accrued liability (AAL)	\$3,941,256
Actuarial value of plan assets	<u>3,388,480</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 552,776</u>

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Funded ratio (actuarial value of plan assets/AAL)	86%
Annual covered payroll (active plan members)	\$1,340,407
UAAL as a percentage of covered payroll	41.2%

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:*

<b>Oklahoma Municipal Retirement Fund</b>				<b>Oklahoma Police Pension and Retirement System</b>			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 64,051	100%	-	2009	\$ 33,643	100%	-
2010	79,299	100%	-	2010	35,372	100%	-
2011	68,364	100%	-	2011	29,417	100%	-

<b>Oklahoma Firefighter's Pension and Retirement System</b>			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 49,854	100%	-
2010	48,299	100%	-
2011	33,712	100%	-

**13. Commitments and Contingencies**

*Commitments:*

At June 30, 2011, 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 2011, 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. Approximately 9% of net patient service revenues are from participation in the Medicare and state sponsored Medicaid programs for the year ended June 30, 2011. 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 78% of net patient service revenues are from patients covered under agreements with the Department of Corrections for the year ended June 30, 2011.

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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**

The Authority pays fixed premiums for annual medical malpractice coverage under occurrence-basis policies. In general, the Authority bears risk for any individual claims with costs exceeding \$1,000,000 and the excess, if any, over aggregate costs of \$3,000,000 for claims occurring during the policy year. The Authority accrues the expense, if any, of its share of malpractice claims costs for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate cost of any incident. Such estimates are based on the Authority's own claims experience. No accrual for medical malpractice claims has been included in the accompanying financial statements.

### **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. Subsequent to year end, a new agreement was signed to begin on September 1, 2011.

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

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of June 30, 2011, of approximately \$152,778. Lease revenue recognized during 2011 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.

During November 2010, the reimbursement was temporarily decreased by 5% at the request of the DOC due to the financial situation of the DOC. The agreement states that the Authority will reserve the right to reassess the reduction after six months to evaluate the economy and the operations of the Hospital. The reduction remained in effect until the new contract began on September 1, 2011.

#### **Subsequent Event**

On September 1, 2011, the Authority entered into a new contract with the Department of Corrections for an additional ten years. Under the agreement, the Department of Corrections has the right to renew for two additional 5 year terms under the same terms and conditions. The new agreement sets the cost reimbursement methodology described above at 107% from September 1, 2011 through August 31, 2012. Per the agreement, the parties will negotiate a new threshold reimbursement amount for September 1, 2012 to August 31, 2013.

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**REQUIRED SUPPLEMENTAL INFORMATION**

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**Budgetary Comparison Schedules (Budgetary Basis) – Year Ended June 30, 2011**

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance</b>	\$275,000	\$275,000	\$477,508	\$202,508
<b>Resources (Inflows)</b>				
Taxes	1,125,500	1,125,500	1,211,054	85,554
Intergovernmental	41,000	41,000	119,762	78,762
Charges for services	329,250	329,250	230,472	(98,778)
Fines and forfeitures	35,600	77,900	74,901	(2,999)
Licenses and permits	8,400	8,400	9,472	1,072
Investment income	3,000	3,325	2,686	(639)
Miscellaneous	80,000	80,050	82,094	2,044
Transfers in	913,000	916,900	913,000	(3,900)
Sub-total Resources (Inflows)	<u>2,535,750</u>	<u>2,582,325</u>	<u>2,643,441</u>	<u>61,116</u>
<b>Amounts Available for Appropriation</b>	<u>2,810,750</u>	<u>2,857,325</u>	<u>3,120,949</u>	<u>263,624</u>
<b>Charges to Appropriations (Outflows)</b>				
Public safety	1,256,400	1,350,475	1,156,116	194,359
Streets	166,900	111,900	88,074	23,826
Culture & recreation	238,426	224,926	166,730	58,196
General government	472,254	310,754	240,543	70,211
Cemetery	75,970	65,970	58,019	7,951
Health & public safety -ambulance	600,800	790,800	748,950	41,850
Other financing uses - transfers out	-	2,500	-	2,500
<b>Total Charges to Appropriations</b>	<u>2,810,750</u>	<u>2,857,325</u>	<u>2,458,432</u>	<u>398,893</u>
<b>Fund balances - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 662,517</u>	<u>\$ 662,517</u>

	EMS FUND			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Beginning Budgetary Fund Balance</b>	\$ 532,500	\$ 136,000	\$ 201,708	\$ 65,708
<b>Resources (Inflows)</b>				
Taxes	567,000	414,480	519,451	104,971
Investment income	5,000	1,900	1,606	(294)
<b>Amounts Available for Appropriation</b>	<u>1,104,500</u>	<u>552,380</u>	<u>722,765</u>	<u>170,385</u>
<b>Charges to Appropriations (Outflows)</b>				
Health & Public Safety -Ambulance	454,500	52,380	8,245	44,135
Transfers out	650,000	500,000	500,000	-
<b>Total Charges to Appropriations</b>	<u>1,104,500</u>	<u>552,380</u>	<u>508,245</u>	<u>44,135</u>
<b>Fund balances - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,520</u>	<u>\$ 214,520</u>

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**Budgetary Comparison Schedules – Year Ended June 30, 2011, (Cont.)**

**Footnotes to Budgetary Comparison Schedules:**

1. The City prepares its budgets for all funds on the modified accrual basis of accounting with the exception of certain expenditures and revenues related to on-behalf payments for police and fire pensions and capital leases. 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:

	<u>General Fund</u>
Total budgetary resources (inflows)	\$2,643,441
Add: On-behalf payments	94,719
Capital lease proceeds	<u>26,791</u>
Total resources as recorded on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$2,764,951</u>
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balances:	
Total revenues	\$1,825,160
Proceeds from long-term debt	26,791
Transfers in	<u>913,000</u>
Total Resources	<u>\$2,764,951</u>
Total budgetary expenditures and transfers	\$2,458,432
Add: On-behalf payments	94,719
Capital lease purchase	<u>26,791</u>
Total expenditures as recorded on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$2,579,942</u>

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**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
1/1/05	\$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%
1/1/10	\$3,388,480	\$3,941,256	\$552,776	86.0%	\$1,340,407	41.2%

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**SUPPLEMENTAL INFORMATION**

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**Combining Balance Sheet – Nonmajor Funds – June 30, 2011**

	Special Revenue Funds						Capital Project Fund	Total Governmental Funds	
	City Donation	Street & Alley	Airport	LPWA Donation	Library	Grant	Juvenile Grant		Cemetery Care
<b>ASSETS</b>									
Cash and cash equivalents	\$ 61,037	\$ 29,657	\$ 9,348	\$ 11,217	\$ 1,629	\$ 27,528	\$ 13,112	\$ 45,955	\$ 199,483
Receivable from other governments	-	10,071	-	-	-	1,497	-	-	11,568
Due from other funds	-	-	-	-	-	5,830	1,037	-	6,867
Total assets	<u>61,037</u>	<u>39,728</u>	<u>9,348</u>	<u>11,217</u>	<u>1,629</u>	<u>34,855</u>	<u>14,149</u>	<u>45,955</u>	<u>217,918</u>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities:</b>									
Accounts payable	-	-	-	-	-	472	-	-	472
Due to other funds	5,830	-	-	-	-	-	-	-	5,830
Payable to other governments	-	-	-	-	-	-	-	-	-
Deferred revenue	11,095	-	-	-	-	-	-	-	11,095
Other accrued expenses	-	-	-	-	-	-	-	-	-
Other payables	-	-	-	-	-	-	-	-	-
Total liabilities	<u>16,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>472</u>	<u>-</u>	<u>-</u>	<u>17,397</u>
<b>Fund balances:</b>									
Restricted for:									
Street and Alley	-	38,862	-	-	-	-	-	-	38,862
City Donation	44,112	-	-	-	-	-	-	-	44,112
Library	-	-	-	-	1,603	-	-	-	1,603
Public Works	-	-	-	10,998	-	-	-	-	10,998
Fire	-	-	-	-	-	5,830	-	-	5,830
Economic Development	-	-	-	-	-	28,553	-	-	28,553
Airport	-	-	3,733	-	-	-	-	-	3,733
Cemetery	-	-	-	-	-	-	22,672	-	22,672
Emergency Medical Services	-	-	-	-	-	-	13,947	-	13,947
Assigned to:									
Street and Alley	-	866	-	-	-	-	-	-	866
Library	-	-	-	-	26	-	-	-	26
Public Works	-	-	-	219	-	-	-	-	219
Airport	-	-	5,615	-	-	-	-	-	5,615
Cemetery	-	-	-	-	-	-	23,283	-	23,283
Emergency Medical Services	-	-	-	-	-	-	202	-	202
Total fund balances	<u>44,112</u>	<u>39,728</u>	<u>9,348</u>	<u>11,217</u>	<u>1,629</u>	<u>34,383</u>	<u>14,149</u>	<u>45,955</u>	<u>200,521</u>
Total liabilities and fund balances	<u>\$ 61,037</u>	<u>\$ 39,728</u>	<u>\$ 9,348</u>	<u>\$ 11,217</u>	<u>\$ 1,629</u>	<u>\$ 34,855</u>	<u>\$ 14,149</u>	<u>\$ 45,955</u>	<u>\$ 217,918</u>

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**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Funds  
– Year Ended June 30, 2011**

	Special Revenue Funds							Capital Project Fund	Total-Other Governmental Funds
	City Donation	Street & Alley	Airport	LPWA Donation	Library	Grant	Juvenile Grant	Cemetery Care	
<b>REVENUES</b>									
Intergovernmental	\$ 11,096	\$ 26,026	\$ 23,750	\$ -	\$ 4,144	\$ 46,817	\$ -	\$ -	\$ 111,833
Charges for services	-	-	-	-	-	-	-	5,732	5,732
Investment income	570	170	57	83	13	223	97	318	1,531
Miscellaneous	35,162	-	4,565	-	450	-	176	-	40,353
<b>Total revenues</b>	<b>46,828</b>	<b>26,196</b>	<b>28,372</b>	<b>83</b>	<b>4,607</b>	<b>47,040</b>	<b>273</b>	<b>6,050</b>	<b>159,449</b>
<b>EXPENDITURES</b>									
Current:									
General government	4,333	-	-	-	-	-	-	-	4,333
Public Safety	13,201	-	-	-	-	-	-	-	13,201
Culture and recreation	11,401	-	-	-	5,004	44,667	-	-	61,072
Airport	-	-	30,915	-	-	-	-	-	30,915
Capital Outlay	85,818	-	-	-	-	-	-	-	85,818
<b>Total Expenditures</b>	<b>114,753</b>	<b>-</b>	<b>30,915</b>	<b>-</b>	<b>5,004</b>	<b>44,667</b>	<b>-</b>	<b>-</b>	<b>195,339</b>
Excess (deficiency) of revenues over expenditures	(67,925)	26,196	(2,543)	83	(397)	2,373	273	6,050	(35,890)
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	-	-	3,000	-	-	-	-	-	3,000
Transfers out	-	-	-	-	-	-	-	-	-
<b>Total other financing sources and uses</b>	<b>-</b>	<b>-</b>	<b>3,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,000</b>
<b>Net change in fund balances</b>	<b>(67,925)</b>	<b>26,196</b>	<b>457</b>	<b>83</b>	<b>(397)</b>	<b>2,373</b>	<b>273</b>	<b>6,050</b>	<b>(32,890)</b>
Fund balances - beginning	112,037	13,532	8,891	11,134	2,026	32,010	13,876	39,905	233,411
<b>Fund balances - ending</b>	<b>\$ 44,112</b>	<b>\$ 39,728</b>	<b>\$ 9,348</b>	<b>\$ 11,217</b>	<b>\$ 1,629</b>	<b>\$ 34,383</b>	<b>\$ 14,149</b>	<b>\$ 45,955</b>	<b>\$ 200,521</b>

**CITY OF LINDSAY, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Schedule of Expenditures of Federal and State Awards – For the Year Ended June 30, 2011**

Federal/State Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA Number	Grant #	Award Amount	Awards Expended
<b>FEDERAL AWARDS:</b>				
<u>DEPT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through the Oklahoma Housing Finance Agency:				
Home Investment Partnership Program	14.239	1337 Home 10	\$ 260,000	\$ 43,320
<u>DEPARTMENT OF JUSTICE:</u>				
Bullet Proof Vest Program	16.803	JR09-133	6,720	6,698
<u>DEPARTMENT OF TRANSPORTATION</u>				
Federal Aviation Administration:				
Airport Improvement Program - Airport Entrance and Perimeter Fence	20.106	AIP 3-40-0052-005-2010	75,810	23,750
<b>Total Federal Awards</b>			<u>\$ 342,530</u>	<u>\$ 73,768</u>
<b>STATE AWARDS:</b>				
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>				
Rural Fire Grant			\$ 4,398	\$ 4,398
			<u>\$ 4,398</u>	<u>\$ 4,398</u>
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>				
State Aid			4,144	4,144
			<u>4,144</u>	<u>4,144</u>
<u>ASSOCIATION OF SOUTH CENTRAL OKLAHOMA GOVERNMENTS:</u>				
Community Expansion for Nutrition Assistance (CENA)		22 CENA 10	2,000	2,000
Community Expansion for Nutrition Assistance (CENA)		36 CENA 11	1,497	1,497
			<u>3,497</u>	<u>3,497</u>
<b>Total State Awards</b>			<u>\$ 12,039</u>	<u>\$ 12,039</u>

**CITY OF LINDSAY, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2011**

**Schedule of Debt Service Coverage Requirement – Year Ended June 30, 2011**

<b>DEBT SERVICE COVERAGE:</b>	<b>OWRB Series 2000 &amp; DWSRF 2000 Promissory Note</b>
<b>GROSS REVENUE AVAILABLE:</b>	
Charges for services (electric, water, sewer, and miscellaneous)	\$ 3,884,862
Investment income	19,551
Sales tax appropriated and transferred from the City General Fund	<u>509,671</u>
Total Gross Revenue Available	<u>4,414,084</u>
<b>OPERATING EXPENSES:</b>	
Total Operating Expenses	<u>3,272,265</u>
Net Revenue Available for Debt Service	<u>\$1,141,819</u>
<b>Debt Service on all Obligations Payable:</b>	
Maximum annual debt service - OWRB Series 2000	\$56,481
Average annual debt service - OWRB DWSRF 2000	<u>191,302</u>
	<u>\$247,783</u>
Computed Coverage	<u>461%</u>
Coverage Requirement	<u>125%</u>

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, 2011, which collectively comprise City of Lindsay, Oklahoma's basic financial statements and have issued our report thereon dated June 21, 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

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 2011-1 through 2011-6, 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 2011-7 and 2011-8, 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 2011-2 and 2011-5

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 21, 2012

CITY OF LINDSAY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2011

**2011-1 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.

**2011-2 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* – 10 of 45 days collections of utility receipts were not deposited by the immediate next banking day; 6 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.

**2011-3 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.

CITY OF LINDSAY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2011

*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.

**2011-4 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* – 8 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.

**2011-5 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* – 2 of 62 purchase orders did not have supporting documentation; 7 of 25 invoices had no receipt of goods signature; 1 of 25 purchases lacked proper approval; 1 of 25 expenditures did not have a non-kickback affidavit.

*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.

CITY OF LINDSAY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2011

**2011-6 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.

Lindsay Municipal Hospital Authority

**2011-7 Preparation of financial statements**

*Condition* – As auditors, we (reference to 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.

*Response:* The Authority is willing to accept the degree of risk associated with this condition.

CITY OF LINDSAY, OKLAHOMA  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2011

**2011-8 Lack of segregation of duties**

*Condition* – Individuals within the cash receipts, disbursements and payroll cycles have authorization ability while also performing recording and monitoring duties.

*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.

*Response:* The Authority does have some compensating controls over cash disbursements and is willing to accept the degree of risk associated with this condition.