



CITY OF LINDSAY, OKLAHOMA

ANNUAL FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

**THE CITY OF LINDSAY
OKLAHOMA**

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

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

This page intentionally left blank

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

TABLE OF CONTENTS

| | |
|---|-------|
| Independent Auditor's Report on Financial Statements | 5-6 |
| Management's Discussion and Analysis | 7-14 |
| The Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 16 |
| Statement of Activities | 17 |
| Governmental Funds Financial Statements: | |
| Balance Sheet | 19 |
| Statement of Revenues, Expenditures and Changes in Fund Balances..... | 20 |
| Reconciliation of Governmental Fund and Government-Wide Financial Statements | 21 |
| Proprietary Funds Financial Statements: | |
| Statement of Net Position | 23 |
| Statement of Revenues, Expenses and Changes in Net Position | 24 |
| Statement of Cash Flows | 25 |
| Footnotes to the Basic Financial Statements | 26-57 |
| Required Supplementary Information: | |
| Budgetary Comparison Information: | |
| Budgetary Comparison Schedule (Budgetary Basis) – General Fund | 59 |
| Budgetary Comparison Schedules (Budgetary Basis) – EMS Major Special Revenue Fund ... | 59 |
| Footnotes to Budgetary Comparison Schedules | 60 |
| Pension Plan Information: | |
| Schedules of Required Supplementary Information – Oklahoma Firefighter's Pension & Retirement System | 61 |
| Schedules of Required Supplementary Information – Oklahoma Police Pension & Retirement System..... | 62 |
| Schedule of Employer Contributions – OkMRF | 63 |
| Schedule of Changes in Net Pension Liability and Related Ratios – OkMRF | 64 |
| Other Post-Employment Benefit Plan Information: | |
| Schedule of Changes in Total OPEB Liability and Related Ratios..... | 65 |

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

TABLE OF CONTENTS

Supplementary Information:

Combining Non-Major Governmental Fund Statements

| | |
|--|----|
| Combining Balance Sheet..... | 67 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 68 |

Federal and State Awards Information

| | |
|--|----|
| Schedule of Expenditures of Federal and State Awards | 69 |
|--|----|

Debt Service Coverage Information

| | |
|--|----|
| Schedule of Debt Service Coverage Requirement..... | 70 |
|--|----|

Internal Control and Compliance over Financial Reporting

| | |
|---|-------|
| Independent Auditor's Report on Internal Control and Compliance Over Financial Reporting in Accordance with Government Auditing Standards..... | 73-74 |
|---|-------|



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 units, 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, 2018, 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 Lindsay Municipal Hospital Authority, a discretely presented component unit. Those statements were audited by other auditors whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lindsay Municipal Hospital Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and 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 federal and state awards information, and the schedule of debt service coverage information 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 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, the schedule of federal and state awards information, and the schedule of debt service coverage information 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 May 13, 2019, 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.



May 13, 2019

CITY OF LINDSAY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2018

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, 2018. 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 \$786,793 and the assets and deferred outflows of the City exceed its liabilities and deferred inflows at June 30, 2018, by \$14,830,477 (net position). Of this amount, \$1,452,285 (unrestricted net position) is available to meet the government's ongoing needs.
- At June 30, 2018, the City's governmental funds reported combined ending fund balances of \$2,607,932.
- At the end of fiscal year 2018, unassigned fund balance for the General Fund was zero as all remaining available fund balance at the end of the year was assigned for the subsequent year budget.

ABOUT THE CITY

The City of Lindsay is an incorporated municipality with a population of approximately 2,828 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, Hospital Authority and Industrial Authority (when active), certain utility services including electric, water, wastewater, and sanitation, along with health care and industrial development.

The City's Financial Reporting Entity

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

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

- **The City of Lindsay** – an incorporated City that operates the public safety, streets and public works, health and welfare, culture and recreation, and administrative activities of the City – reported as the primary government

CITY OF LINDSAY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2018

- **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 (presented as a discretely-presented component unit).

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

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Lindsay (the "City"), the Lindsay Public Works Authority (the "Public Works Authority"), the Lindsay Municipal Hospital Authority ("LMHA") and the Lindsay Industrial Development Authority ("LIDA"). Included in this report are government wide statements for each of the two categories of activities - governmental and business-type, and separate columns for the discretely-presented component units.

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.

CITY OF LINDSAY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2018

In the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities: *Governmental activities* - Most of the City's basic services are reported here, including the police, fire, administration, and streets. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities; and *Business-type activities* - Activities where the City charges a fee to customers to help cover all or most of the cost of certain services it provides are reported here. The City's electric, water, sewer, and sanitation utilities are reported as business-type activities. *Discretely-presented component units* - These account for activities of the City's reporting entity that do not meet the criteria for blending, and include the Hospital Authority and the Industrial Development Authority.

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

Fund Financial Statements

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to gain an understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 27-58 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 and the EMS Fund, combining and individual fund financial

CITY OF LINDSAY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2018

statements and schedules, a federal and state award schedule, and a debt service coverage requirement schedule.

THE CITY AS A WHOLE

For the year ended June 30, 2018, net position for the governmental and business-type activities increased \$786,793.

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

The City of Lindsay Net Position (in thousands)

| | Governmental Activities | | % Inc. (Dec.) | Business-Type Activities | | % Inc. (Dec.) | Total | | % Inc. (Dec.) |
|----------------------------------|----------------------------|-----------------|------------------|-----------------------------|-----------------|------------------|------------------|------------------|------------------|
| | <u>2018</u> | <u>2017</u> | | <u>2018</u> | <u>2017</u> | | <u>2018</u> | <u>2017</u> | |
| | | * | | | * | | | * | |
| Current and other assets | \$ 3,139 | \$ 2,622 | 20% | \$ 3,192 | \$ 3,072 | 4% | \$ 6,331 | \$ 5,694 | 11% |
| Capital assets, net | 5,911 | 5,183 | 14% | 7,606 | 7,378 | 3% | 13,517 | 12,561 | 8% |
| Total assets | <u>9,050</u> | <u>7,805</u> | 16% | <u>10,798</u> | <u>10,450</u> | 3% | <u>19,849</u> | <u>18,255</u> | 9% |
| Deferred outflows of resources | 494 | 579 | -15% | 101 | 179 | -44% | 595 | 758 | -21% |
| Current liabilities | 368 | 95 | 289% | 955 | 1,190 | -20% | 1,323 | 1,285 | 3% |
| Non-current liabilities | 2,847 | 1,869 | 52% | 1,083 | 1,260 | -14% | 3,930 | 3,129 | 26% |
| Total liabilities | <u>3,215</u> | <u>1,964</u> | 64% | <u>2,038</u> | <u>2,450</u> | -17% | <u>5,253</u> | <u>4,414</u> | 19% |
| Deferred inflows of resources | 276 | 157 | 76% | 83 | 57 | 50% | 359 | 214 | 68% |
| Net position | | | | | | | | | |
| Net investment in capital assets | 4,931 | 5,183 | -5% | 6,549 | 6,019 | 9% | 11,480 | 11,202 | 2% |
| Restricted | 1,790 | 1,984 | -10% | 108 | 108 | 1% | 1,898 | 2,092 | -9% |
| Unrestricted (deficit) | (668) | (904) | -26% | 2,121 | 1,995 | 6% | 1,453 | 1,090 | 33% |
| Total net position | <u>\$ 6,053</u> | <u>\$ 6,263</u> | -3% | <u>\$ 8,778</u> | <u>\$ 8,122</u> | 8% | <u>\$ 14,831</u> | <u>\$ 14,385</u> | 3% |

* MD&A prior year column not restated for report 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 20% increase in governmental activities current assets from the prior year is primarily due to the increase in cash and the net pension asset. The 289% increase in current liabilities is the result of increased accounts payable and the current portion of the note payable related to the REC building. Non-current liabilities increased 52% due to the increase in long term debt related note for the REC building, and the recording of the total OPEB liability in FY18. Deferred inflows of resources increased 76% in governmental activities due to changes in the pension actuary and the deferral of amortized cost.

The 44% decrease in business-type activities deferred outflows of resources is due to changes in the pension actuary and the deferral of amortized cost. The 20% decrease in non-current liabilities is due to reduction in the current portion of long-term debt.

CITY OF LINDSAY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2018

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

| | Governmental Activities | | % Inc. (Dec.) | Business-Type Activities | | % Inc. (Dec.) | Total | | % Inc. (Dec.) |
|--|------------------------------------|------------------|--------------------------|-------------------------------------|------------------|--------------------------|------------------|------------------|--------------------------|
| | <u>2018</u> | <u>2017</u> * | | <u>2018</u> | <u>2017</u> * | | <u>2018</u> | <u>2017</u> * | |
| Revenues | | | | | | | | | |
| Charges for service | \$ 529 | \$ 446 | 19% | \$ 4,552 | \$ 4,721 | -4% | \$ 5,081 | \$ 5,167 | -2% |
| Operating grants and contributions | 321 | 219 | 47% | - | - | 0% | 321 | 219 | 47% |
| Capital grants and contributions | - | - | 0% | - | 300 | -100% | - | 300 | -100% |
| Taxes | 3,581 | 2,614 | 37% | - | - | 0% | 3,581 | 2,614 | 37% |
| Investment income | 5 | 5 | 0% | 4 | 4 | 0% | 9 | 9 | 0% |
| Miscellaneous | 76 | 61 | 25% | 6 | 28 | -79% | 82 | 89 | -8% |
| Total revenues | <u>4,512</u> | <u>3,345</u> | 35% | <u>4,562</u> | <u>5,053</u> | -10% | <u>9,074</u> | <u>8,398</u> | 8% |
| Expenses | | | | | | | | | |
| General government | 254 | 213 | 19% | - | - | - | 254 | 213 | 19% |
| Public safety | 2,768 | 2,535 | 9% | - | - | - | 2,768 | 2,535 | 9% |
| Streets | 53 | 65 | -18% | - | - | - | 53 | 65 | -18% |
| Culture, parks and recreation | 325 | 249 | 31% | - | - | - | 325 | 249 | 31% |
| Cemetery | 43 | 24 | 79% | - | - | - | 43 | 24 | 79% |
| Airport | 117 | 115 | 2% | - | - | - | 117 | 115 | 2% |
| Electric | - | - | - | 2,862 | 2,769 | 3% | 2,862 | 2,769 | 3% |
| Water | - | - | - | 824 | 747 | 10% | 824 | 747 | 10% |
| Sewer | - | - | - | 329 | 352 | -7% | 329 | 352 | -7% |
| Sanitation | - | - | - | 467 | 448 | 4% | 467 | 448 | 4% |
| Golf | - | - | - | 195 | 179 | 9% | 195 | 179 | 9% |
| Pool | - | - | - | 50 | 27 | 85% | 50 | 27 | 85% |
| Total expenses | <u>3,560</u> | <u>3,201</u> | 11% | <u>4,727</u> | <u>4,522</u> | 5% | <u>8,287</u> | <u>7,723</u> | 7% |
| Excess before transfers | 952 | 144 | 561% | (165) | 531 | -131% | 787 | 675 | 17% |
| Transfers | (934) | (657) | 42% | 934 | 657 | 42% | - | - | - |
| Change in net position | 18 | (513) | 104% | 770 | 1,188 | -35% | 788 | 675 | 17% |
| Beginning net position, restated for 2017 | 6,035 | 6,776 | -11% | 8,008 | 6,934 | 15% | 14,043 | 13,710 | 2% |
| Ending net position | <u>\$ 6,053</u> | <u>\$ 6,263</u> | -1% | <u>\$ 8,778</u> | <u>\$ 8,122</u> | 8% | <u>\$ 14,831</u> | <u>\$ 14,385</u> | 3% |

* MD&A prior year column not restated for report purposes

Governmental Activities

The City's governmental activities had an increase in net position of \$17,559. Explanations for the more significant changes are as follows:

- 47% increase in capital grants and contributions due mainly to an increase in public safety grants awarded.
- 37% increase in tax revenue due mainly to an increase in sales and use tax collections.
- 31% increase in culture and recreation expenditures due to increase in salaries and depreciation expense.

CITY OF LINDSAY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2018

Business-Type Activities

The business-type activities had an increase in net position of \$769,234. Explanations for the more significant changes are as follows:

- Business-type capital grants and contributions decreased 100% due to no grant awards in FY 17-18.
- Net transfers increased by 42% due to completion of prior year city projects.

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

| | Total Expense of Services | | % Inc. (Dec.) | Net Revenue (Expense) of Services | | % Inc. (Dec.) |
|------------------------|--------------------------------------|-----------------|--------------------------|--|-------------------|--------------------------|
| | <u>2018</u> | <u>2017</u> | | <u>2018</u> | <u>2017</u> | |
| | | * | | | * | |
| General Government | \$ 254 | \$ 213 | 19% | \$ (217) | \$ (171) | 27% |
| Public Safety | 2,768 | 2,535 | 9% | (2,032) | (1,980) | 3% |
| Highways and Streets | 53 | 65 | -18% | (28) | (40) | -30% |
| Culture and Recreation | 325 | 249 | 31% | (318) | (244) | 30% |
| Cemetery | 43 | 24 | 79% | (2) | 9 | -122% |
| Airport | 117 | 115 | 2% | (114) | (110) | 4% |
| Total | <u>\$ 3,560</u> | <u>\$ 3,201</u> | 11% | <u>\$ (2,711)</u> | <u>\$ (2,536)</u> | 7% |

* MD&A prior year column not restated for report purposes

The 79% increase in cemetery expenses is due to increase in salary and contract labor expenses in the current year. The 122% decrease in cemetery net revenue (expense) is due to reduced cemetery revenue collections.

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

| | Total Expense of Services | | % Inc. Dec. | Net Revenue (Expense) of Services | | % Inc. Dec. |
|--------------|--------------------------------------|-----------------|------------------------|--|---------------|------------------------|
| | <u>2018</u> | <u>2017</u> | | <u>2018</u> | <u>2017</u> | |
| | | * | | | * | |
| Electric | \$ 2,862 | \$ 2,769 | 3% | \$ 245 | \$ 436 | -44% |
| Water | 824 | 747 | 10% | (346) | 124 | -379% |
| Sewer | 329 | 352 | -7% | 34 | 10 | 240% |
| Sanitation | 467 | 448 | 4% | 59 | 71 | -17% |
| Golf | 195 | 179 | 9% | (145) | (132) | -10% |
| Pool | 50 | 27 | 81% | (21) | (11) | -91% |
| Total | <u>\$ 4,727</u> | <u>\$ 4,522</u> | 5% | <u>\$ (174)</u> | <u>\$ 498</u> | -135% |

* MD&A prior year column not restated for report puposes

CITY OF LINDSAY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2018

The 379% decrease in water net revenue (expense) is primarily due to a reduction of capital grant awards. The 240% increase in sewer net revenue is due to an increase in sewer revenue in the current year.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed its 2018 fiscal year, the governmental funds reported a combined fund balance of \$2,607,932. For the year ended June 30, 2018, the General Fund's total fund balance increased by \$418,449. The EMS Fund reported a decrease in fund balance of \$275,917 and the proprietary funds reported a combined net position balance of \$8,777,621. During FY18, the LPWA's total net position increased by \$769,234.

Budgetary Highlights

For the year ended June 30, 2018, the General Fund reported actual budgetary basis revenues over final estimates by \$876,472 or a 24.5% positive variance. General Fund actual expenditures were over final appropriations by \$458,023 a negative 12.8% negative variance.

CAPITAL ASSETS & DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2018, the City had approximately \$13.5 million in capital assets (net of accumulated depreciation), including land, buildings, machinery and equipment, and infrastructure. Below are details regarding the City's capital assets for the year ended June 30, 2018.

| Capital Assets (In Thousands) (Net of accumulated depreciation) | | | | | | |
|---|----------------------------|-----------------|-----------------------------|-----------------|------------------|------------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | | * | | * | | * |
| Land | \$ 366 | \$ 126 | \$ 515 | \$ 515 | \$ 881 | \$ 641 |
| Buildings | 1,295 | 593 | 258 | 267 | 1,553 | 860 |
| Land Improvements | 5 | 7 | - | - | 5 | 7 |
| Machinery, furniture and equipment | 796 | 796 | 624 | 673 | 1,420 | 1,469 |
| Infrastructure | 3,406 | 3,621 | 4,848 | 4,920 | 8,254 | 8,541 |
| Construction in progress | 43 | 40 | 1,361 | 1,003 | 1,404 | 1,043 |
| Totals | <u>\$ 5,911</u> | <u>\$ 5,183</u> | <u>\$ 7,606</u> | <u>\$ 7,378</u> | <u>\$ 13,517</u> | <u>\$ 12,561</u> |

* MD&A prior year balances not restated for report puposes

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

- REC Land
- REC Building
- 2018 Water Line Replacements

CITY OF LINDSAY, OKLAHOMA
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2018

Debt Administration

- At year-end, the City had \$2.4 million in long-term debt outstanding, and increase from the prior year, due primarily to the financing of the REC land and building. Net pension liability decreased 6.3% due to changes in the pension actuary and deferral of amortized cost. Total OPEB Liability increased 100% due to recording the OPEB liability per GASB 75 in FY 17-18.

| Long-Term Debt (In Thousands) | | | | | | | Total Percentage Change |
|----------------------------------|----------|-----------------------------|----------|----------|----------|----------|-------------------------------|
| Governmental Activities | | Business-Type Activities | | Total | | | |
| 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | | |
| | * | | * | | * | | |
| Notes payable | \$ 980 | \$ - | \$ 1,057 | \$ 1,358 | \$ 2,037 | \$ 1,358 | 50.0% |
| Meter deposit liability | - | - | 212 | 209 | 212 | 209 | 1.4% |
| Accrued compensated absences | 84 | 65 | 41 | 40 | 125 | 105 | 19.0% |
| Net pension liability | 276 | 1,810 | - | - | 276 | 1,810 | -84.8% |
| Total OPEB Liability | 1,696 | - | 134 | - | 1,830 | - | 100.0% |
| Totals | \$ 3,036 | \$ 1,875 | \$ 1,444 | \$ 1,607 | \$ 4,480 | \$ 3,482 | 28.7% |

* MD&A prior year balance not restated for report purposes

ECONOMIC FACTORS AND NEXT YEAR'S ESTIMATES

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

As expected Lindsay had a slight increase in sales tax revenue this year due to increased activity throughout the oil and gas industry. The City expects the increased activity to continue in the immediate Lindsay area. This continued activity should allow for stable related sales and use tax gains in Lindsay through 2019-2020.

The Cities current long term debt obligations continue to be principally related to outstanding notes through the OWRB for water and wastewater improvements which were completed in 2017. Major projects for the next fiscal year include continued work on the street and utility maintenance program, bike and walkways throughout the city and park system and flood control.

The City continues to maintain adequate reserves in both the City and LPWA and the City of Lindsay does not forecast the need to acquire any third party financing in the next fiscal year for any capital purchases or improvements as a condition of the project.

Contacting the City's Financial Management

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

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

BASIC FINANCIAL STATEMENTS – STATEMENTS OF NET POSITION AND ACTIVITIES

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Statement of Net Position – June 30, 2018

| | Governmental Activities | Business-type Activities | Total | Lindsay Municipal Hospital Authority | Lindsay Industrial Authority |
|---|----------------------------|-----------------------------|---------------|---|------------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 2,493,793 | \$ 1,182,480 | \$ 3,676,273 | \$ 2,189,342 | \$ 167,370 |
| Short-term investments | - | - | - | 1,230,264 | - |
| Long-term investments | - | - | - | 600,000 | - |
| Accounts receivable, net of allowance | 154,514 | 870,761 | 1,025,275 | 1,344,876 | - |
| Other receivable | - | - | - | 510,000 | - |
| Internal balances | (271,330) | 271,330 | - | - | - |
| Due from other governmental agencies | 450,215 | - | 450,215 | - | - |
| Inventories | - | 179,221 | 179,221 | - | - |
| Prepaid expenses | - | - | - | 380,856 | - |
| Restricted cash and cash equivalents | - | 326,075 | 326,075 | - | - |
| Restricted investments | - | 94,000 | 94,000 | - | - |
| Net pension asset | 312,020 | 268,259 | 580,279 | - | - |
| Capital assets: | | | | | |
| Land and construction in progress | 408,285 | 1,876,077 | 2,284,362 | 29,084 | 102,443 |
| Other capital assets, net of depreciation | 5,502,272 | 5,729,726 | 11,231,998 | 1,912,550 | - |
| Total assets | 9,049,769 | 10,797,929 | 19,847,698 | 8,196,972 | 269,813 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred amounts related to pensions | 494,404 | 101,055 | 595,459 | - | - |
| LIABILITIES | | | | | |
| Accounts payable and accrued expenses | 179,349 | 579,343 | 758,692 | 881,916 | - |
| Due to other governments | - | 8,443 | 8,443 | - | - |
| Due to bondholders | 566 | - | 566 | - | - |
| Accrued interest payable | - | 5,975 | 5,975 | - | - |
| Long-term liabilities: | | | | | |
| Due within one year | 188,397 | 361,044 | 549,441 | - | - |
| Due in more than one year | 875,575 | 948,870 | 1,824,445 | - | - |
| Total OPEB liability | 275,576 | 134,583 | 410,159 | - | - |
| Net pension liability | 1,695,961 | - | 1,695,961 | - | - |
| Total liabilities | 3,215,424 | 2,038,258 | 5,253,682 | 881,916 | - |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred amounts related to pensions | 275,893 | 83,105 | 358,998 | - | - |
| NET POSITION | | | | | |
| Net investment in capital assets | 4,930,557 | 6,549,042 | 11,479,599 | 1,941,634 | 102,443 |
| Restricted for: | | | | | |
| City donation | 152,411 | - | 152,411 | - | - |
| Debt service | - | 108,391 | 108,391 | - | - |
| Emergency medical services | 1,355,029 | - | 1,355,029 | - | - |
| Other | 282,762 | - | 282,762 | - | - |
| Unrestricted (deficit) | (667,903) | 2,120,188 | 1,452,285 | 5,373,422 | 167,370 |
| Total net position | \$ 6,052,856 | \$ 8,777,621 | \$ 14,830,477 | \$ 7,315,056 | \$ 269,813 |

See accompanying notes to these financial statements.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Statement of Activities – Year Ended June 30, 2018

| Functions/Programs | Program Revenue | | | | Net (Expense) Revenue and Changes in Net Position | | | Lindsay Municipal Hospital Authority | Lindsay Industrial Authority |
|--|-----------------|-------------------------|--|--|---|-----------------------------|---------------|---|------------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total | | |
| Primary government | | | | | | | | | |
| Governmental Activities | | | | | | | | | |
| General Government | \$ 253,670 | \$ 13,145 | \$ 23,911 | \$ - | \$ (216,614) | \$ - | \$ (216,614) | \$ - | \$ - |
| Public Safety | 2,767,541 | 470,577 | 264,660 | - | (2,032,304) | - | (2,032,304) | - | - |
| Highways and Streets | 53,302 | - | 24,930 | - | (28,372) | - | (28,372) | - | - |
| Culture and Recreation | 325,097 | - | 7,199 | - | (317,898) | - | (317,898) | - | - |
| Cemetery | 43,066 | 41,377 | - | - | (1,679) | - | (1,679) | - | - |
| Airport | 117,295 | 3,571 | - | - | (113,724) | - | (113,724) | - | - |
| Total governmental activities | 3,559,961 | 528,670 | 320,700 | - | (2,710,591) | - | (2,710,591) | - | - |
| Business-type Activities: | | | | | | | | | |
| Electric | 2,861,504 | 3,106,120 | - | - | - | 244,616 | 244,616 | - | - |
| Water | 823,700 | 477,770 | - | - | - | (345,930) | (345,930) | - | - |
| Sewer | 328,537 | 362,704 | - | - | - | 34,167 | 34,167 | - | - |
| Sanitation | 467,182 | 526,161 | - | - | - | 58,979 | 58,979 | - | - |
| Golf Course | 194,402 | 49,579 | - | - | - | (144,823) | (144,823) | - | - |
| Pool | 49,863 | 28,931 | - | - | - | (20,932) | (20,932) | - | - |
| Total business-type activities | 4,725,188 | 4,561,265 | - | - | - | (173,923) | (173,923) | - | - |
| Total primary government | \$ 8,285,149 | \$ 5,079,935 | \$ 320,700 | \$ - | (2,710,591) | (173,923) | (2,884,514) | - | - |
| Component unit: | | | | | | | | | |
| Lindsay Municipal Hospital Authority | \$ 13,013,878 | \$ 13,380,439 | \$ 7,650 | \$ - | | | | 374,211 | - |
| Lindsay Industrial Authority | 212 | - | - | - | | | | - | (212) |
| Total component unit | \$ 13,014,090 | \$ 13,380,439 | \$ 7,650 | \$ - | | | | 374,211 | (212) |
| General revenues: | | | | | | | | | |
| Taxes: | | | | | | | | | |
| Sales and use taxes | | | | | 3,472,744 | - | 3,472,744 | - | - |
| Franchise taxes and public service taxes | | | | | 108,438 | - | 108,438 | - | - |
| Unrestricted investment earnings | | | | | 5,349 | 4,404 | 9,753 | 13,449 | 83 |
| Miscellaneous | | | | | 72,277 | - | 72,277 | 617,991 | - |
| Gain on disposal of capital assets | | | | | 3,394 | 4,701 | 8,095 | - | - |
| Transfers | | | | | (934,052) | 934,052 | - | - | - |
| Total general revenues and transfers | | | | | 2,728,150 | 943,157 | 3,671,307 | 631,440 | 83 |
| Change in net position | | | | | 17,559 | 769,234 | 786,793 | 1,005,651 | (129) |
| Net position - beginning, restated | | | | | 6,035,297 | 8,008,387 | 14,043,684 | 6,309,405 | 269,942 |
| Net position - ending | | | | | \$ 6,052,856 | \$ 8,777,621 | \$ 14,830,477 | \$ 7,315,056 | \$ 269,813 |

See accompanying notes to these financial statements.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

BASIC FINANCIAL STATEMENTS – GOVERNMENTAL FUNDS

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Governmental Funds Balance Sheet – June 30, 2018

| | General Fund | Special Sales Tax | EMS Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------|---------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 680,153 | \$ - | \$ 1,288,584 | \$ 525,056 | \$ 2,493,793 |
| Receivable from other governments | 345,730 | - | 102,146 | 2,339 | 450,215 |
| Due from other funds | 21,715 | - | - | - | 21,715 |
| Court fines receivable, net | 50,761 | - | - | - | 50,761 |
| Ambulance receivable, net | 99,092 | - | - | - | 99,092 |
| Other receivables | 4,661 | - | - | - | 4,661 |
| Total assets | <u>\$ 1,202,112</u> | <u>\$ -</u> | <u>\$ 1,390,730</u> | <u>\$ 527,395</u> | <u>\$ 3,120,237</u> |
| LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 76,730 | \$ - | \$ - | \$ 70 | \$ 76,800 |
| Accrued payroll payable | 101,749 | - | - | - | 101,749 |
| Due to other funds | 285,839 | - | - | 7,206 | 293,045 |
| Due to bondholders | 566 | - | - | - | 566 |
| Other payables | 800 | - | - | - | 800 |
| Total liabilities | <u>465,684</u> | <u>-</u> | <u>-</u> | <u>7,276</u> | <u>472,960</u> |
| Deferred Inflows: | | | | | |
| Deferred revenue | <u>39,345</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>39,345</u> |
| Fund balances: | | | | | |
| Restricted for: | | | | | |
| Street and Alley | - | - | - | 194,074 | 194,074 |
| City Donation | - | - | - | 152,411 | 152,411 |
| Grants | - | - | - | 41,412 | 41,412 |
| Cemetery | - | - | - | 49,020 | 49,020 |
| Emergency Medical Services | - | - | 1,355,029 | - | 1,355,029 |
| Assigned to: | | | | | |
| Subsequent Year Budget | 697,083 | - | - | - | 697,083 |
| Capital Improvements | - | - | - | 258 | 258 |
| Street and Alley | - | - | - | 2,671 | 2,671 |
| Public Works | - | - | - | 13,361 | 13,361 |
| Library | - | - | - | 774 | 774 |
| Airport | - | - | - | 14,171 | 14,171 |
| Grants | - | - | - | 304 | 304 |
| Cemetery | - | - | - | 51,663 | 51,663 |
| Emergency Medical Services | - | - | 35,701 | - | 35,701 |
| Total fund balances | <u>697,083</u> | <u>-</u> | <u>1,390,730</u> | <u>520,119</u> | <u>2,607,932</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 1,202,112</u> | <u>\$ -</u> | <u>\$ 1,390,730</u> | <u>\$ 527,395</u> | <u>\$ 3,120,237</u> |

See accompanying notes to these financial statements.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance – Year Ended June 30, 2018

City of Lindsay
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

| | General Fund | Special Sales Tax | EMS Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|----------------------|---------------------|--------------------------------|--------------------------------|
| REVENUES | | | | | |
| Taxes | \$ 2,698,041 | \$ - | \$ 820,763 | \$ - | \$ 3,518,804 |
| Intergovernmental | 234,725 | - | - | 30,579 | 265,304 |
| Charges for services | 418,336 | - | - | 14,661 | 432,997 |
| Fines and forfeitures | 84,001 | - | - | - | 84,001 |
| Licenses and permits | 9,317 | - | - | - | 9,317 |
| Investment income | 987 | - | 3,320 | 1,042 | 5,349 |
| Miscellaneous | 70,744 | - | - | 132,244 | 202,988 |
| Total revenues | <u>3,516,151</u> | <u>-</u> | <u>824,083</u> | <u>178,526</u> | <u>4,518,760</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 194,401 | - | - | - | 194,401 |
| Public Safety | 1,642,479 | - | - | 1,800 | 1,644,279 |
| Highway and streets | 16,271 | - | - | - | 16,271 |
| Culture and recreation | 215,973 | - | - | 5,649 | 221,622 |
| Airport | - | - | - | 4,347 | 4,347 |
| Cemetery | 38,346 | - | - | - | 38,346 |
| Public Health and Welfare | 982,152 | - | - | - | 982,152 |
| Capital Outlay | 1,158,397 | - | - | 72,114 | 1,230,511 |
| Debt Service: | | | | | |
| Principal | 20,000 | - | - | - | 20,000 |
| Total Expenditures | <u>4,268,019</u> | <u>-</u> | <u>-</u> | <u>83,910</u> | <u>4,351,929</u> |
| Excess (deficiency) of revenues over expenditures | <u>(751,868)</u> | <u>-</u> | <u>824,083</u> | <u>94,616</u> | <u>166,831</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from long-term debt | 1,000,000 | - | - | - | 1,000,000 |
| Transfers in | 1,100,975 | - | - | - | 1,100,975 |
| Transfers out | (930,658) | (975) | (1,100,000) | - | (2,031,633) |
| Total other financing sources and uses | <u>1,170,317</u> | <u>(975)</u> | <u>(1,100,000)</u> | <u>-</u> | <u>69,342</u> |
| Net change in fund balances | 418,449 | (975) | (275,917) | 94,616 | 236,173 |
| Fund balances - beginning | <u>278,634</u> | <u>975</u> | <u>1,666,647</u> | <u>425,503</u> | <u>2,371,759</u> |
| Fund balances - ending | <u>\$ 697,083</u> | <u>\$ -</u> | <u>\$ 1,390,730</u> | <u>\$ 520,119</u> | <u>\$ 2,607,932</u> |

See accompanying notes to these financial statements.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Reconciliation of Governmental Funds and Government-Wide Financial Statements:

Fund Balance – Net Position Reconciliation:

| | |
|--|---------------------|
| Total fund balance, governmental funds | \$ 2,607,932 |
| 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. | 5,910,557 |
| Certain long-term assets are not available to pay current fund liabilities and, therefore are deferred in the funds: | |
| Grants receivable | 7,667 |
| Court fines receivable | 31,678 |
| Certain other long-term assets and deferred outflows are not available to pay current fund liabilities and therefore are deferred, or not presented at all in the funds: | |
| Net pension asset | 312,020 |
| Pension related deferred outflows | 494,404 |
| 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 | (83,972) |
| Notes payable | (980,000) |
| Pension related deferred inflows | (275,893) |
| Net pension liability | (1,695,961) |
| Total OPEB liability | (275,576) |
| Net Position of Governmental Activities in the Statement of Net Position | <u>\$ 6,052,856</u> |

Changes in Fund Balances – Changes in Net Position Reconciliation:

| | |
|--|------------------|
| Net change in fund balances - total governmental funds: | 236,173 |
| Amounts reported for Governmental Activities in the Statement of Activities are different because: | |
| Governmental funds report capital outlays for capital assets as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets: | |
| Capital asset purchases capitalized | 1,181,863 |
| Depreciation expense | (454,759) |
| 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. | 90,104 |
| 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 | 9,936 |
| Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position: | |
| Proceeds from long term debt | (1,000,000) |
| Capital lease obligation principal payments | 20,000 |
| 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 | (18,779) |
| Change in total OPEB Liability | (46,979) |
| Change in net position of governmental activities | <u>\$ 17,559</u> |

See accompanying notes to these financial statements.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

BASIC FINANCIAL STATEMENTS – PROPRIETARY FUNDS

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Proprietary Funds Statement of Net Position – June 30, 2018

| | <u>Lindsay Public Works Authority</u> |
|---|--|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 1,182,480 |
| Restricted: | |
| Cash and cash equivalents | 108,208 |
| Due from other funds | 282,663 |
| Accounts receivable, net | 870,761 |
| Inventories | 179,221 |
| Total current assets | <u>2,623,333</u> |
| Non-current assets: | |
| Restricted: | |
| Cash and cash equivalents | 217,867 |
| Investments | 94,000 |
| Net pension asset | 268,259 |
| Capital Assets: | |
| Land and construction in progress | 1,876,077 |
| Other capital assets, net of accumulated depreciation | 5,729,726 |
| Total non-current assets | <u>8,185,929</u> |
| Total assets | <u>10,809,262</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred amounts related to pensions | <u>101,055</u> |
| LIABILITIES | |
| Current Liabilities: | |
| Accounts payable | 525,283 |
| Salaries payable | 54,060 |
| Accrued interest payable | 5,975 |
| Due to other governments | 8,443 |
| Due to other funds | 11,333 |
| Compensated absences | 4,140 |
| Due to depositors | 42,342 |
| Notes payable | 314,562 |
| Total current liabilities | <u>966,138</u> |
| Non-current liabilities: | |
| Compensated absences | 37,255 |
| Due to depositors | 169,416 |
| Notes payable | 742,199 |
| Total OPEB liability | 134,583 |
| Total non-current liabilities | <u>1,083,453</u> |
| Total liabilities | <u>2,049,591</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred amounts related to pensions | <u>83,105</u> |
| NET POSITION | |
| Net investment in capital assets | 6,549,042 |
| Restricted for debt service | 108,391 |
| Unrestricted | 2,120,188 |
| Total net position | <u><u>\$ 8,777,621</u></u> |

See accompanying notes to these financial statements.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position – Year Ended June 30, 2018

| | <u>Lindsay Public Works Authority</u> |
|--|--|
| OPERATING REVENUES | |
| Electric | \$ 3,027,046 |
| Water | 465,607 |
| Sewer | 353,471 |
| Sanitation | 512,766 |
| Golf course | 49,579 |
| Pool | 28,931 |
| Miscellaneous | 113,865 |
| Total operating revenues | <u>4,551,265</u> |
| OPERATING EXPENSES | |
| Billing | 130,920 |
| Electric | 2,332,848 |
| Water | 545,731 |
| Sewer | 145,055 |
| Sanitation | 387,916 |
| Administration/Legal | 228,824 |
| Golf Course | 172,664 |
| Pool | 49,863 |
| General government | 293,412 |
| Depreciation expense | 416,214 |
| Total operating expenses | <u>4,703,447</u> |
| Operating income (loss) | <u>(152,182)</u> |
| NON-OPERATING REVENUES (EXPENSES) | |
| Investment income | 4,404 |
| Gain on sale of capital assets | 4,701 |
| Interest expense and fiscal agent fees | <u>(21,741)</u> |
| Total non-operating revenue | <u>(12,636)</u> |
| Income (loss) before transfers | <u>(164,818)</u> |
| Transfers in | <u>934,052</u> |
| Change in net position | 769,234 |
| Total net position - beginning, restated | 8,008,387 |
| Total net position - ending | <u><u>\$ 8,777,621</u></u> |

See accompanying notes to these financial statements.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Proprietary Funds Statement of Cash Flows – Year Ended June 30, 2018

| | Lindsay Public Works Authority |
|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 4,504,993 |
| Payments to suppliers | (3,493,237) |
| Payments to employees | (1,049,591) |
| Interfund receipts | (101,082) |
| Receipts of customer meter deposits | 48,956 |
| Refunds of customer meter deposits | (45,768) |
| Net cash provided by (used in) operating activities | (135,729) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Transfers from other funds | 934,052 |
| Net cash provided by noncapital financing activities | 934,052 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchases of capital assets | (675,814) |
| Proceeds from sale of capital assets | 36,178 |
| Principal paid on debt | (301,411) |
| Interest and fiscal agent fees paid on debt | (23,452) |
| Net cash provided by (used in) capital and related financing activities | (964,499) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest and dividends | 4,404 |
| Net cash provided by investing activities | 4,404 |
| Net increase (decrease) in cash and cash equivalents | (161,772) |
| Balances - beginning of year | 1,670,327 |
| Balances - end of year | \$ 1,508,555 |
| Reconciliation to Statement of Net Position: | |
| Cash and cash equivalents | \$ 1,182,480 |
| Restricted cash and cash equivalents - current | 108,208 |
| Restricted cash and cash equivalents - noncurrent | 217,867 |
| Total cash and cash equivalents, end of year | \$ 1,508,555 |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | |
| Operating income (loss) | \$ (152,182) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | |
| Depreciation expense | 416,214 |
| Change in assets and liabilities: | |
| Due from other funds | (102,060) |
| Due from other governments | 85,536 |
| Due to other funds | 978 |
| Due to other governments | 772 |
| Accounts receivable | (131,808) |
| Inventory | 15,890 |
| Net pension asset | (150,521) |
| Total OPEB liability | 21,178 |
| Deferred outflows related to pensions | 78,016 |
| Accounts payable | (266,918) |
| Accrued payroll payable | 18,005 |
| Deposits subject to refund | 3,188 |
| Accrued compensated absences | 1,386 |
| Deferred inflows related to pensions | 26,597 |
| Net cash provided by (used in) operating activities | \$ (135,729) |

See accompanying notes to these financial statements.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

FOOTNOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

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.

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, sanitation, golf and pool 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

Complete financial statements for the Lindsay Municipal Hospital Authority may be obtained at the City's administrative offices.

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

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

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.

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.

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.

Governmental Funds:

The City's governmental funds are comprised of the following:

Major Funds:

- General Fund – accounts for all activities not accounted for in other special-purpose funds
- Special Sales Tax – a capital project fund that accounts for the collection and transfer of dedicated sales tax to the Public Works Authority for capital related debt service payments. The city decided in FY2017 this fund was not needed. The Fund was closed during FY18.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

- EMS Fund – a special revenue fund that accounts for a 1 cent dedicated sales tax to be used for emergency medical services

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

Special Revenue Funds:

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

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.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

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

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, 2018, the City recognized \$9,753 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, 2018, the primary government held the following deposits and investments:

| Type | Maturities | Credit Rating | Fair Value Valuation Level | Carrying/Fair Value |
|---|------------|---------------|-------------------------------|----------------------------|
| Deposits: | | | | |
| Petty cash | | | | \$ 500 |
| Demand deposits | | | | 3,887,482 |
| Time deposits | May 2019 | | | 94,000 |
| | | | | <u>3,981,982</u> |
| Investments: | | | | |
| Cavanal Hill U.S. Treasury-Admin #0002 | | Aaa | N/A | 91,764 |
| Invesco Prem US Gov Money-Inst #1949 | | Aaa-mf | N/A | 22,602 |
| | | | | <u>114,366</u> |
| Total deposits and investments | | | | <u><u>\$ 4,096,348</u></u> |
| Reconciliation to Statement of Net Position: | | | | |
| Cash and cash equivalents | | | | \$ 3,676,273 |
| Restricted cash and cash equivalents | | | | 326,075 |
| Restricted Investments | | | | 94,000 |
| | | | | <u><u>\$ 4,096,348</u></u> |

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

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, 2018, the City and the LPWA were not exposed to custodial credit risk as defined above.

As of June 30, 2018, the deposits and investments for the Lindsay Municipal Hospital Authority were \$4,091,606. Of this amount, \$3,341,000 was exposed to custodial credit risk and \$750,606 was collateralized.

Investment Interest Rate Risk - the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk - The City has no investment policy that limits its investment choices other than the limitations of state law that generally authorize investments in: (1) full faith and credit, direct obligations of the U. S. Government, its agencies and instrumentalities, and the State of Oklahoma and certain mortgage insured federal debt; (2) certificates of deposit or savings accounts that are either insured or secured with acceptable collateral; (3) negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations; (4) county, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district; and government money market funds regulated by the SEC. These investment limitations do not apply to the City's public trusts.

As of June 30, 2018, the City's investments consisted of \$114,366 of money market open-ended mutual funds invested in U.S. Treasury securities with a credit rating of Aaa as rated by Standard and Poor's.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are significant unobservable inputs. There were no investments within the hierarchy at June 30, 2018.

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

Restricted Cash and Investments - The amounts reported as restricted assets on the statement of net position are comprised of amounts restricted for debt service, or deposits held for others. The restricted assets as of June 30, 2018 are as follows:

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

| <u>Type of Restricted Asset</u> | <u>Current Cash and cash equivalents</u> | <u>Noncurrent Cash and cash equivalents</u> | <u>Investments</u> | <u>Total</u> |
|---------------------------------|--|---|--------------------|------------------|
| Utility Deposits | \$ 42,342 | \$ 169,367 | \$ 94,000 | \$305,709 |
| OWRB Debt Service | 43,264 | 48,500 | - | 91,764 |
| 2012 Note Trustee Accounts | 22,602 | - | - | 22,602 |
| Total | <u>\$ 108,208</u> | <u>\$ 217,867</u> | <u>\$ 94,000</u> | <u>\$420,075</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, franchise and court fines receivables.

| | <u>Accounts Receivable</u> | <u>Less: Allowance for Uncollectible Accounts</u> | <u>Net Accounts Receivable</u> |
|--|--------------------------------|---|--|
| Governmental Activities: | | | |
| Ambulance receivable | \$ 284,454 | \$ 185,362 | \$ 99,092 |
| Court fines | 253,804 | 203,043 | 50,761 |
| Other receivables | 16,811 | 12,150 | 4,661 |
| Total Governmental Activities | <u>\$ 555,069</u> | <u>\$ 400,555</u> | <u>\$ 154,514</u> |
| Business-Type Activities: | | | |
| Utilities | \$ 1,562,861 | \$ 692,100 | \$ 870,761 |
| Total Business-Type Activities | <u>\$ 1,562,861</u> | <u>\$ 692,100</u> | <u>\$ 870,761</u> |
| Lindsay Municipal Hospital Authority: | | | |
| Patient receivable | \$ 1,714,876 | \$ 370,000 | \$ 1,344,876 |
| Total Lindsay Municipal Hospital Authority | <u>\$ 1,714,876</u> | <u>\$ 370,000</u> | <u>\$ 1,344,876</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.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

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

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

For the year ended June 30, 2018, capital assets balances changed as follows:

Primary Government:

| | Balance at July 1, 2017 | Additions | Disposals | Balance at June 30, 2018 |
|---|----------------------------|------------|------------|-----------------------------|
| <i>Governmental activities:</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 125,750 | \$ 240,000 | \$ - | \$ 365,750 |
| Construction in progress | 39,681 | 2,854 | - | 42,535 |
| Total capital assets not being depreciated | 165,431 | 242,854 | - | 408,285 |
| Other capital assets: | | | | |
| Buildings | 1,523,910 | 769,569 | - | 2,293,479 |
| Land Improvements | 27,500 | - | - | 27,500 |
| Computers & Electronics | 117,720 | - | - | 117,720 |
| Furniture & Fixtures | 31,604 | - | - | 31,604 |
| Vehicles | 2,036,693 | - | 86,078 | 1,950,615 |
| Infrastructure | 6,484,658 | 3,546 | - | 6,488,204 |
| Machinery & Equipment | 1,185,721 | 165,894 | 12,436 | 1,339,179 |
| Total other capital assets at historical cost | 11,407,806 | 939,009 | 98,514 | 12,248,301 |
| Less accumulated depreciation for: | | | | |
| Buildings | 930,733 | 67,274 | - | 998,007 |
| Land Improvements | 20,472 | 1,833 | - | 22,305 |
| Computers & Electronics | 117,719 | - | - | 117,719 |
| Furniture & Fixtures | 28,348 | 1,060 | - | 29,408 |
| Vehicles | 1,577,531 | 89,191 | 86,078 | 1,580,644 |
| Infrastructure | 2,863,720 | 218,876 | - | 3,082,596 |
| Machinery & Equipment | 851,261 | 76,525 | 12,436 | 915,350 |
| Total accumulated depreciation | 6,389,784 | 454,759 | 98,514 | 6,746,029 |
| Other capital assets, net | 5,018,022 | 484,250 | - | 5,502,272 |
| Governmental activities capital assets, net | \$ 5,183,452 | \$ 727,104 | \$ - | \$ 5,910,557 |
| <i>Business-type activities:</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 515,003 | \$ - | \$ - | \$ 515,003 |
| Construction in progress | 1,002,860 | 529,399 | 171,185 | 1,361,074 |
| Total capital assets not being depreciated | 1,517,863 | 529,399 | 171,185 | 1,876,077 |
| Other capital assets: | | | | |
| Buildings | 812,537 | 3,604 | - | 816,141 |
| Computers & Electronics | 113,512 | - | - | 113,512 |
| Furniture & Fixtures | 8,840 | - | - | 8,840 |
| Vehicles | 545,773 | - | 9,000 | 536,773 |
| Machinery & equipment | 1,432,556 | 103,997 | 38,940 | 1,497,613 |
| Infrastructure | 18,077,605 | 210,000 | - | 18,287,605 |
| Total other capital assets at historical cost | 20,990,823 | 317,601 | 47,940 | 21,260,484 |
| Less accumulated depreciation for: | | | | |
| Buildings | 545,631 | 12,270 | - | 557,901 |
| Computers & Electronics | 105,143 | 2,183 | - | 107,326 |
| Furniture & Fixtures | 8,840 | - | - | 8,840 |
| Vehicles | 489,316 | 8,918 | 9,000 | 489,234 |
| Machinery and equipment | 824,358 | 111,013 | 7,463 | 927,908 |
| Infrastructure | 13,157,719 | 281,830 | - | 13,439,549 |
| Total accumulated depreciation | 15,131,007 | 416,214 | 16,463 | 15,530,758 |
| Other capital assets, net | 5,859,816 | (98,613) | 31,477 | 5,729,726 |
| Business-type activities capital assets, net | \$ 7,377,679 | \$ 430,786 | \$ 202,662 | \$ 7,605,803 |

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

| | Balance at July 1, 2017 | Additions | Disposals | Balance at June 30, 2018 |
|---|----------------------------|-------------|-----------|-----------------------------|
| <i>Lindsay Municipal Hospital Authority:</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 14,164 | \$ - | \$ - | \$ 14,164 |
| Construction in progress | 9,266 | 13,212 | 7,558 | 14,920 |
| Total capital assets not being depreciated | 23,430 | 13,212 | 7,558 | 29,084 |
| Other capital assets: | | | | |
| Buildings | 3,003,348 | 16,000 | - | 3,019,348 |
| Land Improvements | 34,266 | - | - | 34,266 |
| Machinery & Equipment | 2,994,143 | 246,421 | 337,816 | 2,902,748 |
| Total other capital assets at historical cost | 6,031,757 | 262,421 | 337,816 | 5,956,362 |
| Less accumulated depreciation for: | | | | |
| Buildings | 1,954,178 | 62,931 | - | 2,017,109 |
| Land Improvements | 34,266 | - | - | 34,266 |
| Machinery & Equipment | 2,033,649 | 296,605 | 337,817 | 1,992,437 |
| Total accumulated depreciation | 4,022,093 | 359,536 | 337,817 | 4,043,812 |
| Other capital assets, net | 2,009,664 | (97,115) | (1) | 1,912,550 |
| Municipal Hospital capital assets, net | \$ 2,033,094 | \$ (83,903) | \$ 7,557 | \$ 1,941,634 |
| <i>Lindsay Industrial Authority:</i> | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 102,443 | \$ - | \$ - | \$ 102,443 |
| Other capital assets: | | | | |
| Buildings | 800 | - | - | 800 |
| Furniture & Fixtures | 256 | - | - | 256 |
| Total other capital assets at historical cost | 1,056 | - | - | 1,056 |
| Less accumulated depreciation for: | | | | |
| Buildings | 800 | - | - | 800 |
| Furniture & Fixtures | 256 | - | - | 256 |
| Total accumulated depreciation | 1,056 | - | - | 1,056 |
| Other capital assets, net | - | - | - | - |
| Industrial Authority activities capital assets, net | \$ 102,443 | \$ - | \$ - | \$ 102,443 |

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 | \$ 37,481 |
| Public safety | 161,842 |
| Highways and streets | 37,031 |
| Culture and recreation | 100,747 |
| Cemetery | 4,710 |
| Airport | 112,948 |
| | <u>\$ 454,759</u> |

Business-Type Activities:

| | |
|-------------|-------------------|
| Electric | \$ 75,070 |
| Water | 198,474 |
| Sewer | 118,501 |
| Sanitation | 2,431 |
| Golf Course | 21,738 |
| | <u>\$ 416,214</u> |

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

6. Long-Term Debt and Debt Service Requirements

| <u>Type of Debt</u> | <u>Balance July 1, 2017</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2018</u> | <u>Due Within One Year</u> |
|---|---------------------------------|---------------------|-----------------------|----------------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| Notes payable | - | \$ 1,000,000 | 20,000 | \$ 980,000 | \$ 180,000 |
| Accrued compensated absences | \$ 65,193 | 18,778 | - | 83,971 | \$ 8,397 |
| Total Governmental Activities | \$ 65,193 | \$ 1,018,778 | \$ 20,000 | 1,063,971 | \$ 188,397 |
| | | | | | |
| | | | Total OPEB liability | 275,576 | |
| | | | Net pension liability | 1,695,961 | |
| | | | | <u>\$ 3,035,508</u> | |
| Business-Type Activities: | | | | | |
| Notes payable | \$ 1,358,174 | \$ - | \$ 301,411 | \$ 1,056,763 | \$ 314,562 |
| Meter deposit liability | 208,570 | 3,188 | - | 211,758 | 42,342 |
| Accrued compensated absences | 40,009 | 1,385 | - | 41,394 | 4,140 |
| Total Business-Type Activities | <u>1,606,753</u> | <u>4,573</u> | <u>301,411</u> | <u>1,309,915</u> | <u>361,044</u> |
| | | | | | |
| | | | Total OPEB liability | 134,583 | |
| | | | | <u>\$ 1,444,498</u> | |
| | | | | | |
| Total Long-Term Debt | <u>\$ 1,671,946</u> | <u>\$ 1,023,351</u> | <u>\$ 321,411</u> | <u>\$ 4,480,006</u> | <u>\$ 549,441</u> |
| Reconciliation to Statement of Net Position: | | | | | |
| Due within one year | | | | \$ 549,441 | |
| Due in more than one year | | | | 1,824,445 | |
| Total OPEB liability | | | | 410,159 | |
| Net pension liability | | | | 1,695,961 | |
| Total long-term liabilities | | | | <u>\$ 4,480,006</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, 2018, the governmental activities long-term payable from taxes and other general revenues include the following:

Long-Term Note Commitment

Note Payable to Rural Electric Coop dated December 12, 2017, original amount \$1,000,000 with no interest, due in yearly installments of principal \$100,000 beginning January 1, 2018, final installment due January 2, 2027. Yearly payments are to be budgeted and appropriated by the City.

| | |
|---------------------|-------------------|
| | \$ 980,000 |
| Total Notes Payable | <u>\$ 980,000</u> |
| | |
| Current portion | 180,000 |
| Noncurrent portion | 800,000 |
| Total Notes Payable | <u>\$ 980,000</u> |

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Accrued Compensated Absences

| | | |
|------------------------------------|----|---------------|
| Current portion | \$ | 8,397 |
| Noncurrent portion | | 75,574 |
| Total Accrued Compensated Absences | \$ | <u>83,971</u> |

T

Total OPEB Liability

| | | |
|----------------------|----|----------------|
| Current portion | \$ | - |
| Noncurrent portion | | 275,576 |
| Total OPEB Liability | \$ | <u>275,576</u> |

Net Pension Liability

| | | |
|-----------------------------|----|------------------|
| Current portion | \$ | - |
| Noncurrent portion | | 1,695,961 |
| Total Net Pension Liability | \$ | <u>1,695,961</u> |

Business-Type Activities:

Long-term debt commitments payable from net revenues generated by the utility resources or other resources pledged to City's business-type activities at June 30, 2018, 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.

\$ 105,000

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.

662,283

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.

9,480

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.

280,000

| | | |
|---------------------|----|------------------|
| Total Notes Payable | \$ | <u>1,056,763</u> |
| Current portion | \$ | 314,562 |
| Noncurrent portion | | 742,201 |
| Total Notes Payable | \$ | <u>1,056,763</u> |

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Meter Deposit Liability

| | | |
|-------------------------------|----|----------------|
| Current portion | \$ | 42,342 |
| Noncurrent portion | | 169,416 |
| Total Meter Deposit Liability | \$ | <u>211,758</u> |

Accrued Compensated Absences

| | | |
|------------------------------------|----|---------------|
| Current portion | \$ | 4,140 |
| Noncurrent portion | | 37,254 |
| Total Accrued Compensated Absences | \$ | <u>41,394</u> |

Total OPEB Liability

| | | |
|----------------------|----|----------------|
| Current portion | \$ | - |
| Noncurrent portion | | 134,583 |
| Total OPEB Liability | \$ | <u>134,583</u> |

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

| Year Ended June 30, | Governmental | | Business-Type | |
|------------------------|----------------------|-----------------|----------------------|------------------|
| | <u>Notes Payable</u> | | <u>Notes Payable</u> | |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2019 | 180,000 | - | 314,562 | 17,682 |
| 2020 | 100,000 | - | 343,481 | 11,241 |
| 2021 | 100,000 | - | 291,654 | 5,241 |
| 2022 | 100,000 | - | 107,066 | 731 |
| 2023 | 100,000 | - | - | - |
| 2024-2027 | 400,000 | - | - | - |
| Total | <u>\$980,000</u> | <u>\$ -</u> | <u>\$ 1,056,763</u> | <u>\$ 34,895</u> |

Compensated Absences

The City's policies regarding vacation time permits 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.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Pledge of Future Revenues

Sales Tax and Utility Net Revenues Pledge - The City has pledged one cent (or 25%) 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 \$1,082,178. Pledged sales taxes received in the current year were \$930,658 and net utility revenues were \$287,603. Debt service payments of \$324,541 for the current fiscal year were 26.6% of both pledged sales taxes and net utility revenues of \$1,218,261.

7. Net Position and Fund Balances

Net Position:

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

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

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

Fund Balances

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

- a. *Nonspendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- b. *Restricted* – consists of fund balance with constraints placed on the use of resources either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. *Committed* – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city’s highest level of decision-making authority. The City’s highest level of decision-making authority is made by ordinance. The City currently reports no committed fund balance.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

- d. Assigned – includes amounts that are constrained by the city’s intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by city council action or management decision when the city council has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.
- e. Unassigned – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

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

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

Enterprise Funds:

| | |
|--|------------------|
| Debt service and reserve for promissory notes: | |
| Cash and investments | \$114,366 |
| Less: accrued interest payable | <u>(5,975)</u> |
| Total Enterprise Fund Restriction for Debt Service | <u>\$108,391</u> |

Beginning net position was restated as of July 1, 2017 as follows:

| | Government-Wide | | Fund Level |
|--|----------------------------|-----------------------------|----------------------------|
| | Governmental Activities | Business-type Activities | LPWA |
| Beginning net position, as previously reported | \$ 6,263,893 | \$ 8,121,792 | \$ 8,121,792 |
| Implementation of GASB OPEB Statement 75, recognition of beginning total OPEB liability | <u>(228,596)</u> | <u>(113,405)</u> | <u>(113,405)</u> |
| Beginning net position, restated | <u><u>\$ 6,035,297</u></u> | <u><u>\$ 8,008,387</u></u> | <u><u>\$ 8,008,387</u></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.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Tax Abatements:

The City entered into a sales tax rebate agreement with a local business as allowed in the Oklahoma State Constitution, Article 10, Section 14. Under this law, the City may establish economic development programs and provide sales tax increments for development as part of its economic development plan.

The sales tax rebate program allows a developer to receive rebated sales tax in the amount equal to 25% of the sales tax collected and paid to the Oklahoma Tax Commission by the business. To be eligible for this program, the business shall operate a hotel business providing quality jobs in the City.

Due to confidentiality laws in Oklahoma statutes Title 68, Section 1354.11, the amounts of sales taxes rebated will not be disclosed. The following business had a rebate agreement with the City as of June 30, 2018:

- A local hotel chain received rebated sales tax during 2017-2018. The agreement is for the City to pay quarterly incentive payments to the operator equal to 25% of the municipal sales tax actually collected from the hotel business and paid to the Oklahoma Tax Commission. This agreement continues for 5 years from the opening date unless the business is sold to another company at which time the sales tax rebate agreement will end.

10. Internal Balances and Transfers between Legal Entities

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

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

| <u>Due From</u> | <u>Due To</u> | <u>Amount</u> | <u>Nature of Balance</u> |
|-----------------|---------------|-------------------|---------------------------------|
| LPWA | General Fund | \$ 11,333 | expenses paid on behalf of LPWA |
| Library Fund | General Fund | 3,106 | grant activity |
| General Fund | LPWA | 282,663 | sales tax |
| General Fund | Grant Fund | 4,100 | grant activity |
| General Fund | Police Bond | 3,176 | court activity |
| Total | | <u>\$ 304,378</u> | |

Reconciliation to Fund Financial Statements:

| | <u>Due From</u> | <u>Due To</u> | <u>Net Internal Balances</u> |
|--------------------|-------------------|---------------------|------------------------------|
| Governmental Funds | \$ 21,715 | \$ (293,045) | \$ (271,330) |
| Proprietary Funds | 282,663 | (11,333) | 271,330 |
| Total | <u>\$ 304,378</u> | <u>\$ (304,378)</u> | <u>\$ -</u> |

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

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> |
|--------------------------------|--------------------|---------------------|----------------------------|
| Emergency 1% Sales Tax Fund | General Fund | \$ 975 | to close fund |
| LPWA Designated Sales Tax Fund | General Fund | 1,100,000 | sales tax transfer |
| General Fund | LPWA | 934,052 | sales tax transfer |
| Total | | <u>\$ 2,035,027</u> | |

Reconciliation to Fund Financial Statements:

| | <u>Transfers In</u> | <u>Transfers Out</u> | <u>GW Capital Asset Purchases</u> | <u>Net Transfers</u> |
|--------------------|---------------------|-----------------------|---------------------------------------|----------------------|
| Governmental Funds | \$ 1,100,975 | \$ (2,031,633) | \$ (3,394) | \$ (934,052) |
| Proprietary Funds | 934,052 | - | - | \$ 934,052 |
| | <u>\$ 2,035,027</u> | <u>\$ (2,031,633)</u> | <u>\$ 3,394</u> | <u>\$ -</u> |

11. Risk Management

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

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

A summary of all the amounts recorded in the City's financial statements for the plans is as follows:

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

| | Governmental Activities | Business-type Activities | Plan Totals |
|---------------------------------|----------------------------|-----------------------------|--------------|
| Net Pension Asset: | | | |
| OkMRF | \$ 312,020 | \$ 268,259 | \$ 580,279 |
| Total | \$ 312,020 | \$ 268,259 | \$ 580,279 |
| Net Pension Liability: | | | |
| Police | \$ 6,382 | \$ - | \$ 6,382 |
| Firefighters | 1,689,579 | - | 1,689,579 |
| Total | \$ 1,695,961 | \$ - | \$ 1,695,961 |
| Deferred Outflows of Resources: | | | |
| OkMRF | \$ 112,427 | \$ 101,055 | \$ 213,482 |
| Police | 87,183 | - | 87,183 |
| Firefighters | 294,794 | - | 294,794 |
| Total | \$ 494,404 | \$ 101,055 | \$ 595,459 |
| Deferred Inflows of Resources: | | | |
| OkMRF | \$ 99,782 | \$ 83,105 | \$ 182,887 |
| Police | 44,704 | - | 44,704 |
| Firefighters | 131,407 | - | 131,407 |
| Total | \$ 275,893 | \$ 83,105 | \$ 358,998 |
| Pension Expense: | | | |
| OkMRF | \$ (54,523) | \$ (45,908) | \$ (100,431) |
| Police | 37,751 | - | 37,751 |
| Firefighters | 170,557 | - | 170,557 |
| Total | \$ 153,785 | \$ (45,908) | \$ 107,877 |

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.

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.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

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.

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 \$60,627. The State of Oklahoma also made on-behalf contributions to FPRS in the amount of \$131,509 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 \$118,396. 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, 2018, the City reported a net pension liability of \$1,689,579 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2017. Based upon this information, the City's proportion was 0.1343372%.

For the year ended June 30, 2018, the City recognized pension expense of \$170,557. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 225,699 | \$ - |
| Net difference between projected and actual earnings on pension plan investments | - | 47,082 |
| Changes in proportion | 8,468 | 81,235 |
| City's contribution during the measurement date | - | 3,090 |
| City contributions subsequent to the measurement date | 60,627 | - |
| Total | <u>\$ 294,794</u> | <u>\$ 131,407</u> |

The \$60,627 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, 2019. 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:

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

| | | |
|---------------------|----|----------------|
| Year ended June 30: | | |
| 2019 | \$ | (3,015) |
| 2020 | | 49,264 |
| 2021 | | 32,765 |
| 2022 | | (12,984) |
| 2023 | | 29,411 |
| Thereafter | | 7,319 |
| Total | \$ | <u>102,760</u> |

Actuarial Assumptions- The total pension liability was determined by an actuarial valuation as of July 1, 2017, 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, 2017, 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, 2017, 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% | 4.38% |
| Domestic equity | 47% | 7.72% |
| International equity | 15% | 9.70% |
| Real estate | 10% | 6.96% |
| Other assets | 8% | 5.75% |

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.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

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:

| | 1% Decrease 6.5% | Current Discount Rate 7.5% | 1% Increase 8.5% |
|----------------------------------|---------------------|-------------------------------|---------------------|
| Employers' net pension liability | \$ 2,216,495 | \$ 1,689,579 | \$ 1,243,050 |

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.

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.

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.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

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 \$36,424. The State of Oklahoma also made on-behalf contributions to OPPRS in the amount of \$35,848 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 \$28,443. 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, 2018, the City reported a liability of \$6,382 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2017. Based upon this information, the City's proportion was 0.0829641%.

For the year ended June 30, 2018, the City recognized pension expense of \$37,751. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 321 | \$ 38,581 |
| Net difference between projected and actual earnings on pension plan investments | 47,532 | - |
| Changes in proportion | 2,906 | 5,732 |
| City contributions during measurement date | - | 391 |
| City contributions subsequent to the measurement date | 36,424 | - |
| Total | <u>\$ 87,183</u> | <u>\$ 44,704</u> |

The \$36,424 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2019. 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:

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Year ended June 30:

| | | |
|-------|----|--------------|
| 2019 | \$ | (2,750) |
| 2020 | | 22,237 |
| 2021 | | 10,053 |
| 2022 | | (18,905) |
| 2023 | | (4,580) |
| Total | \$ | <u>6,055</u> |

Actuarial Assumptions-The total pension liability was determined by an actuarial valuation as of July 1, 2017, 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 |
| Investment rate of return: | 7.5% net of pension plan investment expense |
| Cost-of-living adjustments: | Police officers eligible to receive increased benefits according to repealed Section 50-120 of Title 11 of the Oklahoma Statutes pursuant to a court order receive an adjustment of 1/3 to 1/2 of the increase or decrease of any adjustment to the base salary of a regular police officer, based on an increase in base salary. |
| 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, 2017, 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, 2017, are summarized in the following table:

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|---|
| Fixed income | 4.51% |
| Domestic equity | 6.62% |
| International equity | 9.70% |
| Real estate | 6.96% |
| Private equity | 9.86% |
| Commodities | 5.18% |

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.

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:

| | 1% Decrease 6.5% | Current Discount Rate 7.5% | 1% Increase 8.5% |
|---|---------------------|-------------------------------|---------------------|
| Employers' net pension liability(asset) | \$ 215,681 | \$ 6,382 | \$ (170,403) |

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.

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. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101-102.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

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-

| Provision | OkMRF Plan |
|-----------------------------------|---|
| Date of Last Actuarial Valuation | July 1, 2017 |
| a. Eligible to Participate | Full-time, non-uniformed employees of the City upon hire. |
| b. Contribution Requirements: | |
| -Authorization | By City ordinance |
| -Actuarially Determined | Yes |
| -Employer Rate | 9.03% of covered payroll |
| -Employee Rate | 3.75% of earnings |
| c. Period Required to Vest | 10 years of credited service |
| d. Eligibility for Distribution | -Normal retirement at age 65 with 10 years of service -Early retirement at age 55 with 10 years of service -Disability retirement with 10 years of service -Marital death benefit with 10 years of service |
| e. Benefit Determination Base | Final average salary - the average of the five highest consecutive annual salaries out of the last 10 calendar years of service |
| f. Benefit Determination Methods: | |
| -Normal Retirement | 2.25% of final average salary multiplied by credited years of service |
| -Early Retirement | Actuarially reduced benefit based upon age and years of service at termination |
| -Disability Retirement | Same as normal retirement |
| -Death Benefit | 50% of employee's accrued benefit, but terminates upon spouse remarriage |
| -Prior to 10 Years Service | Return of employee contributions with accrued interest |
| g. Form of Benefit Payments | Normal form is a 60 months certain and life thereafter basis. Employee may elect, with City consent, optional form based on actuarial equivalent. |

Employees Covered by Benefit Terms –

| | |
|-----------------------------------|-----------|
| Active Employees | 39 |
| Deferred Vested Former Employees | 1 |
| Disabled Participants | 2 |
| Retirees or Retiree Beneficiaries | <u>15</u> |
| Total | <u>57</u> |

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

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 4.84% of covered payroll as of 7-1-17; however, management elected to contribute 9.03% of covered payrolls as of 7-1-17. For the year ended June 30, 2018, the City recognized \$157,249 of employer contributions to the plan which equals the actuarially determined amount based on covered payroll of \$2,105,526. Employees contribute 3.75% of covered payroll as of July 1, 2017.

Actuarial Assumptions –

| | |
|--|---|
| Date of Last Actuarial Valuation | July 1, 2017 |
| 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 |
| 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 Ultimate rates are age-related as shown Additional rates per thousand are added during the first 5 years: Year 1: 215 Year 2: 140 Year 3: 95 Year 4: 65 Year 5: 40 |
| j. Date of Last Experience Study | September 2012 for fiscal years 2007 thru 2001 |

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

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

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, 2017 are summarized in the following table:

| | <u>Target Allocation</u> | <u>Real Return</u> | <u>Weighted Return</u> |
|---|------------------------------|------------------------|----------------------------|
| Large cap stocks S&P 500 | 25% | 5.80% | 1.45% |
| Small/mid cap stocks Russell 2500 | 10% | 6.40% | 0.64% |
| Long/short equity MSCI ACWI | 10% | 5.00% | 0.50% |
| International stocks MSCI EAFE | 20% | 6.20% | 1.24% |
| Fixed income bonds Barclay's Capital Aggregate | 30% | 2.30% | 0.69% |
| Real estate NCREIF | 5% | 4.60% | 0.23% |
| Cash equivalents 3 month Treasury | 0% | 0.00% | 0.00% |
| TOTAL | <u><u>100%</u></u> | | |
| Average Real Return | | | 4.75% |
| Inflation | | | <u>2.75%</u> |
| Long-term expected return | | | <u><u>7.50%</u></u> |

Changes in Net Pension Liability (Asset) –

SCHEDULE OF CHANGES IN NET PENSION LIABILITY(ASSET)

| | Increase (Decrease) | |
|-----------------------------------|-----------------------------|--|
| Total Pension Liability (a) | Plan Net Position (b) | Net Pension Liability(Asset) (a) - (b) |
| \$ 3,703,692 | \$ 3,953,590 | \$ (249,898) |
| 176,742 | - | 176,742 |
| 279,848 | - | 279,848 |
| (106,196) | | (106,196) |
| 14,789 | | 14,789 |
| - | 154,657 | (154,657) |
| - | 57,999 | (57,999) |
| - | 491,494 | (491,494) |
| (189,039) | (189,039) | - |
| - | (8,586) | 8,586 |
| 176,144 | 506,525 | (330,381) |
| <u>\$ 3,879,836</u> | <u>\$ 4,460,115</u> | <u>\$ (580,279)</u> |

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

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

| | 1% Decrease 6.50% | Current Discount Rate 7.50% | 1% Increase 8.50% |
|-------------------------------|-------------------------|-----------------------------------|-------------------------|
| Net Pension Liability (Asset) | \$ (61,380) | \$ (580,279) | \$ (1,003,110) |

The City reported \$154,657 in pension expense for the year ended June 30, 2018. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ - | \$ 171,175 |
| Changes of assumptions | 11,917 | - |
| Net difference between projected and actual earnings on pension plan investments | 32,531 | |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 11,785 | 11,712 |
| City contributions subsequent to the measurement date | 157,249 | - |
| Total | <u>\$ 213,482</u> | <u>\$ 182,887</u> |

Amortization of Pension Deferrals –\$157,249 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase/reduction of the net pension liability/asset in the year ended June 30, 2019. 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: | |
| 2019 | \$ (43,383) |
| 2020 | 14,596 |
| 2021 | (23,000) |
| 2022 | (72,210) |
| 2023 | (2,657) |
| thereafter | - |
| | <u>\$ (126,654)</u> |

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

13. Other Post-Employment Benefits

Plan description – The City’s defined benefit OPEB plan provides OPEB to eligible retirees and their dependents. The plan is a single employer defined benefit OPEB plan administered by the City. The City’s Council has the authority to establish and amend benefit provisions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided – The Plan covers all current retirees of the City and provides for employee and dependent healthcare coverage from the date of retirement to life, provided the participant was covered by the Plan before retiring. The City provides postretirement medical benefits through the Plan if the retiree and spouse pay the full active premium. Participants can elect medical, dental and vision.

Employees covered by benefit terms - At June 30, 2018 the following employees were covered by the benefit terms:

| | |
|---|-----------|
| Active Employees | 62 |
| Inactives or beneficiaries currently receiving benefit payments | <u>5</u> |
| Total | <u>67</u> |

Total OPEB Liability – The City’s total OPEB liability of \$410,159 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions- The total OPEB liability was determined based on an actuarial valuation prepared as of June 30, 2018 using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal Level Percentage of Salary
- Medical Chained CPI - 2.00%
- Salary Scale – 3.50%
- Discount Rate – 3.87% and 3.58%, based on June 30, 2018 and June 30, 2017 published Bond Buyer 20-Bond General Obligation Index Rate
- Plan Participation – Assumed 25% of all employees and their dependents will participate in the retiree medical plan.
- Retirement Age – Employees are assumed to retire at the latest of age 62 or the age that they first become eligible for benefits
- Termination rates – rate of withdrawal is based on the assumption used in the Oklahoma Municipal Retirement fund July 1, 2018 actuarial valuation
- Healthcare cost trend rates -

•

| Year | Med/Rx | Year | Med/Rx |
|------|--------|------|--------|
| 1 | 5.5% | 7 | 5.19% |
| 2 | 5.4% | 8 | 5.19% |
| 3 | 5.3% | 9 | 5.19% |
| 4 | 5.2% | 10 | 5.19% |
| 5 | 5.2% | 11 | 5.19% |
| 6 | 5.2% | 12 | 5.19% |

- Age Adjusted Premiums – Pre-Medicare - \$14,050, Medicare - \$20,030
- Mortality Rates - RP-2014 projected to 2030 using Scale MP-14, applied on a gender-specific basis. Based on this table, average life expectancy for the City participants is 86 years of age.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Changes in Total OPEB Liability –The following table reports the components of changes in total OPEB liability:

| | Total OPEB Liability |
|-----------------------------------|--------------------------|
| Balances Beginning of Year | \$ 335,104 |
| Changes for the Year: | |
| Service cost | 75,610 |
| Interest expense | 15,779 |
| Changes of assumptions | (10,347) |
| Benefits paid | (5,987) |
| Net Changes | <u>75,055</u> |
| Balances End of Year | <u><u>\$ 410,159</u></u> |

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate-The following presents the total OPEB liability of the employer calculated using the discount rate of 3.87%, as well as what the Plan's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage-point higher (4.87) than the current rate:

| | 1% Decrease (2.87%) | Current Discount Rate (3.87%) | 1% Increase (4.87%) |
|---------------------------------|---------------------------|----------------------------------|------------------------|
| Employers' total OPEB liability | \$ 501,986 | \$ 410,159 | \$ 287,723 |

OPEB Expense- For the year ended June 30, 2018, the City recognized OPEB expense of \$81,042.

14. 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.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Federal and State Award Programs:

The City of Lindsay participates in various federal or state grant/loan programs from year to year. In 2018, 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 16-239 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. On January 1, 2018, the DEQ requested an approvable engineering report be filed explaining the causes of the pH, BOD and TSS permit limit violations since July 2016 as described in 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 determined rate with no retroactive adjustment. 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.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

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, 2018. 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 77% of net patient service revenues are from patients covered under agreements with the Department of Corrections for the year ended June 30, 2018

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 22 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.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

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.

Effective January 1, 2016, ODOC and the Authority agreed to modify the Contract for Inpatient Medical Services and Outpatient Medical Services Contract through December 31, 2016, reducing the administrative fee to 5%. After December 31, 2016, the administrative fee returned to 8% through August 31, 2018, under both ODOC contracts.

Effective January 1, 2017, ODOC and the Authority agreed to modify the Contract for Inpatient Medical Services and the Outpatient Medical Services Contract, including a continuation of the 8% administrative fee. There have been no further amendments to the contract during 2018.

Construction Commitments:

At June 30, 2018, the City had entered into the following construction commitments:

| | | |
|--------------------|-------------------------------------|---------|
| • Freese & Nichols | Capital Improvement Plan | \$5,389 |
| • Freese & Nichols | Waste Water Treatment Plant-Lagoons | \$3,233 |
| • Freese & Nichols | Storm Water Utility Fee | \$1,097 |
| • Freese & Nichols | Lagoon Study | \$9,634 |

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Budgetary Comparison Schedules (Budgetary Basis) – Year Ended June 30, 2018

| | GENERAL FUND | | | |
|---|------------------|-----------|-----------------|------------------------------------|
| | Budgeted Amounts | | Actual Amounts, | Variance with |
| | Original | Final | Budgetary Basis | Final Budget - Positive (Negative) |
| Beginning Budgetary Fund Balance | \$ - | \$ - | \$ 278,634 | \$ 278,634 |
| Resources (Inflows) | | | | |
| Taxes | 1,591,000 | 1,626,430 | 2,698,041 | 1,071,611 |
| Intergovernmental | 80,000 | 92,538 | 67,368 | (25,170) |
| Charges for services | 324,000 | 350,131 | 418,336 | 68,205 |
| Fines and forfeitures | 223,000 | 223,000 | 84,001 | (138,999) |
| Licenses and permits | 12,000 | 12,000 | 9,317 | (2,683) |
| Investment income | 1,620 | 1,698 | 987 | (711) |
| Miscellaneous | 32,500 | 32,500 | 70,744 | 38,244 |
| Transfers in | 1,232,000 | 1,235,000 | 1,100,975 | (134,025) |
| Sub-total Resources (Inflows) | 3,496,120 | 3,573,297 | 4,449,769 | 876,472 |
| Amounts Available for Appropriation | 3,496,120 | 3,573,297 | 4,728,403 | 1,155,106 |
| Charges to Appropriations (Outflows) | | | | |
| Public safety | 1,622,923 | 1,634,640 | 1,495,482 | 139,158 |
| Streets | 320,900 | 320,900 | 45,943 | 274,957 |
| Culture & recreation | 248,064 | 248,064 | 222,473 | 25,591 |
| General government | 260,500 | 260,500 | 245,758 | 14,742 |
| Cemetery | 66,898 | 66,898 | 46,946 | 19,952 |
| Health & public safety -ambulance | 976,835 | 1,042,295 | 1,044,060 | (1,765) |
| Transfers out | - | - | 930,658 | (930,658) |
| Total Charges to Appropriations | 3,496,120 | 3,573,297 | 4,031,320 | (458,023) |
| Fund balances - ending | \$ - | \$ - | \$ 697,083 | \$ 697,083 |

| | EMS FUND | | | |
|---|------------------|------------|-----------------|------------------------------------|
| | Budgeted Amounts | | Actual Amounts, | Variance with |
| | Original | Final | Budgetary Basis | Final Budget - Positive (Negative) |
| Beginning Budgetary Fund Balance | \$ 623,000 | \$ 623,000 | \$ 1,666,647 | \$ 1,043,647 |
| Resources (Inflows) | | | | |
| Taxes | 600,000 | 600,000 | 820,763 | 220,763 |
| Investment income | 3,000 | 3,000 | 3,320 | 320 |
| Amounts Available for Appropriation | 1,226,000 | 1,226,000 | 2,490,730 | 1,264,730 |
| Charges to Appropriations (Outflows) | | | | |
| Transfers out | 1,226,000 | 1,226,000 | 1,100,000 | 126,000 |
| Total Charges to Appropriations | 1,226,000 | 1,226,000 | 1,100,000 | 126,000 |
| Fund balances - ending | \$ - | \$ - | \$ 1,390,730 | \$ 1,390,730 |

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Budgetary Comparison Schedules – Year Ended June 30, 2018, (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. The City exceeded the approved budget in these areas:

| | |
|--------------------------|-----------|
| Health and public Safety | \$ 1,765 |
| Transfers out | \$930,658 |

3. The budgetary basis differs from the modified accrual basis as shown in the schedule below:

| | |
|---|---------------------|
| | <u>General Fund</u> |
| Total budgetary resources (inflows) | \$ 4,449,769 |
| Add: On-behalf payments | 167,357 |
| Add: Proceeds from long-term debt | 1,000,000 |
| Total resources as recorded on the statement of revenues, expenditures, and changes in fund balances-governmental funds | <u>\$ 5,617,126</u> |

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

| | |
|------------------------------|---------------------|
| Total revenues | \$ 3,516,151 |
| Proceeds from long-term debt | 1,000,000 |
| Transfers in | 1,100,975 |
| Total Resources | <u>\$ 5,617,126</u> |

| | |
|--|---------------------|
| Total budgetary expenditures and transfers | \$ 4,031,320 |
| Add: On-behalf payments | 167,357 |
| Add: Capital outlay recorded for REC building financed | 1,000,000 |
| Total expenditures as recorded on the statement of revenues, expenditures, and changes in fund balances-governmental funds | <u>\$ 5,198,677</u> |

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

| | |
|--------------------|---------------------|
| Total expenditures | \$ 4,268,019 |
| Transfers out | 930,658 |
| Total Expenditures | <u>\$ 5,198,677</u> |

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

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*

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|--------------|--------------|--------------|--------------|
| City's proportion of the net pension liability | 0.134337% | 0.136979% | 0.144398% | 0.143005% |
| City's proportionate share of the net pension liability | \$ 1,689,579 | \$ 1,673,479 | \$ 1,532,645 | \$ 1,470,589 |
| City's covered-employee payroll | \$ 433,052 | \$ 375,600 | \$ 385,957 | \$ 362,586 |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 390% | 446% | 397% | 406% |
| Plan fiduciary net position as a percentage of the total pension liability | 68.12% | 64.87% | 68.27% | 68.12% |

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

Notes to Schedule:

Only four years are presented because 10-year data is not yet available.

SCHEDULE OF CITY CONTRIBUTIONS

OKLAHOMA FIREFIGHTERS PENSION & RETIREMENT SYSTEM

Last 10 Fiscal Years

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------|---------------|---------------|---------------|
| Statutorially required contribution | \$ 60,627 | \$ 52,677 | \$ 52,584 | \$ 54,034 |
| Contributions in relation to the statutorially required contribution | <u>60,627</u> | <u>52,677</u> | <u>52,584</u> | <u>54,034</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered-employee payroll | \$ 433,052 | \$ 376,262 | \$ 375,600 | \$ 385,957 |
| Contributions as a percentage of covered-employee payroll | 14.00% | 14.00% | 14.00% | 14.00% |

Notes to Schedule:

Only four years are presented because 10-year data is not yet available.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

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>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|-------------|-------------|
| City's proportion of the net pension liability (asset) | 0.0830% | 0.0893% | 0.0787% | 0.0882% |
| City's proportionate share of the net pension liability (asset) | \$ 6,382 | \$ 136,711 | \$ 3,208 | \$ (29,686) |
| City's covered-employee payroll | \$ 280,181 | \$ 263,262 | \$ 222,377 | \$ 241,600 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 2.28% | 51.93% | 1.44% | 12.29% |
| Plan fiduciary net position as a percentage of the total pension liability | 101.53% | 93.50% | 99.82% | 101.53% |

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

Notes to Schedule:

Only four years are presented because 10-year data is not yet available.

SCHEDULE OF CITY CONTRIBUTIONS

OKLAHOMA POLICE PENSION & RETIREMENT SYSTEM

Last 10 Fiscal Years

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------|---------------|---------------|---------------|
| Statutorially required contribution | \$ 36,424 | \$ 32,162 | \$ 34,224 | \$ 28,909 |
| Contributions in relation to the statutorially required contribution | <u>36,424</u> | <u>32,162</u> | <u>34,224</u> | <u>28,909</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered-employee payroll | \$ 280,181 | \$ 247,628 | \$ 263,262 | \$ 222,377 |
| Contributions as a percentage of covered-employee payroll | 13.00% | 13.00% | 13.00% | 13.00% |

Notes to Schedule:

Only four years are presented because 10-year data is not yet available.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Required Supplementary Information
Oklahoma Municipal Retirement Fund

| Schedule of Employer Contributions | Fiscal Year | Fiscal Year | Fiscal Year | Fiscal Year |
|--|--------------------|--------------------|--------------------|--------------------|
| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| Actuarially determined contribution | \$ 101,907 | \$ 90,076 | \$ 117,172 | \$ 106,544 |
| Contributions in relation to the actuarially determined contribution | 157,249 | 154,716 | 165,241 | 160,218 |
| Contribution deficiency (excess) | <u>\$ (55,342)</u> | <u>\$ (64,640)</u> | <u>\$ (48,069)</u> | <u>\$ (53,674)</u> |
| Covered employee payroll | \$ 2,105,526 | \$ 1,550,364 | \$ 1,647,985 | \$ 1,601,333 |
| Contributions as a percentage of covered-employee payroll | 7.47% | 9.98% | 10.03% | 10.01% |

Notes to Schedule:

1. Only the last four fiscal years are presented because 10-year data is not yet available
2. Actuarially determined contribution rate is calculated as of July 1, 2017 and is 5.81%.
3. Methods and assumptions used to determine contribution rates:
 - Actuarial cost method - Entry age normal
 - Amortization method - Level percent of payroll, closed
 - Remaining amortization period - 28 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%

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Required Supplementary Information
Oklahoma Municipal Retirement Fund

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

Fiscal Year

| | 2018 | 2017 | 2016 | 2015 |
|---|---------------------|---------------------|---------------------|---------------------|
| Total pension liability | | | | |
| Service cost | 176,742 | 189,500 | 172,099 | \$ 149,157 |
| Interest | 279,848 | 272,680 | 260,188 | 253,634 |
| Assumption changes | 14,789 | - | - | - |
| Differences between expected and actual experience | (106,196) | (112,059) | (23,395) | - |
| Benefit payments, including refunds of member contributions | (189,039) | (323,715) | (174,493) | (163,848) |
| Net change in total pension liability | 176,144 | 26,406 | 234,399 | 238,943 |
| Total pension liability - beginning | 3,703,692 | 3,677,286 | 3,442,887 | 3,203,944 |
| Total pension liability - ending (a) | 3,879,836 | 3,703,692 | 3,677,286 | \$ 3,442,887 |
| Plan fiduciary net position | | | | |
| Contributions - employer | 154,657 | 165,204 | 160,195 | \$ 147,521 |
| Contributions - member | 57,999 | 61,951 | 60,030 | 55,320 |
| Net investment income | 491,494 | 29,177 | 109,808 | 546,195 |
| Benefit payments, including refunds of member contributions | (189,039) | (323,715) | (174,493) | (163,848) |
| Administrative expense | (8,586) | (7,933) | (8,121) | (8,091) |
| Net change in plan fiduciary net position | 506,525 | (75,316) | 147,419 | 577,097 |
| Plan fiduciary net position - beginning | 3,953,590 | 4,028,906 | 3,881,487 | 3,304,390 |
| Plan fiduciary net position - ending (b) | 4,460,115 | 3,953,590 | 4,028,906 | \$ 3,881,487 |
| Net pension liability(asset) - ending (a) - (b) | \$ (580,279) | \$ (249,898) | \$ (351,620) | \$ (438,600) |
| Plan fiduciary net position as a percentage of the total pension liability | 114.96% | 106.75% | 109.56% | 112.74% |
| Covered employee payroll | 1,550,364 | 1,647,985 | 1,601,333 | \$ 1,447,608 |
| Net pension liability (asset) as a percentage of covered-employee payroll | 37.43% | 15.16% | 21.96% | 30.30% |

Notes to Schedule:

The amounts presented for each fiscal year were determined as of 6/30.
Only four years are presented because 10-year data is not yet available.

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Schedule of Changes in Total OPEB Liability and Related Ratios

Last 10 Fiscal Years

| | <u>2018</u> |
|---|--------------------------|
| Total OPEB Liability | |
| Service cost | \$ 75,610 |
| Interest | 15,779 |
| Change in assumptions | (10,347) |
| Benefit payments, including refunds of member contributions | <u>(5,987)</u> |
| Net change in total OPEB liability | 75,055 |
| Total OPEB liability - beginning | <u>335,104</u> |
| Total OPEB liability - ending | <u>\$ 410,159</u> |
| Covered employee payroll | \$ 2,069,939 |
| Total OPEB liability as a percentage of covered employee payroll | 19.82% |

Notes to Schedule:

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

The discount rate used for 2018 is 3.87% which represents a change in assumption from the 2017 rate of 3.58%

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

SUPPLEMENTAL INFORMATION

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Combining Balance Sheet – Nonmajor Governmental Funds – June 30, 2018

| | Special Revenue Funds | | | | | Capital Project Funds | | | Total Governmental Funds |
|--------------------------------------|-----------------------|-------------------|------------------|-----------------|------------------|-----------------------|------------------|---------------------|--------------------------|
| | City Donation | Street & Alley | LPWA Donation | Library | Grant | Cemetery Care | Airport | Capital Improvement | |
| ASSETS | | | | | | | | | |
| Cash and cash equivalents | \$ 152,411 | \$ 194,406 | \$ 13,361 | \$ 3,880 | \$ 45,816 | \$ 100,683 | \$ 14,241 | \$ 258 | \$ 525,056 |
| Receivable from other governments | - | 2,339 | - | - | - | - | - | - | 2,339 |
| Total assets | <u>\$ 152,411</u> | <u>\$ 196,745</u> | <u>\$ 13,361</u> | <u>\$ 3,880</u> | <u>\$ 45,816</u> | <u>\$ 100,683</u> | <u>\$ 14,241</u> | <u>\$ 258</u> | <u>\$ 527,395</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 70 | \$ - | \$ 70 |
| Due to other funds | - | - | - | 3,106 | 4,100 | - | - | - | 7,206 |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,106</u> | <u>4,100</u> | <u>-</u> | <u>70</u> | <u>-</u> | <u>7,276</u> |
| Fund balances: | | | | | | | | | |
| Restricted for: | | | | | | | | | |
| Street and Alley | - | 194,074 | - | - | - | - | - | - | 194,074 |
| City Donation | 152,411 | - | - | - | - | - | - | - | 152,411 |
| Grants | - | - | - | - | 41,412 | - | - | - | 41,412 |
| Cemetery | - | - | - | - | - | 49,020 | - | - | 49,020 |
| Assigned to: | | | | | | | | | |
| Capital Improvements | - | - | - | - | - | - | - | 258 | 258 |
| Street and Alley | - | 2,671 | - | - | - | - | - | - | 2,671 |
| Public Works | - | - | 13,361 | - | - | - | - | - | 13,361 |
| Library | - | - | - | 774 | - | - | - | - | 774 |
| Airport | - | - | - | - | - | - | 14,171 | - | 14,171 |
| Grants | - | - | - | - | 304 | - | - | - | 304 |
| Cemetery | - | - | - | - | - | 51,663 | - | - | 51,663 |
| Total fund balances | <u>152,411</u> | <u>196,745</u> | <u>13,361</u> | <u>774</u> | <u>41,716</u> | <u>100,683</u> | <u>14,171</u> | <u>258</u> | <u>520,119</u> |
| Total liabilities and fund balances | <u>\$ 152,411</u> | <u>\$ 196,745</u> | <u>\$ 13,361</u> | <u>\$ 3,880</u> | <u>\$ 45,816</u> | <u>\$ 100,683</u> | <u>\$ 14,241</u> | <u>\$ 258</u> | <u>\$ 527,395</u> |

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds – Year Ended June 30, 2018

| | Special Revenue Funds | | | | | Capital Project Funds | | | Total-Other Governmental Funds |
|---|-----------------------|----------------|------------------|----------|-----------|-----------------------|-----------|------------------------|--------------------------------------|
| | City Donation | Street & Alley | LPWA Donation | Library | Grant | Cemetery Care | Airport | Capital Improvement | |
| REVENUES | | | | | | | | | |
| Intergovernmental | \$ - | \$ 24,930 | \$ - | \$ 5,649 | \$ - | \$ - | \$ - | \$ - | \$ 30,579 |
| Charges for services | - | - | - | - | - | 11,176 | 3,485 | - | 14,661 |
| Investment income | 281 | 403 | 30 | 6 | 83 | 210 | 29 | - | 1,042 |
| Miscellaneous | 130,625 | - | 100 | 745 | - | 688 | 86 | - | 132,244 |
| Total revenues | 130,906 | 25,333 | 130 | 6,400 | 83 | 12,074 | 3,600 | - | 178,526 |
| EXPENDITURES | | | | | | | | | |
| Current: | | | | | | | | | |
| Public Safety | 1,800 | - | - | - | - | - | - | - | 1,800 |
| Culture and recreation | - | - | - | 5,649 | - | - | - | - | 5,649 |
| Airport | - | - | - | - | - | - | 4,347 | - | 4,347 |
| Capital Outlay | 68,568 | 3,546 | - | - | - | - | - | - | 72,114 |
| Total Expenditures | 70,368 | 3,546 | - | 5,649 | - | - | 4,347 | - | 83,910 |
| Excess (deficiency) of revenues over expenditures | 60,538 | 21,787 | 130 | 751 | 83 | 12,074 | (747) | - | 94,616 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - | - |
| Total other financing sources and uses | - | - | - | - | - | - | - | - | - |
| Net change in fund balances | 60,538 | 21,787 | 130 | 751 | 83 | 12,074 | (747) | - | 94,616 |
| Fund balances - beginning | 91,873 | 174,958 | 13,231 | 23 | 41,633 | 88,609 | 14,918 | 258 | 425,503 |
| Fund balances - ending | \$ 152,411 | \$ 196,745 | \$ 13,361 | \$ 774 | \$ 41,716 | \$ 100,683 | \$ 14,171 | \$ 258 | \$ 520,119 |

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Schedule of Expenditures of Federal and State Awards – Year Ended June 30, 2018

| Federal Grantor/Pass Through Agency Grantor/Program Title | Federal CFDA Number | Grant # | Award Amount | Awards Expended |
|--|------------------------------------|----------------|-------------------------|----------------------------|
| FEDERAL AWARDS: | | | | |
| <u>DEPARTMENT OF JUSTICE:</u> | | | | |
| Community Oriented Policing Services (COP Grant) | 16.710 | 2017 UMWX0086 | 7,667 | 7,667 |
| Total Federal Awards | | | <u>\$ 7,667</u> | <u>\$ 7,667</u> |

Footnote to Schedule of Expenditures of Federal Awards:

1. Significant Accounting Policies - The accompanying schedule of expenditures of federal awards is prepared on the basis of accounting consistent with the definition of federal awards expended in Uniform Guidance.

| State Grantor/Pass Through Agency Grantor/Program Title | Grant # | Award Amount | Awards Expended |
|--|----------------|-------------------------|----------------------------|
| STATE AWARDS: | | | |
| <u>OKLAHOMA DEPARTMENT OF AGRICULTURE:</u> | | | |
| Rural Fire Grant | N/A | \$ 3,744 | \$ 3,744 |
| <u>OKLAHOMA DEPARTMENT OF LIBRARIES:</u> | | | |
| State Aid 2017 | N/A | 2,092 | 2,092 |
| State Aid 2018 | N/A | 3,557 | 3,557 |
| Total State Awards | | <u>\$ 9,393</u> | <u>\$ 9,393</u> |

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

Schedule of Debt Service Coverage Requirement – Year Ended June 30, 2018

| DEBT SERVICE COVERAGE: | OWRB Series 2000, DWSRF 2000 & 2012 Promissory Note |
|---|--|
| GROSS REVENUE AVAILABLE: | |
| Charges for services (electric, water, sewer, and miscellaneous) | \$ 3,959,989 |
| Investment income | 4,404 |
| Sales tax appropriated and transferred from the City General Fund | 930,658 |
| | <hr/> |
| Total Gross Revenue Available | 4,895,051 |
| | <hr/> |
| OPERATING EXPENSES: | |
| Total Operating Expenses | 3,676,790 |
| | <hr/> |
| Net Revenue Available for Debt Service | <u><u>\$ 1,218,261</u></u> |
| Debt Service on all Obligations Payable: | |
| Maximum annual debt service - OWRB Series 2000 | \$ 56,044 |
| Average annual debt service - OWRB DWSRF 2000 | 169,642 |
| Average annual debt service - 2012 Note | 73,642 |
| | <hr/> |
| | <u><u>\$ 299,327</u></u> |
| Computed Coverage | <hr/> |
| | 407% |
| Coverage Requirement | <hr/> |
| | 125% |
| | <hr/> |

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

INTERNAL CONTROL COMPLIANCE INFORMATION

CITY OF LINDSAY, OKLAHOMA
ANNUAL FINANCIAL REPORT
As of and for the Year Ended June 30, 2018

This page intentionally left blank

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 units, 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 13, 2019. Our report includes a reference to other auditors who audited the Lindsay Municipal Hospital Authority a 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Arledge & Associates, P.C.

May 13, 2019