



# CITY OF LINDSAY, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR  
ENDED JUNE 30, 2015

**THE CITY OF LINDSAY  
OKLAHOMA**

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

**AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**CITY OF LINDSAY, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
As of and for the Year Ended June 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and 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 unit, each major fund, and the aggregate remaining fund information of the City of Lindsay, Oklahoma (the "City") as of and for the year ended June 30, 2015, 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 the City's discretely presented component unit, the Lindsay Municipal Hospital Authority (the "Hospital Authority"). 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 the 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 unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, 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.

### ***Change in Accounting Principle***

As discussed in Note 7 to the financial statements, in fiscal 2015 the City adopted new accounting guidance, Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to these matters.

### ***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 pension plan information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’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 requirements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental fund financial statements, the schedule of expenditures of federal and state awards, and the schedule of debt service coverage requirements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental fund financial statements and the schedule of expenditures of federal and state awards, and schedule of debt service coverage are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2016, on our consideration of the City’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 the City’s internal control over financial reporting and compliance.



January 19, 2016

**CITY OF LINDSAY, OKLAHOMA  
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The management of the City of Lindsay is pleased to provide this annual financial report to its citizens, taxpayers and other report users to demonstrate its accountability and communicate the City's financial condition and activities as of and for the year ended June 30, 2015. 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 \$2,252,302 and the assets and deferred outflows of the City exceed its liabilities and deferred inflows at June 30, 2015, by \$12,874,682 (net position). Of this amount, \$4,207,199 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2015, the City's governmental funds reported combined ending fund balances of \$3,697,428.
- At the end of fiscal year 2015, unassigned fund balance for the General Fund was \$395,748 or 12.6% of General Fund revenues.

**ABOUT THE CITY**

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

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

The City provides typical municipal services such as public safety, health and welfare, street and alley maintenance, parks and recreation, and through its Public Works Authority and Industrial Authority (when active), 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.

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- **The City of Lindsay** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City – *reported as the primary government*
- **The Lindsay Public Works Authority (LPWA)** – public trust created pursuant to 60 O.S. § 176 to operate the water, wastewater, electric and sanitation services of the City, with the City Council members serving as the trustees (presented as a blended component unit, and considered part of the primary government)
- **The Lindsay Municipal Hospital Authority (LMHA)** – public trust created pursuant to 60 O.S. § 176 to provide health care services to the residents of the City of Lindsay and Garvin County (presented as a discretely-presented component unit)
- **The Lindsay Industrial Development Authority (LIDA)** – public trust created pursuant to 60 O.S. § 176 to promote, develop, and secure industrial development within the City of Lindsay (normally presented as a discretely-presented component unit). This authority is inactive.

In addition, as required by state law, all debt obligations incurred by the trusts must be approved by two-thirds vote of the City Council. This is considered sufficient imposition of will to demonstrate financial accountability and to include the trust within the City’s financial reporting entity. The Lindsay Public Works Authority does not issue separate annual financial statements. Separate audited component unit financial statements are issued by the Lindsay Municipal Hospital Authority. This report may be obtained by contacting the City’s administrative offices. As mentioned above 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 (when active).

## **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

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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 29-56 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, 2015, net position for the governmental and business-type activities increased \$2,252,302.

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

| <b>The City of Lindsay Net Position (in thousands)</b> |                                    |                 |                          |                                     |                 |                          |                  |                  |                          |
|--|------------------------------------|-----------------|--------------------------|-------------------------------------|-----------------|--------------------------|------------------|------------------|--------------------------|
|  | <b>Governmental<br/>Activities</b> |                 | <b>% Inc.<br/>(Dec.)</b> | <b>Business-Type<br/>Activities</b> |                 | <b>% Inc.<br/>(Dec.)</b> | <b>Total</b>     |                  | <b>% Inc.<br/>(Dec.)</b> |
|  | <u>2015</u>                        | <u>2014</u>     |                          | <u>2015</u>                         | <u>2014</u>     |                          | <u>2015</u>      | <u>2014</u>      |                          |
| Current and other assets                               | \$ 4,193                           | \$ 3,250        | 29%                      | \$ 5,059                            | \$ 4,383        | 15%                      | \$ 9,252         | \$ 7,633         | 21%                      |
| Capital assets, net                                    | 2,864                              | 2,778           | 3%                       | 5,569                               | 4,904           | 14%                      | 8,433            | 7,682            | 10%                      |
| <b>Total assets</b>                                    | <u>7,057</u>                       | <u>6,028</u>    | 17%                      | <u>10,628</u>                       | <u>9,287</u>    | 14%                      | <u>17,685</u>    | <u>15,315</u>    | 15%                      |
| Deferred outflows of resources                         | 207                                | -               | 100%                     | 71                                  | -               | 100%                     | 278              | -                | 100%                     |
| Current liabilities                                    | 209                                | 99              | 111%                     | 934                                 | 819             | 14%                      | 1,143            | 918              | 24%                      |
| Non-current liabilities                                | 1,526                              | 62              | 2,361%                   | 1,847                               | 2,215           | -17%                     | 3,373            | 2,277            | 48%                      |
| <b>Total liabilities</b>                               | <u>1,735</u>                       | <u>161</u>      | 980%                     | <u>2,781</u>                        | <u>3,034</u>    | -8%                      | <u>4,516</u>     | <u>3,195</u>     | 41%                      |
| Deferred inflows of resources                          | 469                                | -               | 100%                     | 103                                 | -               | 100%                     | 572              | -                | 100%                     |
| Net position   |                                    |                 |                          |                                     |                 |                          |                  |                  |                          |
| Net investment in capital assets                       | 2,864                              | 2,778           | 3%                       | 3,633                               | 2,574           | 41%                      | 6,497            | 5,352            | 21%                      |
| Restricted   | 2,070                              | 1,369           | 51%                      | 101                                 | 75              | 35%                      | 2,171            | 1,444            | 50%                      |
| Unrestricted   | 125                                | 1,720           | -93%                     | 4,082                               | 3,604           | 13%                      | 4,207            | 5,324            | -21%                     |
| <b>Total net position</b>                              | <u>\$ 5,059</u>                    | <u>\$ 5,867</u> | -14%                     | <u>\$ 7,816</u>                     | <u>\$ 6,253</u> | 25%                      | <u>\$ 12,875</u> | <u>\$ 12,120</u> | 6%                       |

\* prior year amounts not restated for MD&A purposes

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 2,361% increase in governmental non-current liabilities and the 100% increase in both deferred outflows and deferred inflows of resources is due to the implementation of GASB Pension Statements No. 68 and 71 in the current year.

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**The City of Lindsay's Revenues, Expenses and Changes in Net Position (in thousands)**

|  | Governmental Activities |                 | % Inc.<br>(Dec.) | Business-Type Activities |                 | % Inc.<br>(Dec.) | Total            |                  | % Inc.<br>(Dec.) |
|--|-------------------------|-----------------|------------------|--------------------------|-----------------|------------------|------------------|------------------|------------------|
|  | *                       |                 |                  | *                        |                 |                  | *                |                  |                  |
|  | 2015                    | 2014            | 2015             | 2014                     | 2015            | 2014             |                  |                  |                  |
| <b>Revenues</b>                                  |                         |                 |                  |                          |                 |                  |                  |                  |                  |
| Charges for service                              | \$ 530                  | \$ 560          | -5%              | \$ 4,895                 | \$ 4,815        | 2%               | \$ 5,425         | \$ 5,375         | 1%               |
| Operating grants and contributions               | 215                     | 181             | 19%              | -                        | -               | -                | 215              | 181              | 19%              |
| Capital grants and contributions                 | 111                     | 427             | -74%             | 86                       | -               | 100%             | 197              | 427              | -54%             |
| Taxes  | 4,252                   | 3,151           | 35%              | -                        | -               | -                | 4,252            | 3,151            | 35%              |
| Investment income                                | 6                       | 6               | 0%               | 65                       | 2               | 3150%            | 71               | 8                | 788%             |
| Miscellaneous                                    | 67                      | 87              | -23%             | -                        | -               | -                | 67               | 87               | -23%             |
| <b>Total revenues</b>                            | <b>5,181</b>            | <b>4,412</b>    | <b>17%</b>       | <b>5,046</b>             | <b>4,817</b>    | <b>5%</b>        | <b>10,227</b>    | <b>9,229</b>     | <b>11%</b>       |
| <b>Expenses</b>                                  |                         |                 |                  |                          |                 |                  |                  |                  |                  |
| General government                               | 241                     | 203             | 19%              | -                        | -               | -                | 241              | 203              | 19%              |
| Public safety                                    | 2,486                   | 2,551           | -3%              | -                        | -               | -                | 2,486            | 2,551            | -3%              |
| Streets  | 79                      | 64              | 23%              | -                        | -               | -                | 79               | 64               | 23%              |
| Culture, parks and recreation                    | 206                     | 181             | 14%              | -                        | -               | -                | 206              | 181              | 14%              |
| Cemetery   | 54                      | 69              | -22%             | -                        | -               | -                | 54               | 69               | -22%             |
| Airport  | 111                     | 77              | 44%              | -                        | -               | -                | 111              | 77               | 44%              |
| Electric   | -                       | -               | -                | 3,071                    | 2,854           | 8%               | 3,071            | 2,854            | 8%               |
| Water  | -                       | -               | -                | 768                      | 592             | 30%              | 768              | 592              | 30%              |
| Sewer  | -                       | -               | -                | 325                      | 224             | 45%              | 325              | 224              | 45%              |
| Sanitation                                       | -                       | -               | -                | 408                      | 589             | -31%             | 408              | 589              | -31%             |
| Golf   | -                       | -               | -                | 196                      | 186             | 5%               | 196              | 186              | 5%               |
| Pool   | -                       | -               | -                | 29                       | 31              | -6%              | 29               | 31               | -6%              |
| <b>Total expenses</b>                            | <b>3,177</b>            | <b>3,145</b>    | <b>1%</b>        | <b>4,797</b>             | <b>4,476</b>    | <b>7%</b>        | <b>7,974</b>     | <b>7,621</b>     | <b>5%</b>        |
| Excess before transfers                          | 2,004                   | 1,267           | 58%              | 249                      | 341             | -27%             | 2,253            | 1,608            | 40%              |
| Transfers  | (1,204)                 | (566)           | 113%             | 1,204                    | 566             | -113%            | -                | -                | -                |
| <b>Change in net position</b>                    | <b>800</b>              | <b>701</b>      | <b>14%</b>       | <b>1,453</b>             | <b>907</b>      | <b>60%</b>       | <b>2,253</b>     | <b>1,608</b>     | <b>40%</b>       |
| <b>Beginning net position, restated for 2015</b> | <b>4,259</b>            | <b>5,166</b>    | <b>-18%</b>      | <b>6,363</b>             | <b>5,346</b>    | <b>19%</b>       | <b>10,622</b>    | <b>10,512</b>    | <b>1%</b>        |
| <b>Ending net position</b>                       | <b>\$ 5,059</b>         | <b>\$ 5,867</b> | <b>-14%</b>      | <b>\$ 7,816</b>          | <b>\$ 6,253</b> | <b>25%</b>       | <b>\$ 12,875</b> | <b>\$ 12,120</b> | <b>6%</b>        |

\* prior year amounts not restated for MD&A purposes

### Governmental Activities

The City's governmental activities had an increase in net position of \$800,096. Explanations for the more significant changes are as follows:

- 75% 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 \$1,452,206. Explanations for the more significant changes are as follows:

- Increase in capital grants and contributions received in FY15.

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

|                        | <b>Total Expense<br/>of Services</b> |                 | <b>% Inc.<br/>(Dec.)</b> | <b>Net Revenue<br/>(Expense)<br/>of Services</b> |                   | <b>% Inc.<br/>(Dec.)</b> |
|------------------------|--------------------------------------|-----------------|--------------------------|--|-------------------|--------------------------|
|                        | <u>2015</u>                          | <u>2014</u>     |                          | <u>2015</u>                                      | <u>2014</u>       |                          |
|                        | General Government                   | \$ 241          |                          | \$ 203   | 19%               |                          |
| Public Safety          | 2,486                                | 2,551           | -3%                      | (1,857)  | (1,867)           | -1%                      |
| Highways and Streets   | 79                                   | 64              | 23%                      | (44)   | 37                | -219%                    |
| Culture and Recreation | 206                                  | 181             | 14%                      | (173)  | (174)             | -1%                      |
| Cemetery               | 54                                   | 69              | -22%                     | (18)   | (49)              | -63%                     |
| Airport                | 111                                  | 77              | 44%                      | (108)  | 18                | -700%                    |
| <b>Total</b>           | <u>\$ 3,177</u>                      | <u>\$ 3,145</u> | 1%                       | <u>\$ (2,321)</u>                                | <u>\$ (1,977)</u> | -17%                     |

The 700% decrease in airport net revenue is due to a decrease in FAA grant revenue. The 219% decrease in net street expense is due to a FEMA grant received in the prior fiscal year. The 309% decrease in general government net expense is due to capital grants received in FY14 that were not received in FY15.

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

|              | <b>Total Expense<br/>of Services</b> |                 | <b>% Inc.<br/>Dec.</b> | <b>Net Revenue<br/>(Expense)<br/>of Services</b> |               | <b>% Inc.<br/>Dec.</b> |
|--------------|--------------------------------------|-----------------|------------------------|--|---------------|------------------------|
|              | <u>2015</u>                          | <u>2014</u>     |                        | <u>2015</u>                                      | <u>2014</u>   |                        |
|              | Electric                             | \$ 3,071        |                        | \$ 2,854   | 8%            |                        |
| Water        | 768                                  | 592             | 30%                    | 81   | 207           | -61%                   |
| Sewer        | 325                                  | 224             | 45%                    | 51   | 222           | -77%                   |
| Sanitation   | 408                                  | 589             | -31%                   | 120  | (32)          | -475%                  |
| Golf         | 196                                  | 186             | 5%                     | (158)  | (167)         | -5%                    |
| Pool         | 29                                   | 31              | -6%                    | (8)  | (14)          | -43%                   |
| <b>Total</b> | <u>\$ 4,797</u>                      | <u>\$ 4,476</u> | 7%                     | <u>\$ 183</u>                                    | <u>\$ 339</u> | -46%                   |

The large increase in sanitation net revenue is due primarily to a decrease in spending as a result of increased budget monitoring.

**CITY OF LINDSAY, OKLAHOMA**  
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**A FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed its 2015 fiscal year, the governmental funds reported a combined fund balance of \$3,697,428. For the year ended June 30, 2015, the General Fund's total fund balance increased by \$144,527. The proprietary funds reported a combined net position balance of \$7,815,358. The LPWA's total net position increased by \$1,452,206 during FY15.

**Budgetary Highlights**

For the year ended June 30, 2015, the General Fund reported actual budgetary basis revenues under final estimates by \$186,134 or a 5.4% negative variance. General Fund actual expenditures were under final appropriations by \$630,661 or a 16.7% positive variance.

**CAPITAL ASSETS & DEBT ADMINISTRATION**

**Capital Assets**

At the end of June 30, 2015, the City had approximately \$8.4 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, 2015.<sup>1</sup>

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

|                                    | <b>Governmental</b> |                 | <b>Business-Type</b> |                 | <b>Total</b>    |                 |
|------------------------------------|---------------------|-----------------|----------------------|-----------------|-----------------|-----------------|
|                                    | <b>Activities</b>   |                 | <b>Activities</b>    |                 |                 |                 |
|                                    | <u>2015</u>         | <u>2014</u>     | <u>2015</u>          | <u>2014</u>     | <u>2015</u>     | <u>2014</u>     |
| Land                               | \$ 126              | \$ 126          | \$ 515               | \$ 395          | \$ 641          | \$ 521          |
| Buildings                          | 586                 | 556             | 291                  | 303             | 877             | 859             |
| Land Improvements                  | 11                  | 13              | -                    | -               | 11              | 13              |
| Machinery, furniture and equipment | 678                 | 486             | 714                  | 498             | 1,392           | 984             |
| Infrastructure                     | 1,456               | 1,597           | 3,825                | 3,656           | 5,281           | 5,253           |
| Construction in progress           | 7                   | -               | 224                  | 52              | 231             | 52              |
| <b>Totals</b>                      | <u>\$ 2,864</u>     | <u>\$ 2,778</u> | <u>\$ 5,569</u>      | <u>\$ 4,904</u> | <u>\$ 8,433</u> | <u>\$ 7,682</u> |

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

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

<sup>1</sup> For more detailed information on capital asset activity please refer to page 35, Note 5. Capital Assets and Depreciation

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**Debt Administration**

- At year-end, the City had \$2 million in long-term debt outstanding which represents a \$378,000 decrease from the prior year, due to normal debt retirement payments.

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

|               | <b>Governmental<br/>Activities</b> |             | <b>Business-Type<br/>Activities</b> |                 | <b>Total</b>    |                 | <b>Total<br/>Percentage<br/>Change</b> |
|---------------|------------------------------------|-------------|-------------------------------------|-----------------|-----------------|-----------------|--|
|               | <b>2015</b>                        | <b>2014</b> | <b>2015</b>                         | <b>2014</b>     | <b>2015</b>     | <b>2014</b>     | <b>2014-2015</b>                       |
|               | Capital leases                     | \$ -        | \$ -                                | \$ 14           | \$ 28           | \$ 14           | \$ 28                                  |
| Notes payable | -                                  | -           | 1,937                               | 2,301           | 1,937           | 2,301           | -15.8%                                 |
| <b>Totals</b> | <b>\$ -</b>                        | <b>\$ -</b> | <b>\$ 1,951</b>                     | <b>\$ 2,329</b> | <b>\$ 1,951</b> | <b>\$ 2,329</b> | <b>-16.2%</b>                          |

**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 and Anadarko Shale. Although projected price per barrel is estimated to drop to \$25.00 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 2016. Additionally, as hydraulic fracturing continues the City will continue to see a stable \$75,000 - \$150,000 income from bulk water sales related to gas mining operations.

Two new commercial businesses are slated to open in 2015-2016. Sales tax revenue is projected to decrease 22% in FY 2016 (from FY 2015) then remain stable in FY 2017.

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 million dollars and new automatic-read electric and water meters at a cost of \$800,000. Staff is looking to cash out both of these projects. 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.

**Contacting the City's Financial Management**

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

**CITY OF LINDSAY, OKLAHOMA**  
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**BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES**

**CITY OF LINDSAY, OKLAHOMA**  
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**Statement of Net Position – June 30, 2015**

|   | <u>Governmental</u><br><u>Activities</u> | <u>Business-type</u><br><u>Activities</u> | <u>Total</u>         | <u>Component Unit</u> |
|---|--|---|----------------------|-----------------------|
| <b>ASSETS</b>                             |  |   |                      |                       |
| Cash and cash equivalents                 | \$ 3,311,474                             | \$ 3,541,277                              | \$ 6,852,751         | \$ 888,432            |
| Short-term investments                    | -  | -   | -                    | 223,942               |
| Long-term investments                     | -  | -   | -                    | 600,000               |
| Accounts receivable, net of allowance     | 230,166                                  | 698,918                                   | 929,084              | 1,060,546             |
| Internal balances                         | (91,232)                                 | 91,232                                    | -                    | -                     |
| Due from other governmental agencies      | 465,268                                  | 62,675                                    | 527,943              | -                     |
| Inventories                               | 3,693                                    | 160,759                                   | 164,452              | -                     |
| Prepaid expenses                          | -  | -   | -                    | 661,624               |
| Restricted cash and cash equivalents      | -  | 215,536                                   | 215,536              | -                     |
| Restricted investments                    | -  | 94,000                                    | 94,000               | -                     |
| Net pension asset                         | 273,305                                  | 194,981                                   | 468,286              | -                     |
| Capital assets:                           |  |   |                      |                       |
| Land and construction in progress         | 133,050                                  | 739,428                                   | 872,478              | 14,164                |
| Other capital assets, net of depreciation | 2,730,842                                | 4,829,982                                 | 7,560,824            | 1,454,127             |
| Total assets                              | <u>7,056,566</u>                         | <u>10,628,788</u>                         | <u>17,685,354</u>    | <u>4,902,835</u>      |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>     |  |   |                      |                       |
| Deferred amounts related to pensions      | <u>206,974</u>                           | <u>71,225</u>                             | <u>278,199</u>       | <u>-</u>              |
| <b>LIABILITIES</b>                        |  |   |                      |                       |
| Accounts payable and accrued expenses     | 196,740                                  | 567,707                                   | 764,447              | 659,684               |
| Due to other governments                  | -  | 5,245                                     | 5,245                | -                     |
| Due to bondholders                        | 4,771                                    | -   | 4,771                | -                     |
| Unearned revenue                          | 1,905                                    | -   | 1,905                | -                     |
| Accrued interest payable                  | -  | 12,016                                    | 12,016               | -                     |
| Long-term liabilities:                    |  |   |                      |                       |
| Due within one year                       | 6,110                                    | 349,151                                   | 355,261              | -                     |
| Due in more than one year                 | 1,525,583                                | 1,847,434                                 | 3,373,017            | -                     |
| Total liabilities                         | <u>1,735,109</u>                         | <u>2,781,553</u>                          | <u>4,516,662</u>     | <u>659,684</u>        |
| <b>DEFERRED INFLOWS OF RESOURCES</b>      |  |   |                      |                       |
| Deferred amounts related to pensions      | <u>469,107</u>                           | <u>103,102</u>                            | <u>572,209</u>       | <u>-</u>              |
| <b>NET POSITION</b>                       |  |   |                      |                       |
| Net investment in capital assets          | 2,863,892                                | 3,632,706                                 | 6,496,598            | 1,468,291             |
| Restricted for:                           |  |   |                      |                       |
| City donation                             | 63,559                                   | -   | 63,559               | -                     |
| Debt service                              | -  | 101,091                                   | 101,091              | -                     |
| Emergency medical services                | 1,659,533                                | -   | 1,659,533            | -                     |
| Public works                              | 143,169                                  | -   | 143,169              | -                     |
| Other                                     | 203,533                                  | -   | 203,533              | -                     |
| Unrestricted                              | 125,638                                  | 4,081,561                                 | 4,207,199            | 2,774,860             |
| Total net position                        | <u>\$ 5,059,324</u>                      | <u>\$ 7,815,358</u>                       | <u>\$ 12,874,682</u> | <u>\$ 4,243,151</u>   |

See accompanying notes to these financial statements.

**CITY OF LINDSAY, OKLAHOMA**  
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**Statement of Activities – Year Ended June 30, 2015**

| Functions/Programs                       | Expenses          | Program Revenue      |                                    | Net (Expense) Revenue and Changes in Net Position |                         |                          | Component Unit      |
|--|-------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|---------------------|
|  |                   | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions                  | Governmental Activities | Business-type Activities |                     |
| <b>Primary government</b>                |                   |                      |                                    |   |                         |                          |                     |
| Governmental Activities                  |                   |                      |                                    |   |                         |                          |                     |
| General Government                       | \$ 241,425        | \$ 16,749            | \$ -                               | \$ 103,754  | \$ (120,922)            | \$ -                     | \$ (120,922)        |
| Public Safety                            | 2,485,757         | 473,884              | 154,961                            | -   | (1,856,912)             | -                        | (1,856,912)         |
| Highways and Streets                     | 77,910            | -                    | 26,483                             | 7,511   | (43,916)                | -                        | (43,916)            |
| Culture and Recreation                   | 206,173           | -                    | 33,310                             | -   | (172,863)               | -                        | (172,863)           |
| Cemetery                                 | 54,205            | 36,151               | -                                  | -   | (18,054)                | -                        | (18,054)            |
| Airport                                  | 111,321           | 3,385                | -                                  | -   | (107,936)               | -                        | (107,936)           |
| Total governmental activities            | <u>3,176,791</u>  | <u>530,169</u>       | <u>214,754</u>                     | <u>111,265</u>                                    | <u>(2,320,603)</u>      | <u>-</u>                 | <u>(2,320,603)</u>  |
| Business-type Activities:                |                   |                      |                                    |   |                         |                          |                     |
| Electric                                 | 3,070,669         | 3,167,933            | -                                  | -   | -                       | 97,264                   | 97,264              |
| Water                                    | 767,645           | 762,089              | -                                  | 86,211  | -                       | 80,655                   | 80,655              |
| Sewer                                    | 325,195           | 376,560              | -                                  | -   | -                       | 51,365                   | 51,365              |
| Sanitation                               | 407,641           | 527,391              | -                                  | -   | -                       | 119,750                  | 119,750             |
| Golf Course                              | 196,549           | 38,702               | -                                  | -   | -                       | (157,847)                | (157,847)           |
| Pool                                     | 29,113            | 21,146               | -                                  | -   | -                       | (7,967)                  | (7,967)             |
| Total business-type activities           | <u>4,796,812</u>  | <u>4,893,821</u>     | <u>-</u>                           | <u>86,211</u>                                     | <u>-</u>                | <u>183,220</u>           | <u>183,220</u>      |
| Total primary government                 | <u>7,973,603</u>  | <u>5,423,990</u>     | <u>214,754</u>                     | <u>197,476</u>                                    | <u>(2,320,603)</u>      | <u>183,220</u>           | <u>(2,137,383)</u>  |
| Component unit:                          |                   |                      |                                    |   |                         |                          |                     |
| Lindsay Municipal Hospital Authority     | 10,760,055        | 11,477,012           | 7,956                              | 25,000  |                         |                          | 749,913             |
| Total component unit                     | <u>10,760,055</u> | <u>11,477,012</u>    | <u>7,956</u>                       | <u>25,000</u>                                     |                         |                          | <u>749,913</u>      |
| <b>General revenues:</b>                 |                   |                      |                                    |   |                         |                          |                     |
| Taxes:                                   |                   |                      |                                    |   |                         |                          |                     |
| Sales and use taxes                      |                   |                      |                                    | \$ 4,132,798                                      | \$ -                    | \$ 4,132,798             | \$ -                |
| Franchise taxes and public service taxes |                   |                      |                                    | 118,678   | -                       | 118,678                  | -                   |
| Unrestricted investment earnings         |                   |                      |                                    | 5,975   | 7,871                   | 13,846                   | 3,480               |
| Miscellaneous                            |                   |                      |                                    | 60,193  | -                       | 60,193                   | 24,686              |
| Gain on disposal of capital assets       |                   |                      |                                    | 7,190   | 56,980                  | 64,170                   | -                   |
| Transfers                                |                   |                      |                                    | (1,204,135)                                       | 1,204,135               | -                        | -                   |
| Total general revenues and transfers     |                   |                      |                                    | <u>3,120,699</u>                                  | <u>1,268,986</u>        | <u>4,389,685</u>         | <u>28,166</u>       |
| Change in net position                   |                   |                      |                                    | 800,096   | 1,452,206               | 2,252,302                | 778,079             |
| Net position - beginning, restated       |                   |                      |                                    | 4,259,228   | 6,363,152               | 10,622,380               | 3,465,072           |
| Net position - ending                    |                   |                      |                                    | <u>\$ 5,059,324</u>                               | <u>\$ 7,815,358</u>     | <u>\$ 12,874,682</u>     | <u>\$ 4,243,151</u> |

See accompanying notes to these financial statements.

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

**CITY OF LINDSAY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
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**Governmental Funds Balance Sheet – June 30, 2015**

|  | <u>General Fund</u> | <u>Special Sales<br/>Tax</u> | <u>EMS Fund</u>     | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|------------------------------|---------------------|---|---|
| <b>ASSETS</b>  |                     |                              |                     |   |   |
| Cash and cash equivalents                              | \$ 1,074,567        | \$ -                         | \$ 1,579,584        | \$ 654,903                              | \$ 3,309,054                            |
| Receivable from other governments                      | 244,784             | 105,509                      | 105,507             | 9,468                                   | 465,268                                 |
| Due from other funds                                   | 80,741              | 975                          | 975                 | 4,587                                   | 87,278                                  |
| Court fines receivable, net                            | 34,461              | -                            | -                   | -                                       | 34,461                                  |
| Ambulance receivable, net                              | 172,960             | -                            | -                   | -                                       | 172,960                                 |
| Other receivables                                      | 22,745              | -                            | -                   | -                                       | 22,745                                  |
| Inventories  | 3,693               | -                            | -                   | -                                       | 3,693                                   |
| Total assets   | <u>\$ 1,633,951</u> | <u>\$ 106,484</u>            | <u>\$ 1,686,066</u> | <u>\$ 668,958</u>                       | <u>\$ 4,095,459</u>                     |
| <b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b> |                     |                              |                     |   |   |
| Liabilities:   |                     |                              |                     |   |   |
| Accounts payable                                       | \$ 122,245          | \$ -                         | \$ -                | \$ 106                                  | \$ 122,351                              |
| Accrued payroll payable                                | 73,671              | -                            | -                   | -                                       | 73,671                                  |
| Due to other funds                                     | 13,920              | 105,509                      | -                   | 59,081                                  | 178,510                                 |
| Due to bondholders                                     | 4,771               | -                            | -                   | -                                       | 4,771                                   |
| Unearned revenue                                       | -                   | -                            | -                   | 1,905                                   | 1,905                                   |
| Other payables   | 718                 | -                            | -                   | -                                       | 718                                     |
| Total liabilities                                      | <u>215,325</u>      | <u>105,509</u>               | <u>-</u>            | <u>61,092</u>                           | <u>381,926</u>                          |
| Deferred Inflows:                                      |                     |                              |                     |   |   |
| Deferred revenue                                       | <u>16,105</u>       | <u>-</u>                     | <u>-</u>            | <u>-</u>                                | <u>16,105</u>                           |
| Fund balances:   |                     |                              |                     |   |   |
| Nonspendable   | 3,693               | -                            | -                   | -                                       | 3,693                                   |
| Restricted for:  |                     |                              |                     |   |   |
| Street and Alley                                       | -                   | -                            | -                   | 122,215                                 | 122,215                                 |
| City Donation  | -                   | -                            | -                   | 63,559                                  | 63,559                                  |
| Public Works   | -                   | 975                          | -                   | 45,183                                  | 46,158                                  |
| Grants   | -                   | -                            | -                   | 45,240                                  | 45,240                                  |
| Cemetery   | -                   | -                            | -                   | 36,078                                  | 36,078                                  |
| Emergency Medical Services                             | -                   | -                            | 1,659,533           | -                                       | 1,659,533                               |
| Assigned to:   |                     |                              |                     |   |   |
| Subsequent Year Budget                                 | 1,003,080           | -                            | -                   | -                                       | 1,003,080                               |
| Capital Improvements                                   | -                   | -                            | -                   | 245,876                                 | 245,876                                 |
| Street and Alley                                       | -                   | -                            | -                   | 8,624                                   | 8,624                                   |
| Public Works   | -                   | -                            | -                   | 37,788                                  | 37,788                                  |
| Library  | -                   | -                            | -                   | 9                                       | 9                                       |
| Grants   | -                   | -                            | -                   | 3,294                                   | 3,294                                   |
| Emergency Medical Services                             | -                   | -                            | 26,533              | -                                       | 26,533                                  |
| Unassigned   | 395,748             | -                            | -                   | -                                       | 395,748                                 |
| Total fund balances                                    | <u>1,402,521</u>    | <u>975</u>                   | <u>1,686,066</u>    | <u>607,866</u>                          | <u>3,697,428</u>                        |
| Total liabilities, deferred inflows and fund balances  | <u>\$ 1,633,951</u> | <u>\$ 106,484</u>            | <u>\$ 1,686,066</u> | <u>\$ 668,958</u>                       | <u>\$ 4,095,459</u>                     |

See accompanying notes to these financial statements.

**CITY OF LINDSAY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
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**Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance – Year Ended June 30, 2015**

|   | <u>General Fund</u> | <u>Special Sales<br/>Tax</u> | <u>EMS Fund</u>     | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|------------------------------|---------------------|---|---|
| <b>REVENUES</b>                                   |                     |                              |                     |   |   |
| Taxes   | \$ 2,327,955        | \$ 928,743                   | \$ 928,742          | \$ -                                    | \$ 4,185,440                            |
| Intergovernmental                                 | 235,572             | -                            | -                   | 134,827                                 | 370,399                                 |
| Charges for services                              | 352,101             | -                            | -                   | 12,423                                  | 364,524                                 |
| Fines and forfeitures                             | 142,954             | -                            | -                   | -                                       | 142,954                                 |
| Licenses and permits                              | 13,151              | -                            | -                   | -                                       | 13,151                                  |
| Investment income                                 | 2,268               | -                            | 2,410               | 1,297                                   | 5,975                                   |
| Miscellaneous                                     | 66,663              | -                            | -                   | 41,501                                  | 108,164                                 |
| Total revenues                                    | <u>3,140,664</u>    | <u>928,743</u>               | <u>931,152</u>      | <u>190,048</u>                          | <u>5,190,607</u>                        |
| <b>EXPENDITURES</b>                               |                     |                              |                     |   |   |
| Current:  |                     |                              |                     |   |   |
| General government                                | 217,456             | -                            | -                   | -                                       | 217,456                                 |
| Public Safety                                     | 1,529,078           | -                            | -                   | 5,164                                   | 1,534,242                               |
| Highway and streets                               | 25,245              | -                            | -                   | -                                       | 25,245                                  |
| Culture and recreation                            | 159,173             | -                            | -                   | 32,911                                  | 192,084                                 |
| Airport   | -                   | -                            | -                   | 4,394                                   | 4,394                                   |
| Cemetery  | 55,206              | -                            | -                   | -                                       | 55,206                                  |
| Public Health and Welfare                         | 971,465             | -                            | -                   | -                                       | 971,465                                 |
| Capital Outlay                                    | 338,598             | -                            | -                   | 75,026                                  | 413,624                                 |
| Total Expenditures                                | <u>3,296,221</u>    | <u>-</u>                     | <u>-</u>            | <u>117,495</u>                          | <u>3,413,716</u>                        |
| Excess (deficiency) of revenues over expenditures | <u>(155,557)</u>    | <u>928,743</u>               | <u>931,152</u>      | <u>72,553</u>                           | <u>1,776,891</u>                        |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                     |                              |                     |   |   |
| Transfers in                                      | 300,084             | -                            | -                   | 2,500                                   | 302,584                                 |
| Transfers out                                     | -                   | (1,025,754)                  | (300,000)           | (202,500)                               | (1,528,254)                             |
| Total other financing sources and uses            | <u>300,084</u>      | <u>(1,025,754)</u>           | <u>(300,000)</u>    | <u>(200,000)</u>                        | <u>(1,225,670)</u>                      |
| Net change in fund balances                       | 144,527             | (97,011)                     | 631,152             | (127,447)                               | 551,221                                 |
| Fund balances - beginning                         | <u>1,257,994</u>    | <u>97,986</u>                | <u>1,054,914</u>    | <u>735,313</u>                          | <u>3,146,207</u>                        |
| Fund balances - ending                            | <u>\$ 1,402,521</u> | <u>\$ 975</u>                | <u>\$ 1,686,066</u> | <u>\$ 607,866</u>                       | <u>\$ 3,697,428</u>                     |

See accompanying notes to these financial statements.

**CITY OF LINDSAY, OKLAHOMA**  
**ANNUAL FINANCIAL REPORT**  
**As of and for the Year Ended June 30, 2015**

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

**Fund Balance – Net Position Reconciliation:**

|   |           |                  |
|---|-----------|------------------|
| Total fund balance, governmental funds  | \$        | 3,697,428        |
| Amounts reported for governmental activities in the Statement of Net Position are different because:  |           |                  |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.          |           |                  |
|   |           | 2,863,892        |
| Certain long-term assets are not available to pay current fund liabilities and, therefore are deferred in the funds:  |           |                  |
| Court fines receivable  |           | 16,105           |
| Certain other long-term assets are not available to pay current fund liabilities and, therefore are deferred, or not presented at all in the funds:   |           |                  |
| Net pension asset   |           | 273,305          |
| Pension related deferred outflows   |           | 206,974          |
| 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   |           | 2,420            |
| Some liabilities are not due and payable in the current period and are not included in the fund financial statement, and along with deferred inflows are included in the governmental activities of the Statement of Net Position             |           |                  |
| Accrued compensated absences liability  |           | (61,104)         |
| Pension related deferred inflows  |           | (469,107)        |
| Net pension liability   |           | (1,470,589)      |
| Net Position of Governmental Activities in the Statement of Net Position  | <u>\$</u> | <u>5,059,324</u> |

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

|  |           |                |
|--|-----------|----------------|
| Net change in fund balances - total governmental funds:  | \$        | 551,221        |
| Amounts reported for Governmental Activities in the Statement of Activities are different because:   |           |                |
| Governmental funds report capital outlays for capital assets as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:   |           |                |
| Capital asset purchases capitalized  |           | 406,086        |
| Depreciation expense   |           | (320,671)      |
| In the Statement of Activities, the net cost of pension benefits earned is calculated and reported as pension expense. The fund financial statements report pension contributions as pension expenditures. This amount represents the difference between pension contributions and calculated pension expense. |           |                |
|  |           | 148,626        |
| 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   |           | 9,540          |
| 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 compensated absences   |           | 7,462          |
| 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.   |           |                |
|  |           | (2,168)        |
| Change in net position of governmental activities  | <u>\$</u> | <u>800,096</u> |

See accompanying notes to these financial statements.

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**BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS**

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**Proprietary Funds Statement of Net Position – June 30, 2015**

|   | <b>Lindsay Public<br/>Works Authority</b> | <b>Internal Service<br/>Fund</b> |
|---|---|----------------------------------|
| <b>ASSETS</b>   |   |                                  |
| Current assets:                                       |   |                                  |
| Cash and cash equivalents                             | \$ 3,541,277                              | \$ 2,420                         |
| Restricted:   |   |                                  |
| Cash and cash equivalents                             | 105,657                                   | -                                |
| Due from other funds                                  | 113,917                                   | -                                |
| Accounts receivable, net                              | 698,918                                   | -                                |
| Due from other governments                            | 62,675                                    | -                                |
| Inventories   | 160,759                                   | -                                |
| Total current assets                                  | 4,683,203                                 | 2,420                            |
| Non-current assets:                                   |   |                                  |
| Restricted:   |   |                                  |
| Cash and cash equivalents                             | 109,879                                   | -                                |
| Investments   | 94,000                                    | -                                |
| Net pension asset                                     | 194,981                                   | -                                |
| Capital Assets:                                       |   |                                  |
| Land and construction in progress                     | 739,428                                   | -                                |
| Other capital assets, net of accumulated depreciation | 4,829,982                                 | -                                |
| Total non-current assets                              | 5,968,270                                 | -                                |
| Total assets  | 10,651,473                                | 2,420                            |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                 |   |                                  |
| Deferred amounts related to pensions                  | 71,225                                    | -                                |
| <b>LIABILITIES</b>                                    |   |                                  |
| Current Liabilities:                                  |   |                                  |
| Accounts payable                                      | 530,772                                   | -                                |
| Salaries payable                                      | 36,935                                    | -                                |
| Accrued interest payable                              | 12,016                                    | -                                |
| Due to other governments                              | 5,245                                     | -                                |
| Due to other funds                                    | 22,685                                    | -                                |
| Compensated absences                                  | 10,653                                    | -                                |
| Capital lease payable                                 | 14,435                                    | -                                |
| Due to depositors                                     | 38,845                                    | -                                |
| Notes payable   | 285,218                                   | -                                |
| Total current liabilities                             | 956,804                                   | -                                |
| Non-current liabilities:                              |   |                                  |
| Compensated absences                                  | 39,573                                    | -                                |
| Due to depositors                                     | 156,375                                   | -                                |
| Notes payable   | 1,651,486                                 | -                                |
| Total non-current liabilities                         | 1,847,434                                 | -                                |
| Total liabilities                                     | 2,804,238                                 | -                                |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                  |   |                                  |
| Deferred amounts related to pensions                  | 103,102                                   | -                                |
| <b>NET POSITION</b>                                   |   |                                  |
| Net investment in capital assets                      | 3,632,706                                 | -                                |
| Restricted for debt service                           | 101,091                                   | -                                |
| Unrestricted  | 4,081,561                                 | 2,420                            |
| Total net position                                    | \$ 7,815,358                              | \$ 2,420                         |

See accompanying notes to these financial statements.

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**Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position – Year Ended June 30, 2015**

|  | <b>Lindsay Public<br/>Works Authority</b> | <b>Internal Service<br/>Fund</b> |
|--|---|----------------------------------|
| <b>OPERATING REVENUES</b>                |   |                                  |
| Electric                                 | \$ 3,056,004                              | \$ -                             |
| Water                                    | 735,163                                   | -                                |
| Sewer                                    | 363,256                                   | -                                |
| Sanitation                               | 508,757                                   | -                                |
| Golf course                              | 38,702                                    | -                                |
| Pool                                     | 21,146                                    | -                                |
| Miscellaneous                            | 170,793                                   | 391,634                          |
| Total operating revenues                 | 4,893,821                                 | 391,634                          |
| <b>OPERATING EXPENSES</b>                |   |                                  |
| Billing                                  | 118,013                                   | -                                |
| Electric                                 | 2,435,706                                 | -                                |
| Water                                    | 443,596                                   | -                                |
| Sewer                                    | 123,978                                   | -                                |
| Sanitation                               | 303,956                                   | -                                |
| Administration/Legal                     | 312,683                                   | -                                |
| Golf Course                              | 172,374                                   | -                                |
| Pool                                     | 28,278                                    | -                                |
| General government                       | 476,083                                   | -                                |
| Depreciation expense                     | 338,113                                   | -                                |
| Insurance claims                         | -   | 395,811                          |
| Miscellaneous expense                    | -   | 15                               |
| Total operating expenses                 | 4,752,780                                 | 395,826                          |
| Operating income (loss)                  | 141,041                                   | (4,192)                          |
| <b>NON-OPERATING REVENUES (EXPENSES)</b> |   |                                  |
| Investment income                        | 7,871                                     | 24                               |
| Gain on sale of capital assets           | 56,980                                    | -                                |
| Interest expense and fiscal agent fees   | (44,032)                                  | -                                |
| Total non-operating revenue (expenses)   | 20,819                                    | 24                               |
| Income (loss) before transfers           | 161,860                                   | (4,168)                          |
| Contributed capital                      | 86,211                                    | -                                |
| Transfers in                             | 1,225,754                                 | 2,000                            |
| Transfers out                            | (21,619)                                  | -                                |
| Change in net position                   | 1,452,206                                 | (2,168)                          |
| Total net position - beginning, restated | 6,363,152                                 | 4,588                            |
| Total net position - ending              | \$ 7,815,358                              | \$ 2,420                         |

See accompanying notes to these financial statements.

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**Proprietary Funds Statement of Cash Flows – Year Ended June 30, 2015**

|  | <b>Lindsay Public<br/>Works Authority</b> | <b>Internal Service<br/>Fund</b> |
|--|---|----------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |   |                                  |
| Receipts from customers  | \$ 5,031,143                              | \$ -                             |
| Payments to suppliers  | (3,295,089)                               | -                                |
| Payments to employees  | (1,128,128)                               | (395,826)                        |
| Interfund receipts   | (104,310)                                 | -                                |
| Receipts of customer meter deposits  | 68,476                                    | -                                |
| Refunds of customer meter deposits   | (59,403)                                  | -                                |
| Other receipts   | -   | 391,634                          |
| <b>Net cash provided by (used in) operating activities</b>   | <b>512,689</b>                            | <b>(4,192)</b>                   |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>   |   |                                  |
| Transfers from other funds   | 1,225,754                                 | 2,000                            |
| Transfers to other funds   | (21,619)                                  | -                                |
| <b>Net cash provided by noncapital financing activities</b>  | <b>1,204,135</b>                          | <b>2,000</b>                     |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>  |   |                                  |
| Purchases of capital assets  | (1,007,175)                               | -                                |
| Proceeds from sale of capital assets   | 60,334                                    | -                                |
| Principal paid on debt   | (378,633)                                 | -                                |
| Interest and fiscal agent fees paid on debt  | (32,016)                                  | -                                |
| <b>Net cash provided by (used in) capital and related financing activities</b>                           | <b>(1,357,490)</b>                        | <b>-</b>                         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |   |                                  |
| Interest and dividends   | 7,871                                     | 24                               |
| <b>Net cash provided by investing activities</b>   | <b>7,871</b>                              | <b>24</b>                        |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | 367,205                                   | (2,168)                          |
| <b>Balances - beginning of year</b>  | <b>3,389,608</b>                          | <b>4,588</b>                     |
| <b>Balances - end of year</b>  | <b>\$ 3,756,813</b>                       | <b>\$ 2,420</b>                  |
| <b>Reconciliation to Statement of Net Position:</b>  |   |                                  |
| Cash and cash equivalents  | \$ 3,541,277                              | \$ 2,420                         |
| Restricted cash and cash equivalents - current   | 105,657                                   | -                                |
| Restricted cash and cash equivalents - noncurrent  | 109,879                                   | -                                |
| Total cash and cash equivalents, end of year   | <b>\$ 3,756,813</b>                       | <b>\$ 2,420</b>                  |
| <b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b> |   |                                  |
| Operating income (loss)  | \$ 141,041                                | \$ (4,192)                       |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: |   |                                  |
| Depreciation expense   | 338,113                                   | -                                |
| Contributed capital  | 86,211                                    | -                                |
| Change in assets and liabilities:  |   |                                  |
| Due from other funds   | (105,599)                                 | -                                |
| Due from other governments   | (62,675)                                  | -                                |
| Due to other funds   | 1,289                                     | -                                |
| Due to other governments   | (4,190)                                   | -                                |
| Accounts receivable  | 113,786                                   | -                                |
| Inventory  | (60,545)                                  | -                                |
| Net pension asset  | (150,327)                                 | -                                |
| Deferred outflows related to pensions  | (5,644)                                   | -                                |
| Accounts payable   | 129,317                                   | -                                |
| Other payable  | (14,187)                                  | -                                |
| Deposits subject to refund   | 9,073                                     | -                                |
| Accrued compensated absences   | (6,076)                                   | -                                |
| Deferred inflows related to pensions   | 103,102                                   | -                                |
| <b>Net cash provided by (used in) operating activities</b>   | <b>\$ 512,689</b>                         | <b>\$ (4,192)</b>                |

See accompanying notes to these financial statements.

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**FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS**

**Footnotes to the Basic Financial Statements:**

**1. Financial Reporting Entity**

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

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The City provides typical municipal services such as public safety, street and alley maintenance, parks and recreation, and, through its public trusts, certain utility services including electric, water, wastewater, and sanitation, and industrial 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
- EMS Fund – a special revenue fund that accounts for a 1 cent dedicated sales tax to be used for emergency medical services
- 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

**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.

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, 2015, the City recognized \$13,846 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, 2015, the primary government held the following deposits and investments:

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| <b>PRIMARY GOVERNMENT:</b>                          |                   |                      |                       |
|---|-------------------|----------------------|-----------------------|
| <u>Type</u>   | <u>Maturities</u> | <u>Credit Rating</u> | <u>Carrying Value</u> |
| <b>Deposits:</b>                                    |                   |                      |                       |
| Petty cash  |                   |                      | \$ 500                |
| Demand deposits                                     |                   |                      | 6,954,680             |
| Time deposits                                       | May 2016          |                      | <u>94,000</u>         |
|   |                   |                      | <u>7,049,180</u>      |
| <b>Investments:</b>                                 |                   |                      |                       |
| Caval Hill U.S. Treasury Admin Fund                 |                   | AAAm                 | 94,929                |
| Invesco Tst Prem US Gov Fund                        |                   | AAAm                 | <u>18,178</u>         |
|   |                   |                      | <u>113,107</u>        |
| <b>Total deposits and investments</b>               |                   |                      | <u>\$ 7,162,287</u>   |
| <b>Reconciliation to Statement of Net Position:</b> |                   |                      |                       |
| Cash and cash equivalents                           |                   |                      | \$ 6,852,751          |
| Restricted cash and cash equivalents                |                   |                      | 215,536               |
| Investments   |                   |                      | <u>94,000</u>         |
|   |                   |                      | <u>\$ 7,162,287</u>   |

*Custody Credit Risk* - Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be returned to it. The City is governed by the State Public Deposit Act which requires that the City obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custody credit risk if the securities are uninsured, are not registered in the name of the government, and if held by a counterparty or a counterparty's trust, department or agent, but not in the government's name.

As of June 30, 2015, the City was not exposed to custodial credit risk as defined above.

As of June 30, 2015, the deposits and investments for the Lindsay Municipal Hospital Authority were \$1,761,621. 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, 2015, the City's investments consisted of \$113,107 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.

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*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, 2015 are as follows:

| <u>Type of Restricted Asset</u> | <u>Current<br/>Cash and cash<br/>equivalents</u> | <u>Noncurrent<br/>Cash and cash<br/>equivalents</u> | <u>Investments</u> | <u>Total</u>     |
|---------------------------------|--|---|--------------------|------------------|
| Utility Deposits                | \$ 41,051  | \$ 61,378   | \$ 94,000          | \$196,429        |
| OWRB Debt Service               | 46,428   | 48,501  | -                  | 94,929           |
| 2012 Note Trustee Accounts      | 18,178   | -   | -                  | 18,178           |
| Total                           | <u>\$ 105,657</u>                                | <u>\$ 109,879</u>                                   | <u>\$ 94,000</u>   | <u>\$309,536</u> |

**4. Accounts Receivable**

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

|                                  | <u>Accounts<br/>Receivable</u> | <u>Less: Allowance<br/>for Uncollectible<br/>Accounts</u> | <u>Net<br/>Accounts<br/>Receivable</u> |
|----------------------------------|--------------------------------|---|--|
| <i>Governmental Activities:</i>  |                                |   |  |
| Ambulance receivable             | \$ 358,322                     | \$ 185,362  | \$ 172,960                             |
| Court fines                      | 172,306                        | 137,845   | 34,461                                 |
| Other receivables                | 22,745                         | -   | 22,745                                 |
| Total Governmental Activities    | <u>\$ 553,373</u>              | <u>\$ 323,207</u>   | <u>\$ 230,166</u>                      |
| <i>Business-Type Activities:</i> |                                |   |  |
| Utilities                        | \$ 1,268,494                   | \$ 569,576  | \$ 698,918                             |
| Total Business-Type Activities   | <u>\$ 1,268,494</u>            | <u>\$ 569,576</u>   | <u>\$ 698,918</u>                      |

**5. Capital Assets and Depreciation**

*Capital Assets:*

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

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

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

For the year ended June 30, 2015, capital assets balances changed as follows:

***Primary Government:***

|   | Balance at<br>July 1, 2014 | Additions           | Disposals         | Balance at<br>June 30, 2015 |
|---|----------------------------|---------------------|-------------------|-----------------------------|
| <b><i>Governmental activities:</i></b>        |                            |                     |                   |                             |
| Capital assets not being depreciated:         |                            |                     |                   |                             |
| Land  | \$ 125,750                 | \$ -                | \$ -              | \$ 125,750                  |
| Construction in progress                      | -                          | 7,300               | -                 | 7,300                       |
| Total capital assets not being depreciated    | <u>125,750</u>             | <u>7,300</u>        | <u>-</u>          | <u>133,050</u>              |
| Other capital assets:                         |                            |                     |                   |                             |
| Buildings                                     | 1,365,435                  | 64,900              | -                 | 1,430,335                   |
| Land Improvements                             | 27,500                     | -                   | -                 | 27,500                      |
| Computers & Electronics                       | 117,720                    | -                   | -                 | 117,720                     |
| Furniture & Fixtures                          | 31,604                     | -                   | -                 | 31,604                      |
| Vehicles                                      | 1,798,100                  | 221,260             | 27,750            | 1,991,610                   |
| Infrastructure                                | 3,950,747                  | 17,035              | -                 | 3,967,782                   |
| Machinery & Equipment                         | 922,057                    | 95,591              | 1,000             | 1,016,648                   |
| Total other capital assets at historical cost | <u>8,213,163</u>           | <u>398,786</u>      | <u>28,750</u>     | <u>8,583,199</u>            |
| Less accumulated depreciation for:            |                            |                     |                   |                             |
| Buildings                                     | 809,045                    | 35,603              | -                 | 844,648                     |
| Land Improvements                             | 14,972                     | 1,833               | -                 | 16,805                      |
| Computers & Electronics                       | 115,678                    | 1,739               | -                 | 117,417                     |
| Furniture & Fixtures                          | 24,829                     | 1,299               | -                 | 26,128                      |
| Vehicles                                      | 1,566,846                  | 66,865              | 27,750            | 1,605,961                   |
| Infrastructure                                | 2,352,562                  | 159,171             | -                 | 2,511,733                   |
| Machinery & Equipment                         | 676,504                    | 54,161              | 1,000             | 729,665                     |
| Total accumulated depreciation                | <u>5,560,436</u>           | <u>320,671</u>      | <u>28,750</u>     | <u>5,852,357</u>            |
| Other capital assets, net                     | <u>2,652,727</u>           | <u>78,115</u>       | <u>-</u>          | <u>2,730,842</u>            |
| Governmental activities capital assets, net   | <u>\$ 2,778,477</u>        | <u>\$ 85,415</u>    | <u>\$ -</u>       | <u>\$ 2,863,892</u>         |
| <b><i>Business-type activities:</i></b>       |                            |                     |                   |                             |
| Capital assets not being depreciated:         |                            |                     |                   |                             |
| Land  | \$ 395,000                 | \$ 120,003          | \$ -              | \$ 515,003                  |
| Construction in progress                      | 52,449                     | 579,865             | 407,889           | 224,425                     |
| Total capital assets not being depreciated    | <u>447,449</u>             | <u>699,868</u>      | <u>407,889</u>    | <u>739,428</u>              |
| Other capital assets:                         |                            |                     |                   |                             |
| Buildings                                     | 852,537                    | -                   | -                 | 852,537                     |
| Computers & Electronics                       | 102,596                    | -                   | -                 | 102,596                     |
| Furniture & Fixtures                          | 8,840                      | -                   | -                 | 8,840                       |
| Vehicles                                      | 999,615                    | -                   | 487,900           | 511,715                     |
| Machinery & equipment                         | 1,106,539                  | 307,307             | 104,237           | 1,309,609                   |
| Infrastructure                                | 16,061,823                 | 407,889             | -                 | 16,469,712                  |
| Total other capital assets at historical cost | <u>19,131,950</u>          | <u>715,196</u>      | <u>592,137</u>    | <u>19,255,009</u>           |
| Less accumulated depreciation for:            |                            |                     |                   |                             |
| Buildings                                     | 549,661                    | 12,255              | -                 | 561,916                     |
| Computers & Electronics                       | 99,919                     | 1,342               | -                 | 101,261                     |
| Furniture & Fixtures                          | 8,840                      | -                   | -                 | 8,840                       |
| Vehicles                                      | 952,725                    | 9,411               | 487,900           | 474,236                     |
| Machinery and equipment                       | 658,163                    | 76,970              | 100,882           | 634,251                     |
| Infrastructure                                | 12,406,388                 | 238,135             | -                 | 12,644,523                  |
| Total accumulated depreciation                | <u>14,675,696</u>          | <u>338,113</u>      | <u>588,782</u>    | <u>14,425,027</u>           |
| Other capital assets, net                     | <u>4,456,254</u>           | <u>377,083</u>      | <u>3,355</u>      | <u>4,829,982</u>            |
| Business-type activities capital assets, net  | <u>\$ 4,903,703</u>        | <u>\$ 1,076,951</u> | <u>\$ 411,244</u> | <u>\$ 5,569,410</u>         |

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|   | Balance at<br>July 1, 2014 | Additions          | Disposals       | Transfers        | Balance at<br>June 30, 2015 |
|---|----------------------------|--------------------|-----------------|------------------|-----------------------------|
| <b><i>Lindsay Municipal Hospital Authority:</i></b> |                            |                    |                 |                  |                             |
| Capital assets not being depreciated:               |                            |                    |                 |                  |                             |
| Land  | \$ 14,164                  | \$ -               | \$ -            | \$ -             | \$ 14,164                   |
| Construction in progress                            | 214,790                    | 1,860              | -               | (216,650)        | -                           |
| Total capital assets not being depreciated          | <u>228,954</u>             | <u>1,860</u>       | <u>-</u>        | <u>(216,650)</u> | <u>14,164</u>               |
| Other capital assets:                               |                            |                    |                 |                  |                             |
| Buildings   | 2,728,446                  | 73,862             | -               | 192,370          | 2,994,678                   |
| Land Improvements                                   | 34,266                     | -                  | -               | -                | 34,266                      |
| Machinery & Equipment                               | 2,649,424                  | 64,640             | (68,079)        | 24,280           | 2,670,265                   |
| Total other capital assets at historical cost       | <u>5,412,136</u>           | <u>138,502</u>     | <u>(68,079)</u> | <u>216,650</u>   | <u>5,699,209</u>            |
| Less accumulated depreciation for:                  |                            |                    |                 |                  |                             |
| Buildings   | 1,771,206                  | 58,648             | -               | -                | 1,829,854                   |
| Land Improvements                                   | 34,266                     | -                  | -               | -                | 34,266                      |
| Machinery & Equipment                               | 2,298,107                  | 150,934            | (68,079)        | -                | 2,380,962                   |
| Total accumulated depreciation                      | <u>4,103,579</u>           | <u>209,582</u>     | <u>(68,079)</u> | <u>-</u>         | <u>4,245,082</u>            |
| Other capital assets, net                           | <u>1,308,557</u>           | <u>(71,080)</u>    | <u>-</u>        | <u>-</u>         | <u>1,454,127</u>            |
| Municipal Hospital capital assets, net              | <u>\$ 1,537,511</u>        | <u>\$ (69,220)</u> | <u>\$ -</u>     | <u>\$ -</u>      | <u>\$ 1,468,291</u>         |

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

Governmental Activities:

|                        |                   |
|------------------------|-------------------|
| General government     | \$ 13,090         |
| Public safety          | 120,726           |
| Highways and streets   | 52,665            |
| Culture and recreation | 21,759            |
| Cemetery               | 5,504             |
| Airport                | 106,927           |
|                        | <u>\$ 320,671</u> |

Business-Type Activities:

|             |                   |
|-------------|-------------------|
| Electric    | \$ 40,708         |
| Water       | 163,632           |
| Sewer       | 104,581           |
| Pool        | 835               |
| Sanitation  | 4,755             |
| Golf Course | 23,602            |
|             | <u>\$ 338,113</u> |

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

| Type of Debt                     | Balance<br>July 1, 2014 | Additions        | Deductions            | Balance<br>June 30, 2015 | Due Within<br>One Year |
|----------------------------------|-------------------------|------------------|-----------------------|--------------------------|------------------------|
| <b>Governmental Activities:</b>  |                         |                  |                       |                          |                        |
| Accrued compensated absences     | \$ 68,565               | \$ -             | \$ 7,462              | \$ 61,103                | \$ 6,110               |
| Total Governmental Activities    | <u>\$ 68,565</u>        | <u>\$ -</u>      | <u>\$ 7,462</u>       | 61,103                   | <u>\$ 6,110</u>        |
|                                  |                         |                  | Net pension liability | 1,470,590                |                        |
|                                  |                         |                  |                       | <u>\$ 1,531,693</u>      |                        |
| <b>Business-Type Activities:</b> |                         |                  |                       |                          |                        |
| Notes payable                    | \$ 2,301,343            | \$ -             | \$ 364,637            | \$ 1,936,706             | \$ 285,218             |
| Capital lease payable            | 28,431                  | -                | 13,996                | 14,435                   | 14,435                 |
| Meter deposit liability          | 186,147                 | 68,476           | 59,403                | 195,220                  | 38,845                 |
| Accrued compensated absences     | 56,300                  | -                | 6,076                 | 50,224                   | 10,653                 |
| Total Business-Type Activities   | <u>2,572,221</u>        | <u>68,476</u>    | <u>444,112</u>        | 2,196,585                | <u>349,151</u>         |
| Total Long-Term Debt             | <u>\$ 2,640,786</u>     | <u>\$ 68,476</u> | <u>\$ 451,574</u>     | <u>\$ 2,257,688</u>      | <u>\$ 355,261</u>      |

**Reconciliation to Statement of Net Position:**

|  |                     |
|--|---------------------|
| <b>Governmental Activities:</b>                      |                     |
| Due within one year                                  | \$ 6,110            |
| Due in more than one year                            | 1,525,583           |
| Total Governmental Activities Long-term liabilities  | <u>\$ 1,531,693</u> |
| <b>Business-Type Activities:</b>                     |                     |
| Due within one year                                  | \$ 349,151          |
| Due in more than one year                            | 1,847,434           |
| Total Business-Type Activities Long-term liabilities | <u>\$ 2,196,585</u> |

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

*Governmental Activities:*

At June 30, 2015, the governmental activities long-term payable from taxes and other general revenues include the following:

Accrued Compensated Absences

|                                    |                  |
|------------------------------------|------------------|
| Current portion                    | \$ 6,110         |
| Noncurrent portion                 | 54,993           |
| Total Accrued Compensated Absences | <u>\$ 61,103</u> |

Net Pension Liability

|                             |                     |
|-----------------------------|---------------------|
| Current portion             | \$ -                |
| Noncurrent portion          | 1,470,590           |
| Total Net Pension Liability | <u>\$ 1,470,590</u> |

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*Business-Type Activities:*

Long-term debt commitments payable from net revenues generated by the utility resources or other resources pledged to City's business-type activities at June 30, 2015, includes the following:

Long-Term Note Commitments

OWRB Amended Series 2000 Promissory Note dated February 2000, original amount of \$575,000, due in semi-annual installments each February 15 and August 15, final installment due February 2020, interest rate of 2.30%. Note is secured by a pledge of utility revenues and sales tax and also a mortgage with power of sale and security agreement. \$ 250,000

OWRB-DWSRF Promissory Note dated November 2000, original amount \$3,195,000, due in semi-annual principal installments each March 15 and September 15, final installment due September 15, 2022, interest rate of 3.58%. The note is secured by a pledge of net utility revenues. 1,199,101

Note payable to Oklahoma Dept of Commerce dated September 1, 2000, original amount of \$87,500, payable in monthly installments of \$365 with a 0% interest rate, final payment due October 2020. 22,605

Note payable to Bank of Oklahoma dated August 9, 2012, original amount of \$630,000, due in semi-annual principal installments each March 1 and September 1, final installment due September 1, 2022, interest rate of 2.71%. Note is secured by a pledge of utility revenues and sales tax. 465,000

|                     |              |
|---------------------|--------------|
| Total Notes Payable | \$ 1,936,706 |
| Current portion     | \$ 285,218   |
| Noncurrent portion  | 1,651,488    |
| Total Notes Payable | \$ 1,936,706 |

Capital Lease Payable

Lease obligation to Oklahoma State Bank for purchase of golf carts, original amount \$55,120 payable in yearly installments of \$14,926, with an interest rate of 3.27%, final payment due September 2015. \$ 14,435

|                              |           |
|------------------------------|-----------|
| Total Capital Leases Payable | \$ 14,435 |
| Current portion              | \$ 14,435 |
| Total Capital Leases Payable | \$ 14,435 |

Meter Deposit Liability

|                               |            |
|-------------------------------|------------|
| Current portion               | \$ 38,845  |
| Noncurrent portion            | 156,375    |
| Total Meter Deposit Liability | \$ 195,220 |

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Accrued Compensated Absences

|                                    |                    |                         |
|------------------------------------|--------------------|-------------------------|
|                                    | Current portion    | \$ 10,653               |
|                                    | Noncurrent portion | <u>39,571</u>           |
| Total Accrued Compensated Absences |                    | <u><u>\$ 50,224</u></u> |

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

| Year Ended<br>June 30, | Business-Type              |                          |                         |                      |
|------------------------|----------------------------|--------------------------|-------------------------|----------------------|
|                        | Notes Payable              |                          | Capital Lease           |                      |
|                        | Principal                  | Interest                 | Principal               | Interest             |
| 2016                   | \$ 285,218                 | \$ 34,272                | \$ 14,435               | \$ 473               |
| 2017                   | 293,314                    | 28,963                   | -                       | -                    |
| 2018                   | 301,412                    | 23,453                   | -                       | -                    |
| 2019                   | 314,563                    | 17,682                   | -                       | -                    |
| 2020                   | 343,481                    | 11,241                   | -                       | -                    |
| 2021-2022              | <u>398,718</u>             | <u>5,971</u>             | <u>-</u>                | <u>-</u>             |
| Total                  | <u><u>\$ 1,936,706</u></u> | <u><u>\$ 121,582</u></u> | <u><u>\$ 14,435</u></u> | <u><u>\$ 473</u></u> |

**Compensated Absences**

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave, as well as sick and comp time benefits. Beginning December 1, 2014, the city's policy regarding accumulated sick leave permits employees to accumulate unused sick leave to a maximum of 240 hours. Beginning July 1, 2012, the city's policy regarding accumulated vacation leave is a maximum of 240 hours of vacation for all employees. All vacation and comp pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental and proprietary funds.

**Pledge of Future Revenues**

Sales Tax and Utility Net Revenues Pledge - The City has pledged one cent (or 33.3%) of future sales tax revenues and net utility revenues to repay the \$575,000, \$3,195,000, and \$630,000 Series 2000, 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 \$2,035,683. Pledged sales taxes received in the current year were \$920,245 and net utility revenues were \$423,028. Debt service payments of \$325,906 for the current fiscal year were 24.3% of both pledged sales taxes and net utility revenues of \$1,343,273.

**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:

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

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

*Fund Balances*

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

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. Restricted – consists of fund balance with constraints placed on the use of resources either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Committed – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance. The City currently reports no committed fund balance.
- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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It is the City's policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The City's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Proprietary fund equity is classified the same as in the government-wide statements.

**Enterprise Funds:**

|  |                  |
|--|------------------|
| Debt service and reserve for promissory notes:     |                  |
| Cash and investments                               | \$113,107        |
| Less: accrued interest payable                     | <u>(12,016)</u>  |
| Total Enterprise Fund Restriction for Debt Service | <u>\$101,091</u> |

**Restatement of Net Position/Fund Balance:**

Beginning net position was restated as of June 30, 2015 as follows:

|   | Government-Wide            |                             | Fund Level          |
|---|----------------------------|-----------------------------|---------------------|
|   | Governmental<br>Activities | Business-type<br>Activities | LPWA                |
| Beginning net position, as previously reported    | \$ 5,867,271               | \$ 6,252,917                | \$ 6,252,917        |
| Implementation of GASB Pension Statements 68 & 71 | <u>(1,608,043)</u>         | <u>110,235</u>              | <u>110,235</u>      |
| Beginning net position, restated                  | <u>\$ 4,259,228</u>        | <u>\$ 6,363,152</u>         | <u>\$ 6,363,152</u> |

**8. Inventories**

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

**9. Sales Tax Revenue**

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

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

The City's policy is to eliminate inter-fund transfers and balances in the statements of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances and then offset in the total column in the government-wide statements. Inter-fund transfers and balances between funds are not eliminated in the fund financial statements.

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

| <u>Due From</u>        | <u>Due To</u>          | <u>Amount</u>     | <u>Nature of Balance</u>                      |
|------------------------|------------------------|-------------------|---|
| City Donation Fund     | General Fund           | \$ 5,840          | expenses paid on behalf of City Donation Fund |
| LPWA                   | General Fund           | 21,660            | expenses paid on behalf of LPWA               |
| Grant Fund             | General Fund           | 53,241            | expenses paid on behalf of Grant Fund         |
| General Fund           | LPWA                   | 8,408             | expenses paid on behalf of GF                 |
| Special Sales Tax Fund | LPWA                   | 105,509           | sales tax                                     |
| LPWA                   | Airport                | 1,025             | deposit correction                            |
| General Fund           | Street and Alley Fund  | 3,562             | deposit correction                            |
| General Fund           | EMS Fund               | 975               | sales tax                                     |
| General Fund           | Special Sales Tax Fund | 975               | sales tax                                     |
| Total                  |                        | <u>\$ 201,195</u> |   |

**Reconciliation to Fund Financial Statements:**

|                    | <u>Due To</u>     | <u>Due From</u>     | <u>Net Internal Balances</u> |
|--------------------|-------------------|---------------------|------------------------------|
| Governmental Funds | \$ 87,278         | \$ (178,510)        | \$ (91,232)                  |
| Proprietary Funds  | 113,917           | (22,685)            | 91,232                       |
| Total              | <u>\$ 201,195</u> | <u>\$ (201,195)</u> | <u>\$ -</u>                  |

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

| <u>Transfer From</u>     | <u>Transfer To</u> | <u>Amount</u>       | <u>Purpose of Transfer</u>    |
|--------------------------|--------------------|---------------------|-------------------------------|
| Donation Fund            | Grant Fund         | \$ 2,500            | reimbursement of expenditures |
| EMS Fund                 | General Fund       | 300,000             | sales tax transfer            |
| LPWA                     | General Fund       | 84                  | reimbursement of expenditures |
| Capital Improvement Fund | LPWA               | 200,000             | capital improvement subsidy   |
| Special Sales Tax Fund   | LPWA               | 1,025,754           | sales tax transfer            |
| Total                    |                    | <u>\$ 1,528,338</u> |                               |

**Reconciliation to Fund Financial Statements:**

|                    | <u>Transfers In</u> | <u>Transfers Out</u>  | <u>Net Transfers</u> |
|--------------------|---------------------|-----------------------|----------------------|
| Governmental Funds | \$ 302,584          | \$ (1,528,254)        | \$ (1,225,670)       |
| Proprietary Funds  | 1,225,754           | (21,619)              | 1,204,135            |
|                    | <u>\$ 1,528,338</u> | <u>\$ (1,549,873)</u> | <u>\$ (21,535)</u>   |

**Reconciliation to Statement of Activities:**

|   |                       |
|---|-----------------------|
| Net Transfers   | (1,225,670)           |
| Business-type activity capital assets contributed by governmental funds | 21,535                |
| Transfers - internal activity   | <u>\$ (1,204,135)</u> |

## 11. Risk Management

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

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

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

The City's risk is transferred to the risk entity pool except for claim deductible amounts. The risk pool maintains deposits for claims reserves and other purposes for the benefit of the city. Management believes such insurance coverage listed above is sufficient to preclude any significant uninsured losses to the City, and such claims have not exceeded the coverage over the past three fiscal years.

## **12. Retirement Plan Participation**

The City participates in three employee retirement plans:

- Oklahoma Firefighter's Pension and Retirement System (FPRS) – a statewide cost-sharing plan
- Oklahoma Police Pension and Retirement System (OPPRS) – a statewide cost-sharing plan
- Oklahoma Municipal Retirement Fund Defined Benefit Plan – a defined benefit plan

*Oklahoma Firefighters' Pension and Retirement System:*

**Plan description** - The City, as the employer, participates in the Firefighters Pension & Retirement—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at [www.ok.gov/FPRS](http://www.ok.gov/FPRS).

**Benefits provided** - FPRS provides retirement, disability, and death benefits to members of the plan. Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have complete 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more of service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have complete 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more of service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per year of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

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A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

***Contributions*** - The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% percent of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay. Contributions to the pension plan from the City were \$50,762. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$132,769 during the calendar year and this is reported as both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$113,753. These on-behalf payments did not meet the criteria of a special funding situation.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*** - At June 30, 2015, the City reported a net pension liability of \$1,470,589 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension liability was based on the City's contributions received by the pension plan relative to the total contributions received by pension plan for all participating employers as of June 30, 2014. Based upon this information, the City's proportion was 0.143005%.

For the year ended June 30, 2015, the City recognized pension expense of \$132,078. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows of<br>Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience                               | \$ 35,039                         | \$ -                             |
| Net difference between projected and actual earnings on pension plan investments | -                                 | 222,607                          |
| City contributions subsequent to the measurement date                            | 54,034                            | -                                |
| Total  | \$ 89,073                         | \$ 222,607                       |

The \$54,034 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: |             |
|---------------------|-------------|
| 2016                | \$ (49,127) |
| 2017                | (49,127)    |
| 2018                | (49,127)    |
| 2019                | (49,126)    |
| 2020                | 6,525       |
| Thereafter          | 2,414       |

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**Actuarial Assumptions**- The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

|                            |   |
|----------------------------|---|
| Inflation:                 | 3%  |
| Salary increases:          | 3.5% to 9.0% average, including inflation   |
| Investment rate of return: | 7.5% net of pension plan investment expense |

Mortality rates were based on the RP2000 combined healthy with blue collar adjustment as appropriate, with adjustments for generational mortality improvement using scale AA for healthy lives and no mortality improvement for disabled lives.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

| <u>Asset Class</u>   | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Fixed income         | 20%                      | 5.48%   |
| Domestic equity      | 37%                      | 9.61%   |
| International equity | 20%                      | 9.24%   |
| Real estate          | 10%                      | 7.76%   |
| Other assets         | 13%                      | 6.88%   |

**Discount Rate**- The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 36% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**-The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

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|                                  | 1% Decrease<br>6.5% | Current Discount<br>Rate (7.5%) | 1% Increase<br>8.5% |
|----------------------------------|---------------------|---------------------------------|---------------------|
| Employers' net pension liability | \$ 1,920,279        | \$ 1,470,589                    | \$ 1,093,574        |

**Pension plan fiduciary net position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the FPRS which can be located at [www.ok.gov/FPRS](http://www.ok.gov/FPRS).

*Oklahoma Police Pension and Retirement System:*

**Plan description** - The City, as the employer, participates in the Oklahoma Police Pension and Retirement Plan—a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Police Pension and Retirement System (OPPRS). Title 11 of the Oklahoma State Statutes, through the Oklahoma Legislature, grants the authority to establish and amend the benefit terms to the OPPRS. OPPRS issues a publicly available financial report that can be obtained at [www.ok.gov/OPPRS](http://www.ok.gov/OPPRS).

**Benefits provided** - OPPRS provides retirement, disability, and death benefits to members of the plan. The normal retirement date under the Plan is the date upon which the participant completes 20 years of credited service, regardless of age. Participants become vested upon completing 10 years of credited service as a contributing participant of the Plan. No vesting occurs prior to completing 10 years of credited service. Participants' contributions are refundable, without interest, upon termination prior to normal retirement. Participants who have completed 10 years of credited service may elect a vested benefit in lieu of having their accumulated contributions refunded. If the vested benefit is elected, the participant is entitled to a monthly retirement benefit commencing on the date the participant reaches 50 years of age or the date the participant would have had 20 years of credited service had employment continued uninterrupted, whichever is later.

Monthly retirement benefits are calculated at 2.5% of the final average salary (defined as the average paid base salary of the officer over the highest 30 consecutive months of the last 60 months of credited service) multiplied by the years of credited service, with a maximum of 30 years of credited service considered.

Monthly benefits for participants due to permanent disability incurred in the line of duty are 2.5% of the participants' final average salary multiplied by 20 years. This disability benefit is reduced by stated percentages for partial disability based on the percentage of impairment. After 10 years of credited service, participants who retire due to disability incurred from any cause are eligible for a monthly benefit based on 2.5% of their final average salary multiplied by the years of service. This disability benefit is also reduced by stated percentages for partial disability based on the percentage of impairment. Effective July 1, 1998, once a disability benefit is granted to a participant, that participant is no longer allowed to apply for an increase in the dollar amount of the benefit at a subsequent date.

Survivor's benefits are payable in full to the participant's beneficiary upon the death of a retired participant. The beneficiary of any active participant killed in the line of duty is entitled to a pension benefit.

**Contributions** - The contributions requirements of the Plan are at an established rate determine by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 8% of their annual pay. Participating cities are required to contribute 13% of the employees' annual pay. Contributions to the pension plan from the City were \$31,048. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$27,742 during the calendar year and this is reported as

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both a revenue and an expenditure in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance. In the government-wide Statement of Activities, revenue is recognized for the state's on-behalf contributions on an accrual basis of \$27,632. These on-behalf payments did not meet the criteria of a special funding situation.

**Pension Asset/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At June 30, 2015, the City reported an asset of \$29,686 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2014. The City's proportion of the net pension asset was based on the City's contributions received by the pension plan relative to the total contributions received by the pension plan for all participating employers as of June 30, 2014. Based upon this information, the City's proportion was 0.0882%.

For the year ended June 30, 2015, the City recognized pension expense of \$10,881. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows of<br>Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience                               | \$ -                              | \$ 13,337                        |
| Net difference between projected and actual earnings on pension plan investments | -                                 | 104,343                          |
| City contributions subsequent to the measurement date                            | 28,909                            | -                                |
| Total  | \$ 28,909                         | \$ 117,680                       |

The \$28,909 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase/decrease of the net pension asset/liability in the year ended June 30, 2016. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: |    |         |
|---------------------|----|---------|
| 2016                | \$ | 28,856  |
| 2017                |    | 28,856  |
| 2018                |    | 28,856  |
| 2019                |    | 28,856  |
| 2020                |    | 2,256   |
|                     | \$ | 117,680 |

**Actuarial Assumptions**-The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

|                   |  |  |
|-------------------|--|--|
| Inflation:        | 3%                                       |  |
| Salary increases: | 4.5% to 17% average, including inflation |  |

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|                            |  |
|----------------------------|--|
| Investment rate of return: | 7.5% net of pension plan investment expense  |
| Mortality rates:           | <p>Active employees (pre-retirement) RP-2000 Blue Collar Healthy Combined table with age set back 4 years with fully generational improvement using Scale AA.</p> <p>Active employees (post-retirement) and nondisabled pensioners: RP-2000 Blue Collar Healthy Combined table with fully generational improvement using scale AA.</p> <p>Disabled pensioners: RP-2000 Blue Collar Healthy Combined table with age set forward 4 years with fully generational improvement using Scale AA.</p> |

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2007, to June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

| <u>Asset Class</u>   | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|----------------------|---|
| Fixed income         | 2.83%   |
| Domestic equity      | 6.47%   |
| International equity | 6.98%   |
| Real estate          | 5.50%   |
| Private equity       | 5.96%   |
| Commodities          | 3.08%   |

The current allocation policy is approximately 60% of assets in equity instruments, including public equity, long-short hedge, venture capital, and private equity strategies; approximately 25% of assets in fixed income to include investment grade bonds, high yield and non-dollar denominated bonds, convertible bonds, and low volatility hedge fund strategies; and 15% of assets in real assets to include real estate, commodities, and other strategies.

**Discount Rate**-The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, determined by State statutes. Projected cash flows also assume the State of Oklahoma will continue contributing 14% of the insurance premium, as established by statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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**Sensitivity of the Net Pension Asset/Liability to Changes in the Discount Rate**-The following presents the net pension liability of the employers calculated using the discount rate of 7.5%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

|   | 1% Decrease<br>6.5% | Current Discount<br>Rate 7.5% | 1% Increase<br>8.5% |
|---|---------------------|-------------------------------|---------------------|
| Employers' net pension liability(asset) | \$ 176,686          | \$ (29,686)                   | \$ (203,630)        |

**Pension plan fiduciary net position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report of the OPPRS; which can be located at [www.ok.gov/OPPRS](http://www.ok.gov/OPPRS).

*Oklahoma Municipal Retirement Fund Defined Benefit Plan*

**Plan description** - The City contributes to the OkMRF for all eligible employees except for those covered by the Police and Firefighter Pension Systems. The plan is an agent multiple employer - defined benefit plan administered by OkMRF. The OkMRF plan issues a separate financial report and can be obtained from OkMRF or from their website: [www.okmrf.org/reports.html](http://www.okmrf.org/reports.html). Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

**Summary of Significant Accounting Policies** - For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by OkMRF. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value based on published market prices. Detailed information about the OkMRF plans' fiduciary net position is available in the separately issued OkMRF financial report.

**Eligibility Factors and Benefit Provisions-**

| <u>Provision</u>                | <u>As of 07/01/14<br/>OkMRF Plan</u>  |
|---------------------------------|---|
| a. Eligible to participate      | Full-time employees except police, firefighters and other employees who are covered under an approved system.   |
| b. Period Required to Vest      | 10 years of credited service  |
| c. Eligibility for Distribution | -Normal retirement at age 65 with 10 years of service<br>-Early retirement at age 55 with 10 years of service<br>-Disability retirement upon disability with 10 years of service<br>-Marital benefit with 10 years of service for married employees |

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- |                                   |   |
|-----------------------------------|---|
| d. Benefit Determination Base     | Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service                 |
| e. 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 employees accrued benefit, but terminates upon spouse re-marriage   |
| Prior to 10 Years Service         | -Return of employee contributions with accrued interest   |
| f. Benefit Authorization          | -Benefits are established and amended by City Council adoption of an ordinance in accordance with O.S. Title, 11, Section 48-101-102            |
| g. Form of Benefit Payments       | Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, option form based on actuarial equivalent. |

**Employees Covered by Benefit Terms** –

|                                   |           |
|-----------------------------------|-----------|
| Active Employees                  | 42        |
| Deferred Vested Former Employees  | 1         |
| Disabled Participants             | 1         |
| Retirees or Retiree Beneficiaries | <u>13</u> |
| Total                             | <u>57</u> |

**Contribution Requirements** – The City Council has the authority to set and amend contribution rates by ordinance for the OkMRF defined benefit plan in accordance with O.S. Title 11, Section 48-102. The contribution rates for the current fiscal year have been made in accordance with an actuarially determined rate. The actuarially determined rate is 7.36% of covered payroll as of 7-1-14; however, management elected to contribute 10% of covered payrolls as of 7-1-14. For the year ended June 30, 2015, the City recognized \$160,218 of employer contributions to the plan which equals the actuarially determined amount based on covered payroll of \$1,601,333. Employees contribute 3.75% of covered payroll as of 7-1-14.

**Actuarial Assumptions** –

- |  |  |
|--|--|
| Date of Last Actuarial Valuation                   | July 1, 2014                             |
| a. Actuarial cost method                           | Entry age normal                         |
| b. Rate of Return on Investments and Discount Rate | 7.75%                                    |
| c. Projected Salary Increase                       | Varies between 7.42% and 4% based on age |

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|  |  |
|--|--|
| d. Post Retirement cost-of-Living Increase | None   |
| e. Inflation Rate                          | 3%   |
| f. Mortality Table                         | UP 1994, with projected mortality improvement  |
| g. Percent of married employees            | 100%   |
| h. Spouse age difference                   | 3 years (female spouses younger)   |
| i. Turnover                                | Select and ultimate rates<br>Ultimate rates are age-related as shown<br>Additional rates per thousand are<br>Added during the first 5 years:<br>Year 1: 215<br>Year 2: 140<br>Year 3: 95<br>Year 4: 65<br>Year 5: 40 |
| j. Date of last experience study           | September 2012 for fiscal years 2007 thru 2011   |

**Discount Rate** – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 7.75% since the plan’s net fiduciary position is projected to be sufficient to make projected benefit payments.

The City has adopted a funding method that is designed to fund all benefits payable to participants over the course of their working careers. Any differences between actual and expected experience are funded over a fixed period to ensure all funds necessary to pay benefits have been contributed to the trust before those benefits are payable. Thus, the sufficiency of pension plan assets was made without a separate projection of cash flows.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.0%). Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of July 1, 2014 are summarized in the following table:

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|   | <u>Target<br/>Allocation</u> | <u>Real<br/>Return</u> | <u>Weighted<br/>Return</u> |
|---|------------------------------|------------------------|----------------------------|
| Large cap stocks<br>S&P 500                       | 25%                          | 5.40%                  | 1.35%                      |
| Small/mid cap stocks<br>Russell 2500              | 10%                          | 7.50%                  | 0.75%                      |
| Long/short equity<br>MSCI ACWI                    | 10%                          | 6.10%                  | 0.61%                      |
| International stocks<br>MSCI EAFE                 | 20%                          | 5.10%                  | 1.02%                      |
| Fixed income bonds<br>Barclay's Capital Aggregate | 30%                          | 2.60%                  | 0.78%                      |
| Real estate<br>NCREIF                             | 5%                           | 4.80%                  | 0.24%                      |
| Cash equivalents<br>3 month Treasury              | 0%                           | 0.00%                  | 0.00%                      |
| <b>TOTAL</b>                                      | <b><u>100%</u></b>           |                        |                            |
| Average Real Return                               |                              |                        | 4.75%                      |
| Inflation   |                              |                        | <u>3.00%</u>               |
| Long-term expected return                         |                              |                        | <u>7.75%</u>               |

**Changes in Net Pension Liability –**

| <b>SCHEDULE OF CHANGES IN NET PENSION LIABILITY(ASSET)</b> |                                   |                             |  |
|--|-----------------------------------|-----------------------------|--|
|  | <u>Increase (Decrease)</u>        |                             |  |
|  | Total Pension<br>Liability<br>(a) | Plan Net<br>Position<br>(b) | Net Pension<br>Liability(Asset)<br>(a) - (b) |
| <b>Balances Beginning of Year</b>                          | <u>\$ 3,203,944</u>               | <u>\$ 3,304,390</u>         | <u>\$ (100,446)</u>                          |
| <b>Changes for the Year:</b>                               |                                   |                             |  |
| Service cost   | 149,157                           | -                           | 149,157                                      |
| Interest expense   | 253,634                           | -                           | 253,634                                      |
| Contributions--City  | -                                 | 147,521                     | (147,521)                                    |
| Contributions--members                                     | -                                 | 55,320                      | (55,320)                                     |
| Net investment income                                      | -                                 | 546,195                     | (546,195)                                    |
| Benefits paid  | (163,848)                         | (163,848)                   | -  |
| Plan administrative expenses                               | -                                 | (8,091)                     | 8,091  |
| <b>Net Changes</b>   | <u>238,943</u>                    | <u>577,097</u>              | <u>(338,154)</u>                             |
| <b>Balances End of Year</b>                                | <u>\$ 3,442,887</u>               | <u>\$ 3,881,487</u>         | <u>\$ (438,600)</u>                          |

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**Sensitivity of the Net Pension Liability(Asset) to Changes in the Discount Rate –**

|                               | 1%<br>Decrease<br>(6.75%) | Current<br>Discount<br>Rate (7.75%) | 1%<br>Increase<br>(8.75%) |
|-------------------------------|---------------------------|-------------------------------------|---------------------------|
| Net Pension Liability (Asset) | \$ 22,744                 | \$ (438,600)                        | \$ (817,846)              |

The City reported \$41,289 in pension expense for the year ended June 30, 2015. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Net difference between projected and actual earnings<br>on pension plan investments | \$ -                              | \$ 231,922                       |
| City contributions subsequent to the measurement date                               | 160,217                           | -                                |
| Total   | \$ 160,217                        | \$ 231,922                       |

**Amortization of Pension Deferrals** –\$160,217 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a increase/reduction of the net pension liability/asset in the year ended June 30, 2016. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

|      |              |
|------|--------------|
| 2015 | \$ (57,981)  |
| 2016 | (57,981)     |
| 2017 | (57,981)     |
| 2018 | (57,979)     |
|      | \$ (231,922) |

**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 2015, 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 (the "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 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 Hospital Authority is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital Authority and audits thereof by the Medicare administrative contractor.
  
- **Medicaid** - The Hospital 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 Hospital Authority is reimbursed for certain services at tentative rates with settlements based on quarterly filings.

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, 2015. 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 90% of net patient service revenues are from patients covered under agreements with the Department of Corrections for the year ended June 30, 2015.

The Hospital 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 Hospital Authority under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

### **Charity Care**

The 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**

In September 2007, the Hospital Authority became a member of Cimarron Insurance Exchange, RRG (Reciprocal Risk Retention Group) (Cimarron) approved by the State of Vermont to provide hospital professional and general liability coverage to its subscribers. Cimarron 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. Cimarron members are provided hospital professional and general liability insurance under claims-made policies on a fixed premium basis. Effective January 1, 2014, Cimarron was dissolved and the Hospital Authority began purchasing medical malpractice insurance under a claims-made policy on a fixed premium basis from a commercial carrier.

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 Hospital 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 Hospital Authority entered into three agreements with the Oklahoma Department of Corrections (DOC) related to services to be provided by the Hospital Authority. 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 Hospital 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. The Occupancy Agreement signed in 2011 was expanded to 22 beds.

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Effective September 1, 2012, under both the Contract for Inpatient Medical Services and the Outpatient Medical Services Contract, ODOC agreed to reimburse the Hospital Authority at cost plus an 8% administrative fee from September 1, 2012 to August 31, 2015. All reimbursement from ODOC under these contracts is reflected as net patient service revenue on the accompanying statements of revenues, expenses and changes in net position.

Effective September 1, 2015, ODOC and the Hospital Authority agreed to extend the Contract for Inpatient Medical Services and the Outpatient Medical Services Contract through August 31, 2018, including a continuation of the 8% administration fee.

*Construction Commitments:*

At June 30, 2015, the City had entered into the following construction commitments:

|                       |                             |           |
|-----------------------|-----------------------------|-----------|
| • C3 Constructions    | Splash Pad                  | \$95,375  |
| • Abilez Construction | HWY 76 N – Sewer Relocation | \$244     |
| • Abilez Construction | HWY 76 N – Water Relocation | \$148,561 |

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**REQUIRED SUPPLEMENTAL INFORMATION**

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**Budgetary Comparison Schedules (Budgetary Basis) – Year Ended June 30, 2015**

|   | <b>GENERAL FUND</b>     |                  |  |   |
|---|-------------------------|------------------|--|---|
|   | <b>Budgeted Amounts</b> |                  | <b>Actual Amounts,<br/>Budgetary Basis</b> | <b>Variance with<br/>Final Budget -<br/>Positive (Negative)</b> |
|   | <b>Original</b>         | <b>Final</b>     |  |   |
| <b>Beginning Budgetary Fund Balance</b>     | \$ 300,000              | \$ 300,000       | \$ 1,257,994                               | \$ 957,994  |
| <b>Resources (Inflows)</b>                  |                         |                  |  |   |
| Taxes                                       | 1,515,000               | 1,515,000        | 2,327,955                                  | 812,955   |
| Intergovernmental                           | 45,000                  | 45,000           | 75,061                                     | 30,061  |
| Charges for services                        | 384,100                 | 384,100          | 352,101                                    | (31,999)  |
| Fines and forfeitures                       | 75,000                  | 75,000           | 142,954                                    | 67,954  |
| Licenses and permits                        | 7,500                   | 7,500            | 15,351                                     | 7,851   |
| Investment income                           | 500                     | 500              | 2,268                                      | 1,768   |
| Miscellaneous                               | 62,000                  | 62,000           | 64,463                                     | 2,463   |
| Transfers in                                | 1,377,271               | 1,377,271        | 300,084                                    | (1,077,187)   |
| Sub-total Resources (Inflows)               | <u>3,466,371</u>        | <u>3,466,371</u> | <u>3,280,237</u>                           | <u>(186,134)</u>  |
| <b>Amounts Available for Appropriation</b>  | <u>3,766,371</u>        | <u>3,766,371</u> | <u>4,538,231</u>                           | <u>771,860</u>  |
| <b>Charges to Appropriations (Outflows)</b> |                         |                  |  |   |
| Public safety                               | 1,701,081               | 1,701,081        | 1,464,359                                  | 236,722   |
| Streets                                     | 158,500                 | 158,500          | 25,245                                     | 133,255   |
| Culture & recreation                        | 198,943                 | 198,943          | 166,849                                    | 32,094  |
| General government                          | 386,000                 | 386,000          | 294,570                                    | 91,430  |
| Cemetery                                    | 94,791                  | 94,791           | 62,882                                     | 31,909  |
| Health & public safety -ambulance           | 1,227,056               | 1,227,056        | 1,121,805                                  | 105,251   |
| <b>Total Charges to Appropriations</b>      | <u>3,766,371</u>        | <u>3,766,371</u> | <u>3,135,710</u>                           | <u>630,661</u>  |
| <b>Fund balances - ending</b>               | <u>\$ -</u>             | <u>\$ -</u>      | <u>\$ 1,402,521</u>                        | <u>\$ 1,402,521</u>   |

|   | <b>EMS FUND</b>         |                |  |   |
|---|-------------------------|----------------|--|---|
|   | <b>Budgeted Amounts</b> |                | <b>Actual Amounts,<br/>Budgetary Basis</b> | <b>Variance with<br/>Final Budget -<br/>Positive (Negative)</b> |
|   | <b>Original</b>         | <b>Final</b>   |  |   |
| <b>Beginning Budgetary Fund Balance</b>     | \$ 150,000              | \$ 150,000     | \$ 1,054,914                               | \$ 904,914  |
| <b>Resources (Inflows)</b>                  |                         |                |  |   |
| Taxes                                       | 625,000                 | 625,000        | 928,742                                    | 303,742   |
| Investment income                           | 1,500                   | 1,500          | 2,410                                      | 910   |
| <b>Amounts Available for Appropriation</b>  | <u>776,500</u>          | <u>776,500</u> | <u>1,986,066</u>                           | <u>1,209,566</u>  |
| <b>Charges to Appropriations (Outflows)</b> |                         |                |  |   |
| Health & Public Safety -Ambulance           | -                       | -              | -  | -   |
| Transfers out                               | 776,500                 | 776,500        | 300,000                                    | 476,500   |
| <b>Total Charges to Appropriations</b>      | <u>776,500</u>          | <u>776,500</u> | <u>300,000</u>                             | <u>476,500</u>  |
| <b>Fund balances - ending</b>               | <u>\$ -</u>             | <u>\$ -</u>    | <u>\$ 1,686,066</u>                        | <u>\$ 1,686,066</u>   |

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**Budgetary Comparison Schedules – Year Ended June 30, 2015, (Cont.)**

**Footnotes to Budgetary Comparison Schedules:**

1. The City prepares its budgets for all funds on the modified accrual basis of accounting with the exception of certain expenditures and revenues related to on-behalf payments for police and fire pensions and capital leases. For budgetary purposes expenditures are recorded in the period the invoice is received. All unexpended encumbrances lapse at year-end and therefore are not recorded as expenditures for budgetary purposes.
2. The legal level of appropriation control is the department level within a fund. Transfers of appropriation within a fund require the approval of the City Manager. All supplemental appropriations require the approval of the City Council. Supplemental appropriations must be filed with the Office of the State Auditor and Inspector.
3. The budgetary basis differs from the modified accrual basis as shown in the schedule below:

|   | <u>General Fund</u> |
|---|---------------------|
| Total budgetary resources (inflows)   | \$3,280,237         |
| Add: On-behalf payments   | <u>160,511</u>      |
| Total resources as recorded on the statement of revenues, expenditures, and changes in fund balances – governmental funds | <u>\$3,440,748</u>  |

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

|                 |                    |
|-----------------|--------------------|
| Total revenues  | \$3,140,664        |
| Transfers in    | <u>300,084</u>     |
| Total Resources | <u>\$3,440,748</u> |

|  |                    |
|--|--------------------|
| Total budgetary expenditures and transfers   | \$3,135,710        |
| Add: On-behalf payments  | <u>160,511</u>     |
| Total expenditures as recorded on the statement of revenues, expenditures, and changes in fund balances – governmental funds | <u>\$3,296,221</u> |

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Schedules of Required Supplementary Information  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM  
 Last 10 Fiscal Years\***

|   | 2015         |
|---|--------------|
| City's proportion of the net pension liability  | 0.143005%    |
| City's proportionate share of the net pension liability   | \$ 1,470,589 |
| City's covered-employee payroll   | \$ 385,957   |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 381%         |
| Plan fiduciary net position as a percentage of the total pension liability                              | 68.12%       |

\*The amounts present for each fiscal year were determined as of 6/30

**Notes to Schedule:**

Only the current fiscal year is presented because 10-year data is not yet available.

**SCHEDULE OF CITY CONTRIBUTIONS  
 OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM  
 Last 10 Fiscal Years**

|  | 2015       |
|--|------------|
| Statutorily required contribution                                  | \$ 54,034  |
| Contributions in relation to the statutorily required contribution | 54,034     |
| Contribution deficiency (excess)                                   | \$ -       |
| City's covered-employee payroll                                    | \$ 385,957 |
| Contributions as a percentage of covered-employee payroll          | 14.00%     |

**Notes to Schedule:**

Only the current fiscal year is presented because 10-year data is not yet available.

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Schedules of Required Supplementary Information

SCHEDULE OF THE CITY OF LINDSAY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM  
Last 10 Fiscal Years\*

|   | <u>2015</u> |
|---|-------------|
| City's proportion of the net pension liability (asset)  | 0.0882%     |
| City's proportionate share of the net pension liability (asset)   | \$ (29,686) |
| City's covered-employee payroll   | \$ 222,374  |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | (13.35%)    |
| Plan fiduciary net position as a percentage of the total pension liability (asset)                              | 101.53%     |

\*The amounts present for each fiscal year were determined as of 6/30

**Notes to Schedule:**

Only the current fiscal year is presented because 10-year data is not yet available.

SCHEDULE OF CITY CONTRIBUTIONS  
OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM  
Last 10 Fiscal Years

|  | <u>2015</u>   |
|--|---------------|
| Statutorially required contribution                                  | \$ 28,909     |
| Contributions in relation to the statutorially required contribution | <u>28,909</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>   |
| City's covered-employee payroll                                      | \$ 222,374    |
| Contributions as a percentage of covered-employee payroll            | 13.00%        |

**Notes to Schedule:**

Only the current fiscal year is presented because 10-year data is not yet available.

**CITY OF LINDSAY, OKLAHOMA**  
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**Required Supplementary Information**  
**Oklahoma Municipal Retirement Fund**

| Schedule of Employer Contributions                                   | Last Fiscal Year |
|--|------------------|
|  | 2015             |
| Actuarially determined contribution                                  | \$ 106,544       |
| Contributions in relation to the actuarially determined contribution | 160,218          |
| Contribution deficiency (excess)                                     | \$ (53,674)      |
| Covered employee payroll   | \$ 1,601,333     |
| Contributions as a percentage of covered-employee payroll            | 10.01%           |

**Notes to Schedule:**

1. Only the current fiscal year is presented because 10-year data is not yet available.
2. Latest Valuation Date: July 1, 2014
3. Actuarially determined contribution rate is calculated as of July 1, 2014 and is 7.36%.
4. Methods and assumptions used to determine contribution rates:
  - Actuarial cost method - Entry age normal
  - Amortization method - Level percent of payroll, closed
  - Remaining amortization period - 29 years
  - Asset valuation method - Actuarial:
    - Smoothing period - 4 years
    - Recognition method - Non-asymptotic
    - Corridor - 70% - 130%
  - Salary increases - 4.00% to 7.42% (varies by attained age)
  - Investment rate of return - 7.75%

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**Required Supplementary Information**  
**Oklahoma Municipal Retirement Fund**

| Schedule of Changes in Net Pension Liability(Asset) and Related Ratios                   | Last Fiscal Year |
|--|------------------|
|  | 2015             |
| <b>Total pension liability</b>   |                  |
| Service cost   | \$ 149,157       |
| Interest   | 253,634          |
| Benefit payments, including refunds of member contributions                              | (163,848)        |
| <b>Net change in total pension liability</b>   | 238,943          |
| <br>   |                  |
| <b>Total pension liability - beginning</b>   | 3,203,944        |
| <b>Total pension liability - ending (a)</b>  | \$ 3,442,887     |
| <br>   |                  |
| <b>Plan fiduciary net position</b>   |                  |
| Contributions - employer   | \$ 147,521       |
| Contributions - member   | 55,320           |
| Net investment income  | 546,195          |
| Benefit payments, including refunds of member contributions                              | (163,848)        |
| Administrative expense   | (8,091)          |
| <b>Net change in plan fiduciary net position</b>   | 577,097          |
| <br>   |                  |
| <b>Plan fiduciary net position - beginning</b>   | 3,304,390        |
| <b>Plan fiduciary net position - ending (b)</b>  | \$ 3,881,487     |
| <br>   |                  |
| <b>Net pension liability(asset) - ending (a) - (b)</b>                                   | \$ (438,600)     |
| <br>   |                  |
| <b>Plan fiduciary net position as a percentage of the total pension liability(asset)</b> | 112.74%          |
| <br>   |                  |
| <b>Covered employee payroll</b>  | \$ 1,447,608     |
| <br>   |                  |
| <b>Net pension liability(asset) as a percentage of covered-employee payroll</b>          | -30.30%          |

**Notes to Schedule:**

Only the current fiscal year is presented because 10-year data is not yet available.

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**SUPPLEMENTAL INFORMATION**

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**Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2015**

|                                      | <u>Special Revenue Funds</u> |                           |                          |                 |                   | <u>Capital Project Funds</u> |                 |                                | <u>Total<br/>Governmental<br/>Funds</u> |
|--------------------------------------|------------------------------|---------------------------|--------------------------|-----------------|-------------------|------------------------------|-----------------|--------------------------------|---|
|                                      | <u>City Donation</u>         | <u>Street &amp; Alley</u> | <u>LPWA<br/>Donation</u> | <u>Library</u>  | <u>Grant</u>      | <u>Cemetery<br/>Care</u>     | <u>Airport</u>  | <u>Capital<br/>Improvement</u> |   |
| <b>ASSETS</b>                        |                              |                           |                          |                 |                   |                              |                 |                                |   |
| Cash and cash equivalents            | \$ 69,399                    | \$ 117,998                | \$ 45,617                | \$ 1,914        | \$ 94,653         | \$ 73,432                    | \$ 6,014        | \$ 245,876                     | \$ 654,903                              |
| Receivable from other governments    | -                            | 2,346                     | -                        | -               | 7,122             | -                            | -               | -                              | 9,468                                   |
| Due from other funds                 | -                            | 3,562                     | -                        | -               | -                 | -                            | 1,025           | -                              | 4,587                                   |
| Total assets                         | <u>\$ 69,399</u>             | <u>\$ 123,906</u>         | <u>\$ 45,617</u>         | <u>\$ 1,914</u> | <u>\$ 101,775</u> | <u>\$ 73,432</u>             | <u>\$ 7,039</u> | <u>\$ 245,876</u>              | <u>\$ 668,958</u>                       |
| <b>LIABILITIES AND FUND BALANCES</b> |                              |                           |                          |                 |                   |                              |                 |                                |   |
| Liabilities:                         |                              |                           |                          |                 |                   |                              |                 |                                |   |
| Accounts payable                     | \$ -                         | \$ -                      | \$ -                     | \$ -            | \$ -              | \$ -                         | \$ 106          | \$ -                           | \$ 106                                  |
| Due to other funds                   | 5,840                        | -                         | -                        | -               | 53,241            | -                            | -               | -                              | 59,081                                  |
| Unearned revenue                     | -                            | -                         | -                        | 1,905           | -                 | -                            | -               | -                              | 1,905                                   |
| Total liabilities                    | <u>5,840</u>                 | <u>-</u>                  | <u>-</u>                 | <u>1,905</u>    | <u>53,241</u>     | <u>-</u>                     | <u>106</u>      | <u>-</u>                       | <u>61,092</u>                           |
| Fund balances:                       |                              |                           |                          |                 |                   |                              |                 |                                |   |
| Restricted for:                      |                              |                           |                          |                 |                   |                              |                 |                                |   |
| Street and Alley                     | -                            | 122,215                   | -                        | -               | -                 | -                            | -               | -                              | 122,215                                 |
| City Donation                        | 63,559                       | -                         | -                        | -               | -                 | -                            | -               | -                              | 63,559                                  |
| Public Works                         | -                            | -                         | 45,183                   | -               | -                 | -                            | -               | -                              | 45,183                                  |
| Grants                               | -                            | -                         | -                        | -               | 45,240            | -                            | -               | -                              | 45,240                                  |
| Cemetery                             | -                            | -                         | -                        | -               | -                 | 36,078                       | -               | -                              | 36,078                                  |
| Assigned to:                         |                              |                           |                          |                 |                   |                              |                 |                                |   |
| Capital Improvements                 | -                            | -                         | -                        | -               | -                 | -                            | -               | 245,876                        | 245,876                                 |
| Street and Alley                     | -                            | 1,691                     | -                        | -               | -                 | -                            | 6,933           | -                              | 8,624                                   |
| Public Works                         | -                            | -                         | 434                      | -               | -                 | 37,354                       | -               | -                              | 37,788                                  |
| Library                              | -                            | -                         | -                        | 9               | -                 | -                            | -               | -                              | 9                                       |
| Grants                               | -                            | -                         | -                        | -               | 3,294             | -                            | -               | -                              | 3,294                                   |
| Total fund balances                  | <u>63,559</u>                | <u>123,906</u>            | <u>45,617</u>            | <u>9</u>        | <u>48,534</u>     | <u>73,432</u>                | <u>6,933</u>    | <u>245,876</u>                 | <u>607,866</u>                          |
| Total liabilities and fund balances  | <u>\$ 69,399</u>             | <u>\$ 123,906</u>         | <u>\$ 45,617</u>         | <u>\$ 1,914</u> | <u>\$ 101,775</u> | <u>\$ 73,432</u>             | <u>\$ 7,039</u> | <u>\$ 245,876</u>              | <u>\$ 668,958</u>                       |

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**Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2015**

|   | <u>Special Revenue Funds</u> |                           |                          |                |                  | <u>Capital Project Funds</u> |                 |                                | <u>Total-Other<br/>Governmental<br/>Funds</u> |
|---|------------------------------|---------------------------|--------------------------|----------------|------------------|------------------------------|-----------------|--------------------------------|---|
|   | <u>City Donation</u>         | <u>Street &amp; Alley</u> | <u>LPWA<br/>Donation</u> | <u>Library</u> | <u>Grant</u>     | <u>Cemetery<br/>Care</u>     | <u>Airport</u>  | <u>Capital<br/>Improvement</u> |   |
| <b>REVENUES</b>                                   |                              |                           |                          |                |                  |                              |                 |                                |   |
| Intergovernmental                                 | \$ -                         | \$ 26,483                 | \$ -                     | \$ 1,620       | \$ 106,724       | \$ -                         | \$ -            | \$ -                           | \$ 134,827                                    |
| Charges for services                              | -                            | -                         | -                        | -              | -                | 9,038                        | 3,385           | -                              | 12,423  |
| Investment income                                 | 145                          | 214                       | 81                       | 3              | 93               | 139                          | 28              | 594                            | 1,297   |
| Miscellaneous                                     | 10,191                       | -                         | 30,609                   | -              | 701              | -                            | -               | -                              | 41,501  |
| Total revenues                                    | <u>10,336</u>                | <u>26,697</u>             | <u>30,690</u>            | <u>1,623</u>   | <u>107,518</u>   | <u>9,177</u>                 | <u>3,413</u>    | <u>594</u>                     | <u>190,048</u>                                |
| <b>EXPENDITURES</b>                               |                              |                           |                          |                |                  |                              |                 |                                |   |
| Current:  |                              |                           |                          |                |                  |                              |                 |                                |   |
| Public Safety                                     | 5,164                        | -                         | -                        | -              | -                | -                            | -               | -                              | 5,164   |
| Culture and recreation                            | -                            | -                         | -                        | 1,620          | 31,291           | -                            | -               | -                              | 32,911  |
| Airport   | -                            | -                         | -                        | -              | -                | -                            | 4,394           | -                              | 4,394   |
| Capital Outlay                                    | -                            | -                         | -                        | -              | 67,726           | -                            | 7,300           | -                              | 75,026  |
| Total Expenditures                                | <u>5,164</u>                 | <u>-</u>                  | <u>-</u>                 | <u>1,620</u>   | <u>99,017</u>    | <u>-</u>                     | <u>11,694</u>   | <u>-</u>                       | <u>117,495</u>                                |
| Excess (deficiency) of revenues over expenditures | <u>5,172</u>                 | <u>26,697</u>             | <u>30,690</u>            | <u>3</u>       | <u>8,501</u>     | <u>9,177</u>                 | <u>(8,281)</u>  | <u>594</u>                     | <u>72,553</u>                                 |
| <b>OTHER FINANCING SOURCES (USES)</b>             |                              |                           |                          |                |                  |                              |                 |                                |   |
| Transfers in                                      | -                            | -                         | -                        | -              | 2,500            | -                            | -               | -                              | 2,500   |
| Transfers out                                     | <u>(2,500)</u>               | <u>-</u>                  | <u>-</u>                 | <u>-</u>       | <u>-</u>         | <u>-</u>                     | <u>-</u>        | <u>(200,000)</u>               | <u>(202,500)</u>                              |
| Total other financing sources and uses            | <u>(2,500)</u>               | <u>-</u>                  | <u>-</u>                 | <u>-</u>       | <u>2,500</u>     | <u>-</u>                     | <u>-</u>        | <u>(200,000)</u>               | <u>(200,000)</u>                              |
| Net change in fund balances                       | 2,672                        | 26,697                    | 30,690                   | 3              | 11,001           | 9,177                        | (8,281)         | (199,406)                      | (127,447)                                     |
| Fund balances - beginning                         | 60,887                       | 97,209                    | 14,927                   | 6              | 37,533           | 64,255                       | 15,214          | 445,282                        | 735,313                                       |
| Fund balances - ending                            | <u>\$ 63,559</u>             | <u>\$ 123,906</u>         | <u>\$ 45,617</u>         | <u>\$ 9</u>    | <u>\$ 48,534</u> | <u>\$ 73,432</u>             | <u>\$ 6,933</u> | <u>\$ 245,876</u>              | <u>\$ 607,866</u>                             |

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**Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2015**

| Federal Grantor/Pass Through Agency<br>Grantor/Program Title | Federal<br>CFDA<br>Number | Grant #          | Award<br>Amount  | Awards<br>Expended |
|--|---------------------------|------------------|------------------|--------------------|
| <b>FEDERAL AWARDS:</b>                                       |                           |                  |                  |                    |
| <u>DEPARTMENT OF TRANSPORTATION</u>                          |                           |                  |                  |                    |
| Federal Highway Administration:                              |                           |                  |                  |                    |
| Highway 76 South   | 20.205                    | STP-225C (041)SS | \$ 39,876        | \$ 39,876          |
| Highway 76 North   | 20.205                    | STP-125B (139)UT | 46,335           | 46,335             |
| Total U.S. Department of Transportation                      |                           |                  | <u>86,211</u>    | <u>86,211</u>      |
| <u>FEDERAL EMERGENCY MANAGEMENT AGENCY:</u>                  |                           |                  |                  |                    |
| Passed through OK Dept of Civil Emergency                    | 97.036                    | DR 1917 PW 120   | 7,511            | 7,511              |
| <b>Total Federal Awards</b>                                  |                           |                  | <u>\$ 93,722</u> | <u>\$ 93,722</u>   |

| State Grantor/Pass Through Agency<br>Grantor/Program Title  | Grant # | Award<br>Amount   | Awards<br>Expended |
|---|---------|-------------------|--------------------|
| <b>STATE AWARDS:</b>  |         |                   |                    |
| <u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u>                  |         |                   |                    |
| Rural Fire Grant  | N/A     | \$ 4,484          | \$ 4,484           |
| <u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u>                    |         |                   |                    |
| State Aid   | N/A     | 3,525             | 1,620              |
| <u>OKLAHOMA DEPARTMENT OF HEALTH:</u>                       |         |                   |                    |
| Emergency Preparedness Training                             | N/A     | 4,000             | 4,000              |
| Emergency Response Systems Stabilization & Improvement Fund | N/A     | 99,000            | 98,240             |
| <u>SOUTHERN OKLAHOMA DEVELOPMENT ASSOCIATION:</u>           |         |                   |                    |
| Community Expansion Nutrition Assistance (CENA) Grant       | CENA 15 | 1,514             | 1,514              |
| <b>Total State Awards</b>                                   |         | <u>\$ 112,523</u> | <u>\$ 109,858</u>  |

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**Schedule of Debt Service Coverage Requirement – Year Ended June 30, 2015**

| <b>DEBT SERVICE COVERAGE:</b>                                     | <b>OWRB Series 2000,<br/>DWSRF 2000 &amp; 2012<br/>Promissory Note</b> |
|---|--|
| <b>GROSS REVENUE AVAILABLE:</b>                                   |  |
| Charges for services (electric, water, sewer, and miscellaneous)  | \$ 4,325,216   |
| Investment income   | 7,871  |
| Sales tax appropriated and transferred from the City General Fund | <u>920,245</u>   |
| Total Gross Revenue Available                                     | <u>5,253,332</u>   |
| <b>OPERATING EXPENSES:</b>  |  |
| Total Operating Expenses  | <u>3,910,059</u>   |
| Net Revenue Available for Debt Service                            | <u>\$ 1,343,273</u>  |
| <b>Debt Service on all Obligations Payable:</b>                   |  |
| Maximum annual debt service - OWRB Series 2000                    | \$ 56,481  |
| Average annual debt service - OWRB DWSRF 2000                     | 180,025  |
| Average annual debt service - 2012 Note                           | <u>65,625</u>  |
|   | <u>\$ 302,131</u>  |
| Computed Coverage   | <u>445%</u>  |
| Coverage Requirement  | <u>125%</u>  |

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**INTERNAL CONTROL COMPLIANCE INFORMATION**

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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 Honorable Mayor and 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 unit, each major fund, and the aggregate remaining fund information of the City of Lindsay, Oklahoma (the "City"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 19, 2016. Our report includes a reference to other auditors who audited the Lindsay Municipal Hospital Authority, the City's discretely presented component unit, as described in our report on the City's financial statements.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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 City’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 City’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Arledge & Associates, P.C.*

January 19, 2016