

City of
Lindsay, Oklahoma



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

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2012

RAHHAL HENDERSON JOHNSON, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

May 6, 2013

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 units, each major fund, and the aggregate remaining fund information of City of Lindsay, Oklahoma for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 28, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Lindsay, Oklahoma are described in the Notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the governmental and business-type activities' financial statements were:

Management's estimate of the depreciation of capital assets is based on the estimated useful lives of the assets. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for doubtful accounts is based on historical revenues, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

The following summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Governmental Activities

- a) Underaccrual of payroll and reversal of prior year underaccrual resulting in an understatement of liabilities \$13,434 and net assets \$3,753 and expenses \$9,681.
- b) Underaccrual of sales and use tax resulting in an understatement of assets and revenue \$28,494.
- c) Underaccrual of accounts payable resulting in an understatement of liabilities and expense \$22,608
- d) Understatement of Ambulance Accounts receivable resulting in understatement of assets and revenue \$15,191

General Fund

- e) Underaccrual of payroll and reversal of prior year underaccrual resulting in an understatement of liabilities \$13,434 and net assets \$3,753 and expenses \$9,681.
- f) Underaccrual of sales and use tax resulting in an understatement of assets and revenue \$20,166.
- g) Underaccrual of accounts payable resulting in an understatement of liabilities and expense \$22,608
- h) Understatement of Ambulance Accounts receivable resulting in understatement of assets and revenue \$15,191.
- i) Underaccrual of payroll and reversal of prior year underaccrual resulting in an understatement of liabilities \$13,434 and net assets \$3,753 and expenses \$9,681.

EMS Fund

- j) Underaccrual of sales tax resulting in an understatement of assets and revenue \$6,899.

Special Sales Tax Fund

- k) Underaccrual of sales tax resulting in an understatement of assets and revenue \$6,899.

Business-type activities and LPWA Fund

- l) Underaccrual of payroll resulting in an understatement of liabilities and expenses \$6,742.
- m) Incorrect entry for accounts payable resulting in an overstatement of liabilities and expense \$15,927.
- n) Overaccrual of interest expense and reversal of prior year overaccrual resulting in an overstatement of liabilities \$11,394, understatement of net assets \$9,367 and overstatement of expense \$2,027.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 6, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of City Council and management of City of Lindsay, Oklahoma and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Rahhal Henderson Johnson, PLLC

**THE CITY OF LINDSAY
OKLAHOMA**

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

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of 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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2013, 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 schedule of funding progress on pages 7 through 14 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lindsay, Oklahoma's financial statements as a whole. The combining nonmajor 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 fund financial statements, the schedule of expenditures of federal and state awards and schedule of debt service coverage requirement 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

May 6, 2013

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

The management of the City of Lindsay is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2012. 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 \$1,082,555 and the assets of the City exceed its liabilities at June 30, 2012, by \$9,025,575 (net assets). Of this amount, \$4,226,319 (unrestricted net assets) is available to meet the government's ongoing needs.
- At June 30, 2012, the City's governmental funds reported combined ending fund balances of \$2,276,430.
- At the end of fiscal year 2012, unassigned fund balance for the General Fund was \$435,740 or 21% 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 Lindsay Public Works Authority does not issue separate annual financial statements. Separate audited component unit financial statements are issued by the Lindsay Municipal Hospital Authority and the Lindsay Industrial Development Authority. These reports may be obtained by contacting the City's administrative offices.

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

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activities in a way that helps answer this question. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base, the condition of the City's roads, and quality of service to assess the overall health of the City. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities: *Governmental activities* - Most of the City's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* - Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's electric, water, sewer, and sanitation utilities are reported as business-type activities.

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

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant (major) funds -- not the City as a whole. Some funds are required to be established by State law and by debt covenants. However, the City Council may also establish certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds - *governmental and proprietary* - use different accounting approaches.

Governmental funds - All of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. For example, these funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds - The City operates one proprietary fund, the Lindsay Public Works Authority (major fund). When the City, through the Public Works Authority, charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the government-wide financial statements. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The City's proprietary fund is the Lindsay Public Works Authority that accounts for the operation of the electric, water, sewer, and sanitation activities.

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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 27-48 of this report.

Other Information

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

THE CITY AS A WHOLE

For the year ended June 30, 2012, net assets for the governmental and business-type activities increased \$1,082,555.

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

**The City of Lindsay Net Assets
June 30, 2012**

**TABLE 1
NET ASSETS (In Thousands)**

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2012	2011		2012	2011		2012	2011	
Current and other assets	\$ 2,403	\$ 1,671	44%	\$ 3,757	\$ 3,140	20%	\$ 6,160	\$ 4,811	28%
Capital assets, net	1,743	2,006	-13%	4,140	4,271	-3%	5,883	6,277	-6%
Other non-current assets	-	-	0%	22	28	-22%	22	28	-22%
Total assets	4,146	3,677	13%	7,919	7,439	6%	12,065	11,116	9%
Current liabilities	114	94	22%	677	575	18%	791	669	18%
Non-current liabilities	62	93	-33%	2,187	2,410	-9%	2,249	2,503	-10%
Total liabilities	176	187	-6%	2,864	2,985	-4%	3,040	3,172	-4%
Net assets									
Invested in capital assets, net of related debt	1,725	1,980	-13%	1,945	1,939	0%	3,669	3,919	-6%
Nonspendable	4	-	100%	-	-	0%	4	-	100%
Restricted	1,072	444	141%	55	55	0%	1,127	499	126%
Unrestricted	1,169	1,066	10%	3,056	2,459	24%	4,226	3,525	20%
Total net assets	\$ 3,970	\$ 3,490	14%	\$ 5,056	\$ 4,453	14%	\$ 9,026	\$ 7,943	14%

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.

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The 44% increase in governmental current assets is due to an increase in sales tax due from other governments in the amount of \$81,500. The 142% increase in governmental net assets is due to an increase in net assets restricted for emergency medical services of \$555,000 and an increase in net assets restricted for public works of \$36,300.

The City of Lindsay' Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2012
(In Thousands)

TABLE 2
CHANGES IN NET ASSETS (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2012	2011		2012	2011		2012	2011	
Revenues									
Charges for service	\$ 402	\$ 314	28%	\$ 5,117	\$ 4,553	12%	\$ 5,519	\$ 4,867	13%
Operating grants and contributions	332	184	80%	16	-	100%	348	184	89%
Capital grants and contributions	43	41	5%	4	-	100%	47	41	15%
Taxes	2,702	2,299	18%	-	-	-	2,702	2,299	18%
Investment income	7	9	-22%	15	20	-25%	22	29	-24%
Miscellaneous	59	116	-49%	-	-	-	59	116	-49%
Total revenues	3,545	2,963	20%	5,152	4,573	13%	8,697	7,536	15%
Expenses									
General government	273	262	4%	-	-	-	273	262	4%
Public safety	2,358	2,107	12%	-	-	-	2,358	2,107	12%
Streets	146	199	-27%	-	-	-	146	199	-27%
Culture, parks and recreation	353	245	44%	-	-	-	353	245	44%
Cemetery	51	65	-22%	-	-	-	51	65	-22%
Airport	28	33	-15%	-	-	-	28	33	-15%
Interest on long-term debt	1	1	0%	-	-	-	1	1	0%
Electric	-	-	-	2,848	2,666	7%	2,848	2,666	7%
Water	-	-	-	693	725	-4%	693	725	-4%
Sewer	-	-	-	168	190	-12%	168	190	-12%
Sanitation	-	-	-	480	421	14%	480	421	14%
Golf	-	-	-	217	218	0%	217	218	0%
Pool	-	-	-	37	31	19%	37	31	19%
Total expenses	3,210	2,912	10%	4,443	4,251	5%	7,653	7,163	7%
Excess before transfers	335	51	557%	709	322	120%	1,044	373	180%
Transfers	-	(94)	-100%	-	94	-100%	-	-	-
Change in net assets	335	(43)	-879%	709	416	70%	1,044	373	180%
Beginning net assets	-	3,533	-100%	-	4,037	-100%	-	7,570	-100%
Ending net assets	\$ 335	\$ 3,490	-90%	\$ 709	\$ 4,453	-84%	\$ 1,044	\$ 7,943	-87%

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Governmental Activities

The City's governmental activities had an increase in net assets of \$479,782. Explanations for the more significant changes are as follows:

80% increase in operating grants is due primarily to receiving \$187,000 in OHFA grant funds which also explains the 44% increase in culture, parks and recreation expenses.

631% increase in excess revenue before transfers is due to receiving \$197,600 in airport and public safety grants, \$51,600 increase in ambulance run revenue and increase of \$402,000 in sales tax revenue.

Business-Type Activities

The business-type activities had an increase in net assets of \$602,773. Explanations for the more significant changes are as follows:

213% change in transfers is due to an increase of approximately \$53,500 in the operating transfer to the General Fund from LPWA and a \$470,000 decrease in the sales tax transfer from LPWA Sales Tax Fund to the LPWA.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2012	2011		2012	2011	
	General government	\$ 273	\$ 262	4%	\$ (264)	\$ (251)
Public safety	2,358	2,107	12%	(1,865)	(1,710)	-9%
Streets	146	199	-27%	(121)	(172)	30%
Culture, parks and recreation	353	245	44%	(162)	(192)	16%
Cemetery	51	65	-22%	(27)	(42)	36%
Airport	28	33	-15%	7	(4)	275%
Interest on long-term debt	1	1	0%	(1)	(1)	0%
Total	\$ 3,210	\$ 2,912	10%	\$ (2,433)	\$ (2,372)	3%

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The 275% increase in airport net revenue is due to increase in FAA grant revenue of \$7,100 and a decrease in expenses of \$4,200.

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2012	2011		2012	2011	
Electric	\$ 2,848	\$ 2,666	7%	\$ 454	\$ 174	161%
Water	693	725	-4%	83	(41)	302%
Sewer	168	190	-12%	194	156	24%
Sanitation	480	421	14%	94	161	-42%
Golf	217	218	0%	(112)	(133)	16%
Pool	37	31	19%	(19)	(14)	-36%
Total	\$ 4,443	\$ 4,251	5%	\$ 694	\$ 303	129%

The 161% increase in net revenue of the electric activity is primarily due to \$344,000 increase in charges for services revenue related to a rate increase for utility services. The 302% increase in net revenue of the water activity is the result of a \$68,000 increase in charges for services revenue related to a rate increase for utility services and a reduction of \$32,000 in water activity expenses.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2012 fiscal year, the governmental funds reported a combined fund balance of \$2,276,430. For the year ended June 30, 2012, the General Fund's total fund balance increased by \$50,230 due in part to a decrease in highway and street expenses of \$53,000. The proprietary funds reported a combined net asset balance of \$5,055,677. The LPWA total net assets increased by \$602,773, due in part to an increase in operating revenues of \$564,500.

Budgetary Highlights

For the year ended June 30, 2012, the General Fund reported actual budgetary basis revenues under final estimates by \$138,576 or a 5% negative variance. General Fund actual expenditures were under final appropriations by \$329,806 or an 11.2% positive variance.

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CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2012, the City had approximately \$5.9 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, 2012.¹

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 126	\$ 126	\$ 395	\$ 395	\$ 521	\$ 521
Buildings	331	346	278	264	609	610
Land Improvements	16	18	-	-	16	18
Machinery, furniture and equipment	304	428	315	279	619	707
Infrastructure	901	1,063	3,103	3,333	4,004	4,396
Construction in progress	65	25	50	-	115	25
Totals	\$ 1,743	\$ 2,006	\$ 4,141	\$ 4,271	\$ 5,884	\$ 6,277

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

- Sentry Storm Siren
- Security System for Police Department
- Golf Carts for Golf Course
- Sewer infrastructure improvements
- Water infrastructure improvements

Debt Administration

- At year-end, the City had \$2.2 million in long-term debt outstanding which represents a \$151,000 decrease from the prior year.
- The Lindsay Public Works Authority entered into a loan agreement dated Sept 19, 2011 with Oklahoma State Bank in the amount of \$55,120 with a maturity date of Sept 19, 2015 for the purchase of fifteen golf carts. The note has an average yearly payment of \$13,780.

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

**CITY OF LINDSAY, OKLAHOMA
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**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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
	Capital leases	\$ 18	\$ 27	\$ 55	\$ -	\$ 73	\$ 27
Notes payable	-	-	2,163	2,360	2,163	2,360	-8.3%
Totals	\$ 18	\$ 27	\$ 2,218	\$ 2,360	\$ 2,236	\$ 2,387	-6.3%

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

- The FY 2013 budget is consistent to prior years.
- The Lindsay Public Works Authority refinanced the OWRB Loan Series 1999 in the amount of \$485,000 on August 1, 2012 with Bank of Oklahoma. The new loan, Lindsay Public Works Authority Utility System and Sales Tax Revenue Note, Series 2012 in the amount of \$630,000 with a maturity date of September 1, 2021, is to be paid by semi-annual payments of \$30,000. The purpose of the loan is to finance improvements to the wastewater system. The city has pledged 1 cent of the sales tax revenue and the net utility revenue for debt service on the loan.

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
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BASIC FINANCIAL STATEMENTS – STATEMENT OF NET ASSETS AND ACTIVITES

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Statement of Net Assets – June 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Component Unit</u>
ASSETS				
Cash and cash equivalents	\$ 1,825,274	\$ 2,644,641	\$ 4,469,915	\$ 320,121
Short-term investments	-	-	-	417,298
Restricted investments	-	94,000	94,000	-
Accounts receivable, net of allowance	116,460	855,218	971,678	1,072,179
Internal balances	15,989	(15,989)	-	-
Due from other governmental agencies	441,672	3,714	445,386	-
Inventories	3,693	87,865	91,558	75,466
Prepaid expenses	-	-	-	294,112
Estimated amounts due from third-party payers	-	-	-	5,000
Restricted cash and cash equivalents	-	87,502	87,502	-
Capital assets:				
Land and construction in progress	191,151	444,610	635,761	353,048
Other capital assets, net of depreciation	1,552,126	3,695,718	5,247,844	1,052,316
Unamortized note issuance costs	-	21,829	21,829	-
Total Assets	<u>4,146,365</u>	<u>7,919,108</u>	<u>12,065,473</u>	<u>3,589,540</u>
LIABILITIES				
Accounts payable and accrued expenses	81,773	370,529	452,302	546,406
Due to other governments	-	10,758	10,758	-
Due to bondholders	3,654	-	3,654	-
Deferred revenue	13,352	-	13,352	-
Accrued interest payable	520	35,252	35,772	-
Long-term liabilities:				
Due within one year	15,084	260,125	275,209	-
Due in more than one year	62,084	2,186,767	2,248,851	-
Total liabilities	<u>176,467</u>	<u>2,863,431</u>	<u>3,039,898</u>	<u>546,406</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,724,859	1,944,537	3,669,396	1,405,364
Nonspendable	3,693	-	3,693	-
Restricted for:				
City donation	55,439	-	55,439	-
Debt service	-	54,711	54,711	-
Economic development	34,800	-	34,800	-
Emergency medical services	780,076	-	780,076	-
Public works	109,573	-	109,573	-
Other	92,227	-	92,227	-
Unrestricted	1,169,231	3,056,429	4,225,660	1,637,770
Total net assets	<u>\$ 3,969,898</u>	<u>\$ 5,055,677</u>	<u>\$ 9,025,575</u>	<u>\$ 3,043,134</u>

See accompanying notes to these financial statements.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Statement of Activities – Year Ended June 30, 2012

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental Activities								
General Government	\$ 273,232	\$ 7,475	\$ -	\$ 1,523	\$ (264,234)	\$ -	\$ (264,234)	\$ -
Public Safety	2,357,326	365,602	115,479	11,095	(1,865,150)	-	(1,865,150)	-
Highways and streets	145,509	-	24,699	-	(120,810)	-	(120,810)	-
Culture and Recreation	353,085	-	191,319	-	(161,766)	-	(161,766)	-
Cemetery	51,062	23,725	-	-	(27,337)	-	(27,337)	-
Airport	28,396	4,850	-	30,874	7,328	-	7,328	-
Interest on Long-term debt and fiscal agent fees	1,446	-	-	-	(1,446)	-	(1,446)	-
Total governmental activities	<u>3,210,056</u>	<u>401,652</u>	<u>331,497</u>	<u>43,492</u>	<u>(2,433,415)</u>	<u>-</u>	<u>(2,433,415)</u>	<u>-</u>
Business-type activities:								
Electric	2,847,825	3,281,661	16,233	3,559	-	453,628	453,628	-
Water	693,252	776,183	-	-	-	82,931	82,931	-
Sewer	168,000	362,220	-	-	-	194,220	194,220	-
Sanitation	479,978	574,074	-	-	-	94,096	94,096	-
Golf Course	216,786	105,174	-	-	-	(111,612)	(111,612)	-
Pool	36,771	17,830	-	-	-	(18,941)	(18,941)	-
Total business-type activities	<u>4,442,612</u>	<u>5,117,142</u>	<u>16,233</u>	<u>3,559</u>	<u>-</u>	<u>694,322</u>	<u>694,322</u>	<u>-</u>
Total primary government	<u>7,652,668</u>	<u>5,518,794</u>	<u>347,730</u>	<u>47,051</u>	<u>(2,433,415)</u>	<u>694,322</u>	<u>(1,739,093)</u>	<u>-</u>
Component units:								
Lindsay Municipal Hospital Authority	9,402,876	9,431,123	7,504	-	-	-	-	35,751
Total component units	<u>9,402,876</u>	<u>9,431,123</u>	<u>7,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,751</u>
General revenues:								
Taxes:								
Sales and use taxes					\$ 2,603,981	\$ -	\$ 2,603,981	\$ -
Franchise taxes and public service taxes					97,450	-	97,450	-
Unrestricted investment earnings					6,859	14,909	21,768	6,441
Miscellaneous					58,564	-	58,564	173,060
Miscellaneous Rents and Royalties					39,885	-	39,885	-
Transfers					106,458	(106,458)	-	-
Total general revenues and transfers					<u>2,913,197</u>	<u>(91,549)</u>	<u>2,821,648</u>	<u>179,501</u>
Change in net assets					479,782	602,773	1,082,555	2
Net assets - beginning					3,490,116	4,452,904	7,943,020	2
Net assets - ending					<u>\$ 3,969,898</u>	<u>\$ 5,055,677</u>	<u>\$ 9,025,575</u>	<u>\$ 3,043,134</u>

See accompanying notes to these financial statements.

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Governmental Funds Balance Sheet – June 30, 2012

	General Fund	Special Sales Tax	EMS Fund	Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 432,191	\$ -	\$ 701,727	\$ 443,058	\$ 232,820	\$ 1,809,796
Receivable from other governments	229,071	97,950	97,950	-	9,196	434,167
Due from other funds	29,170	-	-	-	5,924	35,094
Court fines receivable, net	22,770	-	-	-	-	22,770
Ambulance receivable, net	78,307	-	-	-	-	78,307
Other receivables	15,383	-	-	-	7,505	22,888
Inventories - nonspendable	3,693	-	-	-	-	3,693
Total assets	<u>810,585</u>	<u>97,950</u>	<u>799,677</u>	<u>443,058</u>	<u>255,445</u>	<u>2,406,715</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	49,796	-	-	-	12,548	62,344
Accrued payroll payable	19,094	-	-	-	-	19,094
Due to other funds	13,275	-	-	-	5,830	19,105
Due to bondholders	3,654	-	-	-	-	3,654
Deferred revenue	13,691	-	-	-	12,062	25,753
Other payables	335	-	-	-	-	335
Total liabilities	<u>99,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,440</u>	<u>130,285</u>
Fund balances:						
Nonspendable	3,693	-	-	-	-	3,693
Restricted for:						
Street and Alley	-	-	-	-	63,561	63,561
City Donation	-	-	-	-	55,439	55,439
Library	-	-	-	-	3,029	3,029
Public Works	-	97,950	-	-	11,623	109
Economic Development	-	-	-	-	34,800	34
Cemetery	-	-	-	-	25,637	25,637
Emergency Medical Services	-	-	780,076	-	-	780,076
Assigned to:						
Subsequent Year Budget	275,000	-	-	-	-	275,000
Street and Alley	-	-	-	-	1,084	1,084
Library	-	-	-	-	39	39
Public Works	-	-	-	-	274	274
Airport	-	-	-	-	3,034	3,034
Cemetery	-	-	-	-	26,485	26,485
Capital Improvements	-	-	-	443,058	-	443,058
Emergency Medical Services	-	-	19,601	-	-	19,601
Unassigned	432,047	-	-	-	-	432,047
Total fund balances	<u>710,740</u>	<u>97,950</u>	<u>799,677</u>	<u>443,058</u>	<u>225,005</u>	<u>2,276,430</u>
Total liabilities and fund balances	<u>\$ 810,585</u>	<u>\$ 97,950</u>	<u>\$ 799,677</u>	<u>\$ 443,058</u>	<u>\$ 255,445</u>	<u>\$ 2,406,715</u>

See accompanying notes to these financial statements.

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance – Year Ended June 30, 2012

	<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>
REVENUES						
Taxes	\$ 1,450,518	\$ 598,922	\$ 598,922	\$ -	\$ -	\$ 2,648,362
Intergovernmental	151,215	-	-	-	272,995	424,210
Charges for services	303,489	-	-	-	5,931	309,420
Fines and forfeitures	84,124	-	-	-	-	84,124
Licenses and permits	8,625	-	-	-	-	8,625
Investment income	1,711	-	2,053	2,066	1,029	6,859
Miscellaneous	76,863	-	33	1,523	26,699	105,118
Total revenues	<u>2,076,545</u>	<u>598,922</u>	<u>601,008</u>	<u>3,589</u>	<u>306,654</u>	<u>3,586,718</u>
EXPENDITURES						
Current:						
General government	257,146	-	-	-	-	257,146
Public Safety	1,372,654	-	-	-	11,179	1,383,833
Highway and streets	13,981	-	-	-	-	13,981
Culture and recreation	135,868	-	-	-	193,295	329,163
Airport	-	-	-	-	1,692	1,692
Cemetery	52,093	-	-	-	-	52,093
Public Health and Welfare	840,975	-	-	-	-	840,975
Capital Outlay	53,258	-	-	-	61,855	115,113
Total Expenditures	<u>2,725,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>268,021</u>	<u>2,993,996</u>
Excess (deficiency) of revenues over expenditures	<u>(649,430)</u>	<u>598,922</u>	<u>601,008</u>	<u>3,589</u>	<u>38,633</u>	<u>592,722</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	699,660	-	14,149	-	-	713,809
Transfers out	-	(563,202)	(30,000)	-	(14,149)	(607,351)
Total other financing sources and uses	<u>699,660</u>	<u>(563,202)</u>	<u>(15,851)</u>	<u>-</u>	<u>(14,149)</u>	<u>106,458</u>
Net change in fund balances	50,230	35,720	585,157	3,589	24,484	699,180
Fund balances - beginning (restated General Fund due to separation of Internal service Fund)	660,510	62,230	214,520	439,469	200,521	1,577,250
Fund balances - ending	<u>\$ 710,740</u>	<u>\$ 97,950</u>	<u>\$ 799,677</u>	<u>\$ 443,058</u>	<u>\$ 225,005</u>	<u>\$ 2,276,430</u>

See accompanying notes to these financial statements.

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Assets Reconciliation:

Total fund balance, governmental funds	\$	2,276,430
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 the fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		
		1,743,277
Certain long-term assets are not available to pay current fund liabilities and, therefore are deferred in the funds:		
Court fines receivable		12,401
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets		
Net Assets of the Internal Service Fund		15,478
Statement of Net Assets		
Accrued compensated absences liability		(58,750)
Notes payable		(18,418)
Interest payable		(520)
Net Assets of Governmental Activities in the Statement of Net Assets	\$	3,969,898

Changes in Fund Balances – Changes in Net Assets Reconciliation:

Net change in fund balances - total governmental funds:	\$	699,180
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		75,595
Depreciation expense		(338,706)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Deferred revenue		(3,337)
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:		
Capital lease obligation principal payments		8,373
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		251
Change in accrued compensated absences		24,955
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets.		
		13,471
Change in net assets of governmental activities	\$	479,782

See accompanying notes to these financial statements.

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Proprietary Funds Statement of Net Assets – June 30, 2012

	<u>LPWA</u>	<u>Internal Service Fund</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,569,863	\$ 15,478
Restricted:		
Restricted cash and cash equivalents	74,778	-
Accounts Receivable, net	855,218	-
Due from other governments	3,714	-
Inventories	87,865	-
Total current assets	3,591,438	15,478
Non-current assets:		
Restricted:		
Cash and cash equivalents	87,502	-
Investments	94,000	-
Capital Assets:		
Land and construction in progress	444,610	-
Other capital assets, net of accumulated depreciation	3,695,718	-
Unamortized note issue costs	21,829	-
Total non-current assets	4,343,659	-
Total assets	7,935,097	15,478
LIABILITIES		
Current Liabilities:		
Accounts payable	353,161	-
Salaries payable	17,338	-
Accrued interest payable	35,252	-
Due to other governments	10,758	-
Due to other funds	15,989	-
Other payables	30	-
Compensated absences	6,302	-
Capital lease obligation	13,119	-
Deposits subject to refund	33,250	-
Notes payable	207,454	-
Total current liabilities	692,653	-
Non-current liabilities:		
Deposits subject to refund	133,001	-
Compensated absences	56,719	-
Capital lease payable	42,001	-
Notes payable	1,955,046	-
Total non-current liabilities	2,186,767	-
Total liabilities	2,879,420	-
NET ASSETS		
Invested in capital assets, net of related debt	1,944,537	-
Restricted for debt service	54,711	-
Unrestricted	3,056,429	15,478
Total net assets	\$ 5,055,677	\$ 15,478

See accompanying notes to these financial statements.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Assets – Year Ended June 30, 2012

	Lindsay Public Works Authority	Internal Service Fund
OPERATING REVENUES		
Electric	\$ 3,183,224	\$ -
Water	752,901	-
Sewer	351,355	-
Sanitation	556,854	-
Golf course	105,174	-
Pool	17,830	-
Miscellaneous	149,804	217,411
Total operating revenues	5,117,142	217,411
OPERATING EXPENSES		
Billing	145,513	
Electric	2,205,214	-
Water	251,743	-
Sewer	65,706	-
Sanitation	372,652	-
Administration/Legal	206,509	-
Golf Course	199,298	-
Pool	35,988	-
General government	521,727	-
Depreciation expense	356,229	-
Amortization expense	5,954	
Insurance Claims	-	208,502
Miscellaneous Expense	-	19
Total Operating Expenses	4,366,533	208,521
Operating income	750,609	8,890
NON-OPERATING REVENUES (EXPENSES)		
Investment income	14,909	81
Grant revenue	19,792	-
Interest expense	(76,079)	-
Total non-operating revenue (expenses)	(41,378)	81
Income before contributions and transfers	709,231	8,971
Transfers in	563,202	4,500
Transfers out	(669,660)	-
Change in net assets	602,773	13,471
Total net assets - beginning	4,452,904	2,007
Total net assets - ending	\$ 5,055,677	\$ 15,478

See accompanying notes to these financial statements.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012

Proprietary Funds Statement of Cash Flows – Year Ended June 30, 2012

	Lindsay Public Works Authority	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 4,955,679	\$ -
Payments to suppliers	(2,953,774)	-
Payments to employees	(1,038,739)	(208,521)
Interfund receipts	2,651	-
Receipts of customer meter deposits	61,733	-
Refunds of customer meter deposits	(50,876)	-
Other receipts	-	217,411
Net cash provided by operating activities	976,674	8,890
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	563,202	4,500
Transfers to other funds	(669,660)	-
Net cash provided by (used in) noncapital financing activities	(106,458)	4,500
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(225,827)	-
Due from other governments	(3,714)	-
Principal paid on debt	(197,020)	-
Proceeds from issuance of capital debt	55,120	-
Interest and fiscal agent fees paid on debt	(76,079)	-
Net cash provided (used in) capital and related financing activities	(447,520)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	19,561	81
Net cash provided by investing activities	19,561	81
Net increase in cash and cash equivalents	442,257	13,471
Balances - beginning of year	2,289,886	2,007
Balances - end of year	\$ 2,732,143	\$ 15,478
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents	\$ 2,569,863	\$ 15,478
Restricted cash and cash equivalents - current	74,778	-
Restricted cash and cash equivalents - noncurrent	87,502	-
Total cash and cash equivalents, end of year	\$ 2,732,143	\$ 15,478
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 750,609	\$ 8,890
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	356,229	-
Amortization expense	5,954	-
Grant revenue	19,792	-
Change in assets and liabilities:		
Due to other funds	2,651	-
Due to other governments	2,415	-
Accounts receivable	(181,255)	-
Inventory	7,234	-
Accounts payable	87,125	-
Accrued payroll payable	(11,153)	-
Deposits subject to refund	10,857	-
Accrued compensated absences	(73,784)	-
Net cash provided by operating activities	\$ 976,674	\$ 8,890

See accompanying notes to these financial statements.

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

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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.

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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.

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
- Airport Fund – accounts for revenues and expenditures for airport operations
- LPWA Donation Fund – accounts for donations received for the Public Works Authority
- Library Fund – accounts for revenues received from library fines, copies, etc. Funds are used for operations of the library.
- Grant Fund – accounts for various grants for the city
- Juvenile Grant Fund – accounts for the juvenile grant funds received and related expenditures

Capital Project Funds:

- 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:

- Lindsay Public Works Authority (LPWA) – a major fund that accounts for the operation of the electric, water, sewer, sanitation, golf course and swimming pool activities
- Internal Service Fund which includes the Insurance Trust Fund - accounts for the employer's cost, the employee's payroll deduction and retirees' health insurance premiums. In the prior year, this fund was combined with the General Fund for report purposes.

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, 2012, the City recognized \$21,768 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.

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At June 30, 2012, the primary government held the following deposits and investments:

PRIMARY GOVERNMENT:

<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:			
Petty cash			\$ 1,250
Demand deposits			4,466,204
Time deposits	May 2013		94,000
			<u>\$ 4,561,454</u>
Investments:			
Cavanal Hill U.S. Treasury Admin Fund		AAAm	\$ 89,963
Total deposits and investments			<u>\$ 4,651,417</u>
Reconciliation to Statement of Net Assets:			
Cash and cash equivalents			\$ 4,469,915
Restricted cash and cash equivalents			87,502
			<u>\$ 4,651,417</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 a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2012, the City was not exposed to custodial credit risk as defined above.

As of June 30, 2012, the deposits and investments for the Lindsay Municipal Hospital Authority were \$737,419. 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, 2012, the City's investments consisted of \$89,963 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.

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

Restricted Cash and Investments – The amounts reported as restricted assets on the statement of net assets are comprised of amounts restricted for debt service, or deposits held for others. The restricted assets as of June 30, 2012 are as follows:

<u>Type of Restricted Asset</u>	<u>Current Cash and cash equivalents</u>	<u>Noncurrent Cash and cash equivalents</u>	<u>Investments</u>	<u>Total</u>
Utility Deposits	\$ 33,316	\$ 39,001	\$ 94,000	\$166,317
OWRB Debt Service	41,462	48,501	-	89,963
Total	<u>\$ 74,778</u>	<u>\$ 87,502</u>	<u>\$ 94,000</u>	<u>\$256,280</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.

	<u>Accounts Receivable</u>	<u>Less: Allowance for Uncollectible Accounts</u>	<u>Net Accounts Receivable</u>
Governmental Activities:			
Ambulance receivable	\$ 1,028,785	\$ 950,478	\$ 78,307
Court fines	113,852	91,082	22,770
Other receivables	15,383	-	15,383
Total Governmental Activities	<u>\$ 1,158,020</u>	<u>\$ 1,041,560</u>	<u>\$ 116,460</u>
Business-Type Activities:			
Utilities	<u>\$ 1,330,263</u>	<u>\$ 475,045</u>	<u>\$ 855,218</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 was paid in full as of June 30, 2012.

	<u>Balance July 01, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2012</u>
LMHA note receivable	<u>\$ 40,185</u>	<u>\$ -</u>	<u>\$ (40,185)</u>	<u>\$ -</u>

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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 \$1,000 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, are 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, 2012, capital assets balances changed as follows:

Primary Government:

	Balance at July 01, 2011	Additions	Disposals	Balance at June 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 125,750	\$ -	\$ -	\$ 125,750
Construction in progress	25,000	40,401	-	65,401
Total capital assets not being depreciated	<u>150,750</u>	<u>40,401</u>	<u>-</u>	<u>191,151</u>
Other capital assets:				
Buildings	1,084,286	5,191	-	1,089,477
Land Improvements	27,500	-	-	27,500
Computers & Electronics	117,720	-	-	117,720
Furniture & Fixtures	31,604	-	-	31,604
Vehicles	1,626,851	-	30,000	1,596,852
Infrastructure	3,057,624	-	-	3,057,624
Machinery and equipment	750,895	30,003	-	780,898
Total other capital assets at historical cost	<u>6,696,480</u>	<u>35,194</u>	<u>30,000</u>	<u>6,701,675</u>
Less accumulated depreciation for:				
Buildings	738,139	20,231	-	758,370
Land Improvements	9,472	1,834	-	11,306
Computers & Electronics	104,438	5,437	-	109,875
Furniture & Fixtures	20,831	1,375	-	22,206
Vehicles	1,412,539	100,837	30,000	1,483,376
Infrastructure	1,994,169	162,482	-	2,156,651
Machinery and equipment	561,255	46,510	-	607,765
Total accumulated depreciation	<u>4,840,843</u>	<u>338,706</u>	<u>30,000</u>	<u>5,149,549</u>
Other capital assets, net	<u>1,855,637</u>	<u>(303,512)</u>	<u>-</u>	<u>1,552,126</u>
Governmental activities capital assets, net	<u>\$ 2,006,387</u>	<u>\$ (263,111)</u>	<u>\$ -</u>	<u>\$ 1,743,277</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 395,000	\$ -	\$ -	\$ 395,000
Construction in progress	-	49,610	-	49,610
Total capital assets not being depreciated	<u>395,000</u>	<u>49,610</u>	<u>-</u>	<u>444,610</u>
Other capital assets:				
Buildings	779,551	23,331	-	802,882
Computers & Electronics	100,601	1,995	-	102,596
Furniture & Fixtures	8,840	-	-	8,840
Vehicles	931,530	68,084	-	999,615
Machinery & equipment	733,832	45,892	-	779,724
Infrastructure	15,012,701	36,915	-	15,049,616
Total other capital assets at historical cost	<u>17,567,055</u>	<u>176,217</u>	<u>-</u>	<u>17,743,273</u>
Less accumulated depreciation for:				
Buildings	515,514	9,513	-	525,027
Computers & Electronics	95,892	1,343	-	97,235
Furniture & Fixtures	6,814	1,430	-	8,244
Vehicles	855,295	43,679	-	898,974
Machinery and equipment	538,013	33,886	-	571,899
Infrastructure	11,679,796	266,379	-	11,946,175
Total accumulated depreciation	<u>13,691,324</u>	<u>356,230</u>	<u>-</u>	<u>14,047,555</u>
Other capital assets, net	<u>3,875,731</u>	<u>(180,013)</u>	<u>-</u>	<u>3,695,718</u>
Business-type activities capital assets, net	<u>\$ 4,270,731</u>	<u>\$ (130,403)</u>	<u>\$ -</u>	<u>\$ 4,140,328</u>

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	Balance at July 01, 2011	Additions	Disposals	Transfers	Balance at June 30, 2012
Lindsay Municipal Hospital Authority:					
Capital assets not being depreciated:					
Land	\$ 14,164	\$ -	\$ -	\$ -	\$ 14,164
Construction in progress	244,507	286,707	-	(192,330)	338,884
Total capital assets not being depreciated	<u>258,671</u>	<u>286,707</u>	<u>-</u>	<u>(192,330)</u>	<u>353,048</u>
Other capital assets:					
Buildings	1,870,601	-	1,897	-	1,868,704
Land Improvements	34,266	-	-	-	34,266
Machinery and equipment	2,373,459	331,585	162,568	192,330	2,734,806
Total other capital assets at historical cost	<u>4,278,326</u>	<u>331,585</u>	<u>164,465</u>	<u>192,330</u>	<u>4,637,776</u>
Less accumulated depreciation for:					
Buildings	1,574,416	110,241	331	-	1,684,326
Land Improvements	34,265	-	-	-	34,265
Machinery and equipment	1,664,703	365,001	162,835	-	1,866,869
Total accumulated depreciation	<u>3,273,384</u>	<u>475,242</u>	<u>163,166</u>	<u>-</u>	<u>3,585,460</u>
Other capital assets, net	<u>1,004,942</u>	<u>(143,657)</u>	<u>1,299</u>	<u>-</u>	<u>1,052,316</u>
Municipal Hospital capital assets, net	<u>\$ 1,263,613</u>	<u>\$ 143,050</u>	<u>\$ 1,299</u>	<u>\$ -</u>	<u>\$ 1,405,364</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	\$ 14,382
Public safety	135,833
Highways and streets	130,483
Culture and recreation	25,943
Cemetery	5,361
Airport	26,704
	<u>\$ 338,706</u>

Business-Type Activities:

Administration	\$ 1,658
Electric	41,890
Water	228,791
Sewer	50,012
Pool	783
General Government	9,528
Sanitation	6,079
Golf Course	17,488
	<u>\$ 356,229</u>

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7. Long-Term Debt and Debt Service Requirements

<u>Type of Debt</u>	<u>Balance July 01, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital lease payable	\$ 26,791	\$ -	\$ 8,373	\$ 18,418	\$ 9,209
Accrued compensated absences	83,705	-	24,955	58,750	5,875
Total Governmental Activities	<u>\$ 110,496</u>	<u>\$ -</u>	<u>\$ 33,328</u>	<u>\$ 77,168</u>	<u>\$ 15,084</u>
Business-Type Activities:					
Notes payable	\$ 2,359,520	-	197,020.00	\$ 2,162,500	207,454.00
Capital lease payable	-	55,120	-	55,120	13,119
Meter deposit liability	155,394	10,857	-	166,251	33,250
Accrued compensated absences	136,805	-	73,784	63,021	6,302
Total Business-Type Activities	<u>2,651,719</u>	<u>65,977</u>	<u>270,804</u>	<u>2,446,892</u>	<u>260,125</u>
Total Long-Term Debt	<u>\$ 2,762,215</u>	<u>\$ 65,977</u>	<u>\$ 304,132</u>	<u>\$ 2,524,060</u>	<u>\$ 275,209</u>

Reconciliation to Statement of Net Assets:

Governmental Activities:

Due within one year	\$ 15,084
Due in more than one year	62,084
Total Governmental Activities Long-term liabilities	<u>\$ 77,168</u>

Business-Type Activities:

Due within one year	\$ 260,125
Due in more than one year	2,186,767
Total Business-Type Activities Long-term liabilities	<u>\$ 2,446,892</u>

<u>Type of Debt</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>	<u>Due Within One Year</u>
Component Unit:					
Lindsay Municipal Hospital Authority:					
Notes payable to City of Lindsay	\$ 40,185	\$ -	\$ 40,185	\$ -	\$ -
Total Lindsay Municipal Hospital	<u>\$ 40,185</u>	<u>\$ -</u>	<u>\$ 40,185</u>	<u>\$ -</u>	<u>\$ -</u>

It should be noted that compensated absences are normally liquidated with resources from General Fund and Lindsay Public Works Authority enterprise fund. In addition, meter deposit liabilities are liquidated with resources from the Lindsay Public Works Authority enterprise fund.

Governmental Activities:

At June 30, 2012, 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.

	\$ 18,418
Total Capital Leases Payable	<u>\$ 18,418</u>
Current portion	\$ 9,209
Noncurrent portion	9,209
Total Capital Leases Payable	<u>\$ 18,418</u>

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Accrued Compensated Absences

Current portion	\$	5,875
Noncurrent portion		52,875
Total Accrued Compensated Absences	\$	<u>58,750</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, 2012, 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 February 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.	\$	385,000
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 September 15, 2021, interest rate of 3.58%. The note is secured by a pledge of net utility revenues.		1,637,975
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.		104,525
Note payable to Oklahoma Dept of Commerce dated September 1, 2000, original amount of \$87,500, payable in monthly installments of \$365 with a 0% interest rate, final payment due October 2020.		35,000
Total Notes Payable	\$	<u>2,162,500</u>
Current portion	\$	207,454
Noncurrent portion		1,955,046
Total Notes Payable	\$	<u>2,162,500</u>

Capital Lease Payable

Lease obligation to Oklahoma State Bank for purchase of golf carts, original amount \$55,120 payable in yearly installments of \$14,926, with an interest rate of 3.27%, final payment due September 2015.	\$	55,120
Total Capital Leases Payable	\$	<u>55,120</u>
Current portion	\$	13,119
Noncurrent portion		42,001
Total Capital Leases Payable	\$	<u>55,120</u>

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Meter Deposit Liability

Current portion	\$	33,250
Noncurrent portion		133,001
Total Meter Deposit Liability	\$	<u>166,251</u>

Accrued Compensated Absences

Current portion	\$	6,302
Noncurrent portion		56,719
Total Accrued Compensated Absences	\$	<u>63,021</u>

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

Year Ended June 30,	<u>Governmental</u>		Year Ended June 30,	<u>Business-Type</u>			
	<u>Capital Lease Obligations</u>			<u>Notes Payable</u>		<u>Capital Lease</u>	
	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 9,209	\$ 1,140	2013	\$ 207,454	\$ 66,650	\$ 13,119	\$ 1,807
2014	9,209	1,140	2014	213,430	60,441	13,552	1,373
2015	-	-	2015	219,634	53,872	13,996	930
2016	-	-	2016	225,966	47,042	14,453	473
2017	-	-	2017	237,760	39,605	-	-
2018-2022	-	-	2018-2022	<u>1,058,256</u>	<u>80,196</u>	-	-
Total	<u>\$18,418</u>	<u>\$2,280</u>	Total	<u>\$2,162,500</u>	<u>\$347,806</u>	<u>\$55,120</u>	<u>\$4,583</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. Beginning July 1, 2012, the city's policy regarding accumulated sick leave permits employees to accumulate unused sick leave to a maximum of 480 hours. Upon retirement with 20 years of service, the employee will be eligible for one-half of accumulated sick leave, not to exceed 240 hours. Beginning July 1, 2012, the city's policy regarding accumulated vacation leave is a maximum of 240 hours of vacation for all employees. 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 and proprietary 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 \$2,347,130. Pledged sales taxes received in the current year were \$563,202 and net utility revenues were \$1,055,781. Debt service payments of \$256,389 for the current fiscal year were 15.9% of both pledged sales taxes and net utility revenues of \$1,618,983.

8. Net Assets and Fund Balances

Net Assets:

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

- a. *Invested in capital assets, net of related debt* - Consists of capital assets and related accounts, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. *Restricted net assets* - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net assets* - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

Fund Balances

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned and unassigned. These classifications are defined as:

- a. Non-spendable – includes amounts that cannot be spent 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 placed 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.

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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	\$89,963
Less: accrued interest payable	<u>(35,252)</u>
Total Enterprise Fund Restriction for Debt Service	<u>\$54,711</u>

9. 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.

10. 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.

11. Internal Balances and Transfers between Legal Entities

The City's policy is to eliminate inter-fund 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. Inter-fund transfers and balances between funds are not eliminated in the fund financial statements.

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

Due From	Due To	Amount	Nature of Balance
General Fund	Police Bond Fund	\$ 11,232	court activity
General Fund	Cleet Fund	1,205	court activity
Cleet Fund	General Fund	14	court activity
Police Bond Fund	General Fund	824	court activity
LPWA	General Fund	9,520	expenses paid on behalf of LPWA
LPWA	General Fund	6,375	payroll taxes paid on behalf of LPWA
LPWA	Airport Fund	94	operational expenses
Donation Fund	Grant Fund	5,830	fire grants recorded in wrong fund
Total		<u>\$ 35,094</u>	
Reconciliation to Fund Financial Statements:			
	Due From	Due To	Net Internal Balances
Governmental Funds	\$ 35,094	\$ (19,105)	\$ 15,989
Proprietary Funds	-	(15,989)	(15,989)
Total	<u>\$ 35,094</u>	<u>\$ (35,094)</u>	<u>\$ -</u>

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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	\$ 669,660	Operational subsidy
Emergency Services 1% Tax	General Fund	30,000	Operational subsidy
LPWA Designated Sales Tax	LPWA	563,202	Sales tax transfer
Juvenile Grant Fund	Emergency Services 1% Sales Tax Fund	1,037	
Total		<u>\$ 1,263,899</u>	
Reconciliation to Fund Financial Statements:			
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 713,809	\$ (607,351)	\$ 106,458
Proprietary Funds	563,202	(669,660)	(106,458)
	<u>\$ 1,277,011</u>	<u>\$ (1,277,011)</u>	<u>\$ -</u>

12. 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 – Comp Source Oklahoma.
- Employee's Group Health and Life – Covered through purchase of commercial insurance – Blue Cross Blue Shield.

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.

13. 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
- Oklahoma Municipal Retirement Fund Defined Benefit Plan – a defined benefit 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 2012, the City's annual required contribution was \$36,241 for the OFPRS plan and was equal to the City's actual contribution. The state made on-behalf payments of \$73,665 (or 26.6% of covered payroll) for the fiscal year. The on-behalf payments are reported as both revenue and expense.

Oklahoma Police Pension and Retirement System:

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

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

For 2012, the City's annual required contribution was \$28,562 and was equal to the City's actual contribution. The state made on-behalf payments of \$24,481 (or 10.94% of covered payroll) for the fiscal year. The on-behalf payments are reported as both revenue and expense.

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OMRF Defined Benefit Plan

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

Eligibility Factors, Contribution Methods and Benefit Provisions

Provision	OMRF Plan
a. Eligible to Participate	Full-time, non-uniformed employees of the City upon hire.
b. Contribution Requirements:	
-Authorization	By City ordinance
-Actuarially Determined	Yes
-Employer Rate	7.84% 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, 2011 (Date of Last Actuarial Valuation: January 1, 2011)

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

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Funded Status and Funding Progress

As of January 1, 2011, the funded status of the OMRF agent multiple employer defined benefit plan is as follows:

Actuarial accrued liability (AAL)	\$3,303,740
Actuarial value of plan assets	<u>3,290,830</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 12,910</u>
Funded ratio (actuarial value of plan assets/AAL)	100%
Annual covered payroll (active plan members)	\$1,047,548
UAAL as a percentage of covered payroll	1.2%

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:

Oklahoma Municipal Retirement Fund				Oklahoma Police Pension and Retirement System			
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
2010	\$ 79,299	100%	-	2010	\$ 35,372	100%	-
2011	68,364	100%	-	2011	29,417	100%	-
2012	68,995	100%	-	2012	28,562	100%	-

Oklahoma Firefighter's Pension and Retirement System			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 48,299	100%	-
2011	33,712	100%	-
2012	36,241	100%	-

14. Commitments and Contingencies

Commitments:

At June 30, 2012, the City and its public trusts had no outstanding construction contracts.

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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 2012, 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.

DEQ Consent Order:

The City of Lindsay is currently under consent order case 12-047 related to the waste water facility with the Oklahoma Department of Environmental Quality. Timely compliance with the consent order is needed to avoid any fines.

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 include 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

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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 per discharge method with no retroactive adjustment. Outpatient services are reimbursed on a fee schedule basis with no retroactive adjustments. These payment rates vary according to a patient classification system that is based on clinical, diagnostic and other factors.

- **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 105% of cost for inpatient services and outpatient services are reimbursed 115% of cost. Less than 10% of net patient service revenues are from participation in the Medicare and state sponsored Medicaid programs for the year ended June 30, 2012. 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 75% of net patient service revenues are from patients covered under agreements with the Department of Corrections for the year ended June 30, 2012.

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

Charity Care

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

Medical Malpractice Claims

Prior to September 2007, the Authority purchased medical malpractice insurance under a claims-made policy on a fixed premium basis. Beginning September 2007, the Authority became a member of Cimarron Insurance Exchange, RRG (Reciprocal Risk Retention Group) (the RRG) approved by the State of Vermont to provide hospital professional and general liability coverage to its subscribers. The RRG was formed in order to stabilize the cost and availability of hospital professional and general liability insurance by taking advantage of the self-funding capabilities of a homogenous group of health care providers. The RRG members are provided hospital professional and general liability insurance under claims-made policies on a fixed premium basis.

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

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. New agreements were signed by the Authority and the ODOC effective September 1, 2011, for a period of 10 years, with the five-year renewal options.

Under the Occupancy Agreement, the Authority granted to ODOC exclusive rights to occupy 21 beds of the Authority and certain outpatient facilities for provision of medical services to prisoners of the ODOC. As consideration for these exclusive rights, the ODOC agreed to pay an amount not to initially exceed \$950,000 for the building improvements and equipment necessary to equip the Authority for the ODOC's use. The Occupancy Agreement signed in 2011 was for 22 beds and did not include any additional consideration. Under the Occupancy Agreement signed in 2001, the Authority amortized all leasehold improvements made by the ODOC over the initial term of ten years and all equipment purchased by the ODOC over a period of five years.

In the event of termination of the Occupancy Agreement, the Authority may either pay the ODOC the unamortized balance of leasehold improvements made by the ODOC and the unamortized balance of major movable equipment or return such equipment to the ODOC. 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 as of June 30, 2011, of approximately \$153,000. There was no deferred revenue as of June 30, 2012, as the consideration received under the Occupancy Agreement signed in 2001 was fully earned by the Authority. Lease revenue recognized during 2012 under the Occupancy Agreement was approximately \$153,000.

Under the Contract for Inpatient Medical Services, the ODOC 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 ODOC agrees to pay a 10% administrative fee to the Authority for the period through September 2011 then 7% through August 31, 2012, with mutual negotiation of reimbursement rates annually thereafter. In November 2010, the ODOC and the Authority agreed to temporarily reduce reimbursement by 5%. This reduction remained in effect until September 1, 2011. All reimbursements from the ODOC under the Contract for Inpatient Medical Services are 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 ODOC agreed to reimburse the Authority under a cost reimbursement methodology at 115% of the Authority's costs for outpatient services provided to prisoners under the contract for services rendered through September 2011 then 107% through August 31, 2012, with mutual negotiation of reimbursement rates annually thereafter. In November 2010, the ODOC agreed to temporarily reduce reimbursement by 5%. This reduction remained in effect until September 1, 2011. 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.

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Subsequent Events:

Subsequent to year end, the Lindsay Public Works Authority refinanced the OWRB Loan Series 1999 in the amount of \$485,000 on August 1, 2012 with Bank of Oklahoma. The new loan, Lindsay Public Works Authority Utility System and Sales Tax Revenue Note, Series 2012 in the amount of \$630,000 with a maturity date of September 1, 2021, is to be paid by semi-annual payments of \$30,000. The purpose of the loan is to finance improvements to the wastewater system. The city has pledged 1 cent of the sales tax revenue and the net utility revenue for debt service on the loan.

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REQUIRED SUPPLEMENTAL INFORMATION

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Budgetary Comparison Schedules (Budgetary Basis) – Year Ended June 30, 2012

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$141,000	\$141,000	\$660,510	\$519,510
Resources (Inflows)				
Taxes	1,136,500	1,136,500	1,450,518	314,018
Intergovernmental	48,000	48,000	53,069	5,069
Charges for services	280,650	280,650	303,489	22,839
Fines and forfeitures	74,050	74,050	84,124	10,074
Licenses and permits	7,500	7,500	8,625	1,125
Investment income	2,275	2,275	1,711	(564)
Miscellaneous	98,000	98,000	76,863	(21,137)
Transfers in	1,169,660	1,169,660	699,660	(470,000)
Sub-total Resources (Inflows)	<u>2,816,635</u>	<u>2,816,635</u>	<u>2,678,059</u>	<u>(138,576)</u>
Amounts Available for Appropriation	<u>2,957,635</u>	<u>2,957,635</u>	<u>3,338,569</u>	<u>380,934</u>
Charges to Appropriations (Outflows)				
Public safety	1,372,955	1,372,955	1,320,047	52,908
Streets	90,700	90,700	15,026.00	75,674
Culture & recreation	180,830	180,830	135,868	44,962
General government	449,600	449,600	259,722	189,878
Cemetery	73,550	73,550	52,093	21,457
Health & public safety -ambulance	790,000	790,000	845,073	(55,073)
Total Charges to Appropriations	<u>2,957,635</u>	<u>2,957,635</u>	<u>2,627,829</u>	<u>329,806</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 710,740</u>	<u>\$ 710,740</u>

	EMS FUND			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 149,000	\$ 149,000	\$ 214,520	\$ 65,520
Resources (Inflows)				
Taxes	456,000	456,000	598,922	142,922
Miscellaneous Income	-	-	13,145	13,145
Investment income	1,300	1,300	2,053	753
Transfer In	-	-	1,037	1,037
Amounts Available for Appropriation	<u>606,300</u>	<u>606,300</u>	<u>829,677</u>	<u>222,340</u>
Charges to Appropriations (Outflows)				
Health & Public Safety -Ambulance	106,300	106,300	-	106,300
Transfers out	500,000	500,000	30,000	470,000
Total Charges to Appropriations	<u>606,300</u>	<u>606,300</u>	<u>30,000</u>	<u>576,300</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 799,677</u>	<u>\$ 799,677</u>

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Budgetary Comparison Schedules – Year Ended June 30, 2012, (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)	\$2,678,059
Add: On-behalf payments	<u>98,146</u>
Total resources as recorded on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$2,776,205</u>
Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balances:	
Total revenues	\$2,076,545
Transfers in	<u>699,660</u>
Total Resources	<u>\$2,776,205</u>
Total budgetary expenditures and transfers	\$2,627,829
Add: On-behalf payments	<u>98,146</u>
Total expenditures as recorded on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$2,725,975</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%
1/1/11	\$3,290,830	\$3,303,740	\$ 12,910	99.6%	\$1,047,548	1.2%

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SUPPLEMENTAL INFORMATION

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Combining Balance Sheet – Nonmajor Funds – June 30, 2012

	Special Revenue Funds						Capital Project Fund	Total Governmental Funds	
	City Donation	Street & Alley	Airport	LPWA Donation	Library	Grant	Juvenile Grant		Cemetery Care
ASSETS									
Cash and cash equivalents	\$ 61,209	\$ 60,008	\$ 10,931	\$ 11,897	\$ 3,088	\$ 33,527	\$ -	\$ 52,122	\$ 232,820
Receivable from other governments	-	4,839	-	-	-	4,557	-	-	9,196
Due from other funds	-	-	94	-	-	5,830	-	-	5,924
Other receivables	-	-	7,505	-	-	-	-	-	7,505
Total assets	61,209	64,845	18,530	11,897	3,088	43,914	-	52,122	255,445
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	-	-	7,991	-	-	4,557	-	-	12,548
Due to other funds	5,830	-	-	-	-	-	-	-	5,830
Deferred revenue	-	-	7,505	-	-	4,557	-	-	12,062
Total liabilities	5,830	-	15,496	-	-	9,114	-	-	30,440
Fund balances:									
Restricted for:									
Street and Alley	-	63,561	-	-	-	-	-	-	63,561
City Donation	55,439	-	-	-	-	-	-	-	55,439
Library	-	-	-	-	3,029	-	-	-	3,029
Public Works	-	-	-	11,823	-	-	-	-	11,823
Economic Development	-	-	-	-	-	34,800	-	-	34,800
Cemetery	-	-	-	-	-	-	-	25,637	25,637
Assigned to:									
Street and Alley	-	1,084	-	-	-	-	-	-	1,084
Library	-	-	-	-	30	-	-	-	30
Public Works	-	-	-	274	-	-	-	-	274
Airport	-	-	3,034	-	-	-	-	-	3,034
Cemetery	-	-	-	-	-	-	-	26,485	26,485
Total fund balances	55,439	64,645	3,034	11,897	3,088	34,800	-	52,122	225,005
Total liabilities and fund balances	\$ 61,209	\$ 64,645	\$ 18,530	\$ 11,897	\$ 3,088	\$ 43,914	\$ -	\$ 52,122	\$ 255,445

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Funds
– Year Ended June 30, 2012**

	Special Revenue Funds							Capital Project Fund	Total-Other Governmental Funds
	City Donation	Street & Alley	Airport	LPWA Donation	Library	Grant	Juvenile Grant	Cemetery Care	
REVENUES									
Intergovernmental	\$ 11,095	\$ 24,899	\$ 30,874	\$ -	\$ 3,729	\$ 202,588	\$ -	\$ -	\$ 272,995
Charges for services	-	-	-	-	-	-	-	5,931	5,931
Investment income	291	218	55	55	13	161	-	238	1,029
Miscellaneous	21,224	-	4,850	825	-	-	-	-	28,699
Total revenues	<u>32,610</u>	<u>24,917</u>	<u>35,779</u>	<u>880</u>	<u>3,742</u>	<u>202,759</u>	<u>-</u>	<u>6,167</u>	<u>306,654</u>
EXPENDITURES									
Current:									
Public Safety	934	-	-	-	-	10,245	-	-	11,179
Culture and recreation	599	-	-	-	599	192,097	-	-	193,295
Airport	-	-	1,692	-	-	-	-	-	1,692
Capital Outlay	19,750	-	40,401	-	1,704	-	-	-	61,855
Total Expenditures	<u>21,283</u>	<u>-</u>	<u>42,093</u>	<u>-</u>	<u>2,303</u>	<u>202,342</u>	<u>-</u>	<u>-</u>	<u>268,021</u>
Excess (deficiency) of revenues over expenditures	<u>11,327</u>	<u>24,917</u>	<u>(6,314)</u>	<u>880</u>	<u>1,439</u>	<u>417</u>	<u>-</u>	<u>6,167</u>	<u>38,633</u>
OTHER FINANCING SOURCES (USES)									
Transfers out	-	-	-	-	-	-	(14,149)	-	(14,149)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,149)</u>	<u>-</u>	<u>(14,149)</u>
Net change in fund balances	11,327	24,917	(6,314)	880	1,439	417	(14,149)	6,167	24,484
Fund balances - beginning	44,112	39,728	9,348	11,217	1,629	34,383	14,149	45,955	200,521
Fund balances - ending	<u>\$ 55,439</u>	<u>\$ 64,645</u>	<u>\$ 3,034</u>	<u>\$ 11,897</u>	<u>\$ 3,068</u>	<u>\$ 34,800</u>	<u>\$ -</u>	<u>\$ 52,122</u>	<u>\$ 225,005</u>

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Schedule of Expenditures of Federal and State Awards – For the Year Ended June 30, 2012

Federal/State Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA Number	Grant #	Award Amount	Awards Expended
FEDERAL AWARDS:				
<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	\$ 192,097
<u>DEPARTMENT OF HOMELAND SECURITY:</u>				
State Homeland Security Program FY 2007	97.073	104.02	2,225	2,225
State Homeland Security Program FY 2008	97.073	124.006	8,419	8,419
<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	38,379
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY:</u>				
Passed through OK Dept of Civil Emergency	97.036	PA-1876 PW83	429	429
Passed through OK Dept of Civil Emergency	97.036	PA-1883 PW63	15,649	15,649
Passed through OK Dept of Civil Emergency	97.036	PA-1917 PW199	531	531
Passed through OK Dept of Civil Emergency	97.036	PA-1917 PW246	759	759
Passed through OK Dept of Civil Emergency	97.036	PA-1917 PW128	155	155
Passed through OK Dept of Civil Emergency	97.036	PA-1917 PW165	3,559	3,559
Total Federal Awards			<u>\$ 367,536</u>	<u>\$ 262,202</u>
STATE AWARDS:				
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>				
Rural Fire Grant	N/A		\$ 4,413	\$ 4,413
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>				
State Aid	N/A		3,729	3,729
<u>SOUTHERN OKLAHOMA DEVELOPMENT ASSOCIATION:</u>				
REAP Grant	N/A	REAP 09-075	11,095	11,095
Total State Awards			<u>\$ 19,237</u>	<u>\$ 19,237</u>

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2012**

Schedule of Debt Service Coverage Requirement – Year Ended June 30, 2012

DEBT SERVICE COVERAGE:	OWRB Series 2000 & DWSRF 2000 Promissory Note
GROSS REVENUE AVAILABLE:	
Charges for services (electric, water, sewer, and miscellaneous)	\$ 4,437,284
Investment income	14,909
Sales tax appropriated and transferred from the City General Fund	<u>563,202</u>
Total Gross Revenue Available	<u>5,015,395</u>
OPERATING EXPENSES:	
Total Operating Expenses	<u>3,396,412</u>
Net Revenue Available for Debt Service	<u>\$ 1,618,983</u>
Debt Service on all Obligations Payable:	
Maximum annual debt service - OWRB Series 2000	\$ 385,000
Average annual debt service - OWRB DWSRF 2000	<u>190,776</u>
	<u>\$ 575,776</u>
Computed Coverage	<u>281%</u>
Coverage Requirement	<u>125%</u>



**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, 2012, which collectively comprise City of Lindsay, Oklahoma's basic financial statements and have issued our report thereon dated May 6, 2013. 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 opinions 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 and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. 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 2012-1 through 2012-6, 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 2012-7 and 2012-8, 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 item 2012-2.

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. The other auditors included the Lindsay Hospital Authority's response to findings 2012-7 and 2012-8. The other auditors did not audit the Authority's response and accordingly, did not express an 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 R. Henderson Johnson, PLLC

Ardmore, Oklahoma

May 6, 2013

CITY OF LINDSAY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012

2012-1 Inventory

Condition – A physical inventory count for street department 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. In addition, when the inventory on hand is material, these counts need to be observed by the auditors and test counts taken.

Views of Responsible Officials – Management concurs with the finding and the recommendation. Management will proceed with the plan to have staff compile and update inventory records each year.

2012-2 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.

Effect – Risk of misappropriation of assets

Context – 1 out of 41 days collections of utility 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 – Management concurs with the finding and the recommendation. Management has recently put procedures in place to ensure all cash receipts of each department are deposited daily.

CITY OF LINDSAY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012

2012-3 Ambulance Segregation of Duties and Monitoring

Condition – One person is billing and receipting the payments related to the ambulance revenues in the ambulance software before being receipted into the general ledger. No reconciliation is being completed between the Ambulance AIMS software to the general ledger. The accounts receivable report is not providing proper cutoff for payments received after year end

Criteria – Adequately designed internal control procedures for cash receipting should provide for adequate segregation of duties among those who collect, post receipts to accounts and monitoring. Controls should also provide for reviewing the accounts receivable aging/subledger and reconciling to the general ledger.

Cause – Lack of segregation of duties surrounding cash receipts of ambulance funds and monitoring of the ambulance activity. Lack of adequately designed control over reconciliation process.

Effect – Risk of misappropriation of assets

Recommendation – We recommend that mail log be kept of all ambulance funds received, prior to giving to ambulance clerk for posting to the ambulance system. After being posted to the general ledger and the ambulance system, an edit check report should be compared to mail log. We also recommend that a monthly reconciliation be completed between the ambulance software system and the general ledger.

Views of Responsible Officials – Management concurs with the finding and the recommendation. Management has recently implemented new procedures to maintain a separate mail log for the ambulance, billing, and court payments. A receipt register is printed from the computer system after the payments are posted and then matched with the mail log. The EMS Director and EMS Billing Clerk are scheduled to attend training in May 2013. Management will implement new procedures to ensure timely and accurate posting of payments and monthly reconciliation of the EMS billing.

2012-4 Utility Adjustments

Condition – Utility adjustments have not all been 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 – 9 of 25 utility adjustments tested did not have proper approval.

CITY OF LINDSAY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012

Views of Responsible Officials – Management concurs with the finding and the recommendation. Management implemented a new system in January 2013 to ensure prompt and accurate posting of payments to the court system and reconciliation to the general ledger.

Lindsay Municipal Hospital Authority

2012-7 Purchasing Cycle

Condition – One individual (at the Hospital) has incompatible duties in the purchases cycle.

Criteria – Management is responsible for establishing and maintaining effective internal control over financial reporting.

Cause– Duties in the purchases cycle are not adequately segregated and monitoring or other compensating controls are insufficient.

Context- The individual responsible for issuing checks, making entries to generate payments, performing substantially all recording duties and reconciling accounts payable to the general ledger.

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

Recommendation – Management should periodically evaluate the costs vs. the benefits of further segregation of duties or addition of monitoring or other compensating controls and implement those changes it deems appropriate for which benefits are determined to exceed costs.

Response: Management (of the Hospital) concurs with the finding and recommendation. Management will perform the suggested evaluation and make any changes deemed appropriate that are cost beneficial within the next year.

2012-8 Payroll Cycle

Condition – One individual (at the Hospital) has incompatible duties in the payroll transactions cycle.

Criteria – Management is responsible for establishing and maintaining effective internal control over financial reporting.

CITY OF LINDSAY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012

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

Views of Responsible Officials – Management concurs with the finding and the recommendation. Management will implement the necessary procedures to ensure that all utility adjustments are approved by management.

2012-5 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 – 3 of 60 purchase orders of amounts paid were not in agreement with supporting documentation; 29 of 60 invoices had no receipt of goods signature; 4 out of 60 purchases lacked proper approval; 25 of 60 purchase orders were not properly encumbered.

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

Views of Responsible Officials – Management concurs with the finding and the recommendation. A continued focus on compliance will be stressed with all involved in the purchasing process.

2012-6 Court

Condition – Payments posted to court software are not reconciled to receipts posted to the general ledger. Payments received are not always being posted to the court software.

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.

CITY OF LINDSAY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2012

Cause– Duties in the payroll cycle are not adequately segregated and monitoring or other compensating controls are insufficient.

Context- The individual responsible has the ability to generate a payroll payment, add an employee, issue payroll checks, record payroll checks issued and EFTs, change master files, has access to signed payroll checks and reconciles employee payroll records to the control account.

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

Recommendation – Management should periodically evaluate the costs vs. the benefits of further segregation of duties or addition of monitoring or other compensating controls and implement those changes it deems appropriate for which benefits are determined to exceed costs.

Response: Management (of the Hospital) concurs with the finding and recommendation. Management will perform the suggested evaluation and make any changes deemed appropriate that are cost beneficial within the next year.

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 received 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.