



CITY OF LINDSAY, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR
ENDED JUNE 30, 2014

**THE CITY OF LINDSAY
OKLAHOMA**

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

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

TABLE OF CONTENTS

Independent Auditor’s Report on Financial Statements	5-7
Management’s Discussion and Analysis	9-17
The Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	19
Statement of Activities	20
Governmental Funds Financial Statements:	
Balance Sheet	22
Statement of Revenues, Expenditures and Changes in Fund Balances.....	23
Reconciliation of Governmental Fund and Government-Wide Financial Statements.....	24
Proprietary Funds Financial Statements:	
Statement of Net Position	26
Statement of Revenues, Expenses and Changes in Net Position	27
Statement of Cash Flows	28
Footnotes to the Basic Financial Statements	29-50
Required Supplementary Information:	
Budgetary Comparison Information	
Budgetary Comparison Schedule (Budgetary Basis) – General Fund.....	52
Budgetary Comparison Schedules (Budgetary Basis) – EMS Major Special Revenue Fund...	52
Footnotes to Budgetary Comparison Schedules.....	53
Pension Plan Information:	
Schedule of Funding Progress.....	54
Supplementary Information:	
Combining Non-Major Governmental Fund Statements	
Combining Balance Sheet.....	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	57
Federal and State Awards Information	
Schedule of Expenditures of Federal and State Awards.....	58

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

TABLE OF CONTENTS

Debt Service Coverage Information

Schedule of Debt Service Coverage Requirement..... 59

Internal Control and Compliance over Financial Reporting

Independent Auditor’s Report on Internal Control and Compliance Over Financial
Reporting in Accordance with Government Auditing Standards..... 61-62

Schedule of Findings..... 63-64



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, 2014, 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 unit. 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 City of Lindsay, Oklahoma, as of June 30, 2014, 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 9-17 and 52-53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 governmental fund financial statements, schedule of expenditures of federal and state awards and schedule of debt service coverage requirement are presented for purposes of additional analysis and are not a required part of the 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, based on our audit, the procedures performed as described above, and the report of the other auditors, the

combining and individual nonmajor fund financial statements 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 January 15, 2015, 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
January 15, 2015

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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CITY OF LINDSAY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

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, 2014. 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.

FINANCIAL HIGHLIGHTS

- The City's total net position increased by \$1,608,188 and the assets and deferred outflows of the City exceed its liabilities and deferred inflows at June 30, 2014, by \$12,120,188 (net position). Of this amount, \$5,323,588 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2014, the City's governmental funds reported combined ending fund balances of \$3,146,207.
- At the end of fiscal year 2014, unassigned fund balance for the General Fund was \$954,301 or 36.2% 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 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, and considered part of the primary government)
- **The Lindsay Municipal Hospital Authority (LMHA)** – public trust created pursuant to 60 O.S. § 176 to provide health care services to the residents of the City of Lindsay and Garvin County (presented as a discretely-presented component unit)
- **The Lindsay Industrial Development Authority (LIDA)** – public trust created pursuant to 60 O.S. § 176 to promote, develop, and secure industrial development within the City of Lindsay (normally presented as a discretely-presented component unit). This authority is inactive.

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. This report may be obtained by contacting the City's administrative offices. The Lindsay Industrial Development Authority is currently inactive.

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, and a separate column for the discretely-presented component unit.

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 three 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. *Discretely-presented component units* - These account for activities of the City's reporting entity that do not meet the criteria for blending, and include the Hospital Authority and the Industrial Development Authority.

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 (a major enterprise 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,

CITY OF LINDSAY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The City's proprietary fund is the Lindsay Public Works Authority that accounts for the operation of the electric, water, sewer, and sanitation activities.

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 28-49 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, 2014, net position for the governmental and business-type activities increased \$1,608,188.

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)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	<i>(restated)</i>			<i>(restated)</i>			<i>(restated)</i>		
	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>	
Current and other assets	\$ 3,250	\$ 2,796	16%	\$ 4,383	\$ 4,688	-7%	\$ 7,633	\$ 7,484	2%
Capital assets, net	2,778	2,620	6%	4,904	4,109	19%	7,682	6,729	14%
Total assets	<u>6,028</u>	<u>5,416</u>	11%	<u>9,287</u>	<u>8,797</u>	6%	<u>15,315</u>	<u>14,213</u>	8%
Current liabilities	99	197	-50%	819	931	-12%	918	1,128	-19%
Non-current liabilities	62	53	17%	2,215	2,520	-12%	2,277	2,573	-12%
Total liabilities	<u>161</u>	<u>250</u>	-35%	<u>3,034</u>	<u>3,451</u>	-12%	<u>3,195</u>	<u>3,701</u>	-14%
Net position									
Net investment in capital assets	2,778	2,611	6%	2,574	1,475	75%	5,352	4,086	31%
Restricted	1,369	1,245	10%	75	74	1%	1,444	1,319	9%
Unrestricted	1,720	1,310	31%	3,604	3,797	-5%	5,324	5,107	4%
Total net position	<u>\$ 5,867</u>	<u>\$ 5,166</u>	14%	<u>\$ 6,253</u>	<u>\$ 5,346</u>	17%	<u>\$ 12,120</u>	<u>\$ 10,512</u>	15%

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 50% decrease in governmental current liabilities is due to a decrease in accounts payable after a sizeable increase in that category in FY13.

CITY OF LINDSAY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

The 75% increase in business-type net investment in capital assets is due to a CDBG Wastewater System Improvement Project in the current year.

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

TABLE 2
CHANGES IN NET POSITION (In Thousands)

	Governmental Activities		% Inc. (Dec.)	Business-Type Activities		% Inc. (Dec.)	Total		% Inc. (Dec.)
	2014	2013		2014	2013		2014	2013	
Revenues									
Charges for service	\$ 560	\$ 499	12%	\$ 4,815	\$ 4,901	-2%	\$ 5,375	\$ 5,400	-
Operating grants and contributions	181	247	-27%	-	23	-100%	181	270	-33%
Capital grants and contributions	427	622	-31%	-	-	-	427	622	-31%
Taxes	3,151	2,842	11%	-	-	-	3,151	2,842	11%
Investment income	6	5	20%	2	9	-78%	8	14	-43%
Miscellaneous	87	53	64%	-	-	-	87	53	64%
Total revenues	4,412	4,268	3%	4,817	4,933	-2%	9,229	9,201	-
Expenses									
General government	203	203	-	-	-	-	203	203	-
Public safety	2,551	2,563	-	-	-	-	2,551	2,563	-
Streets	64	69	-7%	-	-	-	64	69	-7%
Culture, parks and recreation	181	219	-17%	-	-	-	181	219	-17%
Cemetery	69	67	3%	-	-	-	69	67	3%
Airport	77	9	756%	-	-	-	77	9	756%
Interest on long-term debt	-	1	-100%	-	-	-	-	1	-100%
Electric	-	-	-	2,854	2,742	4%	2,854	2,742	4%
Water	-	-	-	592	771	-23%	592	771	-23%
Sewer	-	-	-	224	200	12%	224	200	12%
Sanitation	-	-	-	589	572	3%	589	572	3%
Golf	-	-	-	186	245	-24%	186	245	-24%
Pool	-	-	-	31	32	-3%	31	32	-3%
Total expenses	3,145	3,131	-	4,476	4,562	-2%	7,621	7,693	-1%
Excess before transfers	1,267	1,137	11%	341	371	-8%	1,608	1,508	7%
Transfers	(566)	59	-1059%	566	(59)	1059%	-	-	-
Change in net position	701	1,196	-41%	907	312	191%	1,608	1,508	7%
Beginning net position, restated	5,166	3,970	30%	5,346	5,034	6%	10,512	9,004	17%
Ending net position	\$ 5,867	\$ 5,166	14%	\$ 6,253	\$ 5,346	17%	\$ 12,120	\$ 10,512	15%

Governmental Activities

The City's governmental activities had an increase in net position of \$701,469. Explanations for the more significant changes are as follows:

- 11% increase in taxes is due primarily to increased sales tax revenue

CITY OF LINDSAY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

Business-Type Activities

The business-type activities had an increase in net position of \$906,719. Explanations for the more significant changes are as follows:

Decrease in operating expenses is due primarily to a 23% decrease in operating expenses for the water department.

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2014	2013		2014	2013	
General government	\$ 203	\$ 203	-	\$ 58	\$ (140)	141%
Public safety	2,551	2,563	-	(1,867)	(1,925)	3%
Streets	64	69	-7%	37	(44)	184%
Culture, parks and recreation	181	219	-17%	(174)	(172)	-1%
Cemetery	69	67	3%	(49)	(43)	-14%
Airport	77	9	756%	18	562	-97%
Interest on long-term debt	-	1	-100%	-	(1)	-100%
Total	<u>\$ 3,145</u>	<u>\$ 3,131</u>	-	<u>\$ (1,977)</u>	<u>\$ (1,763)</u>	-12%

The 97% decrease in airport net revenue is due to a decrease in FAA grant revenue. The 184% increase in net street revenue is due to a FEMA grant received in the current year.

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

	Total Expense of Services		% Inc. Dec.	Net Revenue (Expense) of Services		% Inc. Dec.
	2014	2013		2014	2013	
Electric	\$ 2,854	\$ 2,742	4%	\$ 123	\$ (126)	198%
Water	592	771	-23%	207	77	169%
Sewer	224	200	12%	222	281	-21%
Sanitation	589	572	3%	(32)	5	-740%
Golf	186	245	-24%	(167)	(210)	20%
Pool	31	32	-3%	(14)	(11)	-27%
Total	<u>\$ 4,476</u>	<u>\$ 4,562</u>	-2%	<u>\$ 339</u>	<u>\$ 16</u>	2019%

The large increases in electric and water net revenue are due primarily to a decrease in spending as a result of increased budget monitoring. The large increase in sanitation net expense is due to a decrease in sanitation revenues as compared to the prior year.

CITY OF LINDSAY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2014

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2014 fiscal year, the governmental funds reported a combined fund balance of \$3,146,207. For the year ended June 30, 2014, the General Fund's total fund balance increased by \$435,458. The proprietary funds reported a combined net position balance of \$6,252,917. The LPWA's total net position increased by \$906,719 during FY14.

Budgetary Highlights

For the year ended June 30, 2014, the General Fund reported actual budgetary basis revenues under final estimates by \$98,079 or a 2.8% negative variance. General Fund actual expenditures were under final appropriations by \$833,537 or a 22% positive variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2014, the City had approximately \$7.7 million in capital assets (net of accumulated depreciation), including land, buildings, machinery and equipment, and park facilities. Below are details regarding the City's capital assets for the year ended June 30, 2014.¹

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	(restated)				(restated)	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 126	\$ 126	\$ 395	\$ 395	\$ 521	\$ 521
Buildings	556	331	303	310	859	641
Land Improvements	13	14	-	-	13	14
Machinery, furniture and equipment	486	466	498	456	984	922
Infrastructure	1,597	888	3,656	2,853	5,253	3,741
Construction in progress	-	795	52	95	52	890
Totals	<u>\$ 2,778</u>	<u>\$ 2,620</u>	<u>\$ 4,904</u>	<u>\$ 4,109</u>	<u>\$ 7,682</u>	<u>\$ 6,729</u>

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

- Airport entrance and perimeter fence
- Police Department remodel
- Wastewater system improvements
- Waterline improvements

¹ 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, 2014

Debt Administration

- At year-end, the City had \$2.3 million in long-term debt outstanding which represents a \$313,000 decrease from the prior year, due to normal debt retirement payments.

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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>Change</u>
Capital leases	\$ -	\$ 10	\$ 28	\$ 42	\$ 28	\$ 52	-46.2%
Notes payable	-	-	2,301	2,592	2,301	2,592	-11.2%
Totals	\$ -	\$ 10	\$ 2,329	\$ 2,634	\$ 2,329	\$ 2,644	-11.9%

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

Oil and gas continues to be the principal factor in Lindsay's financial stability moving forward, so it is important to factor in the increase of play along the Woodford Shale. Although projected price per barrel is estimated to drop to \$70.00 or below, the multi-billion dollar investment within Lindsay and an approximate 54 mile radius could mean that despite the price per barrel decreases production will continue at a reduced level through early 2015. Taking into account the forecast of a hard winter in the northern states we can assume that production will not cease entirely. Additionally, as hydraulic fracturing continues the city will continue to see a stable \$250,000.00 - \$500,000.00 income from bulk water sales related to gas mining operations.

Six new commercial businesses are slated to open late 2014 and early 2015 adding to the city's sales tax base. Although the city is not projecting a major increase in sales tax revenue, the city does not foresee any decrease in said revenue going into 2015 and the next fiscal year.

The City currently has long-term debt obligations, the largest portion of which is in the form of outstanding notes through the OWRB for water and wastewater improvements that were completed this year. Major projects for the next fiscal year include a new public pool at a projected cost of \$2.5 - \$2.6 million dollars, and the first phase of a long-term Street and Utility Maintenance Program (SUMP) that will replace aging infrastructure over a projected 20-year term. Staff is looking to cash out both of these projects where feasible. Although cash reserves will be impacted, a proposed electric fee increase and current stability in other revenue streams should assist the city in maintaining adequate reserves in both the City and LPWA without having to resort to third party financing in the next fiscal year for any capital purchases or improvements.

In August 2014, Council approved the purchase of real property in the name of LPWA in the approximate value and amount of \$119,500.

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, 2014

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, 2014

Statement of Net Position – June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>	<u>Component Unit</u>
ASSETS				
Cash and cash equivalents	\$ 2,545,397	\$ 3,286,092	\$ 5,831,489	\$ 684,352
Short-term investments	-	-	-	222,715
Accounts receivable, net of allowance	232,234	812,704	1,044,938	1,016,252
Internal balances	13,078	(13,078)	-	-
Due from other governmental agencies	455,118	-	455,118	-
Inventories	3,693	100,214	103,907	-
Prepaid expenses	-	-	-	307,985
Restricted cash and cash equivalents	-	103,516	103,516	-
Restricted investments	-	94,000	94,000	-
Capital assets:				
Land and construction in progress	125,750	447,449	573,199	228,954
Other capital assets, net of depreciation	2,652,726	4,456,253	7,108,979	1,308,557
Total Assets	<u>6,027,996</u>	<u>9,287,150</u>	<u>15,315,146</u>	<u>3,768,815</u>
LIABILITIES				
Accounts payable and accrued expenses	90,258	438,390	528,648	753,743
Due to other governments	-	9,435	9,435	-
Estimated amounts due to third-party payers	-	-	-	6,304
Due to bondholders	1,902	-	1,902	-
Accrued interest payable	-	14,187	14,187	-
Long-term liabilities:				
Due within one year	6,856	357,449	364,305	-
Due in more than one year	61,709	2,214,772	2,276,481	-
Total liabilities	<u>160,725</u>	<u>3,034,233</u>	<u>3,194,958</u>	<u>760,047</u>
NET POSITION				
Net investment in capital assets	2,778,476	2,573,928	5,352,404	1,537,511
Restricted for:				
City donation	60,887	-	60,887	-
Debt service	-	75,115	75,115	-
Economic development	37,533	-	37,533	-
Emergency medical services	1,030,791	-	1,030,791	-
Public works	112,579	-	112,579	-
Other	127,291	-	127,291	-
Unrestricted	1,719,714	3,603,874	5,323,588	1,471,257
Total net position	<u>\$ 5,867,271</u>	<u>\$ 6,252,917</u>	<u>\$ 12,120,188</u>	<u>\$ 3,008,768</u>

See accompanying notes to these financial statements.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Statement of Activities – Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental Activities								
General Government	\$ 203,364	\$ 9,135	\$ -	\$ 251,999	\$ 57,770	\$ -	\$ 57,770	\$ -
Public Safety	2,550,654	527,124	146,947	9,800	(1,866,783)	-	(1,866,783)	-
Highways and streets	63,389	-	26,599	73,748	36,958	-	36,958	-
Culture and Recreation	180,800	-	7,238	-	(173,562)	-	(173,562)	-
Cemetery	69,203	20,200	-	-	(49,003)	-	(49,003)	-
Airport	77,024	3,920	-	91,375	18,271	-	18,271	-
Interest on Long-term debt and fiscal agent fees	162	-	-	-	(162)	-	(162)	-
Total governmental activities	<u>3,144,596</u>	<u>560,379</u>	<u>180,784</u>	<u>426,922</u>	<u>(1,976,511)</u>	<u>-</u>	<u>(1,976,511)</u>	<u>-</u>
Business-type activities:								
Electric	2,853,968	2,976,557	-	-	-	122,589	122,589	-
Water	591,795	798,675	-	-	-	206,880	206,880	-
Sewer	224,243	446,028	-	-	-	221,785	221,785	-
Sanitation	588,580	556,431	-	-	-	(32,149)	(32,149)	-
Golf Course	185,744	19,376	-	-	-	(166,368)	(166,368)	-
Pool	31,125	17,589	-	-	-	(13,536)	(13,536)	-
Total business-type activities	<u>4,475,455</u>	<u>4,814,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>339,201</u>	<u>339,201</u>	<u>-</u>
Total primary government	<u>7,620,051</u>	<u>5,375,035</u>	<u>180,784</u>	<u>426,922</u>	<u>(1,976,511)</u>	<u>339,201</u>	<u>(1,637,310)</u>	<u>-</u>
Component unit:								
Lindsay Municipal Hospital Authority	<u>10,259,512</u>	<u>10,417,228</u>	<u>7,415</u>	<u>-</u>				<u>165,131</u>
Total component unit	<u>10,259,512</u>	<u>10,417,228</u>	<u>7,415</u>	<u>-</u>				<u>165,131</u>
General revenues:								
Taxes:								
Sales and use taxes					\$ 3,044,885	\$ -	\$ 3,044,885	\$ -
Franchise taxes and public service taxes					105,934	-	105,934	-
Unrestricted investment earnings					5,738	8,627	14,365	18,298
Miscellaneous					57,263	-	57,263	22,751
Gain (loss) on disposal of capital assets					926	(6,624)	(5,698)	-
Miscellaneous rents and royalties					28,749	-	28,749	-
Transfers					<u>(565,515)</u>	<u>565,515</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>2,677,980</u>	<u>567,518</u>	<u>3,245,498</u>	<u>41,049</u>
Change in net position					701,469	906,719	1,608,188	206,180
Net position - beginning, restated					<u>5,165,802</u>	<u>5,346,198</u>	<u>10,512,000</u>	<u>2,802,588</u>
Net position - ending					<u>\$ 5,867,271</u>	<u>\$ 6,252,917</u>	<u>\$ 12,120,188</u>	<u>\$ 3,008,768</u>

See accompanying notes to these financial statements.

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Governmental Funds Balance Sheet – June 30, 2014

	<u>General Fund</u>	<u>Special Sales Tax</u>	<u>EMS Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 864,088	\$ -	\$ 956,928	\$ 719,793	\$ 2,540,809
Receivable from other governments	248,934	97,011	97,011	12,162	455,118
Due from other funds	27,990	975	975	9,405	39,345
Court fines receivable, net	26,758	-	-	-	26,758
Ambulance receivable, net	185,829	-	-	-	185,829
Other receivables	19,647	-	-	-	19,647
Inventories	3,693	-	-	-	3,693
Total assets	<u>1,376,939</u>	<u>97,986</u>	<u>1,054,914</u>	<u>741,360</u>	<u>3,271,199</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Accounts payable	45,701	-	-	207	45,908
Accrued payroll payable	44,350	-	-	-	44,350
Due to other funds	20,427	-	-	5,840	26,267
Due to bondholders	1,902	-	-	-	1,902
Total liabilities	<u>112,380</u>	<u>-</u>	<u>-</u>	<u>6,047</u>	<u>118,427</u>
Deferred Inflows:					
Deferred revenue	<u>6,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,565</u>
Fund balances:					
Nonspendable	3,693	-	-	-	3,693
Restricted for:					
Street and Alley	-	-	-	95,732	95,732
City Donation	-	-	-	60,887	60,887
Public Works	-	97,986	-	14,593	112,579
Economic Development	-	-	-	37,533	37,533
Cemetery	-	-	-	31,559	31,559
Emergency Medical Services	-	-	1,030,791	-	1,030,791
Assigned to:					
Subsequent Year Budget	300,000	-	-	-	300,000
Street and Alley	-	-	-	1,477	1,477
Library	-	-	-	6	6
Public Works	-	-	-	334	334
Airport	-	-	-	15,214	15,214
Cemetery	-	-	-	32,696	32,696
Capital Improvements	-	-	-	445,282	445,282
Emergency Medical Services	-	-	24,123	-	24,123
Unassigned	954,301	-	-	-	954,301
Total fund balances	<u>1,257,994</u>	<u>97,986</u>	<u>1,054,914</u>	<u>735,313</u>	<u>3,146,207</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,376,939</u>	<u>\$ 97,986</u>	<u>\$ 1,054,914</u>	<u>\$ 741,360</u>	<u>\$ 3,271,199</u>

See accompanying notes to these financial statements.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance – Year Ended June 30, 2014

	General Fund	Special Sales Tax	EMS Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,720,622	\$ 688,139	\$ 688,139	\$ -	\$ 3,096,900
Intergovernmental	266,385	-	-	387,940	654,325
Charges for services	445,509	-	-	5,881	451,390
Fines and forfeitures	109,580	-	-	-	109,580
Licenses and permits	11,635	-	-	-	11,635
Investment income	1,548	-	2,331	1,859	5,738
Miscellaneous	79,726	-	-	12,781	92,507
Total revenues	<u>2,635,005</u>	<u>688,139</u>	<u>690,470</u>	<u>408,461</u>	<u>4,422,075</u>
EXPENDITURES					
Current:					
General government	189,824	-	-	698	190,522
Public Safety	1,476,369	-	-	596	1,476,965
Highway and streets	8,274	-	-	-	8,274
Culture and recreation	152,452	-	-	5,895	158,347
Airport	-	-	-	10,060	10,060
Cemetery	57,799	-	-	-	57,799
Public Health and Welfare	964,791	-	-	-	964,791
Capital Outlay	242,921	-	29,964	146,630	419,515
Debt Service:					
Principal	9,515	-	-	-	9,515
Interest and other charges	616	-	-	-	616
Total Expenditures	<u>3,102,561</u>	<u>-</u>	<u>29,964</u>	<u>163,879</u>	<u>3,296,404</u>
Excess (deficiency) of revenues over expenditures	<u>(467,556)</u>	<u>688,139</u>	<u>660,506</u>	<u>244,582</u>	<u>1,125,671</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	903,014	-	-	9,755	912,769
Transfers out	-	(675,813)	(552,472)	(249,999)	(1,478,284)
Total other financing sources and uses	<u>903,014</u>	<u>(675,813)</u>	<u>(552,472)</u>	<u>(240,244)</u>	<u>(565,515)</u>
Net change in fund balances	435,458	12,326	108,034	4,338	560,156
Fund balances - beginning (restated)	<u>822,536</u>	<u>85,660</u>	<u>946,880</u>	<u>730,975</u>	<u>2,586,051</u>
Fund balances - ending	<u>\$ 1,257,994</u>	<u>\$ 97,986</u>	<u>\$ 1,054,914</u>	<u>\$ 735,313</u>	<u>\$ 3,146,207</u>

See accompanying notes to these financial statements.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

Total fund balance, governmental funds	\$	3,146,207
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.		
		2,778,476
Certain long-term assets are not available to pay current fund liabilities and, therefore are deferred in the funds:		
Court fines receivable		6,565
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		4,588
Accrued compensated absences liability		(68,565)
Net Position of Governmental Activities in the Statement of Net Position	\$	5,867,271

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net change in fund balances - total governmental funds:	\$	560,156
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		408,860
Depreciation expense		(248,247)
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold:		
Book value of disposed capital assets		(2,399)
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		(8,096)
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		9,515
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		454
Change in accrued compensated absences		(9,154)
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.		
		(9,620)
Change in net position of governmental activities	\$	701,469

See accompanying notes to these financial statements.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Proprietary Funds Statement of Net Position – June 30, 2014

	Lindsay Public Works Authority	Internal Service Fund
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,201,125	\$ 4,588
Restricted:		
Cash and cash equivalents	84,967	-
Due from other funds	8,318	-
Accounts receivable, net	812,704	-
Inventories	100,214	-
Total current assets	4,207,328	4,588
Non-current assets:		
Restricted:		
Cash and cash equivalents	103,516	-
Investments	94,000	-
Capital Assets:		
Land and construction in progress	447,449	-
Other capital assets, net of accumulated depreciation	4,456,253	-
Total non-current assets	5,101,218	-
Total assets	9,308,546	4,588
LIABILITIES		
Current Liabilities:		
Accounts payable	404,154	-
Salaries payable	34,236	-
Accrued interest payable	14,187	-
Due to other governments	9,435	-
Due to other funds	21,396	-
Compensated absences	11,932	-
Capital lease payable	13,996	-
Due to depositors	37,254	-
Notes payable	294,267	-
Total current liabilities	840,857	-
Non-current liabilities:		
Compensated absences	44,368	-
Capital lease payable	14,434	-
Due to depositors	148,893	-
Notes payable	2,007,077	-
Total non-current liabilities	2,214,772	-
Total liabilities	3,055,629	-
NET POSITION		
Net investment in capital assets	2,573,928	-
Restricted for debt service	75,115	-
Unrestricted	3,603,874	4,588
Total net position	\$ 6,252,917	\$ 4,588

See accompanying notes to these financial statements.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position – Year Ended June 30, 2014

	<u>Lindsay Public Works Authority</u>	<u>Internal Service Fund</u>
OPERATING REVENUES		
Electric	\$ 2,962,286	\$ -
Water	779,756	-
Sewer	374,031	-
Sanitation	543,251	-
Golf course	19,376	-
Pool	17,589	-
Miscellaneous	113,175	365,318
Total operating revenues	<u>4,809,464</u>	<u>365,318</u>
OPERATING EXPENSES		
Billing	120,271	
Electric	2,340,431	-
Water	305,783	-
Sewer	98,775	-
Sanitation	481,332	-
Administration/Legal	268,303	-
Golf Course	167,949	-
Pool	30,248	-
General government	330,457	-
Depreciation expense	278,488	-
Insurance Claims	-	374,653
Miscellaneous Expense	-	345
Total Operating Expenses	<u>4,422,037</u>	<u>374,998</u>
Operating income (loss)	<u>387,427</u>	<u>(9,680)</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment income	8,627	60
Loss on sale of capital assets	(6,624)	-
Interest expense and fiscal agent fees	(48,226)	-
Total non-operating revenue (expenses)	<u>(46,223)</u>	<u>60</u>
Income (loss) before transfers	341,204	(9,620)
Transfers in	975,270	-
Transfers out	(409,755)	-
Change in net position	<u>906,719</u>	<u>(9,620)</u>
Total net position - beginning (restated)	<u>5,346,198</u>	<u>14,208</u>
Total net position - ending	<u>\$ 6,252,917</u>	<u>\$ 4,588</u>

See accompanying notes to these financial statements.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Proprietary Funds Statement of Cash Flows – Year Ended June 30, 2014

	Lindsay Public Works Authority	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 4,756,810	\$ -
Payments to suppliers	(3,215,204)	-
Payments to employees	(1,061,874)	(374,998)
Interfund receipts	2,958	-
Receipts of customer meter deposits	64,097	-
Refunds of customer meter deposits	(54,464)	-
Other receipts	-	365,318
Net cash provided by (used in) operating activities	492,323	(9,680)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers from other funds	975,270	-
Transfers to other funds	(409,755)	-
Net cash provided by (used in) noncapital financing activities	565,515	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(1,084,930)	-
Proceeds from sale of capital assets	5,330	-
Principal paid on debt	(303,912)	-
Interest and fiscal agent fees paid on debt	(50,113)	-
Net cash provided by (used in) capital and related financing activities	(1,433,625)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends	8,627	60
Net cash provided by investing activities	8,627	60
Net increase (decrease) in cash and cash equivalents	(367,160)	(9,620)
Balances - beginning of year	3,756,768	14,208
Balances - end of year	\$ 3,389,608	\$ 4,588
Reconciliation to Statement of Net Position:		
Cash and cash equivalents	\$ 3,201,125	\$ 4,588
Restricted cash and cash equivalents - current	84,967	-
Restricted cash and cash equivalents - noncurrent	103,516	-
Total cash and cash equivalents, end of year	\$ 3,389,608	\$ 4,588
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 387,427	\$ (9,680)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	278,488	-
Change in assets and liabilities:		
Due from other funds	2,660	-
Due to other funds	298	-
Accounts receivable	(57,846)	-
Inventory	(7,406)	-
Accounts payable	(135,402)	-
Accrued payroll payable	13,166	-
Deposits subject to refund	9,633	-
Accrued compensated absences	1,305	-
Net cash provided by (used in) operating activities	\$ 492,323	\$ (9,680)

See accompanying notes to these financial statements.

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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 as this authority is currently inactive.

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

Lindsay Industrial Development Authority – that promotes industrial development within the City of Lindsay – currently inactive

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

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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

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

2. Basis of Presentation and Accounting

Government-Wide Financial Statements:

The 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
- Utilities – charges services for electric, water, sewer and sanitation

All other 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.

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

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
- Airport Fund – a capital project fund that accounts for revenues and expenditures for airport operations
- 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, and EMS 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 enterprise 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.

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, 2014, the City recognized \$14,365 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, 2014, the primary government held the following deposits and investments:

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

PRIMARY GOVERNMENT:			
<u>Type</u>	<u>Maturities</u>	<u>Credit Rating</u>	<u>Carrying Value</u>
Deposits:			
Petty cash			\$ 500
Demand deposits			5,820,408
Time deposits	May 2015		<u>94,000</u>
			<u>5,914,908</u>
Investments:			
Caval Hill U.S. Treasury Admin Fund		AAAm	89,302
Invesco Tst Prem US Gov Fund		AAAm	<u>24,795</u>
			<u>114,097</u>
Total deposits and investments			<u>\$ 6,029,005</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents			\$ 5,831,489
Restricted cash and cash equivalents			103,516
Investments			<u>94,000</u>
			<u>\$ 6,029,005</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, 2014, the City was not exposed to custodial credit risk as defined above.

As of June 30, 2014, the deposits and investments for the Lindsay Municipal Hospital Authority were \$907,067. None of this amount 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, 2014, the City's investments consisted of \$114,097 of money market open-ended mutual funds invested in U.S. Treasury securities with a credit rating of AAAM 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.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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, 2014 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	\$ 44,166	\$ 55,015	\$ 94,000	\$ 193,181
OWRB Debt Service	40,801	48,501	-	89,302
Total	<u>\$ 84,967</u>	<u>\$ 103,516</u>	<u>\$ 94,000</u>	<u>\$ 282,483</u>

4. Accounts Receivable

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

	<u>Accounts Receivable</u>	<u>Less: Allowance for Uncollectible Accounts</u>	<u>Net Accounts Receivable</u>
<i>Governmental Activities:</i>			
Ambulance receivable	\$ 371,191	\$ 185,362	\$ 185,829
Court fines	133,791	107,033	26,758
Other receivables	19,647	-	19,647
Total Governmental Activities	<u>\$ 524,629</u>	<u>\$ 292,395</u>	<u>\$ 232,234</u>
<i>Business-Type Activities:</i>			
Utilities	<u>\$ 1,347,758</u>	<u>\$ 535,054</u>	<u>\$ 812,704</u>

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:

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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

For the year ended June 30, 2014, capital assets balances changed as follows:

Primary Government:

	Balance at July 1, 2013	Additions	Disposals	Balance at June 30, 2014
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 125,750	\$ -	\$ -	\$ 125,750
Construction in progress	794,849	274,382	1,069,231	-
Total capital assets not being depreciated	<u>920,599</u>	<u>274,382</u>	<u>1,069,231</u>	<u>125,750</u>
Other capital assets:				
Buildings	1,108,176	257,259	-	1,365,435
Land Improvements	27,500	-	-	27,500
Computers & Electronics	117,720	-	-	117,720
Furniture & Fixtures	31,604	-	-	31,604
Vehicles	1,752,410	45,690	-	1,798,100
Infrastructure	3,122,187	831,531	2,971	3,950,747
Machinery and equipment	883,679	69,226	30,849	922,056
Total other capital assets at historical cost	<u>7,043,276</u>	<u>1,203,706</u>	<u>33,820</u>	<u>8,213,162</u>
Less accumulated depreciation for:				
Buildings	776,750	32,295	-	809,045
Land Improvements	13,139	1,833	-	14,972
Computers & Electronics	113,027	2,651	-	115,678
Furniture & Fixtures	23,530	1,299	-	24,829
Vehicles	1,526,464	40,382	-	1,566,846
Infrastructure	2,234,294	120,075	1,807	2,352,562
Machinery and equipment	656,405	49,712	29,613	676,504
Total accumulated depreciation	<u>5,343,609</u>	<u>248,247</u>	<u>31,420</u>	<u>5,560,436</u>
Other capital assets, net	1,699,667	955,459	2,400	2,652,726
Governmental activities capital assets, net	<u>\$ 2,620,266</u>	<u>\$ 1,229,841</u>	<u>\$ 1,071,631</u>	<u>\$ 2,778,476</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 395,000	\$ -	\$ -	\$ 395,000
Construction in progress	95,095	932,831	975,477	52,449
Total capital assets not being depreciated	<u>490,095</u>	<u>932,831</u>	<u>975,477</u>	<u>447,449</u>
Other capital assets:				
Buildings	847,587	4,950	-	852,537
Computers & Electronics	102,596	-	-	102,596
Furniture & Fixtures	8,840	-	-	8,840
Vehicles	999,615	-	-	999,615
Machinery & equipment	1,010,635	127,349	31,445	1,106,539
Infrastructure	15,066,546	995,277	-	16,061,823
Total other capital assets at historical cost	<u>18,035,819</u>	<u>1,127,576</u>	<u>31,445</u>	<u>19,131,950</u>
Less accumulated depreciation for:				
Buildings	537,105	12,556	-	549,661
Computers & Electronics	98,577	1,342	-	99,919
Furniture & Fixtures	8,840	-	-	8,840
Vehicles	943,314	9,411	-	952,725
Machinery and equipment	614,820	62,834	19,491	658,163
Infrastructure	12,214,043	192,345	-	12,406,388
Total accumulated depreciation	<u>14,416,699</u>	<u>278,488</u>	<u>19,491</u>	<u>14,675,696</u>
Other capital assets, net	3,619,120	849,088	11,954	4,456,254
Business-type activities capital assets, net	<u>\$ 4,109,215</u>	<u>\$ 1,781,919</u>	<u>\$ 987,431</u>	<u>\$ 4,903,703</u>

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

	Balance at July 1, 2013	Additions	Disposals	Transfers	Balance at June 30, 2014
<i>Lindsay Municipal Hospital Authority:</i>					
Capital assets not being depreciated:					
Land	\$ 14,164	\$ -	\$ -	\$ -	\$ 14,164
Construction in progress	16,141	214,789	16,140	-	214,790
Total capital assets not being depreciated	<u>30,305</u>	<u>214,789</u>	<u>16,140</u>	<u>-</u>	<u>228,954</u>
Other capital assets:					
Buildings	2,484,709	243,737	-	-	2,728,446
Land Improvements	34,266	-	-	-	34,266
Machinery and equipment	2,758,349	65,490	174,415	-	2,649,424
Total other capital assets at historical cost	<u>5,277,324</u>	<u>309,227</u>	<u>174,415</u>	<u>-</u>	<u>5,412,136</u>
Less accumulated depreciation for:					
Buildings	1,720,530	50,676	-	-	1,771,206
Land Improvements	34,266	-	-	-	34,266
Machinery and equipment	2,202,282	246,910	151,085	-	2,298,107
Total accumulated depreciation	<u>3,957,078</u>	<u>297,586</u>	<u>151,085</u>	<u>-</u>	<u>4,103,579</u>
Other capital assets, net	<u>1,320,246</u>	<u>11,641</u>	<u>23,330</u>	<u>-</u>	<u>1,308,557</u>
Municipal Hospital capital assets, net	<u>\$ 1,350,551</u>	<u>\$ 226,430</u>	<u>\$ 39,470</u>	<u>\$ -</u>	<u>\$ 1,537,511</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	88,823
Highways and streets	50,773
Culture and recreation	21,891
Cemetery	6,954
Airport	66,964
	<u>\$ 248,247</u>

Business-Type Activities:

Administration	\$ 228
Electric	25,528
Water	155,778
Sewer	57,149
Pool	877
General Government	11,343
Sanitation	6,605
Golf Course	20,980
	<u>\$ 278,488</u>

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

6. Long-Term Debt and Debt Service Requirements

<u>Type of Debt</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Governmental Activities:					
Capital lease payable	\$ 9,515	\$ -	\$ 9,515	\$ -	\$ -
Accrued compensated absences	59,415	9,150	-	68,565	6,856
Total Governmental Activities	<u>\$ 68,930</u>	<u>\$ 9,150</u>	<u>\$ 9,515</u>	<u>\$ 68,565</u>	<u>\$ 6,856</u>
Business-Type Activities:					
Notes payable	\$ 2,591,684	-	290,341	\$ 2,301,343	294,267
Capital lease payable	42,001	-	13,571	28,431	13,996
Meter deposit liability	176,514	64,097	54,464	186,147	37,254
Accrued compensated absences	54,995	1,305	-	56,300	11,932
Total Business-Type Activities	<u>2,865,194</u>	<u>65,402</u>	<u>358,376</u>	<u>2,572,221</u>	<u>357,449</u>
Total Long-Term Debt	<u>\$ 2,934,124</u>	<u>\$ 74,552</u>	<u>\$ 367,891</u>	<u>\$ 2,640,786</u>	<u>\$ 364,305</u>

Reconciliation to Statement of Net Position:

Governmental Activities:

Due within one year	\$ 6,856
Due in more than one year	61,709
Total Governmental Activities Long-term liabilities	<u>\$ 68,565</u>

Business-Type Activities:

Due within one year	\$ 357,449
Due in more than one year	2,214,772
Total Business-Type Activities Long-term liabilities	<u>\$ 2,572,221</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, 2014, the governmental activities long-term payable from taxes and other general revenues include the following:

Accrued Compensated Absences

Current portion	\$ 6,856
Noncurrent portion	61,709
Total Accrued Compensated Absences	<u>\$ 68,565</u>

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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, 2014, includes the following:

Long-Term Note Commitments

OWRB Amended Series 2000 Promissory Note dated February 2000, original amount of \$575,000, due in semi-annual installments each February 15 and August 15, final installment due February 2026, interest rate of 2.30%. Note is secured by a pledge of utility revenues and sales tax and also a mortgage with power of sale and security agreement.	\$ 295,000
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.	1,372,003
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.	82,360
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.	26,980
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.	525,000
Total Notes Payable	\$ 2,301,343
Current portion	\$ 294,267
Noncurrent portion	2,007,076
Total Notes Payable	\$ 2,301,343

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.	\$ 28,431
Total Capital Leases Payable	\$ 28,431
Current portion	\$ 13,996
Noncurrent portion	14,435
Total Capital Leases Payable	\$ 28,431

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Meter Deposit Liability

Current portion	\$	37,254
Noncurrent portion		148,893
Total Meter Deposit Liability	\$	<u>186,147</u>

Accrued Compensated Absences

Current portion	\$	11,932
Noncurrent portion		44,368
Total Accrued Compensated Absences	\$	<u>56,300</u>

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

Year Ended June 30,	Business-Type			
	Notes Payable		Capital Lease	
	Principal	Interest	Principal	Interest
2014	\$ 294,267	\$ 43,295	\$ 13,996	\$ 930
2015	297,852	37,657	14,435	473
2016	306,628	31,668	-	-
2017	315,442	25,442	-	-
2018	329,348	18,917	-	-
2019-2022	757,806	17,653	-	-
Total	\$2,301,343	\$174,632	\$28,431	\$1,403

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 \$2,352,849. Pledged sales taxes received in the current year were \$725,271 and net utility revenues were \$779,047. Debt service payments of \$326,678 for the current fiscal year were 21.7% of both pledged sales taxes and net utility revenues of \$1,504,318.

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.

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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	\$89,302
Less: accrued interest payable	<u>(14,187)</u>
Total Enterprise Fund Restriction for Debt Service	<u>\$75,115</u>

Restatement of Net Position/Fund Balance:

Beginning net position/fund balance was restated as of June 30, 2014 as follows:

	Government-Wide		Fund Level		
	Governmental Activities	Business-type Activities	General Fund	Airport Fund	LPWA
Beginning net position, as previously reported	\$ 5,058,015	\$ 4,999,201	\$ 772,740	\$ 13,480	\$ 4,999,201
Overstatement of accounts payable in FY13	57,787	346,997	49,796	7,991	346,997
Understatement of capital assets in FY13	50,000	-	-	-	-
Beginning net position, restated	<u>\$ 5,165,802</u>	<u>\$ 5,346,198</u>	<u>\$ 822,536</u>	<u>\$ 21,471</u>	<u>\$ 5,346,198</u>

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.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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>
CLEET Fund	General Fund	\$ 6,220	court activity
Police Bond Fund	General Fund	827	court activity
LPWA	Airport Fund	3	deposit correction
General Fund	LPWA	8,168	expenses paid on behalf of GF
General Fund	Street and Alley Fund	3,562	deposit correction
LPWA	General Fund	21,093	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	5,840	reclassification of fire grants
Total		<u>\$ 47,663</u>	

Reconciliation to Fund Financial Statements:

	<u>Due From</u>	<u>Due To</u>	<u>Net Internal Balances</u>
Governmental Funds	\$ 39,345	\$ (26,267)	\$ 13,078
Proprietary Funds	8,318	(21,396)	(13,078)
Total	<u>\$ 47,663</u>	<u>\$ (47,663)</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>
Grant Fund	LPWA	\$ 249,999	capital improvement subsidy
LPWA	General Fund	400,000	operational subsidy
Emergency Services 1% Tax	General Fund	503,014	sales tax transfer
LPWA Designated Sales Tax	LPWA	725,271	sales tax transfer
LPWA	Airport Fund	9,755	operational subsidy
Total		<u>\$ 1,888,039</u>	

Reconciliation to Fund Financial Statements:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Net Transfers</u>
Governmental Funds	\$ 912,769	\$ (1,478,284)	\$ (565,515)
Proprietary Funds	975,270	(409,755)	565,515
	<u>\$ 1,888,039</u>	<u>\$ (1,888,039)</u>	<u>\$ -</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 2014, the City's annual required contribution was \$50,762 for the OFPRS plan and was equal to the City's actual contribution. The state made on-behalf payments of \$111,439 (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.

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

For 2014, the City's annual required contribution was \$31,048 and was equal to the City's actual contribution. The state made on-behalf payments of \$27,279 (or 11.4% of covered payroll) for the fiscal year. The on-behalf payments are reported as both revenue and expense.

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

OMRF Defined Benefit Plan

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

Eligibility Factors, Contribution Methods and Benefit Provisions

Provision	OMRF Plan
a. Eligible to Participate	Full-time, non-uniformed employees of the City upon hire.
b. Contribution Requirements:	
-Authorization	By City ordinance
-Actuarially Determined	Yes
-Employer Rate	8.15% 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.

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Actuarial Assumptions

For Plan Year Beginning July 1, 2014 (Date of Last Actuarial Valuation: January 1, 2014)

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, 2014, the funded status of the OMRF agent multiple employer defined benefit plan is as follows:

Actuarial accrued liability (AAL)	\$3,446,032
Actuarial value of plan assets	<u>3,526,515</u>
Unfunded (overfunded) actuarial accrued liability (UAAL)	<u>\$ (80,483)</u>
Funded ratio (actuarial value of plan assets/AAL)	102.3%
Annual covered payroll (active plan members)	\$1,372,841
UAAL as a percentage of covered payroll	-5.9%

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

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

Summary of Contributions:

Oklahoma Municipal Retirement Fund				Oklahoma Police Pension and Retirement System			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2012	\$ 68,995	100%	-	2012	\$ 28,562	100%	-
2013	138,987	100%	-	2013	32,236	100%	-
2014	147,521	100%	-	2014	31,048	100%	-
 Oklahoma Firefighter's Pension and Retirement System							
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation				
2012	\$ 36,241	100%	-				
2013	48,020	100%	-				
2014	50,762	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 2014, the City's involvement in federal and state award programs was not material. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The City has not been notified of any noncompliance with federal or state award requirements.

DEQ Consent Order:

The City of Lindsay is currently under consent order case 12-047 related to the waste water facility with the Oklahoma Department of Environmental Quality. Timely compliance with the consent order is needed to avoid any fines. The project was completed in August 2014. However, a delay in approving the closeout documents has delayed the final resolution of the project and the removal of the consent order.

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:

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

- **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 administrative contractor.

- **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, 2014. 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, 2014.

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. Effective January 1, 2014 RRG was dissolved and the Authority purchased medical malpractice insurance under a claims-made policy on a fixed premium basis from a commercial carrier.

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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.

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

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

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.

Construction Commitments:

At June 30, 2014, the City had entered into the following construction commitments:

• Miller Construction & Sons	HWY 76 S – Utility relocation	\$32,692
• Miller Construction & Sons	Sewer for hotel infrastructure	\$227,955
• Avery Construction	Water for hotel infrastructure	\$62,330
• Myers Engineering	Infrastructure assessment	\$38,500

14. Subsequent Event

In August 2014, Council approved the purchase of real property in the name of LPWA in the approximate value and amount of \$119,500.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Budgetary Comparison Schedules (Budgetary Basis) – Year Ended June 30, 2014

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$300,000	\$300,000	\$822,536	\$522,536
Resources (Inflows)				
Taxes	1,513,000	1,513,000	1,720,622	207,622
Intergovernmental	190,000	190,000	127,667	(62,333)
Charges for services	331,600	331,600	445,509	113,909
Fines and forfeitures	75,000	75,000	109,580	34,580
Licenses and permits	7,050	7,050	11,635	4,585
Investment income	500	500	1,548	1,048
Miscellaneous	56,050	56,050	79,726	23,676
Transfers in	1,324,180	1,324,180	903,014	(421,166)
Sub-total Resources (Inflows)	<u>3,497,380</u>	<u>3,497,380</u>	<u>3,399,301</u>	<u>(98,079)</u>
Amounts Available for Appropriation	<u>3,797,380</u>	<u>3,797,380</u>	<u>4,221,837</u>	<u>424,457</u>
Charges to Appropriations (Outflows)				
Public safety	1,663,950	1,663,950	1,420,228	243,722
Streets	253,350	253,350	142,694	110,656
Culture & recreation	222,680	222,680	152,922	69,758
General government	406,600	406,600	189,824	216,776
Cemetery	94,300	94,300	61,871	32,429
Health & public safety -ambulance	1,156,500	1,156,500	996,304	160,196
Total Charges to Appropriations	<u>3,797,380</u>	<u>3,797,380</u>	<u>2,963,843</u>	<u>833,537</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,257,994</u>	<u>\$ 1,257,994</u>

	EMS FUND			
	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 150,000	\$ 150,000	\$ 946,880	\$ 796,880
Resources (Inflows)				
Taxes	637,500	637,500	688,139	50,639
Investment income	1,718	1,718	2,331	613
Amounts Available for Appropriation	<u>789,218</u>	<u>789,218</u>	<u>1,637,350</u>	<u>848,132</u>
Charges to Appropriations (Outflows)				
Health & Public Safety -Ambulance	187,288	187,288	29,964	157,324
Transfers out	601,930	601,930	552,472	49,458
Total Charges to Appropriations	<u>789,218</u>	<u>789,218</u>	<u>582,436</u>	<u>206,782</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,054,914</u>	<u>\$ 1,054,914</u>

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Budgetary Comparison Schedules – Year Ended June 30, 2014, (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)	\$3,399,301
Add: On-behalf payments	<u>138,718</u>
Total resources as recorded on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$3,538,019</u>

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

Total revenues	\$2,635,005
Transfers in	<u>903,014</u>
Total Resources	<u>\$3,538,019</u>

Total budgetary expenditures and transfers	\$2,963,843
Add: On-behalf payments	<u>138,718</u>
Total expenditures as recorded on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$3,102,561</u>

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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%
1/1/14	\$3,526,515	\$3,446,032	(\$80,483)	102.3%	\$1,372,841	-5.9%

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

SUPPLEMENTAL INFORMATION

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2014

	Special Revenue Funds					Capital Project Funds			Total Governmental Funds
	City Donation	Street & Alley	LPWA Donation	Library	Grant	Cemetery Care	Airport	Capital Improvement	
ASSETS									
Cash and cash equivalents	\$ 66,727	\$ 91,285	\$ 14,927	\$ 6	\$ 21,893	\$ 64,255	\$ 15,418	\$ 445,282	\$ 719,793
Receivable from other governments	-	2,362	-	-	9,800	-	-	-	12,162
Due from other funds	-	3,562	-	-	5,840	-	3	-	9,405
Total assets	<u>66,727</u>	<u>97,209</u>	<u>14,927</u>	<u>6</u>	<u>37,533</u>	<u>64,255</u>	<u>15,421</u>	<u>445,282</u>	<u>741,360</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	-	-	-	-	-	-	207	-	207
Due to other funds	5,840	-	-	-	-	-	-	-	5,840
Total liabilities	<u>5,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207</u>	<u>-</u>	<u>6,047</u>
Fund balances:									
Restricted for:									
Street and Alley	-	95,732	-	-	-	-	-	-	95,732
City Donation	60,887	-	-	-	-	-	-	-	60,887
Public Works	-	-	14,593	-	-	-	-	-	14,593
Economic Development	-	-	-	-	37,533	-	-	-	37,533
Cemetery	-	-	-	-	-	31,559	-	-	31,559
Assigned to:									
Street and Alley	-	1,477	-	-	-	-	-	-	1,477
Library	-	-	-	6	-	-	-	-	6
Public Works	-	-	334	-	-	-	-	-	334
Capital Improvements	-	-	-	-	-	-	-	445,282	445,282
Airport	-	-	-	-	-	-	15,214	-	15,214
Cemetery	-	-	-	-	-	32,696	-	-	32,696
Total fund balances	<u>60,887</u>	<u>97,209</u>	<u>14,927</u>	<u>6</u>	<u>37,533</u>	<u>64,255</u>	<u>15,214</u>	<u>445,282</u>	<u>735,313</u>
Total liabilities and fund balances	<u>\$ 66,727</u>	<u>\$ 97,209</u>	<u>\$ 14,927</u>	<u>\$ 6</u>	<u>\$ 37,533</u>	<u>\$ 64,255</u>	<u>\$ 15,421</u>	<u>\$ 445,282</u>	<u>\$ 741,360</u>

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2014

	Special Revenue Funds					Capital Project Funds			Total-Other Governmental Funds
	City Donation	Street & Alley	LPWA Donation	Library	Grant	Cemetery Care	Airport	Capital Improvement	
REVENUES									
Intergovernmental	\$ -	\$ 26,599	\$ -	\$ 3,693	\$ 266,273	\$ -	\$ 91,375	\$ -	\$ 387,940
Charges for services	-	-	-	-	-	5,881	-	-	5,881
Investment income	184	211	31	3	111	153	48	1,118	1,859
Miscellaneous	5,891	-	2,970	-	-	-	3,920	-	12,781
Total revenues	<u>6,075</u>	<u>26,810</u>	<u>3,001</u>	<u>3,696</u>	<u>266,384</u>	<u>6,034</u>	<u>95,343</u>	<u>1,118</u>	<u>408,461</u>
EXPENDITURES									
Current:									
General government	698	-	-	-	-	-	-	-	698
Public Safety	596	-	-	-	-	-	-	-	596
Culture and recreation	200	-	-	3,694	2,001	-	-	-	5,895
Airport	-	-	-	-	-	-	10,060	-	10,060
Capital Outlay	7,420	19,559	-	-	18,356	-	101,295	-	146,630
Total Expenditures	<u>8,914</u>	<u>19,559</u>	<u>-</u>	<u>3,694</u>	<u>20,357</u>	<u>-</u>	<u>111,355</u>	<u>-</u>	<u>163,879</u>
Excess (deficiency) of revenues over expenditures	<u>(2,839)</u>	<u>7,251</u>	<u>3,001</u>	<u>2</u>	<u>246,027</u>	<u>6,034</u>	<u>(16,012)</u>	<u>1,118</u>	<u>244,582</u>
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	-	-	9,755	-	9,755
Transfers out	-	-	-	-	(249,999)	-	-	-	(249,999)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(249,999)</u>	<u>-</u>	<u>9,755</u>	<u>-</u>	<u>(240,244)</u>
Net change in fund balances	(2,839)	7,251	3,001	2	(3,972)	6,034	(6,257)	1,118	4,338
Fund balances - beginning	63,726	89,958	11,926	4	41,505	58,221	21,471	444,164	730,975
Fund balances - ending	<u>\$ 60,887</u>	<u>\$ 97,209</u>	<u>\$ 14,927</u>	<u>\$ 6</u>	<u>\$ 37,533</u>	<u>\$ 64,255</u>	<u>\$ 15,214</u>	<u>\$ 445,282</u>	<u>\$ 735,313</u>

**CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014**

Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2014

Federal Grantor/Pass Through Agency Grantor/Program Title	Federal CFDA Number	Grant #	Award Amount	Awards Expended
FEDERAL AWARDS:				
<u>DEPT OF HOUSING AND URBAN DEVELOPMENT:</u>				
Passed through the Oklahoma Department of Commerce:				
CDBG Grant	14.228	15173 CDBG 12	\$ 249,999	\$ 249,999
<u>DEPARTMENT OF JUSTICE:</u>				
Passed through the District Attorney's Council:				
JAG-LLE-2013 Grant	16.738	2011-DJ-BX-2229	9,800	9,800
<u>DEPARTMENT OF TRANSPORTATION</u>				
Federal Aviation Administration:				
Airport Improvement Program	20.106	AIP 3-40-0052-007-2013	99,618	91,375
Total Federal Awards			<u>\$ 359,417</u>	<u>\$ 351,174</u>

State Grantor/Pass Through Agency Grantor/Program Title	Grant #	Award Amount	Awards Expended
STATE AWARDS:			
<u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>			
Rural Fire Grant	N/A	\$ 4,474	\$ 4,474
<u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>			
State Aid	N/A	3,693	3,693
<u>OKLAHOMA TOBACCO SETTLEMENT ENDOWMENT TRUST:</u>			
2013 Healthy Community Incentive Grant	N/A	2,000	2,000
<u>SOUTHERN OKLAHOMA DEVELOPMENT ASSOCIATION:</u>			
Community Expansion Nutrition Assistance (CENA) Grant	54 CENA 14	2,000	2,000
Total State Awards		<u>\$ 12,167</u>	<u>\$ 12,167</u>

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

Schedule of Debt Service Coverage Requirement – Year Ended June 30, 2014

DEBT SERVICE COVERAGE:	OWRB Series 2000, DWSRF 2000 & 2012 Promissory Note
GROSS REVENUE AVAILABLE:	
Charges for services (electric, water, sewer, and miscellaneous)	\$ 4,229,248
Investment income	8,627
Sales tax appropriated and transferred from the City General Fund	<u>725,271</u>
Total Gross Revenue Available	<u>4,963,146</u>
OPERATING EXPENSES:	
Total Operating Expenses	<u>3,464,020</u>
Net Revenue Available for Debt Service	<u><u>\$ 1,499,126</u></u>
Debt Service on all Obligations Payable:	
Maximum annual debt service - OWRB Series 2000	\$ 56,481
Average annual debt service - OWRB DWSRF 2000	180,025
Average annual debt service - 2012 Note	<u>65,625</u>
	<u><u>\$ 302,131</u></u>
Computed Coverage	<u><u>496%</u></u>
Coverage Requirement	<u><u>125%</u></u>

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2014

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, 2014, 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 January 15, 2015. 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 does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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. However, as described in the accompanying schedule of findings and responses, 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. 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 responses to be material weaknesses: 2014-1 and 2014-2.

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 our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2014-3.

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 responses. 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
January 15, 2015

CITY OF LINDSAY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

2014-1 Utility Account Adjustments

Condition – Adjustments to utility accounts are not regularly approved by management.

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

Recommendation – We recommend that management continue to enforce procedures that require approvals for all utility adjustments.

Views of Responsible Officials – Management concurs with the finding and the recommendation. New policies and policy documentation were implemented during the 2014 fiscal year. Management will continue to enforce and refine the approval process for utility account adjustments.

2014-2 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. Oklahoma Statutes Title 74, Section 109 – Every contract with an architect, contractor, engineer or supplier of materials for \$25,000 or more shall be accompanied by a sworn statement per Title 74 Sec. 109.

Cause – Inadequate controls over purchasing.

Effect – 10 of 60 invoices did not have receipt of goods signature; 27 of 60 purchase orders were not properly encumbered. 1 of 8 contracts with contractors tested did not have the sworn documentation as required per Title 74 section 109.

CITY OF LINDSAY, OKLAHOMA
SCHEDULE OF FINDINGS AND RESPONSES

Recommendation – ~~FOR THE YEAR ENDED JUNE 30, 2014~~ 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. New policies and policy documentation was distributed to all responsible staff during fiscal year 2014. Management will continue to enforce the utilization of these new policies and procedures to be in compliance with state statutes. Policies include documentation and controls related to request of purchases, encumbrance of funds, blanket PO's, receipt of purchases, and internal auditing of purchases.

2014-3 Cash Receipts

Condition – Deposits related to all daily activity were not made within the next business day.

Criteria –Oklahoma State Statue Title 62, Section 517.3 provides that the treasurer of every public entity shall deposit daily not later than the immediate next business banking day, all funds in either state or county depositories within Oklahoma.

Cause – Deposit with bank was not posted within one business day.

Effect – 1 out of the 40 daily cash deposits collected were not deposited within the next business day.

Recommendation – We recommend that procedures continued to be enforced and monitored to ensure deposits are made within the next business day.

Views of Responsible Officials – Management concurs with the finding and the recommendation. New policies and policy documentation were implemented during the 2014 fiscal year. Management will continue to actively audit and enforce daily deposit processes to ensure compliance with state law.