

**THE CITY OF LINDSAY  
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**CITY OF LINDSAY, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Lindsay, Oklahoma

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lindsay, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Lindsay Municipal Hospital Authority, which represent 100 percent, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Lindsay Municipal Hospital Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lindsay, Oklahoma, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress on pages 9 through 16 and 52 through 54 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.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lindsay, Oklahoma's basic financial statements. The combining nonmajor fund financial statements, and schedule of debt service coverage requirement are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements, the schedule of expenditures of federal and state awards and the 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the

underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2014, 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* in considering City of Lindsay, Oklahoma's internal control over financial reporting and compliance.

*Rahhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
April 29, 2014

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The management of the City of Lindsay is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2013. 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 position increased by \$1,053,470 and the assets and deferred outflows of the City exceed its liabilities and deferred inflows at June 30, 2013, by \$10,057,216 (net position). Of this amount, \$4,698,748 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2013, the City's governmental funds reported combined ending fund balances of \$2,528,264.
- At the end of fiscal year 2013, unassigned fund balance for the General Fund was \$469,047 or 20.5% of General Fund revenues.

### **ABOUT THE CITY**

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

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

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

***The City's Financial Reporting Entity***

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

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

- **The City of Lindsay** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City – *reported as part of the primary government*
- **The Lindsay Public Works Authority (LPWA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, electric and sanitation services of the City, with the City Council members serving as the trustees (presented as a blended component unit)
- **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)

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 and business-type 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) and deferred outflows as well as all liabilities (including long-term debt) and deferred inflows.

## **Reporting the City as a Whole**

### ***The Statement of Net Position 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 Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. 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, deferred outflows, liabilities and deferred inflows 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 Position and the Statement of Activities, we divide the City into two kinds of activities: *Governmental activities* - Most of the City's basic services are reported here, including the police, fire, 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

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**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2013**

reduction to the liability. The City's proprietary fund is the Lindsay Public Works Authority that accounts for the operation of the electric, water, sewer, and sanitation activities.

**Notes to the Financial Statements**

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 27-50 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, 2013, net position for the governmental and business-type activities increased \$1,053,470.

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

**The City of Lindsay Net Position**

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

	<b>Governmental Activities</b>		<b>% Inc. (Dec.)</b>	<b>Business-Type Activities</b>		<b>% Inc. (Dec.)</b>	<b>Total</b>		<b>% Inc. (Dec.)</b>
				(restated)			(restated)		
	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>	
Current and other assets	\$ 2,796	\$ 2,403	16%	\$ 4,688	\$ 3,663	28%	\$ 7,484	\$ 6,066	23%
Capital assets, net	2,570	1,743	47%	4,109	4,140	-1%	6,679	5,883	14%
<b>Total assets</b>	<u>5,366</u>	<u>4,146</u>	29%	<u>8,797</u>	<u>7,803</u>	13%	<u>14,163</u>	<u>11,949</u>	19%
Current liabilities	255	114	123%	1,278	677	89%	1,533	791	94%
Non-current liabilities	53	62	-14%	2,520	2,186	15%	2,573	2,248	14%
<b>Total liabilities</b>	<u>308</u>	<u>176</u>	75%	<u>3,798</u>	<u>2,863</u>	33%	<u>4,106</u>	<u>3,039</u>	35%
Net position									
Net investment in capital assets	2,561	1,725	48%	1,476	1,923	-23%	4,037	3,648	11%
Restricted	1,245	1,072	16%	73	55	0%	1,318	1,127	17%
Unrestricted	1,252	1,173	7%	3,450	3,056	13%	4,702	4,228	11%
<b>Total net position</b>	<u>\$ 5,058</u>	<u>\$ 3,970</u>	27%	<u>\$ 4,999</u>	<u>\$ 5,034</u>	-1%	<u>\$ 10,057</u>	<u>\$ 9,004</u>	12%

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

The 123% increase in governmental current liabilities and 89% increase in business-type current liabilities are both due to an increase in accounts payable.

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**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2013**

**The City of Lindsay' Revenues, Expenses and Changes in Net Position**

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

	<u>Governmental Activities</u>		<u>% Inc. (Dec.)</u>	<u>Business-Type Activities</u>		<u>% Inc. (Dec.)</u>	<u>Total</u>		<u>% Inc. (Dec.)</u>
	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>(restated) 2012</u>		<u>2013</u>	<u>(restated) 2012</u>	
<b>Revenues</b>									
Charges for service	\$ 499	\$ 402	24%	\$ 4,901	\$ 5,117	-4%	\$ 5,400	\$ 5,519	-2%
Operating grants and contributions	247	332	-26%	23	16	44%	270	348	-22%
Capital grants and contributions	622	43	1347%	-	4	-100%	622	47	1223%
Taxes	2,842	2,701	5%	-	-	-	2,842	2,701	5%
Investment income	5	7	-29%	9	15	-40%	14	22	-36%
Miscellaneous	53	99	-46%	-	-	-	53	99	-46%
<b>Total revenues</b>	<b>4,268</b>	<b>3,584</b>	<b>19%</b>	<b>4,933</b>	<b>5,152</b>	<b>-4%</b>	<b>9,201</b>	<b>8,736</b>	<b>5%</b>
<b>Expenses</b>									
General government	303	273	11%	-	-	-	303	273	11%
Public safety	2,563	2,358	9%	-	-	-	2,563	2,358	9%
Streets	69	146	-53%	-	-	-	69	146	-53%
Culture, parks and recreation	219	353	-38%	-	-	-	219	353	-38%
Cemetery	67	51	31%	-	-	-	67	51	31%
Airport	17	28	-39%	-	-	-	17	28	-39%
Interest on long-term debt	1	1	0%	-	-	-	1	1	0%
Electric	-	-	-	3,089	2,848	8%	3,089	2,848	8%
Water	-	-	-	771	687	12%	771	687	12%
Sewer	-	-	-	200	168	19%	200	168	19%
Sanitation	-	-	-	572	480	19%	572	480	19%
Golf	-	-	-	245	217	13%	245	217	13%
Pool	-	-	-	32	37	-14%	32	37	-14%
<b>Total expenses</b>	<b>3,239</b>	<b>3,210</b>	<b>1%</b>	<b>4,909</b>	<b>4,437</b>	<b>11%</b>	<b>8,148</b>	<b>7,647</b>	<b>7%</b>
Excess before transfers	1,029	374	175%	24	715	-97%	1,053	1,089	-3%
Transfers	59	106	-44%	(59)	(106)	-44%	-	-	-
<b>Change in net position</b>	<b>1,088</b>	<b>480</b>	<b>127%</b>	<b>(35)</b>	<b>609</b>	<b>-106%</b>	<b>1,053</b>	<b>1,089</b>	<b>-3%</b>
<b>Beginning net position, restated</b>	<b>3,970</b>	<b>3,490</b>	<b>14%</b>	<b>5,034</b>	<b>4,425</b>	<b>14%</b>	<b>9,004</b>	<b>7,915</b>	<b>14%</b>
<b>Ending net position</b>	<b>\$ 5,058</b>	<b>\$ 3,970</b>	<b>27%</b>	<b>\$ 4,999</b>	<b>\$ 5,034</b>	<b>-1%</b>	<b>\$ 10,057</b>	<b>\$ 9,004</b>	<b>12%</b>

**Governmental Activities**

The City's governmental activities had an increase in net position of \$1,088,117. Explanations for the more significant changes are as follows:

1347% increase in capital grants is due primarily to receiving \$548,000 in Airport grant funds.

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**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2013**

**Business-Type Activities**

The business-type activities had a decrease in net position of \$34,647. Explanations for the more significant changes are as follows:

44% change in operating grants is due primarily to an increase in FEMA grants for severe winter storm clean-up that was received in FY13.

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

	Total Expense of Services		% Inc. (Dec.)	Net Revenue (Expense) of Services		% Inc. (Dec.)
	2013	2012		2013	2012	
General government	\$ 303	\$ 273	11%	\$ (240)	\$ (264)	9%
Public safety	2,563	2,358	9%	(1,925)	(1,865)	-3%
Streets	69	146	-53%	(44)	(121)	64%
Culture, parks and recreation	219	353	-38%	(172)	(162)	-6%
Cemetery	67	51	31%	(43)	(27)	-59%
Airport	17	28	-39%	554	7	7814%
Interest on long-term debt	1	1	0%	(1)	(1)	0%
<b>Total</b>	<u>\$ 3,239</u>	<u>\$ 3,210</u>	1%	<u>\$ (1,871)</u>	<u>\$ (2,433)</u>	23%

The 7814% increase in airport net revenue is due to increase in FAA grant revenue of \$548,000.

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2013	2012		2013	2012	
	(restated)			(restated)		
Electric	\$ 3,090	\$ 2,848	8%	\$ (126)	\$ 454	-128%
Water	771	687	12%	77	89	13%
Sewer	200	168	19%	281	194	45%
Sanitation	571	480	19%	5	94	-95%
Golf	245	217	13%	(210)	(112)	-88%
Pool	32	37	-14%	(11)	(19)	42%
<b>Total</b>	<u>\$ 4,909</u>	<u>\$ 4,437</u>	11%	<u>\$ 16</u>	<u>\$ 700</u>	-98%

The 45% increase in net revenue of the sanitation activity is primarily due to an increase in charges for services revenue.

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

As the City completed its 2013 fiscal year, the governmental funds reported a combined fund balance of \$2,528,264. For the year ended June 30, 2013, the General Fund's total fund balance increased by \$62,000. The proprietary funds reported a combined net position balance of \$4,999,201. The LPWA's total net position decreased by \$34,647 during FY13.

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**Budgetary Highlights**

For the year ended June 30, 2013, the General Fund reported actual budgetary basis revenues over final estimates by \$171,195 or a 5.7% positive variance. General Fund actual expenditures were under final appropriations by \$165,805 or an 5% positive variance.

**CAPITAL ASSETS & DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2013, the City had approximately \$6.7 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, 2013.<sup>1</sup>

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

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 126	\$ 126	\$ 395	\$ 395	\$ 521	\$ 521
Buildings	331	331	310	278	641	609
Land Improvements	14	16	-	-	14	16
Machinery, furniture and equipment	466	304	456	315	922	619
Infrastructure	888	901	2,853	3,103	3,741	4,004
Construction in progress	745	65	95	50	840	115
<b>Totals</b>	<u>\$ 2,570</u>	<u>\$ 1,743</u>	<u>\$ 4,109</u>	<u>\$ 4,141</u>	<u>\$ 6,679</u>	<u>\$ 5,884</u>

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

- Street Signals
- Ambulance
- Police radios
- Digger truck

<sup>1</sup> For more detailed information on capital asset activity please refer to page 34, Note 5. Capital Assets and Depreciation

**CITY OF LINDSAY, OKLAHOMA**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2013**

**Debt Administration**

- At year-end, the City had \$2.6 million in long-term debt outstanding which represents a \$408,000 increase from the prior year.
- The Lindsay Public Works Authority entered into a note payable agreement dated August 9, 2012 with Bank of Oklahoma in the amount of \$630,000 with a maturity date of September 1, 2021 for water and sewer improvements.

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

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>		<u>Activities</u>				<u>Percentage</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>
Capital leases	\$ 10	\$ 18	\$ 42	\$ 55	\$ 52	\$ 73	-28.8%
Notes payable	-	-	2,592	2,163	2,592	2,163	19.8%
<b>Totals</b>	<b>\$ 10</b>	<b>\$ 18</b>	<b>\$ 2,634</b>	<b>\$ 2,218</b>	<b>\$ 2,644</b>	<b>\$ 2,236</b>	<b>18.2%</b>

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

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

- The FY 2014 budget is consistent with prior years.

**Contacting the City's Financial Management**

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



**CITY OF LINDSAY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2013**

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**BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES**

**CITY OF LINDSAY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2013

**Statement of Net Position – June 30, 2013**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Component Unit</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,126,588	\$ 3,661,544	\$ 5,788,132	\$ 820,706
Short-term investments	-	-	-	220,528
Accounts receivable, net of allowance	204,900	754,858	959,758	610,150
Internal balances	10,120	(10,120)	-	-
Due from other governmental agencies	450,871	-	450,871	-
Inventories	3,693	92,808	96,501	-
Prepaid expenses	-	-	-	303,905
Restricted cash and cash equivalents	-	95,224	95,224	-
Restricted investments	-	94,000	94,000	-
Capital assets:				
Land and construction in progress	870,599	490,095	1,360,694	30,305
Other capital assets, net of depreciation	1,699,667	3,619,120	5,318,787	1,320,246
Total Assets	<u>5,366,438</u>	<u>8,797,529</u>	<u>14,163,967</u>	<u>3,305,840</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	237,230	907,623	1,144,853	490,305
Due to other governments	-	9,435	9,435	-
Estimated amounts due to third-party payers	-	-	-	12,947
Due to bondholders	1,809	-	1,809	-
Accrued interest payable	454	16,075	16,529	-
Long-term liabilities:				
Due within one year	15,456	344,947	360,403	-
Due in more than one year	53,474	2,520,248	2,573,722	-
Total liabilities	<u>308,423</u>	<u>3,798,328</u>	<u>4,106,751</u>	<u>503,252</u>
<b>NET POSITION</b>				
Net investment in capital assets	2,560,751	1,475,529	4,036,280	1,350,551
Restricted for:				
City donation	63,726	-	63,726	-
Debt service	-	73,583	73,583	-
Economic development	41,505	-	41,505	-
Emergency medical services	925,088	-	925,088	-
Public works	97,283	-	97,283	-
Other	117,310	-	117,310	-
Unrestricted	1,252,352	3,450,089	4,702,441	1,452,037
Total net position	<u>\$ 5,058,015</u>	<u>\$ 4,999,201</u>	<u>\$ 10,057,216</u>	<u>\$ 2,802,588</u>

See accompanying notes to these financial statements.

**CITY OF LINDSAY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2013

**Statement of Activities – Year Ended June 30, 2013**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary government</b>								
Governmental Activities								
General Government	\$ 302,648	\$ 8,390	\$ 2,437	\$ 52,000	\$ (239,821)	\$ -	\$ (239,821)	\$ -
Public Safety	2,562,475	465,091	171,904	-	(1,925,480)	-	(1,925,480)	-
Highways and streets	69,130	-	25,131	-	(43,999)	-	(43,999)	-
Culture and Recreation	219,406	-	47,663	-	(171,743)	-	(171,743)	-
Cemetery	66,573	23,851	-	-	(42,722)	-	(42,722)	-
Airport	17,107	1,761	-	569,694	554,348	-	554,348	-
Interest on Long-term debt and fiscal agent fees	1,101	-	-	-	(1,101)	-	(1,101)	-
Total governmental activities	<u>3,238,440</u>	<u>499,093</u>	<u>247,135</u>	<u>621,694</u>	<u>(1,870,518)</u>	<u>-</u>	<u>(1,870,518)</u>	<u>-</u>
Business-type activities:								
Electric	3,089,777	2,940,527	23,379	-	-	(125,871)	(125,871)	-
Water	770,891	847,542	-	-	-	76,651	76,651	-
Sewer	199,707	480,321	-	-	-	280,614	280,614	-
Sanitation	571,663	576,800	-	-	-	5,137	5,137	-
Golf Course	244,884	35,385	-	-	-	(209,499)	(209,499)	-
Pool	32,004	20,623	-	-	-	(11,381)	(11,381)	-
Total business-type activities	<u>4,908,926</u>	<u>4,901,198</u>	<u>23,379</u>	<u>-</u>	<u>-</u>	<u>15,651</u>	<u>15,651</u>	<u>-</u>
Total primary government	<u>8,147,366</u>	<u>5,400,291</u>	<u>270,514</u>	<u>621,694</u>	<u>(1,870,518)</u>	<u>15,651</u>	<u>(1,854,867)</u>	<u>-</u>
Component unit:								
Lindsay Municipal Hospital Authority	<u>9,719,200</u>	<u>9,414,080</u>	<u>26,318</u>	<u>-</u>				<u>(278,802)</u>
Total component unit	<u>9,719,200</u>	<u>9,414,080</u>	<u>26,318</u>	<u>-</u>				<u>(278,802)</u>
<b>General revenues:</b>								
Taxes:								
Sales and use taxes					\$ 2,743,333	\$ -	\$ 2,743,333	\$ -
Franchise taxes and public service taxes					98,827	-	98,827	-
Unrestricted investment earnings					4,885	8,985	13,870	13,533
Miscellaneous					25,585	-	25,585	24,723
Miscellaneous Rents and Royalties					26,722	-	26,722	-
Transfers					59,283	(59,283)	-	-
Total general revenues and transfers					<u>2,958,635</u>	<u>(50,298)</u>	<u>2,908,337</u>	<u>38,256</u>
Change in net position					1,088,117	(34,647)	1,053,470	(240,546)
Net position - beginning (restated)					<u>3,969,898</u>	<u>5,033,848</u>	<u>9,003,746</u>	<u>3,043,134</u>
Net position - ending					<u>\$ 5,058,015</u>	<u>\$ 4,999,201</u>	<u>\$ 10,057,216</u>	<u>\$ 2,802,588</u>

See accompanying notes to these financial statements.

**CITY OF LINDSAY, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

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**BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS**

**CITY OF LINDSAY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2013

**Governmental Funds Balance Sheet – June 30, 2013**

	<u>General Fund</u>	<u>Special Sales Tax</u>	<u>EMS Fund</u>	<u>Airport</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 520,642	\$ -	\$ 878,515	\$ 13,651	\$ 699,572	\$ 2,112,380
Receivable from other governments	225,131	84,685	84,685	-	56,370	450,871
Due from other funds	32,797	975	975	3	13,876	48,626
Court fines receivable, net	27,515	-	-	-	-	27,515
Ambulance receivable, net	160,019	-	-	-	-	160,019
Other receivables	17,366	-	-	-	-	17,366
Inventories	3,693	-	-	-	-	3,693
Total assets	<u>987,163</u>	<u>85,660</u>	<u>964,175</u>	<u>13,654</u>	<u>769,818</u>	<u>2,820,470</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	147,140	-	17,295	174	50,000	214,609
Accrued payroll payable	21,885	-	-	-	-	21,885
Due to other funds	28,192	-	-	-	10,314	38,506
Due to bondholders	1,809	-	-	-	-	1,809
Other payables	736	-	-	-	-	736
Total liabilities	<u>199,762</u>	<u>-</u>	<u>17,295</u>	<u>174</u>	<u>60,314</u>	<u>277,545</u>
Deferred Inflows:						
Deferred revenue	<u>14,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,661</u>
Fund balances:						
Nonspendable	3,693	-	-	-	-	3,693
Restricted for:						
Street and Alley	-	-	-	-	88,692	88,692
City Donation	-	-	-	-	63,726	63,726
Public Works	-	85,660	-	-	11,623	97,283
Economic Development	-	-	-	-	41,505	41,505
Cemetery	-	-	-	-	28,618	28,618
Emergency Medical Services	-	-	925,088	-	-	925,088
Assigned to:						
Subsequent Year Budget	300,000	-	-	-	-	300,000
Street and Alley	-	-	-	-	1,266	1,266
Library	-	-	-	-	4	4
Public Works	-	-	-	-	303	303
Airport	-	-	-	13,480	-	13,480
Cemetery	-	-	-	-	29,603	29,603
Capital Improvements	-	-	-	-	444,164	444,164
Emergency Medical Services	-	-	21,792	-	-	21,792
Unassigned	469,047	-	-	-	-	469,047
Total fund balances	<u>772,740</u>	<u>85,660</u>	<u>946,880</u>	<u>13,480</u>	<u>709,504</u>	<u>2,528,264</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 987,163</u>	<u>\$ 85,660</u>	<u>\$ 964,175</u>	<u>\$ 13,654</u>	<u>\$ 769,818</u>	<u>\$ 2,820,470</u>

See accompanying notes to these financial statements.

**CITY OF LINDSAY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2013

**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance – Year Ended June 30, 2013**

	<u>General Fund</u>	<u>Special Sales Tax</u>	<u>EMS Fund</u>	<u>Airport</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes	\$ 1,555,439	\$ 616,650	\$ 616,649	\$ -	\$ -	\$ 2,788,738
Intergovernmental	191,519	-	-	569,694	144,007	905,220
Charges for services	376,280	-	-	-	5,963	382,243
Fines and forfeitures	107,340	-	-	-	-	107,340
Licenses and permits	9,840	-	-	-	-	9,840
Investment income	897	-	2,191	79	1,718	4,885
Miscellaneous	45,291	-	-	1,761	19,696	66,748
Total revenues	<u>2,286,606</u>	<u>616,650</u>	<u>618,840</u>	<u>571,534</u>	<u>171,384</u>	<u>4,265,014</u>
<b>EXPENDITURES</b>						
Current:						
General government	272,512	-	-	-	-	272,512
Public Safety	1,479,143	-	-	-	4,319	1,483,462
Highway and streets	8,135	-	-	-	-	8,135
Culture and recreation	152,506	-	-	-	89,925	242,431
Airport	-	-	-	-	-	-
Cemetery	61,417	-	-	-	384	61,801
Public Health and Welfare	904,054	-	17,294	-	-	921,348
Capital Outlay	335,686	-	54,885	628,907	32,281	1,051,759
Debt Service:						
Principal	8,903	-	-	-	-	8,903
Interest and other charges	1,167	-	-	-	-	1,167
Total Expenditures	<u>3,223,523</u>	<u>-</u>	<u>72,179</u>	<u>628,907</u>	<u>126,909</u>	<u>4,051,518</u>
Excess (deficiency) of revenues over expenditures	<u>(936,917)</u>	<u>616,650</u>	<u>546,661</u>	<u>(57,373)</u>	<u>44,475</u>	<u>213,496</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	1,048,917	-	-	67,819	-	1,116,736
Transfers out	(50,000)	(628,940)	(399,458)	-	-	(1,078,398)
Total other financing sources and uses	<u>998,917</u>	<u>(628,940)</u>	<u>(399,458)</u>	<u>67,819</u>	<u>-</u>	<u>38,338</u>
Net change in fund balances	62,000	(12,290)	147,203	10,446	44,475	251,834
Fund balances - beginning	710,740	97,950	799,677	3,034	665,029	2,276,430
Fund balances - ending	<u>\$ 772,740</u>	<u>\$ 85,660</u>	<u>\$ 946,880</u>	<u>\$ 13,480</u>	<u>\$ 709,504</u>	<u>\$ 2,528,264</u>

See accompanying notes to these financial statements.

**CITY OF LINDSAY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2013**

**Reconciliation of Governmental Funds and Government-Wide Financial Statements:**

**Fund Balance – Net Position Reconciliation:**

Total fund balance, governmental funds	\$	2,528,264
Amounts reported for governmental activities in the Statement of Net Position 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 Position.		
		2,570,266
Certain long-term assets are not available to pay current fund liabilities and, therefore are deferred in the funds:		
Court fines receivable		14,661
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 Position		
Net Position of the Internal Service Fund		14,208
Accrued compensated absences liability		(59,415)
Notes payable		(9,515)
Interest payable		(454)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$</u>	<u>5,058,015</u>

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

Net change in fund balances - total governmental funds:	\$	251,834
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		1,021,049
Depreciation expense		(194,060)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in deferred revenue		2,260
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:		
Capital lease obligation principal payments		8,903
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		66
Change in accrued compensated absences		(665)
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 Position.		
		(1,270)
Change in net position of governmental activities	<u>\$</u>	<u>1,088,117</u>

See accompanying notes to these financial statements.

**CITY OF LINDSAY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2013**

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**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS**



**CITY OF LINDSAY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2013

**Proprietary Funds Statement of Net Position – June 30, 2013**

	<b>Lindsay Public Works Authority</b>	<b>Internal Service Fund</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,584,596	\$ 14,208
Restricted:		
Cash and cash equivalents	76,948	-
Due from other funds	10,978	-
Accounts receivable, net	754,858	-
Inventories	92,808	-
Total current assets	4,520,188	14,208
Non-current assets:		
Restricted:		
Cash and cash equivalents	95,224	-
Investments	94,000	-
Capital Assets:		
Land and construction in progress	490,095	-
Other capital assets, net of accumulated depreciation	3,619,120	-
Total non-current assets	4,298,439	-
Total assets	8,818,627	14,208
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	886,553	-
Salaries payable	21,070	-
Accrued interest payable	16,075	-
Due to other governments	9,435	-
Due to other funds	21,098	-
Compensated absences	5,500	-
Capital lease payable	13,553	-
Due to depositors	35,181	-
Notes payable	290,713	-
Total current liabilities	1,299,178	-
Non-current liabilities:		
Compensated absences	49,495	-
Capital lease payable	28,448	-
Due to depositors	141,333	-
Notes payable	2,300,972	-
Total non-current liabilities	2,520,248	-
Total liabilities	3,819,426	-
<b>NET POSITION</b>		
Net investment in capital assets	1,475,529	-
Restricted for debt service	73,583	-
Unrestricted	3,450,089	14,208
Total net position	\$ 4,999,201	\$ 14,208

See accompanying notes to these financial statements.

**CITY OF LINDSAY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
As of and for the Year Ended June 30, 2013

**Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position – Year Ended June 30, 2013**

	<u>Lindsay Public Works Authority</u>	<u>Internal Service Fund</u>
<b>OPERATING REVENUES</b>		
Electric	\$ 2,927,230	\$ -
Water	818,674	-
Sewer	377,102	-
Sanitation	557,154	-
Golf course	35,385	-
Pool	20,623	-
Miscellaneous	165,030	385,681
Total operating revenues	<u>4,901,198</u>	<u>385,681</u>
<b>OPERATING EXPENSES</b>		
Billing	177,449	
Electric	2,504,327	-
Water	362,409	-
Sewer	74,649	-
Sanitation	464,961	-
Administration/Legal	234,545	-
Golf Course	225,548	-
Pool	31,142	-
General government	394,142	-
Depreciation expense	369,143	-
Insurance Claims	-	387,020
Total Operating Expenses	<u>4,838,315</u>	<u>387,020</u>
Operating income (loss)	<u>62,883</u>	<u>(1,339)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment income	8,985	69
Grant revenue	23,379	-
Transfer of capital assets to governmental funds	(20,945)	-
Interest expense and fiscal agent fees	(70,611)	-
Total non-operating revenue (expenses)	<u>(59,192)</u>	<u>69</u>
Income before transfers	3,691	(1,270)
Transfers in	629,481	-
Transfers out	<u>(667,819)</u>	<u>-</u>
Change in net position	(34,647)	(1,270)
Total net position - beginning (restated)	5,033,848	15,478
Total net position - ending	<u>\$ 4,999,201</u>	<u>\$ 14,208</u>

See accompanying notes to these financial statements.

**CITY OF LINDSAY, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

**Proprietary Funds Statement of Cash Flows – Year Ended June 30, 2013**

	<b>Lindsay Public Works Authority</b>	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 5,024,937	\$ -
Payments to suppliers	(2,842,872)	-
Payments to employees	(1,103,498)	(387,020)
Interfund receipts	(5,869)	-
Receipts of customer meter deposits	57,951	-
Refunds of customer meter deposits	(47,688)	-
Other receipts	-	385,681
<b>Net cash provided by (used in) operating activities</b>	<b>1,082,961</b>	<b>(1,339)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds	629,481	-
Transfers to other funds	(667,819)	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(38,338)</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(338,030)	-
Due from other governments	3,714	-
Principal paid on debt	(213,934)	-
Proceeds from issuance of capital debt	630,000	-
Transfer of capital assets from proprietary to governmental	(20,945)	-
Interest and fiscal agent fees paid on debt	(89,788)	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(28,983)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends	8,985	69
<b>Net cash provided by investing activities</b>	<b>8,985</b>	<b>69</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,024,625</b>	<b>(1,270)</b>
<b>Balances - beginning of year</b>	<b>2,732,143</b>	<b>15,478</b>
<b>Balances - end of year</b>	<b>\$ 3,756,768</b>	<b>\$ 14,208</b>
<b>Reconciliation to Statement of Net Position:</b>		
Cash and cash equivalents	\$ 3,584,596	\$ 14,208
Restricted cash and cash equivalents - current	76,948	-
Restricted cash and cash equivalents - noncurrent	95,224	-
Total cash and cash equivalents, end of year	<b>\$ 3,756,768</b>	<b>\$ 14,208</b>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b>		
Operating income (loss)	\$ 62,883	\$ (1,339)
Adjustments to reconcile operating income (loss) to net cash provided by (used in ) operating activities:		
Depreciation expense	369,143	-
Grant revenue	23,379	-
Change in assets and liabilities:		
Due from other funds	(10,978)	-
Due to other funds	5,109	-
Due to other governments	(1,323)	-
Accounts receivable	100,360	-
Inventory	(4,943)	-
Accounts payable	533,392	-
Accrued payroll payable	3,732	-
Other payable	(30)	-
Deposits subject to refund	10,263	-
Accrued compensated absences	(8,026)	-
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 1,082,961</b>	<b>\$ (1,339)</b>

See accompanying notes to these financial statements.

**CITY OF LINDSAY, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2013**

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

**Footnotes to the Basic Financial Statements:**

**1. Financial Reporting Entity**

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity" as amended by Statement 61 and includes all component units for which the City is financially accountable, with the exception of the Lindsay Industrial Development Authority.

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 seven-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 Unit [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

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

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

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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 statements of net position and activities are 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.

### 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.

### New Accounting Pronouncements Adopted in Fiscal Year 2013

The City implemented the following accounting standards during fiscal year ended June 30, 2013:

*Governmental Accounting Standards Board Statement No. 60 – Accounting and Financial Reporting for Service Concession Arrangements* – This had no impact on the City's financial report.

*Governmental Accounting Standards Board Statement No. 61 – The Financial Reporting Entity: Omnibus* – This had no impact on the City's financial report.

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*Governmental Accounting Standards Board Statement No. 62 – Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* – A few sentences were removed from “Section B – Proprietary Funds” note disclosure to eliminate references to FASB pronouncements and APB opinions issued on or before November 30, 1989.

*Governmental Accounting Standards Board Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* – The only change required from the implementation of this statement was the removal of the Statement of Net Assets and replaced with a Statement of Net Position.

*Governmental Accounting Standards Board Statement No. 65 – Items Previously Reported as Assets and Liabilities* – GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses) or inflows of resources (revenues), certain items that were previously recognized as assets and liabilities. The only item reclassified under this standard for the City was bond issuance costs that were reclassified as an expense with a restatement of prior period fund balance. See Note 7 for details of the restatement.

*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
- Airport Fund – a capital project fund that accounts for revenues and expenditures for airport operations

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

*Special Revenue Funds:*

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

*Capital Project Funds:*

- Cemetery Care Fund – accounts for 25 percent of cemetery revenues restricted by City Ordinance for cemetery capital improvements
  
- Capital Improvement Fund – a capital project fund that accounts for capital expenditures of all departments, in all funds.

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 Airport Fund are considered major funds and are therefore displayed in separate columns. All other governmental funds are considered non-major funds and are aggregated under the column Other Governmental Funds.

*Proprietary Funds:*

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

The City's proprietary funds are 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 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 position, 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.



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**3. Cash, Cash Equivalents, Deposits and Investments**

For the purposes of the statements of net position, 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, 2013, the City recognized \$13,870 of investment income. Due to the minimal rates of return on allowable investments in the current environment, most of the City's deposits are in demand and short-term time deposits.

At June 30, 2013, the primary government held the following deposits and investments:

<b>PRIMARY GOVERNMENT:</b>			
<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
<b>Deposits:</b>			
Petty cash			\$ 500
Demand deposits			5,228,089
Time deposits	May 2014		94,000
			<u>5,322,589</u>
<b>Investments:</b>			
Cavanal Hill U.S. Treasury Admin Fund		AAAm	89,658
Invesco Tst Prem US Gov Fund		A3	565,109
			<u>654,767</u>
<b>Total deposits and investments</b>			<u>\$ 5,977,356</u>
<b>Reconciliation to Statement of Net Position:</b>			
Cash and cash equivalents			\$ 5,788,132
Restricted cash and cash equivalents			94,000
Restricted investments			-
			<u>\$ 5,882,132</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, 2013, the City was not exposed to custodial credit risk as defined above.

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As of June 30, 2013, the deposits and investments for the Lindsay Municipal Hospital Authority were \$1,041,234. Of this amount, \$11,582 was uninsured and uncollateralized.

*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, 2013, the City's investments consisted of \$654,767 of money market open-ended mutual funds invested in U.S. Treasury securities with a credit rating of AAAM and A3 as rated by Moody's.

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

*Restricted Cash and Investments* – The amounts reported as restricted assets on the statement of net position are comprised of amounts restricted for debt service, or deposits held for others. The restricted assets as of June 30, 2013 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	\$ 35,791	\$ 46,723	\$ 94,000	\$ 176,514
OWRB Debt Service	41,157	48,501	-	89,658
Total	<u>\$ 76,948</u>	<u>\$ 95,224</u>	<u>\$ 94,000</u>	<u>\$ 266,172</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.

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	Accounts Receivable	Less: Allowance for Uncollectible Accounts	Net Accounts Receivable
<i>Governmental Activities:</i>			
Ambulance receivable	\$ 1,229,749	\$ 1,069,730	\$ 160,019
Court fines	137,577	110,062	27,515
Other receivables	17,366	-	17,366
Total Governmental Activities	\$ 1,384,692	\$ 1,179,792	\$ 204,900
<i>Business-Type Activities:</i>			
Utilities	\$ 1,250,482	\$ 495,624	\$ 754,858

**5. 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, 2013, capital assets balances changed as follows:

***Primary Government:***

	Balance at July 1, 2012	Additions	Disposals	Balance at June 30, 2013
<b><i>Governmental activities:</i></b>				
Capital assets not being depreciated:				
Land	\$ 125,750	\$ -	\$ -	\$ 125,750
Construction in progress	65,401	679,448	-	744,849
Total capital assets not being depreciated	<u>191,151</u>	<u>679,448</u>	<u>-</u>	<u>870,599</u>
Other capital assets:				
Buildings	1,089,477	18,700	-	1,108,177
Land Improvements	27,500	-	-	27,500
Computers & Electronics	117,720	-	-	117,720
Furniture & Fixtures	31,604	-	-	31,604
Vehicles	1,596,852	155,557	-	1,752,409
Infrastructure	3,057,624	64,563	-	3,122,187
Machinery and equipment	780,898	102,781	-	883,679
Total other capital assets at historical cost	<u>6,701,675</u>	<u>341,601</u>	<u>-</u>	<u>7,043,276</u>
Less accumulated depreciation for:				
Buildings	758,370	18,380	-	776,750
Land Improvements	11,306	1,833	-	13,139
Computers & Electronics	109,875	3,152	-	113,027
Furniture & Fixtures	22,206	1,324	-	23,530
Vehicles	1,483,376	43,087	-	1,526,463
Infrastructure	2,156,651	77,643	-	2,234,294
Machinery and equipment	607,765	48,641	-	656,406
Total accumulated depreciation	<u>5,149,549</u>	<u>194,060</u>	<u>-</u>	<u>5,343,609</u>
Other capital assets, net	<u>1,552,126</u>	<u>147,541</u>	<u>-</u>	<u>1,699,667</u>
Governmental activities capital assets, net	<u>\$ 1,743,277</u>	<u>\$ 826,989</u>	<u>\$ -</u>	<u>\$ 2,570,266</u>
<b><i>Business-type activities:</i></b>				
Capital assets not being depreciated:				
Land	\$ 395,000	\$ -	\$ -	\$ 395,000
Construction in progress	49,610	45,485	-	95,095
Total capital assets not being depreciated	<u>444,610</u>	<u>45,485</u>	<u>-</u>	<u>490,095</u>
Other capital assets:				
Buildings	802,882	44,705	-	847,587
Computers & Electronics	102,596	-	-	102,596
Furniture & Fixtures	8,840	-	-	8,840
Vehicles	999,615	-	-	999,615
Machinery & equipment	779,724	230,911	-	1,010,635
Infrastructure	15,049,616	16,930	-	15,066,546
Total other capital assets at historical cost	<u>17,743,273</u>	<u>292,546</u>	<u>-</u>	<u>18,035,819</u>
Less accumulated depreciation for:				
Buildings	525,027	12,079	-	537,106
Computers & Electronics	97,235	1,342	-	98,577
Furniture & Fixtures	8,244	596	-	8,840
Vehicles	898,974	44,340	-	943,314
Machinery and equipment	571,899	42,920	-	614,819
Infrastructure	11,946,176	267,866	-	12,214,042
Total accumulated depreciation	<u>14,047,555</u>	<u>369,143</u>	<u>-</u>	<u>14,416,699</u>
Other capital assets, net	<u>3,695,718</u>	<u>(76,597)</u>	<u>-</u>	<u>3,619,120</u>
Business-type activities capital assets, net	<u>\$ 4,140,328</u>	<u>\$ (31,112)</u>	<u>\$ -</u>	<u>\$ 4,109,215</u>

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	Balance at July 1, 2012	Additions	Disposals	Transfers	Balance at June 30, 2013
<b>Lindsay Municipal Hospital Authority:</b>					
Capital assets not being depreciated:					
Land	\$ 14,164	\$ -	\$ -	\$ -	\$ 14,164
Construction in progress	338,884	242,182	-	(564,925)	16,141
Total capital assets not being depreciated	<u>353,048</u>	<u>242,182</u>	<u>-</u>	<u>(564,925)</u>	<u>30,305</u>
Other capital assets:					
Buildings	1,868,704	51,080	-	564,925	2,484,709
Land Improvements	34,266	-	-	-	34,266
Machinery and equipment	2,734,806	37,041	13,498	-	2,758,349
Total other capital assets at historical cost	<u>4,637,776</u>	<u>88,121</u>	<u>13,498</u>	<u>564,925</u>	<u>5,277,324</u>
Less accumulated depreciation for:					
Buildings	1,684,326	36,204	-	-	1,720,530
Land Improvements	34,266	-	-	-	34,266
Machinery and equipment	1,866,868	348,912	13,498	-	2,202,282
Total accumulated depreciation	<u>3,585,460</u>	<u>385,116</u>	<u>13,498</u>	<u>-</u>	<u>3,957,078</u>
Other capital assets, net	1,052,316	(296,995)	-	-	1,320,246
Municipal Hospital capital assets, net	<u>\$ 1,405,364</u>	<u>\$ (54,813)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,350,551</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	\$ 12,842
Public safety	79,189
Highways and streets	45,826
Culture and recreation	23,740
Cemetery	5,759
Airport	26,704
	<u>\$ 194,060</u>

Business-Type Activities:

Administration	\$ 824
Electric	44,350
Water	232,501
Sewer	52,582
Pool	862
General Government	12,099
Sanitation	6,589
Golf Course	19,336
	<u>\$ 369,143</u>

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

Type of Debt	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due Within One Year
<b>Governmental Activities:</b>					
Capital lease payable	\$ 18,418	\$ -	\$ 8,903	\$ 9,515	\$ 9,515
Accrued compensated absences	58,750	665	-	59,415	5,941
Total Governmental Activities	<u>\$ 77,168</u>	<u>\$ 665</u>	<u>\$ 8,903</u>	<u>\$ 68,930</u>	<u>\$ 15,456</u>
<b>Business-Type Activities:</b>					
Notes payable	\$ 2,162,500	630,000	200,815	\$ 2,591,685	290,713
Capital lease payable	55,120	-	13,119	42,001	13,553
Meter deposit liability	166,251	57,951	47,688	176,514	35,181
Accrued compensated absences	63,021	-	8,026	54,995	5,500
Total Business-Type Activities	<u>2,446,892</u>	<u>687,951</u>	<u>269,648</u>	<u>2,865,195</u>	<u>344,947</u>
Total Long-Term Debt	<u>\$ 2,524,060</u>	<u>\$ 688,616</u>	<u>\$ 278,551</u>	<u>\$ 2,934,125</u>	<u>\$ 360,403</u>

**Reconciliation to Statement of Net Position:**

**Governmental Activities:**

Due within one year	\$ 15,456
Due in more than one year	53,474
Total Governmental Activities Long-term liabilities	<u>\$ 68,930</u>

**Business-Type Activities:**

Due within one year	\$ 344,947
Due in more than one year	2,520,248
Total Business-Type Activities Long-term liabilities	<u>\$ 2,865,195</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, 2013, 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.

	\$ 9,515
Total Capital Leases Payable	<u>\$ 9,515</u>
Current portion	\$ 9,515
Noncurrent portion	-
Total Capital Leases Payable	<u>\$ 9,515</u>

Accrued Compensated Absences

Current portion	\$ 5,941
Noncurrent portion	53,474
Total Accrued Compensated Absences	<u>\$ 59,415</u>

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*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, 2013, 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.	\$ 340,000
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.	1,541,964
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.	93,731
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.	30,990
Note payable to Bank of Oklahoma dated August 9, 2012, original amount of \$630,000, due in semi-annual principal installments each March 1 and September 1, final installment due September 1, 2021, interest rate of 2.71%. Note is secured by a pledge of utility revenues and sales tax.	585,000
Total Notes Payable	\$ 2,591,685
Current portion	\$ 290,713
Noncurrent portion	2,300,972
Total Notes Payable	\$ 2,591,685

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.	\$ 42,001
Total Capital Leases Payable	\$ 42,001
Current portion	\$ 13,553
Noncurrent portion	28,448
Total Capital Leases Payable	\$ 42,001

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Meter Deposit Liability

Current portion	\$	35,181
Noncurrent portion		141,333
Total Meter Deposit Liability	\$	<u>176,514</u>

Accrued Compensated Absences

Current portion	\$	5,500
Noncurrent portion		49,495
Total Accrued Compensated Absences	\$	<u>54,995</u>

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

Year Ended June 30,	Governmental		Business-Type			
	Capital Lease Obligations		Notes Payable		Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 9,515	\$ 834	\$ 290,713	\$ 48,755	\$ 13,553	\$ 1,373
2015	-	-	294,267	43,295	13,996	930
2016	-	-	297,852	37,657	14,452	473
2017	-	-	306,628	31,668	-	-
2018	-	-	315,442	25,442	-	-
2019-2022	-	-	1,086,783	36,570	-	-
Total	<u>\$9,515</u>	<u>\$834</u>	<u>\$2,591,685</u>	<u>\$223,387</u>	<u>\$42,001</u>	<u>\$2,776</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, \$3,195,000, and \$630,000 Series 1999, Series 2001 DWSRF OWRB, and Series 2012 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 2022. The total principal and interest payable for the remainder of the life of these notes is \$2,671,922. Pledged sales taxes received in the current year were \$579,481 and net utility revenues were \$549,500. Debt service payments of \$276,639 for the current fiscal year were 24.5% of both pledged sales taxes and net utility revenues of \$1,128,981.



## **7. Net Position and Fund Balances**

### *Net Position:*

Net position is reported in the government-wide and proprietary fund financial statements and is displayed in three components:

- a. *Net investment in capital assets* - 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 position* - Consists of net position 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 position* - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the City’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position is 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. **Nonspendable** – 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	\$89,658
Less: accrued interest payable	<u>(16,075)</u>
Total Enterprise Fund Restriction for Debt Service	<u>\$73,583</u>

**Adoption of New Accounting Principle-Restatement of Net Position:**

Beginning net position was restated as of June 30, 2013 as follows:

**LPWA/Business-type Activities:**

	2012 Previously Presented	Restatement	2012 Restated
Other, unamortized bond issue costs	\$21,829	(21,829)	-
Net position, unrestricted	3,056,429	(21,829)	3,034,600
Amortization expense	5,954	(5,954)	-
Change in net position	602,773	5,954	608,727
Net position, beginning of year	4,452,904	(27,783)	4,425,121

**8. Inventories**

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

**9. Sales Tax Revenue**

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

**10. Internal Balances and Transfers between Legal Entities**

The City's policy is to eliminate inter-fund transfers and balances in the statements of activities and net position 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.

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

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>	<u>Nature of Balance</u>
Police Bond Fund	General Fund	\$ 6,122	court activity
Cleet Fund	General Fund	5,580	court activity
LPWA	Airport Fund	3	Deposit correction
General Fund	LPWA	3,714	Grant revenue
General Fund	LPWA	7,264	Deposit correction
General Fund	Street and Alley Fund	3,562	Deposit correction
LPWA	General Fund	21,095	expenses paid on behalf of LPWA
General Fund	EMS Fund	975	Sales tax
General Fund	Special Sales Tax Fund	975	Sales tax
Donation Fund	Grant Fund	10,314	reclassification of fire grants
Total		<u>\$ 59,604</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 48,626	\$ (38,506)	\$ 10,120
Proprietary Funds	10,978	(21,098)	(10,120)
Total	<u>\$ 59,604</u>	<u>\$ (59,604)</u>	<u>\$ -</u>

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Purpose of Transfer</u>
LPWA	General Fund	\$ 600,000	Operational subsidy
Special Sales Tax Fund	General Fund	49,459	Sales tax transfer
Emergency Services 1% Tax	General Fund	399,458	Sales tax transfer
General Fund	LPWA	50,000	Payroll transfer
LPWA Designated Sales Tax	LPWA	579,481	Sales tax transfer
LPWA	Airport Fund	67,819	Operational subsidy
Total		<u>\$ 1,746,217</u>	

**Reconciliation to Fund Financial Statements:**

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 1,116,736	\$ (1,078,398)	\$ 38,338
Proprietary Funds	629,481	(667,819)	(38,338)
	<u>\$ 1,746,217</u>	<u>\$ (1,746,217)</u>	<u>\$ -</u>

**Reconciliation to Statement of Activities:**

Fund balance	\$ 38,338
Capital assets transfer from business-type to governmental	20,945
	<u>\$ 59,283</u>

## 11. Risk Management

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

- General Liability, Fleet Coverage, and Physical Property – Covered through participation in Oklahoma Municipal Assurance Group risk entity pool.
- Workers’ Compensation – Workers’ compensation is covered through purchase of commercial insurance – 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.

## **12. Retirement Plan Participation**

The City participates in three employee retirement plans:

- Oklahoma Firefighter’s Pension and Retirement System (OFPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
- 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 2013, the City’s annual required contribution was \$48,020 for the OFPRS plan and was equal to the City’s actual contribution. The state made on-behalf payments of \$109,154 (or 30% 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.

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

For 2013, the City's annual required contribution was \$32,236 and was equal to the City's actual contribution. The state made on-behalf payments of \$26,506 (or 11.8% of covered payroll) for the fiscal year. The on-behalf payments are reported as both revenue and expense.

*OMRF Defined Benefit Plan*

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

Eligibility Factors, Contribution Methods and Benefit Provisions

<b>Provision</b>	<b>OMRF Plan</b>
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	7.66% 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.

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Actuarial Assumptions

**For Plan Year Beginning July 1, 2013 (Date of Last Actuarial Valuation: January 1, 2013)**

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

Funded Status and Funding Progress

As of January 1, 2013, the funded status of the OMRF agent multiple employer defined benefit plan is as follows:

Actuarial accrued liability (AAL)	\$3,543,618
Actuarial value of plan assets	<u>3,393,008</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 150,610</u>
Funded ratio (actuarial value of plan assets/AAL)	95.7%
Annual covered payroll (active plan members)	\$1,403,272
UAAL as a percentage of covered payroll	10.7%

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

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

*Summary of Contributions:*

<b>Oklahoma Municipal Retirement Fund</b>				<b>Oklahoma Police Pension and Retirement System</b>			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 68,364	100%	-	2011	\$ 29,417	100%	-
2012	68,995	100%	-	2012	28,562	100%	-
2013	138,987	100%	-	2013	32,236	100%	-
 <b>Oklahoma Firefighter's Pension and Retirement System</b>							
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation				
2011	\$ 33,712	100%	-				
2012	36,241	100%	-				
2013	48,020	100%	-				

### **13. Commitments and Contingencies**

#### *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 2013, the City's involvement in federal and state award programs was 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. The consent order is scheduled for completion by August 1, 2014.

#### *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 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, 2013. 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, 2013.

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. 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 2013 and 2012 under the Occupancy Agreement was approximately \$0 and \$153,000, respectively, and included in other operating revenue.

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 September 2012, ODOC and the Authority agreed to an 8% administrative fee from September 1, 2012, through August 31, 2015. 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 position.

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 September 2012, ODOC and the Authority agreed to reimburse the Authority at 108% of cost from September 1, 2012 through August 31, 2015. 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 position.

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*Subsequent Events:*

Subsequent to year end, the City of Lindsay entered into an incentive agreement with Aloha Hospitality, LLC, on July 8, 2013, to construct and operate a hotel partially within city limits. In this agreement, the City agrees to pay Aloha quarterly incentive payments of 50% of municipal sales tax collected from the hotel and paid to the Oklahoma Tax Commission for the first three years. At the end of three years, the City will pay 25% for two more years. At the end of five years, no further incentive payments will be made to Aloha. Another incentive in the agreement includes the City reimbursing Aloha up to \$75,000 for paving of roadway entrance. In the agreement, the hotel shall be up and open for business 12 months after the agreement is executed. If Aloha is not able to make modification to easements, as required by agreements with the City, this agreement will be null and void.

*Construction Commitments:*

At June 30, 2013, the City had entered into the following construction commitments:

- JJ Westhoff                      2012 CDBG Wastewater System Improvement–Part A–Lagoons      \$755,141
- Avery Construction              Water Main Replacement on Elmwood Drive                              \$66,524

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**REQUIRED SUPPLEMENTAL INFORMATION**

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**Budgetary Comparison Schedules (Budgetary Basis) – Year Ended June 30, 2013**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Beginning Budgetary Fund Balance</b>	\$275,000	\$275,000	\$710,740	\$435,740
<b>Resources (Inflows)</b>				
Taxes	1,264,866	1,264,866	1,555,439	290,573
Intergovernmental	50,066	50,066	55,859	5,793
Charges for services	335,550	335,550	376,280	40,730
Fines and forfeitures	35,700	35,700	107,340	71,640
Licenses and permits	6,550	6,550	9,840	3,290
Investment income	1,500	1,500	897	(603)
Miscellaneous	70,000	70,000	45,291	(24,709)
Transfers in	1,264,436	1,264,436	1,048,917	(215,519)
Sub-total Resources (Inflows)	<u>3,028,668</u>	<u>3,028,668</u>	<u>3,199,863</u>	<u>171,195</u>
<b>Amounts Available for Appropriation</b>	<u>3,303,668</u>	<u>3,303,668</u>	<u>3,910,603</u>	<u>606,935</u>
<b>Charges to Appropriations (Outflows)</b>				
Public safety	1,476,870	1,496,370	1,477,579	18,791
Streets	120,350	120,350	87,867	32,483
Culture & recreation	197,250	198,950	154,502	44,448
General government	397,000	325,800	281,812	43,988
Cemetery	89,150	89,150	69,382	19,768
Health & public safety -ambulance	1,023,048	1,023,048	1,016,721	6,327
Other financing uses - transfers out	-	50,000	50,000	-
<b>Total Charges to Appropriations</b>	<u>3,303,668</u>	<u>3,303,668</u>	<u>3,137,863</u>	<u>165,805</u>
<b>Fund balances - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 772,740</u>	<u>\$ 772,740</u>

	<b>EMS FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Beginning Budgetary Fund Balance</b>	\$ 150,000	\$ 150,000	\$ 799,677	\$ 649,677
<b>Resources (Inflows)</b>				
Taxes	550,000	550,000	616,649	66,649
Investment income	1,718	1,718	2,191	473
Transfer In	-	-	-	-
<b>Amounts Available for Appropriation</b>	<u>701,718</u>	<u>701,718</u>	<u>1,418,517</u>	<u>716,799</u>
<b>Charges to Appropriations (Outflows)</b>				
Health & Public Safety -Ambulance	144,500	144,500	72,179	72,321
Transfers out	557,218	557,218	399,458	157,760
<b>Total Charges to Appropriations</b>	<u>701,718</u>	<u>701,718</u>	<u>471,637</u>	<u>230,081</u>
<b>Fund balances - ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 946,880</u>	<u>\$ 946,880</u>

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**Budgetary Comparison Schedules – Year Ended June 30, 2013, (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)	\$3,199,863
Add: On-behalf payments	<u>135,660</u>
Total resources as recorded on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$3,335,523</u>

Reconciliation to Statement of Revenues, Expenditures and Changes in Fund Balances:

Total revenues	\$2,286,606
Transfers in	<u>1,048,917</u>
Total Resources	<u>\$3,335,523</u>

Total budgetary expenditures and transfers	\$3,137,863
Add: On-behalf payments	135,660
Less: Transfers out	<u>(50,000)</u>
Total expenditures as recorded on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$3,223,523</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%
1/1/12	\$3,129,996	\$3,094,811	(\$ 35,185)	101.1%	\$1,288,696	-2.7%
1/1/13	\$3,393,008	\$3,543,618	\$150,610	95.7%	\$1,403,272	10.7%

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**SUPPLEMENTAL INFORMATION**

**CITY OF LINDSAY, OKLAHOMA**  
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**Combining Balance Sheet – Nonmajor Funds – June 30, 2013**

	<u>Special Revenue Funds</u>					<u>Capital Project Funds</u>		<u>Total Governmental Funds</u>
	<u>City Donation</u>	<u>Street &amp; Alley</u>	<u>LPWA Donation</u>	<u>Library</u>	<u>Grant</u>	<u>Cemetery Care</u>	<u>Capital Improvement</u>	
<b>ASSETS</b>								
Cash and cash equivalents	\$ 74,040	\$ 84,026	\$ 11,926	\$ 4	\$ 27,191	\$ 58,221	\$ 444,164	\$ 699,572
Receivable from other governments	-	2,370	-	-	54,000	-	-	56,370
Due from other funds	-	3,562	-	-	10,314	-	-	13,876
Total assets	<u>74,040</u>	<u>89,958</u>	<u>11,926</u>	<u>4</u>	<u>91,505</u>	<u>58,221</u>	<u>444,164</u>	<u>769,818</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	-	-	-	-	50,000	-	-	50,000
Due to other funds	10,314	-	-	-	-	-	-	10,314
Total liabilities	<u>10,314</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>60,314</u>
Fund balances:								
Restricted for:								
Street and Alley	-	88,692	-	-	-	-	-	88,692
City Donation	63,726	-	-	-	-	-	-	63,726
Public Works	-	-	11,623	-	-	-	-	11,623
Economic Development	-	-	-	-	41,505	-	-	41,505
Cemetery	-	-	-	-	-	28,618	-	28,618
Assigned to:								
Street and Alley	-	1,266	-	-	-	-	-	1,266
Library	-	-	-	4	-	-	-	4
Public Works	-	-	303	-	-	-	-	303
Capital Improvements	-	-	-	-	-	-	444,164	444,164
Cemetery	-	-	-	-	-	29,603	-	29,603
Total fund balances	<u>63,726</u>	<u>89,958</u>	<u>11,926</u>	<u>4</u>	<u>41,505</u>	<u>58,221</u>	<u>444,164</u>	<u>709,504</u>
Total liabilities and fund balances	<u>\$ 74,040</u>	<u>\$ 89,958</u>	<u>\$ 11,926</u>	<u>\$ 4</u>	<u>\$ 91,505</u>	<u>\$ 58,221</u>	<u>\$ 444,164</u>	<u>\$ 769,818</u>



**CITY OF LINDSAY, OKLAHOMA**  
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**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Funds – Year Ended June 30, 2013**

	<u>Special Revenue Funds</u>					<u>Capital Project Funds</u>		<u>Total-Other Governmental Funds</u>
	<u>City Donation</u>	<u>Street &amp; Alley</u>	<u>LPWA Donation</u>	<u>Library</u>	<u>Grant</u>	<u>Cemetery Care</u>	<u>Capital Improvement</u>	
<b>REVENUES</b>								
Intergovernmental	\$ -	\$ 25,131	\$ -	\$ 5,206	\$ 113,670	\$ -	\$ -	\$ 144,007
Charges for services	-	-	-	-	-	5,963	-	5,963
Investment income	183	182	29	6	76	136	1,106	1,718
Miscellaneous	19,696	-	-	-	-	-	-	19,696
Total revenues	<u>19,879</u>	<u>25,313</u>	<u>29</u>	<u>5,212</u>	<u>113,746</u>	<u>6,099</u>	<u>1,106</u>	<u>171,384</u>
<b>EXPENDITURES</b>								
Current:								
Public Safety	4,319	-	-	-	-	-	-	4,319
Cemetery	384	-	-	-	-	-	-	384
Culture and recreation	-	-	-	2,926	86,999	-	-	89,925
Capital Outlay	6,889	-	-	5,350	20,042	-	-	32,281
Total Expenditures	<u>11,592</u>	<u>-</u>	<u>-</u>	<u>8,276</u>	<u>107,041</u>	<u>-</u>	<u>-</u>	<u>126,909</u>
Excess (deficiency) of revenues over expenditures	<u>8,287</u>	<u>25,313</u>	<u>29</u>	<u>(3,064)</u>	<u>6,705</u>	<u>6,099</u>	<u>1,106</u>	<u>44,475</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	8,287	25,313	29	(3,064)	6,705	6,099	1,106	44,475
Fund balances - beginning	55,439	64,645	11,897	3,068	34,800	(6,099)	443,058	665,029
Fund balances - ending	<u>\$ 63,726</u>	<u>\$ 89,958</u>	<u>\$ 11,926</u>	<u>\$ 4</u>	<u>\$ 41,505</u>	<u>\$ -</u>	<u>\$ 444,164</u>	<u>\$ 709,504</u>

**CITY OF LINDSAY, OKLAHOMA  
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**Schedule of Expenditures of State Awards – Year Ended June 30, 2013**

State Grantor/Pass Through Agency Grantor/Program Title	Grant #	Award Amount	Awards Expended
<b>STATE AWARDS:</b>			
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>			
Rural Fire Grant		\$ 4,484	\$ 4,484
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>			
State Aid		5,206	5,206
<u>OKLAHOMA DEPARTMENT OF COMMERCE:</u>			
CDBG Grant	CDBG 14821-2011	35,000	35,000
<u>OKLAHOMA DEPARTMENT OF CIVIL EMERGENCY:</u>			
Severe Winter Storm Clean-up	PA-06-OK-1883-PW-559	300	300
Severe Winter Storm Clean-up	PA-06-OK-1883-PW-335	848	848
Severe Winter Storm Clean-up	PA-06-OK-1883-PW-512	6,952	6,952
Severe Winter Storm Clean-up	PA-06-OK-1883-PW-067	16,427	16,427
		<u>24,527</u>	<u>24,527</u>
<u>SOUTHERN OKLAHOMA DEVELOPMENT ASSOCIATION:</u>			
REAP Grant	REAP 12-066	19,442	15,629
REAP Grant	REAP 13-066	50,000	50,000
Community Expansion Nutrition Assistance (CENA) Grant	22 CENA 13	2,000	2,000
		<u>71,442</u>	<u>67,629</u>
<b>Total State Awards</b>		<u>\$ 140,659</u>	<u>\$ 136,846</u>

**CITY OF LINDSAY, OKLAHOMA**  
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**Schedule of Debt Service Coverage Requirement – Year Ended June 30, 2013**

<b>DEBT SERVICE COVERAGE:</b>	<b>OWRB Series 2000, DWSRF 2000 &amp; 2012 Promissory Note</b>
<b>GROSS REVENUE AVAILABLE:</b>	
Charges for services (electric, water, sewer, and miscellaneous)	\$ 4,288,036
Investment income	8,985
Sales tax appropriated and transferred from the City General Fund	<u>579,481</u>
Total Gross Revenue Available	<u>4,876,502</u>
<b>OPERATING EXPENSES:</b>	
Total Operating Expenses	<u>3,747,521</u>
Net Revenue Available for Debt Service	<u><u>\$ 1,128,981</u></u>
<b>Debt Service on all Obligations Payable:</b>	
Maximum annual debt service - OWRB Series 2000	\$ 340,000
Average annual debt service - OWRB DWSRF 2000	190,776
Average annual debt service - 2012 Note	<u>73,393</u>
	<u><u>\$ 604,169</u></u>
Computed Coverage	<u><u>187%</u></u>
Coverage Requirement	<u><u>125%</u></u>

**CITY OF LINDSAY, OKLAHOMA  
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**SINGLE AUDIT AND INTERNAL CONTROL COMPLIANCE INFORMATION**



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

To the City Council  
City of Lindsay, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lindsay, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Lindsay, Oklahoma’s basic financial statements and have issued our report thereon dated April 29, 2014. Our report includes a reference to other auditors who 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 auditor’s testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other 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**

In planning and performing our audit of the financial statements, we considered City of Lindsay, Oklahoma’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Lindsay, Oklahoma’s internal control. Accordingly, we do not express an opinion on the effectiveness of City of Lindsay, Oklahoma’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. The other auditors did not identify any deficiencies in internal control that they consider to be material weaknesses. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2013-1, 2013-2, and 2013-3.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2013-4, 2013-5, and 2013-6.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Lindsay, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of the other auditor's test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. 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 questioned costs as items 2013-3, 2013-4, 2013-5, and 2013-6.

### **City of Lindsay, Oklahoma's Response to Findings**

City of Lindsay, Oklahoma's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Lindsay, Oklahoma's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rahhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
April 29, 2014



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the City Council  
City of Lindsay, Oklahoma

**Report on Compliance for Each Major Federal Program**

We have audited City of Lindsay, Oklahoma's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Lindsay, Oklahoma's major federal programs for the year ended June 30, 2013. City of Lindsay, Oklahoma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Lindsay, Oklahoma's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Lindsay, Oklahoma's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Lindsay, Oklahoma's compliance.

***Opinion on Each Major Federal Program***

In our opinion, City of Lindsay, Oklahoma complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-4, 2013-5, and 2013-6. Our opinion on each major federal program is not modified with respect to these matters.

City of Lindsay, Oklahoma's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Lindsay, Oklahoma's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of City of Lindsay, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Lindsay, Oklahoma's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Lindsay, Oklahoma's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-6 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-4 and 2013-5 to be significant deficiencies.



City of Lindsay, Oklahoma's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Lindsay, Oklahoma's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Rahhal Henderson Johnson, PLLC*

Ardmore, Oklahoma  
April 29, 2014

**CITY OF LINDSAY, OKLAHOMA**  
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**CITY OF LINDSAY, OKLAHOMA  
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**Schedule of Expenditures of Federal Awards – Year Ended June 30, 2013**

<b>Federal Grantor/Pass Through Agency Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant #</b>	<b>Award Amount</b>	<b>Awards Expended</b>
<b>FEDERAL AWARDS:</b>				
<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	\$ 13,681
Airport Improvement Program - Airport Entrance Road	20.106	AIP 3-40-0052-006-2012	595,255	548,509
<b>Total Federal Awards</b>			<u>\$ 671,065</u>	<u>\$ 562,190</u>

CITY OF LINDSAY, OKLAHOMA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2013

**Section I – Summary of Auditor’s Results**

**Financial Statements:**

Type of audit report:	Unmodified Opinion
Internal control over financial reporting:	
Material weakness(es) identified?	_____ X _____ Yes _____ No
Significant Deficiency(ies) identified that are not considered to be material weaknesses?	_____ X _____ Yes _____ No
Noncompliance material to financial statement	_____ X _____ Yes _____ No

**Federal Awards:**

Internal control over major program:	
Material weakness(es) identified?	_____ X _____ Yes _____ No
Significant Deficiency(ies) identified that are not considered to be material weaknesses?	_____ X _____ Yes _____ No

Type of auditors' report issued on compliance for major programs:	Unmodified Opinion
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_____ X _____ Yes _____ No

Identification of Major Programs:	
<u>CFDA Number</u>	<u>Name of federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type	\$ 300,000
Auditee qualified as a low-risk auditee?	_____ Yes _____ X _____ No

CITY OF LINDSAY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

**Section II – Financial Statement Findings**

**2013-1 Inventory**

*Condition* – A physical count of consumable inventories was not complete for all departments 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* – Consumable inventory detail was not verified with quantities on hand for the Street Department, and the detail for Water department was not provided in a timely manner for the financial statements.

*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. Subsequent to year end, new policy directives for the tracking, recording, and internal auditing of inventory on an annual basis has been developed.

**2013-2 Utility Account Adjustments and Payment Arrangement Plans**

*Condition* – Adjustments to utility accounts are not regularly approved by management and payment arrangement plans for utility plans were allowed to be created without management’s approval.

*Criteria* – Adequate segregation of duties related to billing includes authorization of all adjustments, including payment plans, by someone not involved in other aspects of the billing process.

*Cause* – Inadequate designed internal controls related to utility adjustments.

*Effect* – 12 of 25 utility adjustments tested did not have proper approval. In addition, payment arrangement plans were established and adjusted on utility accounts without prior authorization or approval.

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

CITY OF LINDSAY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

*Views of Responsible Officials* – Management concurs with the finding and the recommendation. Subsequent to year end, new policies and policy documentation was distributed to all responsible staff. Policies cover documentation of payment arrangements and adjustments, verification by finance officer, and management approval of all account modifications and arrangements.

**2013-3 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.

*Cause* – Inadequate controls over purchasing.

*Effect* – 13 of 60 invoices did not have receipt of goods signature; 5 out of 60 purchases lacked proper approval; 27 of 60 purchase orders were not properly encumbered.

*Recommendation* – We recommend that purchasing procedure compliance be stressed with all members of management and employees involved in the purchasing process.

*Views of Responsible Officials* – Management concurs with the finding and the recommendation. Subsequent to year end, new policies and policy documentation was distributed to all responsible staff. Policies include documentation and controls related to request of purchases, encumbrance of funds, blanket PO's, receipt of purchases, and internal auditing of purchases.

**Section III – Federal Award Findings and Questioned Costs**

**2013-4 Cash management Compliance for Federal Grants (CFDA 20.106 Airport Improvement Program)**

*Condition* – Advances of federal funds were drawn down, but were not paid out to vendors within the standard required 10 days.

*Criteria* –Circular A-102 requires that procedures and controls be in place to minimize the time elapsed between drawdown and disbursement of federal funds.

CITY OF LINDSAY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

*Cause* – Inadequate controls and procedures over the processes to draw down and disburse federal funds within a reasonable time frame.

*Effect* – 2 of 8 claims tested did not follow proper cash management procedures. Such claim of funds could have resulted in unauthorized income from interest earned on federal funds drawn down.

*Recommendation* – We recommend that the City develop a procedure to insure that federal funds are drawn down and expensed within a more timely manner to be in compliance with cash management requirements.

*Views of Responsible Officials* – Management concurs with the finding and the recommendation. Cash management of federal funds is included in policies for purchasing and procurement as it relates to timely payment of any and all accounts payable.

**2013-5 Procurement Compliance for Federal Grants (CFDA 20.106 Airport Improvement Program)**

*Condition* – Grant expenses tested were not properly encumbered according to state law; therefore failed to meet the requirement for proper procurement compliance.

*Criteria* – Federal procurement compliance requires that all laws be followed and applied to grant expenditures as they would for non-federal grant expenditures.

*Cause* – Ineffective internal controls and procedures over the purchasing and encumbrance process.

*Effect* – 5 of the 5 grant expenses tested were not properly encumbered and therefore, did not follow federal procurement requirements.

*Recommendation* – We recommend that the City develop a policy and procedure to ensure that purchase order are in place prior to the invoiced services received.

*Views of Responsible Officials* – Management concurs with the finding and the recommendation. Procurement compliance for federal funding is included in policies for purchasing and procurement as it relates to blanket encumbrance of project funds.

CITY OF LINDSAY, OKLAHOMA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

**2013-6 Davis Bacon Compliance for Federal Grants (CFDA 20.106 Airport Improvement Program)**

*Condition* – The City failed to obtain the certified payroll reports from the contractor and project engineer in a timely manner to monitor compliance with Davis-Bacon wages.

*Criteria* – The Davis-Bacon compliance requires that for construction contracts greater than \$2,000, a weekly certified payroll report must be submitted to the project owner entity.

*Cause* – Lack of controls over requesting necessary documents required by grant compliance.

*Effect* – 8 of 8 Weekly payrolls tested were not received by the City in a timely manner to allow proper monitoring of Davis-Bacon Requirements. Project contractor identified non-compliance with Davis-Bacon wage rates subsequent to the completion of project.

*Recommendation* – We recommend the City develop a system of procedures and internal controls to monitor Davis-Bacon requirements.

*Views of Responsible Officials* – Management concurs with the finding and the recommendation. Management is currently developing policies to ensure Davis Bacon is verified at the contract level and tracked by administration through two-step process. Under the policy being developed grant projects will be principally tracked by qualified department heads for the department receiving funds. Monitoring and internal audits will be completed by administration and tracked via independent fund lines created for each project grant.