

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

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INDEPENDENT AUDITOR'S REPORT

To the City Council City of Lindsay, Oklahoma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Lindsay, Oklahoma, as of and for the year ended June 30, 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

Rahhal Wenderson Johnson, PLLC

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.

Ardmore, Oklahoma January 15, 2015 This page intentionally left blank

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 twothirds 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,

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)

| | | nmental vities | % Inc. (Dec.) | | ess-Type vities | % Inc. (Dec.) | Т | otal | % Inc. (Dec.) |
|----------------------------------|-------------|-------------------|------------------|-------------|--------------------|------------------|-------------|-------------|------------------|
| | | (restated) | | | (restated) | | | (restated) | |
| | <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 | 6,028 | 5,416 | 11% | 9,287 | 8,797 | 6% | 15,315 | 14,213 | 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 | 161 | 250 | -35% | 3,034 | 3,451 | -12% | 3,195 | 3,701 | -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 | \$ 5,867 | \$ 5,166 | 14% | \$ 6,253 | \$ 5,346 | 17% | \$12,120 | \$ 10,512 | 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.

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)

| | Govern Activ | | % Inc. (Dec.) | Busines Activ | * * | % Inc. (Dec.) | T0 | otal | % 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% |
| M iscellaneous | 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

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 E | | | % Inc. (Dec.) | Net Re (Expe of Ser | ense) | 1 | % Inc. (Dec.) |
|-------------------------------|----|---------|----|-------|------------------|-------------------------------|-------|---------|------------------|
| | 2 | 014 | 2 | 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 | \$ | 3,145 | \$ | 3,131 | - | \$ (1,977) | \$ | (1,763) | -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)

| | | Expense rvices | % Inc. | Net Re (Expo of Se | | % Inc. Dec. |
|------------|-------------|-------------------|--------|--------------------------|-------------|----------------|
| | <u>2014</u> | <u>2013</u> | | <u>2014</u> | <u>2013</u> | |
| 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 | \$ 4,476 | \$ 4,562 | -2% | \$ 339 | \$ 16 | 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.

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)

| | | Governi | menta | ıl | | Busine | ss-Ty | pe | | | |
|------------------------------------|----|---------|-------|---------|----|--------|--------|-------|-------------|-----|----------|
| | | Activ | ities | | | Activ | vities | | To | tal | |
| | | | (re | stated) | | | | | | (re | estated) |
| | : | 2014 | 2 | 2013 | : | 2014 | | 2013 | 2014 | | 2013 |
| 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 | \$ | 2,778 | \$ | 2,620 | \$ | 4,904 | \$ | 4,109 | \$ 7,682 | \$ | 6,729 |

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

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 (In Thousa | | | | |
|---------------------------------|------|--------------------------|-------------------------|--------------------|----------------|----------------|--------------------------------|
| | | vernmental Activities | | ess-Type vities | <u>To</u> | tal_ | Total Percentage <u>Change</u> |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2013-2014 |
| Capital leases Notes payable | \$ - | \$ 10 | \$ 28 2,301 | \$ 42 2,592 | \$ 28 2,301 | \$ 52 2,592 | -46.2% -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.

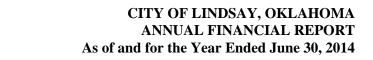
| ANNU | JAL FINANCIAL REPORT e Year Ended June 30, 2014 |
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| BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POS | SITION AND ACTIVITES |
| | |
| | |
| | |

Statement of Net Position – June 30, 2014

| | | vernmental Activities | siness-type Activities | <u>Total</u> | Con | nponent Unit |
|---|----|--------------------------|---------------------------|------------------|-----|--------------|
| 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 | | 6,027,996 | 9,287,150 | 15,315,146 | | 3,768,815 |
| | | | | | | |
| 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 | | 160,725 | 3,034,233 | 3,194,958 | | 760,047 |
| NET POSITION | | | | | | |
| Net investment in capital assets | | 2,778,476 | 2,573,928 | 5,352,404 | | 1,537,511 |
| Restricted for: City donation | | CO 007 | | CO 007 | | |
| • | | 60,887 | - 75 445 | 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 | \$ | 5,867,271 | \$ 6,252,917 | \$ 12,120,188 | \$ | 3,008,768 |

Statement of Activities – Year Ended June 30, 2014

| | | | Program Revenu | | | Ne | t (Expense) R | Revenu | e and Chang | es in | Net Position | | |
|--|-----------------------|-------------------------|-------------------------|-----------------|--------|----|--------------------------|--------|-------------------------|-------|--------------|----|-----------|
| | | Oh | Operating Grants and | Capital C | | - | | D | ! t | | | | mponent |
| Functions/Programs | Expenses | Charges for Services | Contributions | and Contribu | | | vernmental Activities | | iness-type ctivities | | Total | C | Unit |
| Primary government | Expenses | Sei vices | Contributions | Contribu | illons | | ACTIVITIES | | Clivilles | | I Olai | | Onit |
| Governmental Activities | | | | | | | | | | | | | |
| General Government | \$ 203,364 | \$ 9,135 | \$ - | \$ 25 | 1,999 | \$ | 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 | 7 | 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 | - | 9 | 91,375 | | 18,271 | | - | | 18,271 | | - |
| Interest on Long-term debt and fiscal agent fees | 162 | | | | | | (162) | | | | (162) | | |
| Total governmental activities | 3,144,596 | 560,379 | 180,784 | 42 | 26,922 | | (1,976,511) | | | | (1,976,511) | | |
| 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 | 4,475,455 | 4,814,656 | | | - | | - | | 339,201 | | 339,201 | | - |
| Total primary government | 7,620,051 | 5,375,035 | 180,784 | 42 | 26,922 | | (1,976,511) | | 339,201 | | (1,637,310) | | |
| Component unit: | | | | | | | | | | | | | |
| Lindsay Municipal Hospital Authority | 10,259,512 | 10,417,228 | 7,415 | | - | | | | | | | | 165,131 |
| Total component unit | 10,259,512 | 10,417,228 | 7,415 | | _ | | | | | | | | 165,131 |
| | General revenues: | | | | | | | | | | | | |
| | Taxes: | | | | | | | | | | | | |
| | Sales and use ta | ixes | | | | \$ | 3.044.885 | \$ | _ | \$ | 3.044.885 | \$ | _ |
| | | and public servic | e taxes | | | • | 105,934 | * | - | • | 105.934 | * | _ |
| | Unrestricted invest | | | | | | 5.738 | | 8,627 | | 14,365 | | 18,298 |
| | Miscellaneous | | | | | | 57,263 | | - | | 57,263 | | 22,751 |
| | Gain (loss) on disp | osal of capital as | sets | | | | 926 | | (6,624) | | (5,698) | | |
| | Miscellaneous r | ents and royalitie | s | | | | 28,749 | | | | 28,749 | | - |
| | Transfers | • | | | | | (565,515) | | 565,515 | | | | |
| | Total general r | evenues and tran | nsfers | | | | 2,677,980 | | 567,518 | | 3,245,498 | | 41,049 |
| | Change in ne | | | | | | 701,469 | | 906,719 | | 1,608,188 | | 206,180 |
| | Net position - beginn | | | | | | 5,165,802 | | 5,346,198 | | 10,512,000 | | 2,802,588 |
| | Net position - ending | - | | | | \$ | 5,867,271 | _ | 6,252,917 | \$ | 12,120,188 | \$ | 3,008,768 |



BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

Governmental Funds Balance Sheet – June 30, 2014

| | Gen | eral Fund | Spe | cial Sales Tax | E | MS Fund | Gov | Other ernmental Funds | Total Governmental Funds | | |
|---|---------|-----------|-----|-------------------|----|-----------|-----|-----------------------------|--------------------------------|-----------|--|
| 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 | | 1,376,939 | | 97,986 | | 1,054,914 | | 741,360 | _ | 3,271,199 | |
| LIABILITIES, DEFERRED INFLOWS AND FUND E | BALANCE | s | | | | | | | | | |
| 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 | | 112,380 | | - | | - | | 6,047 | | 118,427 | |
| Deferred Inflows: | | | | | | | | | | | |
| Deferred revenue | | 6,565 | | | | | | | | 6,565 | |
| 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 | | 1,257,994 | | 97,986 | | 1,054,914 | | 735,313 | | 3,146,207 | |
| Total liabilities, deferred inflows and fund balances | \$ | 1,376,939 | \$ | 97,986 | \$ | 1,054,914 | \$ | 741,360 | \$ | 3,271,199 | |

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

| | General Fund | Special Sales Tax | EMS Fund | Other Governmental Funds | Total Governmental Funds |
|--|--------------|----------------------|--------------|--------------------------------|--------------------------------|
| REVENUES | Ф 4.700.000 | Ф COO 420 | Ф COO 400 | ¢. | Ф 2.000.000 |
| 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 foreitures | 109,580 | - | - | - | 109,580 |
| Licenses and permits Investment income | 11,635 | - | - 0.004 | 4.050 | 11,635 |
| | 1,548 | - | 2,331 | 1,859 | 5,738 |
| Miscellaneous | 79,726 | | | 12,781 | 92,507 |
| Total revenues | 2,635,005 | 688,139 | 690,470 | 408,461 | 4,422,075 |
| 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 | 3,102,561 | - | 29,964 | 163,879 | 3,296,404 |
| Excess (deficiency) of revenues over | | | | | |
| expenditures | (467,556) | 688,139 | 660,506 | 244,582 | 1,125,671 |
| 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 | 903,014 | (675,813) | (552,472) | (240,244) | (565,515) |
| Natahan sa in fund balansa | 405.450 | 40.000 | 400.004 | 4.000 | 500.450 |
| Net change in fund balances | 435,458 | 12,326 | 108,034 | 4,338 | 560,156 |
| Fund balances - beginning (restated) | 822,536 | 85,660 | 946,880 | 730,975 | 2,586,051 |
| Fund balances - ending | \$ 1,257,994 | \$ 97,986 | \$ 1,054,914 | \$ 735,313 | \$ 3,146,207 |

5,867,271

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

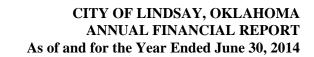
Fund Balance – Net Position Reconciliation:

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 2,778,476 Position. 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)

Changes in Fund Balances – Changes in Net Position Reconciliation:

Net Position of Governmental Activities in the Statement of Net Position

| 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 expenditues over the life of the assets: Capital asset purchases capitalized Depreciation expense 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 | 408,860 (248,247) |
| 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 |



BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

Proprietary Funds Statement of Net Position – June 30, 2014

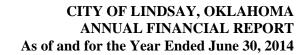
| | dsay Public ks Authority | Internal Service Fund | |
|--|-----------------------------|--------------------------|-------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 3,201,125 | \$ | 4,588 |
| Restricted: | | | |
| Cash and cash equivalents | 84,967 | | - |
| Due 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: | 4.17.440 | | |
| Land and construction in progress | 447,449 | | - |
| Other capital assets,net of accumulated depreciation | 4,456,253 | | |
| Total non-current assets | 5,101,218 | | 4.500 |
| 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 |

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

| | Lindsay Public Works Authority | Internal Service Fund |
|---|-----------------------------------|--------------------------|
| 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 | 4,809,464 | 365,318 |
| 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 | 4,422,037 | 374,998 |
| Operating income (loss) | 387,427 | (9,680) |
| 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) | (46,223) | 60 |
| Income (loss) before transfers | 341,204 | (9,620) |
| Transfers in | 975,270 | - |
| Transfers out | (409,755) | |
| Change in net position | 906,719 | (9,620) |
| Total net position - beginning (restated) | 5,346,198 | 14,208 |
| Total net position - ending | \$ 6,252,917 | \$ 4,588 |

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

| | | dsay Public ks Authority | | al Service und |
|--|----|-----------------------------|----|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | \$ | 4 756 940 | \$ | |
| Receipts from customers Payments to suppliers | Φ | 4,756,810 (3,215,204) | φ | - |
| 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 | - | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Purchases of capital assets | | (1,084,930) | | - |
| Proceeds from sale of capital assets Principal paid on debt | | 5,330 (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 | Ψ | 84,967 | Ψ | - |
| 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: | | 270,400 | | |
| 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 Accrued compensated absences | | 9,633 1,305 | | - |
| · | • | | • | (0.690) |
| Net cash provided by (used in) operating activities | \$ | 492,323 | \$ | (9,680) |



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.

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 GOVERNM | ENT: | | | | |
|--------------------------|----------------------|--------|--------------|--|--|
| | | Credit | Carrying | | |
| Type | Maturities | Rating | Value | | |
| Deposits: | | | | | |
| Petty cash | | | \$ 500 | | |
| Demand deposits | | | 5,820,408 | | |
| Time deposits | May 2015 | | 94,000 | | |
| | | | 5,914,908 | | |
| Investments: | | | | | |
| Cavanal Hill U.S. Treas | ury Admin Fund | AAAm | 89,302 | | |
| Invesco Tst Prem US G | ov Fund | AAAm | 24,795 | | |
| | | | 114,097 | | |
| Total deposits and inves | tments | | \$ 6,029,005 | | |
| Reconciliation to Statem | ent of Net Position: | | | | |
| Cash and cash equiva | lents | | \$ 5,831,489 | | |
| Restricted cash and ca | ash equivalents | | 103,516 | | |
| Investments | | | 94,000 | | |
| | | | \$ 6,029,005 | | |

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.

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:

| Type of Restricted Asset | Current Cash and cash equivalents | | Noncurrent Cash and cash equivalents | | Investments | | Total | |
|--------------------------|-----------------------------------|--------|--------------------------------------|---------|-------------|--------|-----------|--|
| Utility Deposits | \$ | 44,166 | \$ | 55,015 | \$ | 94,000 | \$193,181 | |
| OWRB Debt Service | | 40,801 | | 48,501 | | | 89,302 | |
| Total | \$ | 84,967 | \$ | 103,516 | \$ | 94,000 | \$282,483 | |

4. Accounts Receivable

<u>Accounts Receivable</u> - 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.

| | | Less: Allowance | | Net | |
|------------|-----------|------------------------|---|---|--|
| Accounts | | for Uncollectible | | Accounts | |
| Receivable | | Accounts | | Receivable | |
| | | | | | |
| \$ | 371,191 | \$ | 185,362 | \$ | 185,829 |
| | 133,791 | | 107,033 | | 26,758 |
| | 19,647 | | - | | 19,647 |
| \$ | 524,629 | \$ | 292,395 | \$ | 232,234 |
| | | | _ | | |
| \$ | 1,347,758 | \$ | 535,054 | \$ | 812,704 |
| | \$ | Receivable \$ 371,191 | Accounts for U Receivable A \$ 371,191 \$ 133,791 19,647 \$ 524,629 \$ | Accounts for Uncollectible Receivable Accounts \$ 371,191 \$ 185,362 133,791 107,033 19,647 - \$ 524,629 \$ 292,395 | Accounts for Uncollectible A Receivable Accounts R \$ 371,191 \$ 185,362 \$ 133,791 107,033 \$ 19,647 - - \$ 524,629 \$ 292,395 \$ |

5. Capital Assets and Depreciation

Capital Assets:

Capital assets consist of land, land improvement, construction in progress, buildings and building improvements, machinery and equipment, and infrastructure. A capitalization threshold of \$1,000 is used to report capital assets. Capital assets are reported at actual or estimated historical cost. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2003. Prior to July 1, 2003, governmental funds' infrastructure assets, such as streets, bridges, drainage systems and traffic signal systems were not capitalized. Infrastructure assets acquired since that date are recorded at cost. Donated capital assets are recorded at their fair value at the date of donation.

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

| <u>Asset</u> | Years |
|-------------------------|--------------|
| 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 Disp | | | Bala | | |
|---|----------------------------|------------|----|----------------|------|-----------|------|-------------|--|
| Governmental activities: | July 1, 2013 | | A | Additions | | Disposals | | ne 30, 2014 | |
| Capital assets not being depreciated: | | | | | | | | | |
| Land | \$ | 125,750 | \$ | _ | \$ | _ | \$ | 125,750 | |
| Construction in progress | φ | 794,849 | Ф | 274,382 | | ,069,231 | Φ | 123,730 | |
| Total capital assets not being depreciated | | 920.599 | | 274,382 | | ,069,231 | - | 125,750 | |
| Other capital assets: | - | 920,399 | | 274,302 | | ,009,231 | | 123,730 | |
| Buildings | | 1,108,176 | | 257,259 | | _ | | 1,365,435 | |
| Land Improvements | | 27,500 | | 231,237 | | _ | | 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 | _ | 7,043,276 | | 1,203,706 | | 33,820 | - | 8,213,162 | |
| Less accumulated depreciation for: | | 7,043,276 | | 1,203,700 | | 33,820 | | 8,213,102 | |
| • | | 776,750 | | 32,295 | | | | 809.045 | |
| Buildings | | 13,139 | | , | | - | | , | |
| Land Improvements | | , | | 1,833 | | - | | 14,972 | |
| Computers & Electronics Furniture & Fixtures | | 113,027 | | 2,651 | | - | | 115,678 | |
| | | 23,530 | | 1,299 | | - | | 24,829 | |
| Vehicles | | 1,526,464 | | 40,382 | | 1.007 | | 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 | | 5,343,609 | _ | 248,247 | | 31,420 | | 5,560,436 | |
| Other capital assets, net | | 1,699,667 | _ | 955,459 | | 2,400 | _ | 2,652,726 | |
| Governmental activities capital assets, net | \$ | 2,620,266 | \$ | 1,229,841 | \$ 1 | ,071,631 | \$ | 2,778,476 | |
| Business-type activities: | | | | | | | | | |
| 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 | | 490,095 | | 932,831 | | 975,477 | | 447,449 | |
| 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 | | 18,035,819 | | 1,127,576 | | 31,445 | | 19,131,950 | |
| 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 | | 14,416,699 | | 278,488 | | 19,491 | | 14,675,696 | |
| Other capital assets, net | | 3,619,120 | | 849,088 | | 11,954 | | 4,456,254 | |
| Business-type activities capital assets, net | \$ | 4,109,215 | \$ | 1,781,919 | \$ | 987,431 | \$ | 4,903,703 | |
| • | | | | | | | | | |

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

| Lindsay Municipal Hospital Authority: | Balance at July 1, 2013 | | Additions | | Disposals | | Transfers | | salance at ne 30, 2014 |
|---|-------------------------|-----------|-----------|---------|-----------|---------|-----------|---|---------------------------|
| 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 | | 30,305 | | 214,789 | | 16,140 | | - | 228,954 |
| 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 | | 5,277,324 | | 309,227 | | 174,415 | | - | 5,412,136 |
| 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 | | 3,957,078 | | 297,586 | | 151,085 | | - | 4,103,579 |
| Other capital assets, net | | 1,320,246 | | 11,641 | | 23,330 | | _ | 1,308,557 |
| Municipal Hospital capital assets, net | \$ | 1,350,551 | \$ | 226,430 | \$ | 39,470 | \$ | - | \$ 1,537,511 |

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

| Governmental Activities: | | Business-Type Activities: | | | | | |
|--------------------------|----|---------------------------|---------------------------|---|--|--|--|
| General government | \$ | 12,842 | Administration \$ 228 | 8 | | | |
| Public safety | | 88,823 | Electric 25,528 | 3 | | | |
| Highways and streets | | 50,773 | Water 155,778 | 3 | | | |
| Culture and recreation | | 21,891 | Sewer 57,149 | 9 | | | |
| Cemetery | | 6,954 | Pool 877 | 7 | | | |
| Airport | | 66,964 | General Government 11,343 | 3 | | | |
| | | | Sanitation 6,605 | 5 | | | |
| | | | Golf Course 20,980 |) | | | |
| | \$ | 248,247 | \$ 278,488 | 3 | | | |

6. Long-Term Debt and Debt Service Requirements

| Type of Debt Governmental Activities: | Balance July 1, 2013 | | <u>Additions</u> | | <u>Deductions</u> | | Balance <u>June 30, 2014</u> | | Due Within One Year | |
|--|-------------------------|-----------------|------------------|--------|-------------------|---------|---------------------------------|-----------|---------------------|---------|
| | | | | | | | | | | |
| Capital lease payable | \$ | 9,515 | \$ | - | \$ | 9,515 | \$ | - | \$ | - |
| Accrued compensated absences | | 59,415 | | 9,150 | | - | | 68,565 | | 6,856 |
| Total Governmental Activities | \$ | 68,930 | \$ | 9,150 | \$ | 9,515 | \$ | 68,565 | \$ | 6,856 |
| 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 | | 2,865,194 | | 65,402 | | 358,376 | | 2,572,221 | | 357,449 |
| Total Long-Term Debt | \$ | 2,934,124 | \$ | 74,552 | \$ | 367,891 | \$ | 2,640,786 | \$ | 364,305 |
| Reconciliation to Statement of Net Pos Governmental Activities: | sition: | | | | | | | | | |
| Due within one year | | | | | | | \$ | 6,856 | | |
| Due in more than one year | | | | | | | Ψ | 61,709 | | |
| Total Governmental Activities L | ong-te | rm liabilities | | | | | \$ | 68,565 | | |
| Business-Type Activities: | | | | | | | | | | |
| Due within one year | | | | | | | \$ | 357,449 | | |
| Due in more than one year | | | | | | | | 2,214,772 | | |
| Total Business-Type Activities | Long-t | erm liabilities | | | | | \$ | 2,572,221 | | |

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 | \$ 68,565 |

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 amoun \$575,000, due in semi-annual installments each February 15 and August 15, final installr due February 2026, interest rate of 2.30%. Note is secured by a pledge of utility revenues sales tax and also a mortgage with power of sale and security agreement. | nent | \$ 295,000 |
|--|-------|-----------------|
| OWRB-DWSRF Promissory Note dated November 2000, original amount \$3,195,000, du semi-annual principal installments each March 15 and September 15, final installment September 15, 2021, interest rate of 3.58%. The note is secured by a pledge of net ut revenues. | due | 1,372,003 |
| Note payable to First National Bank, original amount of \$166,000, payable in moninstallments of \$1,335 with a 5.25% interest rate, final payment due June 14, 2020. | nthly | 82,360 |
| Note payable to Oklahoma Dept of Commerce dated September 1, 2000, original amour \$87,500, payable in monthly installments of \$365 with a 0% interest rate, final payment October 2020. | | 26,980 |
| Note payable to Bank of Oklahoma dated August 9, 2012, original amount of \$630,000, du semi-annual principal installments each March 1 and September 1, final installment September 1, 2021, interest rate of 2.71%. Note is secured by a pledge of utility revenues | due | 525 000 |
| sales tax. | | 525,000 |
| Total Notes Paya | ible | \$ 2,301,343 |
| Current por | tion | \$ 294,267 |
| Noncurrent por | tion | 2,007,076 |
| Total Notes Paya | ıble | \$ 2,301,343 |
| | | |
| Capital Lease Payable | | |
| Lease obligation to Oklahoma State Bank for purchase of golf carts, original amount \$55,12 payable in yearly installments of \$14,926, with an interest rate of 3.27%, final payment due | 0 | |
| September 2015. | | \$ 28,431 |
| Total Capital Leases Paya | ble | \$ 28,431 |
| Current port | tion | \$ 13,996 |
| Noncurrent por | tion | 14,435 |
| T 1 C 1 II D 1 | | |
| Total Capital Leases Paya | ble | \$ 28,431 |

| Meter De | posit Liability |
|----------|-----------------|
| | |

| \$ 37,254 |
|---------------|
| 148,893 |
| \$ 186,147 |
| |
| |
| \$ |

Accrued Compensated Absences

| \$ 11,932 |
|--------------|
| 44,368 |
| \$ 56,300 |
| \$ |

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

| | Business-Type | | | | | | | | | |
|------------|---------------|------------|--------|---------|----------|------------------|----|---------------|--|--|
| Year Ended | | Notes Pa | iyable | 2 | | Capital Lease | | | | |
| June 30, | <u>P</u> | Principal | I | nterest | <u>P</u> | Principal | | <u>terest</u> | | |
| | | | | | | | | | | |
| 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 | \$ | 52,301,343 | \$ | 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

<u>Sales Tax and Utility Net Revenues Pledge</u> - 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.

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 | (14,187) |
| 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 | \$ 5,165,802 | \$ 5,346,198 | \$ | 822,536 | \$ | 21,471 | \$ | 5,346,198 | |

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.

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

| Due From | Due To | Amount | Nature of Balance |
|-----------------------------|------------------------|-------------|---------------------------------|
| 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 | | \$ 47,663 | |
| Reconciliation to Fund Fina | ncial Statements: | | |
| | Due From | Due To | Net Internal Balances |
| Governmental Funds | \$ 39,345 | \$ (26,267) | \$ 13,078 |
| Proprietary Funds | 8,318 | (21,396) | (13,078) |
| Total | \$ 47,663 | \$ (47,663) | \$ - |

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

| Transfer From | Trans | Transfer To | | Amount | | se of Transfer |
|---|--|-------------|----|--|--|----------------|
| Grant Fund LPWA Emergency Services 1% Tax LPWA Designated Sales Tax LPWA Total | LPWA General Fund General Fund LPWA Airport Fund | | \$ | 249,999 400,000 503,014 725,271 9,755 1,888,039 | capital impr operational sales tax tra sales tax tra operational | nsfer nsfer |
| Reconciliation to Fund Finance | | | | | | |
| | Transi | fers In | T | ransfers Out | Ne | t Transfers |
| Governmental Funds | \$ | 912,769 | \$ | (1,478,284) | \$ | (565,515) |
| Proprietary Funds | | 975,270 | | (409,755) | | 565,515 |
| • | \$ | 1,888,039 | \$ | (1,888,039) | \$ | - |

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.

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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 costsharing 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.

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 |
|--------------|------------|
| I I UVISIUII | ONIKI Hali |

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.

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
g. Asset Valuation Method
UP 94 mortality
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 | 3,526,515 |
| 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 | | | | Oklahoma Police Pension | | | | | | |
|-----------------------|----|-------------------|-------------------------------|---------------------------|-----------------------|----|-------------------------|----------------------------------|---------------------------|--|
| Retirement Fund | | | | | and Retirement System | | | | | |
| Fiscal Year Ending | | ost (APC) | Percentage of APC Contributed | Net Pension Obligation | Fiscal Year Ending | | al Pension est (APC) | Percentage of APC Contributed | Net Pension Obligation | |
| 2012 2013 | \$ | 68,995 138,987 | 100% 100% | - | 2012 2013 | \$ | 28,562 32,236 | 100% 100% | - | |
| 2014 | | 147,521 | 100% | - | 2014 | | 31,048 | 100% | - | |

| Oklahoma Firefighter's Pension and Retirement System | | | | | | |
|---|----|-------------------------|----------------------------------|---------------------------|--|--|
| Fiscal Year Ending | | al Pension est (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:

- 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.

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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

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.

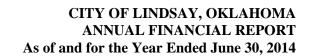
Construction Commitments:

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.



REQUIRED SUPPLEMENTAL INFORMATION

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

| | GENERAL FUND | | | | | |
|---|--------------|--------------|------------------------|---------------------|--|--|
| | | | | Variance with | | |
| | | | Actual Amounts, | Final Budget - | | |
| | Budgete | d Amounts | Budgetary Basis | Positive (Negative) | | |
| | Original | <u>Final</u> | | | | |
| 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 | | |
| Investement 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) | 3,497,380 | 3,497,380 | 3,399,301 | (98,079) | | |
| Amounts Available for Appropriation | 3,797,380 | 3,797,380 | 4,221,837 | 424,457 | | |
| 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 | 3,797,380 | 3,797,380 | 2,963,843 | 833,537 | | |
| Fund balances - ending | \$ - | \$ - | \$ 1,257,994 | \$ 1,257,994 | | |

| | | | | EMS l | FUND | | | |
|--|----------|-----------------|--------|--------------|-------------|--------------|------------|----------------|
| | | | | | | | Va | riance with |
| | | | | | <u>Actu</u> | al Amounts, | <u>Fin</u> | al Budget - |
| | | Budgeted | Amount | ts | Budg | getary Basis | Positi | ive (Negative) |
| | <u>(</u> | <u>)riginal</u> | | <u>Final</u> | | | | |
| Beginning Budgetary Fund Balance | \$ | 150,000 | \$ | 150,000 | \$ | 946,880 | \$ | 796,880 |
| Resources (Inflows) | | | | | | | | |
| Taxes | | 637,500 | | 637,500 | | 688,139 | | 50,639 |
| Investement income | | 1,718 | | 1,718 | | 2,331 | | 613 |
| Amounts Available for Appropriation | | 789,218 | | 789,218 | | 1,637,350 | | 848,132 |
| 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 | | 789,218 | | 789,218 | | 582,436 | | 206,782 |
| Fund balances - ending | \$ | - | \$ | | \$ | 1,054,914 | \$ | 1,054,914 |

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:

| | General Fund |
|---|-------------------------------------|
| Total budgetary resources (inflows) Add: On-behalf payments Total resources as recorded on the statement of revenues, expenditures, and changes in fund balances – governmental funds | \$3,399,301 |
| Reconciliation to Statement of Revenues, Expenditures and Chang | \$3,538,019 es in Fund Balances: |
| Total revenues | \$2,635,005 |
| Transfers in | 903,014 |
| Total Resources | \$3,538,019 |
| Total budgetary expenditures and transfers | \$2,963,843 |
| Add: On-behalf payments Total expenditures as recorded on the statement of revenues, | 138,718 |
| expenditures, and changes in fund balances – governmental funds | <u>\$3,102,561</u> |

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

| Actuarial Valuation <u>Date</u> | Actuarial Value of <u>Assets</u> | Actuarial Accrued Liability (AAL) Entry Age | Unfunded Liability <u>UAAL</u> | Funded <u>Ratio</u> | 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% |

SUPPLEMENTAL INFORMATION

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

| | Special Revenue Funds | | | | | Capital Project Funds | | | | | | | | | | | | |
|-------------------------------------|-----------------------|----------|-------|------------|----|-----------------------|----|---------|----|--------|----|-----------------|----|---------|----|----------------------|----|-----------------------------|
| | City | Donation | Stree | et & Alley | | LPWA onation | | Library | | Grant | C | emetery Care | | Airport | | Capital provement | | Total ernmental Funds |
| 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 | φ | - | φ | 2,362 | φ | 14,921 | φ | - | φ | 9,800 | φ | 04,200 | φ | 15,416 | φ | 445,262 | φ | 12,162 |
| Due from other funds | | - | | 3,562 | | | | _ | | 5,840 | | _ | | 3 | | _ | | 9,405 |
| Total assets | | 66,727 | - | 97,209 | | 14,927 | - | 6 | | 37,533 | | 64,255 | | 15,421 | | 445,282 | | 741,360 |
| | | | - | | | | | | | | | | | -, | _ | | _ | |
| LIABILITIES AND FUND BALANCES | | | | | | | | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | | | | | | | | |
| Accounts payable | | - | | - | | - | | - | | _ | | _ | | 207 | | - | | 207 |
| Due to other funds | | 5,840 | | - | | - | | - | | - | | - | | - | | - | | 5,840 |
| Total liabilities | | 5,840 | | - | | - | | - | | - | | - | | 207 | | - | | 6,047 |
| 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 | | 60,887 | | 97,209 | | 14,927 | | 6 | | 37,533 | | 64,255 | | 15,214 | | 445,282 | | 735,313 |
| Total liabilities and fund balances | \$ | 66,727 | \$ | 97,209 | \$ | 14,927 | \$ | 6 | \$ | 37,533 | \$ | 64,255 | \$ | 15,421 | \$ | 445,282 | \$ | 741,360 |

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

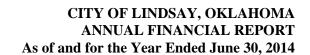
| | | Special Revenue Funds | | | | | Capital Project Funds | | | | | |
|--|---------------|------------------------------|-----------|----------|------------------------|------------------|-----------------------|------------------------|--------------------------------------|--|--|--|
| | City Donation | City Donation Street & Alley | | Library | Grant | Cemetery Care | Airport | Capital Improvement | Total-Other Governmental Funds | | | |
| REVENUES | ¢. | ¢ 20.500 | r. | f 2.002 | Ф осс о т о | r. | \$ 91.375 | œ. | ¢ 207.040 | | | |
| Intergovernmental Charges for services | \$ - | \$ 26,599 | \$ - | \$ 3,693 | \$ 266,273 | \$ - 5,881 | \$ 91,375 | \$ - | \$ 387,940 5,881 | | | |
| Investment income | 184 | 211 | 31 | 3 | 111 | 153 | 48 | 1,118 | 1,859 | | | |
| Miscellaneous | 5,891 | 211 | 2,970 | 3 | 111 | 155 | 3,920 | 1,110 | 12,781 | | | |
| Total revenues | 6,075 | 26,810 | 3,001 | 3,696 | 266,384 | 6,034 | 95,343 | 1,118 | 408,461 | | | |
| Total revenues | 0,073 | 20,010 | 3,001 | 3,090 | 200,304 | 0,034 | 33,343 | 1,110 | 400,401 | | | |
| EXPENDITURES Current: | | | | | | | | | | | | |
| General government | 698 | _ | _ | _ | _ | _ | _ | _ | 698 | | | |
| Public Safety | 596 | - | | - | - | - | _ | | 596 | | | |
| Culture and recreation | 200 | | _ | 3,694 | 2,001 | | - | - | 5,895 | | | |
| Airport | 200 | _ | _ | 5,054 | 2,001 | _ | 10,060 | _ | 10,060 | | | |
| Capital Outlay | 7,420 | 19,559 | _ | _ | 18,356 | _ | 101,295 | _ | 146,630 | | | |
| Total Expenditures | 8,914 | 19,559 | | 3,694 | 20,357 | | 111,355 | | 163,879 | | | |
| Excess (deficiency) of revenues over | | .0,000 | | 0,001 | 20,00. | | 111,000 | | 100,010 | | | |
| expenditures | (2,839) | 7,251 | 3,001 | 2 | 246,027 | 6,034 | (16,012) | 1,118 | 244,582 | | | |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | | |
| Transfers in | _ | _ | _ | _ | _ | _ | 9,755 | _ | 9,755 | | | |
| Transfers out | - | _ | _ | _ | (249,999) | _ | - | - | (249,999) | | | |
| Total other financing sources and uses | | | | | (249,999) | | 9,755 | | (240,244) | | | |
| 3 | | | | | (= 12,000) | | 2,.00 | | (= :=,= : :) | | | |
| 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 | \$ 60,887 | \$ 97,209 | \$ 14,927 | \$ 6 | \$ 37,533 | \$ 64,255 | \$ 15,214 | \$ 445,282 | \$ 735,313 | | | |

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

| | Federal | | | | |
|---|---------|------------------------|-------------------------|------------|--|
| Federal Grantor/Pass Through Agency | CFDA | | Award | Awards | |
| Grantor/Program Title | Number | Grant # | Amount | Expended | |
| FEDERAL AWARDS: | | | | | |
| DEPT OF HOUSING AND URBAN DEVELOPMENT: | | | | | |
| Passed through the Oklahoma Department of Commerce: | | | | | |
| CDBG Grant | 14.228 | 15173 CDBG 12 | \$ 249.999 | \$ 249,999 | |
| CDDG Grant | 14.220 | 13173 CDBG 12 | \$ 2 1 2,227 | \$ 247,777 | |
| DEPARTMENT OF JUSTICE: | | | | | |
| Passed through the District Attorney's Council: | | | | | |
| JAG-LLE-2013 Grant | 16.738 | 2011-DJ-BX-2229 | 9,800 | 9,800 | |
| DEPARTMENT OF TRANSPORTATION | | | | | |
| Federal Aviation Administration: | | | | | |
| Airport Improvement Program | 20.106 | AIP 3-40-0052-007-2013 | 99,618 | 91,375 | |
| Total Federal Awards | | | \$ 359,417 | \$ 351,174 | |
| State Grantor/Pass Through Agency | | | Award | Awards | |
| Grantor/Program Title | | Grant # | Amount | Expended | |
| | | | | | |
| STATE AWARDS: | | | | | |
| OKLAHOMA DEPARTMENT OF AGRICULTURE: | | | | | |
| Rural Fire Grant | | N/A | \$ 4,474 | \$ 4,474 | |
| OKLAHOMA DEPARTMENT OF LIBRARIES: | | | | | |
| State Aid | | N/A | 3,693 | 3,693 | |
| OKLAHOMA TOBACCO SETTLEMENT ENDOWMENT TRUST: | | | | | |
| 2013 Healthy Community Incentive Grant | | N/A | 2,000 | 2,000 | |
| SOUTHERN OKLAHOMA DEVELOPMENT ASSOCIATION: | | | | | |
| Community Expansion Nutrition Assistance (CENA) Grant | | 54 CENA 14 | 2,000 | 2,000 | |
| Total State Awards | | | \$ 12,167 | \$ 12,167 | |

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 | | 725,271 | | | |
| Total Gross Revenue Available | | 4,963,146 | | | |
| OPERATING EXPENSES: | | | | | |
| Total Operating Expenses | | 3,464,020 | | | |
| Net Revenue Available for Debt Service | \$ | 1,499,126 | | | |
| 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 | | 65,625 | | | |
| | \$ | 302,131 | | | |
| Computed Coverage | | 496% | | | |
| Coverage Requirement | | 125% | | | |



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

Rahhal Wenderson Johnson, PUC

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.

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 The YEAR ENDED that purely 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. Polices 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.