CITY OF LINDSAY

AUDITED BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

CITY OF LINDSAY
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Bret Harmon
Finance Director
(559) 562-7102 X8020

251 E. Honolulu
Lindsay, CA 93247

April 21, 2017

Honorable Mayor and City Council,
William Zigler, City Manager
City of Lindsay, California

The comprehensive annual financial report of the City of Lindsay (the City) for the year ended June 30, 2016, is hereby submitted in accordance with Section 3.15 of the City Charter and California state law. The ordinance requires that the City issue annually a report on its financial position and activity, and that an independent firm of certified public accountants audit this report. Pursuant to the requirement, we hereby issue this annual financial report of the City for the fiscal year ended June 30, 2016.

This report consists of management's representations concerning the finances of the City. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Brown Armstrong Accountancy Corporation, a licensed certified public accountant firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2016, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified ("clean") opinion that the City's financial statements for the fiscal year ended June 30, 2016, are fairly presented in accordance with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The City of Lindsay did not have any major federal projects or programs that met the $750,000 threshold that requires a separate "*Single Audit*" report per the Federal Single Audit Act of 1984 and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); therefore, the City is exempt from that reporting requirement for the fiscal year ended June 30, 2016. Audit findings previously denoted in that report will be included as a supplementary section, entitled "*Summary Schedule of Findings and Responses,*" that can be found at the end of this report.

Management has provided a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Lindsay incorporated in 1910, as a general law city of the State of California, and reclassified to a Charter City January 8, 1996, filed with the State of California in April 1996. Lindsay is located in the middle of the state in the Central San Joaquin Valley. The Central Valley is considered to be a national and world leader in the agricultural industry, with dairy, citrus and deciduous crops the primary commodity around the Lindsay area. The City of Lindsay currently occupies an incorporated area of 2.41 square miles with an urban development boundary of 3.9 square miles and serves a population of 12,974 (2013) – an increase of 26% since 2000.

The City of Lindsay operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and four other members. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with two council members elected in one election and three elected in another election, separated by two years. The mayor is selected from among the council members, by the council members, and serves a two-year term. All five council members of the governing board are elected at-large. The council is responsible, among other things, for passing ordinances, adopting the budget, representing the City on other governmental committees, and hiring the City's manager and attorney. The city manager is responsible for carrying out polices and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments.

The City of Lindsay provides a full range of services, including general administration, human resources, treasury, finance, and accounting; risk management; police and fire protection, animal control, and code enforcement; the construction, maintenance, and cleaning of streets and other infrastructure; planning, zoning, building inspection, and development services; and community services - including a multi-use sports and entertainment center, a skate park, a wellness center, and adult and youth recreational activities. Water, sewer, and wastewater treatment and collection, and solid waste disposal services are provided through enterprise funds; disposal and recycling services are contracted with Mid Valley Disposal. Transit services are contracted with the Tulare County Transit Authority, the City maintains the bus stop shelters. It also administers and/or oversees low-income loan programs for First-Time Homebuyers, Home Rehabilitation, Business Assistance, and Curb & Gutter.

Acknowledgements

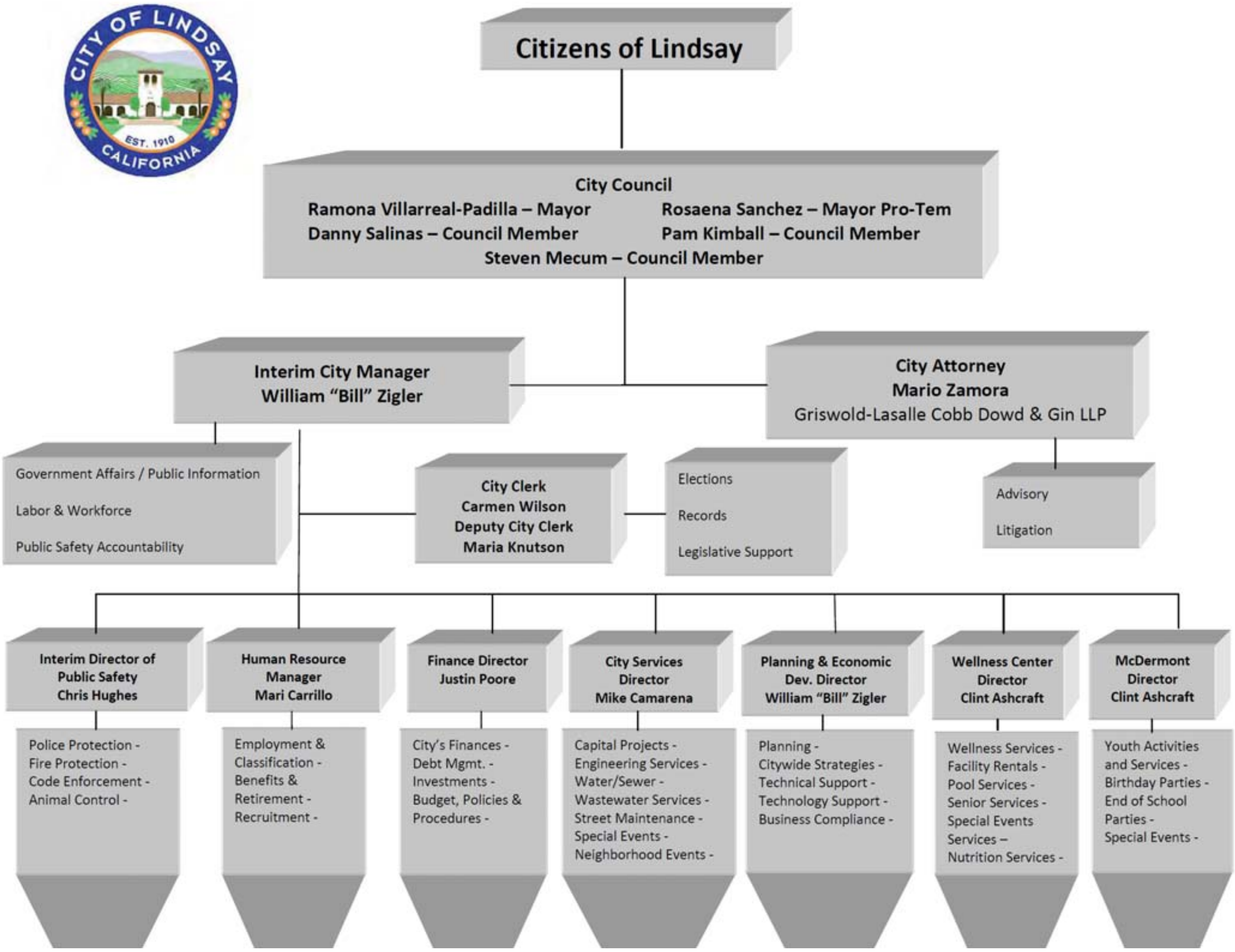
The preparation of this document could not have been accomplished without the dedicated services of the entire staff of the Finance Department and the assistance of Maria Knutson, Assistant to the City Manager. All departments contributed necessary data to complete this report and we appreciate their contribution. I would also like to thank the Mayor, City Council, and the City Manager for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. Recognition is also extended to our auditors, Brown Armstrong Accountancy Corporation, for their assistance.

In coming to the City as of January 1, 2017, I have greatly appreciated the help of Brown Armstrong Staff in completing the audit and working with the department in preparing this document.

Respectively,

Bret Harmon
Director of Finance

CITY OF LINDSAY
DEPARTMENT ORGANIZATION
JUNE 30, 2016



CITY OF LINDSAY
PRINCIPAL CITY OFFICIALS
JUNE 30, 2016

City Council

Ramona Villarreal-Padilla	Mayor
Rosaena Sanchez	Mayor Pro-Tem
Steven Mecum	Council Member
Pam Kimball	Council Member
Danny Salinas	Council Member

Administrative Officials and Department Heads

William Zigler	Interim City Manager
Justin Poore	Finance Director/City Treasurer
Michael Camarena	City Services Director
Clint Ashcraft	McDermont Field House Director & Wellness Center Director
Chris Hughes	Interim Director of Public Safety
Carmen Wilson	City Clerk

FINANCIAL SECTION

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

BAKERSFIELD OFFICE (MAIN OFFICE)
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE
7673 N. INGRAM AVENUE
SUITE 101
FRESNO, CA 93711
TEL 559.476.3592
FAX 559.476.3593

PASADENA OFFICE
260 S. LOS ROBLES AVENUE
SUITE 310
PASADENA, CA 91101
TEL 626.204.6542

STOCKTON OFFICE
5250 CLAREMONT AVENUE
SUITE 150
STOCKTON, CA 95207
TEL 209.451.4833

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Lindsay, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lindsay (the City), California, as of and for the fiscal year ended June 30, 2016, 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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application;* GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments;* and GASB Statement No. 79*, Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 18 to the financial statements, the City is having difficulties maintaining operating cash balances and paying for City expenditures and is unable to repay certain "due to and due from other funds" and "advance to and advance from" balances. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note 18. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

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, schedule of the City's proportionate share of the net pension liability, schedule of the City's contributions, and other postemployment benefits schedule of funding progress, 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 GASB, 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 introductory section and combining non-major fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund financial statements and schedules 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 non-major fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2017, 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
April 21, 2017

As management of the City of Lindsay (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. All amounts, unless otherwise indicated, are expressed in thousands of dollars (000's).

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $46,457 (*net position)*.

- As of the close of the current fiscal year, the City governmental funds reported combined ending fund balances of $11,214.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues *(governmental activities)* from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges *(business-type activities).* The governmental activities of the City include general government, public safety, parks and recreation, public works, streets and transportation, and community development. The business-type activities of the City include water, sewer, and refuse services, as well as the Lindsay Wellness Center and McDermont Field House Sports and Recreation Center (the McDermont Sports Complex) that provide fee-based entertainment, facility rental, and recreational events and activities for the community and other valley residents.

The government-wide financial statements have changed substantially from previous years due to the dissolution of the Lindsay Redevelopment Agency (LRA); all financial information relevant to the former LRA is now accounted for, as an integral part of these financial statements, in the Private-Purpose Trust Fund, a fiduciary fund established to manage the assets and debt of the former agency. The Water, Sewer, Refuse, Wellness Center, and McDermont Sports Complex Departments function for all practical purposes as departments of the City, and therefore have been included as an integral part of the primary government.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The City maintains seven individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General, Community Development, and Local Transportation Funds, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary funds. The City maintains one proprietary fund type called Enterprise Funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, Refuse, McDermont Sports Complex, and Wellness Center Funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, Refuse, McDermont Sports Complex, and Wellness Center Funds, all of which are considered to be major funds of the City.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Please see the table of contents for page numbers.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found by referring to the index of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Lindsay, assets exceeded liabilities by $46,457 at the close of the most recent fiscal year.

Of the City's net position, the net investment in capital assets portion represents its investment in capital assets (e.g., land buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Lindsay's Net Position
(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	$ 27,176	$ 29,322	$ (6,748)	$ (9,898)	$ 20,428	$ 19,424
Capital assets	24,231	24,255	49,080	50,259	73,311	74,514
Total assets	51,407	53,577	42,332	40,361	93,739	93,938
Deferred outflows of resources	20	593	721	165	741	758
Long-term liabilities	7,799	11,405	16,334	16,740	24,133	28,145
Other liabilities	15,970	15,494	7,196	3,869	23,166	19,363
Total liabilities	23,769	26,899	23,530	20,609	47,299	47,508
Deferred inflows of resources	147	1,218	575	295	722	1,513
Net position:						
Net investment in capital assets	22,579	22,518	37,862	36,118	60,441	58,636
Restricted	4,033	520	-	-	4,033	520
Unrestricted	898	3,015	(18,915)	(16,496)	(18,017)	(13,481)
Total net position	$ 27,510	$ 26,053	$ 18,947	$ 19,622	$ 46,457	$ 45,675

A portion of the City's net position, $4,033, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position,* $(18,017), represents the governmental activities positive balance of $898, combined with the business-type activities negative balance of $(18,915). At fiscal year-end, the City reported negative balances in the unrestricted categories of net position, both for the government as a whole, as well as for the Community Development Fund of its separate governmental activities. The other non-major governmental funds had a combined positive fund balance at year-end.

City of Lindsay's Changes in Net Position
(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Program revenues:						
Charges for services	$ 423	$ 349	$ 5,554	$ 5,405	$ 5,977	$ 5,754
Operating grants and contributions	-	-	521	421	521	421
Capital grants and contributions	2,497	1,848	-	-	2,497	1,848
General revenues:						
Property taxes	378	526	-	-	378	526
Other taxes	3,787	3,565	-	-	3,787	3,565
Miscellaneous	1,208	973	103	61	1,311	1,034
Transfer of assets to other governments	-	-	-	-	-	-
Transfers	(556)	(53)	556	53	-	-
Total revenues	7,737	7,208	6,734	5,940	14,471	13,148
Expenses:						
General government	2,135	2,013	-	-	2,135	2,013
Public safety	2,276	2,446	-	-	2,276	2,446
Parks and recreation	243	221	-	-	243	221
Public works	383	454	-	-	383	454
Streets and transportation	652	410	-	-	652	410
Community development	460	606	-	-	460	606
Interest on long-term debt	84	98	-	-	84	98
Water Fund	-	-	1,344	1,490	1,344	1,490
Sewer Fund	-	-	1,337	1,359	1,337	1,359
Refuse Fund	-	-	861	980	861	980
McDermont Sport Complex Fund	-	-	3,019	3,006	3,019	3,006
Wellness Center Fund	-	-	768	761	768	761
Total expenses	6,233	6,248	7,329	7,596	13,562	13,844
Change in net position	1,504	960	(595)	(1,656)	909	(696)
Net position - beginning	26,053	30,792	19,622	22,743	45,675	53,535
Prior period adjustment	(47)	(5,699)	(80)	(1,465)	(127)	(7,164)
Net position - beginning, restated	26,006	25,093	19,542	21,278	45,548	46,371
Net position - ending	$ 27,510	$ 26,053	$ 18,947	$ 19,622	$ 46,457	$ 45,675

Governmental activities. Governmental activities increased the City's net position by $1,504.

Business-type activities. Business-type activities decreased the City's net position by $595.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $11,214.

The fund balance of the City's General Fund increased by $245 during the current fiscal year. Key factors in this increase are as follows:

- There were several prior year adjustments made during the year, see Note 16, and expenses exceeded total revenue but transfers in offset the difference.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The combined unrestricted net position of the Water, Sewer, Refuse, McDermont Sports Complex, and Wellness Center activities at the end of the year amounted to $(18,915). The combined decrease in net position for all these funds was $675 due primarily to the losses in the McDermont Sports Complex, Sewer, Refuse, and Wellness Center Funds, as well as the prior year adjustments made during the year; see Note 16.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to $73,311 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges.

City of Lindsay's Capital Assets
(Net of depreciation)
(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Land	$ 772	$ 772	$ 697	$ 697	$ 1,469	$ 1,469
Buildings and improvements	2,762	2,835	34,556	35,389	37,318	38,224
Machinery and equipment	100	193	291	271	391	464
Infrastructure	20,056	20,455	13,242	13,693	33,298	34,148
Construction in progress	541	-	294	209	835	209
Total	$ 24,231	$ 24,255	$ 49,080	$ 50,259	$ 73,311	$ 74,514

City of Lindsay's Outstanding Debt
(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Certificates of participation	$ 1,652	$ 1,736	$ 2,106	$ 2,146	$ 3,758	$ 3,882
Revenue bonds	-	-	9,112	9,424	9,112	9,424
Lindsay Olive Grower pond closure	-	-	2,571	2,571	2,571	2,571
Compensated absences	151	161	48	69	199	230
Other postemployment benefits	791	865	1,006	769	1,797	1,634
Total	$ 2,594	$ 2,762	$ 14,843	$ 14,979	$ 17,437	$ 17,741

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of $17,437.

State statutes limit the amount of general obligation debt a governmental entity may issue to 15% of its total assessed valuation ($190,353 for fiscal year 2016 per Tulare County Assessor). The City Charter Section 9.05A sets a 10% limitation. The current debt limitation for the City is $19,035, which is not in excess of the City's outstanding general obligation debt and in compliance with State and local statutes.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, P.O. Box 369, City of Lindsay, CA 93247 (559) 562-5927.

BASIC FINANCIAL STATEMENTS

CITY OF LINDSAY
STATEMENT OF NET POSITION
JUNE 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 3,436,511	$ 1,678,521	$ 5,115,032
Accounts receivable, net	133,142	234,294	367,436
Interest receivable	99	-	99
Internal balances	8,665,338	(8,665,338)	-
Due from other governments	335,817	4,122	339,939
Notes receivable	14,602,792	-	14,602,792
Other assets	2,594	-	2,594
Capital assets (net of accumulated depreciation)			
Land	771,699	697,259	1,468,958
Buildings and improvements	2,761,626	34,556,211	37,317,837
Infrastructure	20,055,894	13,242,151	33,298,045
Equipment	100,137	290,254	390,391
Construction in progress	541,229	294,139	835,368
Net Capital Assets	24,230,585	49,080,014	73,310,599
Total Assets	51,406,878	42,331,613	93,738,491
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions	19,731	720,514	740,245
Total Assets and Deferred Outflows of Resources	$ 51,426,609	$ 43,052,127	$ 94,478,736
LIABILITIES			
Cash overdraft	$ -	$ 3,479,436	$ 3,479,436
Accounts and other payables	142,007	434,172	576,179
Accrued wages	393,129	50,443	443,572
Accrued interest	7,970	221,470	229,440
Refundable deposits	1,859	39,849	41,708
Unearned revenue	14,586,133	150,334	14,736,467
Long-term obligations - other			
Due to other governments	838,754	-	838,754
Advances from private-purpose trust fund	-	2,820,678	2,820,678
Long-term debt			
Due within one year	138,143	381,879	520,022
Due in more than one year	2,456,600	14,461,542	16,918,142
Net pension liability	5,204,703	1,490,354	6,695,057
Total Liabilities	23,769,298	23,530,157	47,299,455
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pensions	147,040	575,287	722,327
NET POSITION			
Net investment in capital assets	22,578,666	37,861,770	60,440,436
Restricted	4,033,326	-	4,033,326
Unrestricted	898,279	(18,915,087)	(18,016,808)
Total Net Position	27,510,271	18,946,683	46,456,954
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 51,426,609	$ 43,052,127	$ 94,478,736

The notes to the financial statements are an integral part of this statement.

CITY OF LINDSAY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues Charges for Services	Program Revenues Operating Grants and Contributions	Program Revenues Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	$ 2,135,287	$ 423,482	$ -	$ 2,496,636
Public safety	2,275,634	-	-	-
Parks and recreation	242,905	-	-	-
Public works	383,418	-	-	-
Streets and transportation	652,067	-	-	-
Community development	460,015	-	-	-
Interest on long-term debt	84,141	-	-	-
Total Governmental Activities	6,233,467	423,482	-	2,496,636
Business-Type Activities:				
Water Fund	1,344,322	1,305,404	-	-
Sewer Fund	1,337,042	1,279,627	-	-
Refuse Fund	860,606	896,563	-	-
McDermont Sports Complex Fund	3,018,674	1,843,529	287,073	-
Wellness Center Fund	768,754	228,714	233,721	-
Total Business-Type Activities	7,329,398	5,553,837	520,794	-
Total Primary Government	$ 13,562,865	$ 5,977,319	$ 520,794	$ 2,496,636

The notes to the financial statements are an integral part of this statement.

CITY OF LINDSAY
STATEMENT OF ACTIVITIES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Primary Government		
Functions/Programs	Governmental Activities	Business-Type Activities	Total
Primary Government:			
Governmental Activities:			
General government	$ 784,831	$ -	$ 784,831
Public safety	(2,275,634)	-	(2,275,634)
Parks and recreation	(242,905)	-	(242,905)
Public works	(383,418)	-	(383,418)
Streets and transportation	(652,067)	-	(652,067)
Community development	(460,015)	-	(460,015)
Interest on long-term debt	(84,141)	-	(84,141)
Total Governmental Activities	(3,313,349)	-	(3,313,349)
Business-Type Activities:			
Water Fund	-	(38,918)	(38,918)
Sewer Fund	-	(57,415)	(57,415)
Refuse Fund	-	35,957	35,957
McDermont Sports Complex Fund	-	(888,072)	(888,072)
Wellness Center Fund	-	(306,319)	(306,319)
Total Business-Type Activities	-	(1,254,767)	(1,254,767)
Total Primary Government	(3,313,349)	(1,254,767)	(4,568,116)
General Revenues:			
Property taxes	377,934	-	377,934
Sales tax	654,228	-	654,228
Utility users tax	731,845	-	731,845
Transient occupancy tax	49,621	-	49,621
Motor vehicle in-lieu	5,115	-	5,115
Other taxes	2,346,009	-	2,346,009
Note collections	865,733	-	865,733
Sale of assets	130,559	-	130,559
Other income	163,892	94,475	258,367
Unrestricted investment earnings	48,220	8,952	57,172
Transfers	(556,197)	556,197	-
Total General Revenues	4,816,959	659,624	5,476,583
Change in Net Position	1,503,610	(595,143)	908,467
Net Position - Beginning	26,053,470	19,621,908	45,675,378
Prior Period Adjustment	(46,809)	(80,082)	(126,891)
Net Position - Ending	$ 27,510,271	$ 18,946,683	$ 46,456,954

The notes to the financial statements are an integral part of this statement.

CITY OF LINDSAY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Community Development Fund	Local Transportation Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 1,485,147	$ 693,456	$ 686,253	$ 571,655	$ 3,436,511
Accounts receivable - net	131,869	-	-	1,273	133,142
Interest receivable	-	99	-	-	99
Due from other funds	-	3,700,000	310,000	-	4,010,000
Due from other governments	282,561	-	40,886	12,370	335,817
Notes receivable	17,547	14,583,143	-	2,102	14,602,792
Advances to other funds	13,476,016	19,171	-	-	13,495,187
Other assets	-	-	-	2,594	2,594
Total Assets	$ 15,393,140	$ 18,995,869	$ 1,037,139	$ 589,994	$ 36,016,142
Liabilities					
Cash overdraft	$ -	$ -	$ -	$ -	$ -
Accounts and other payables	8,338	121,531	-	12,138	142,007
Accrued wages	389,056	288	269	3,516	393,129
Due to other funds	6,000,000	-	-	-	6,000,000
Due to other governments	838,754	-	-	-	838,754
Unearned revenue	-	14,584,031	-	2,102	14,586,133
Advances from other funds	2,834,707	5,142	-	-	2,839,849
Refundable deposits	400	1,459	-	-	1,859
Total Liabilities	10,071,255	14,712,451	269	17,756	24,801,731
Fund Balances					
Nonspendable	11,464,251	99	40,886	13,587	11,518,823
Restricted	70,261	3,120,869	627,744	214,452	4,033,326
Committed	437,283	1,162,450	368,240	14,078	1,982,051
Assigned	-	-	-	330,121	330,121
Unassigned	(6,649,910)	-	-	-	(6,649,910)
Total Fund Balances	5,321,885	4,283,418	1,036,870	572,238	11,214,411
Total Liabilities and Fund Balances	$ 15,393,140	$ 18,995,869	$ 1,037,139	$ 589,994	$ 36,016,142

The notes to the financial statements are an integral part of this statement.

CITY OF LINDSAY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Fund balances of governmental funds	$ 11,214,411
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	46,825,944
Accumulated depreciation has not been included in the governmental funds.	(22,595,359)
Deferred Outflows of Resources and Deferred Inflows of Resources Deferred outflows of resources are not current assets or financial resources, and deferred inflows of resources are not due and payable in the current period, and therefore they are not reported in the governmental funds.	
Deferred outflows of resources	19,731
Deferred inflows of resources	(147,040)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Certificates of participation	(1,651,919)
Compensated absences	(151,339)
Other postemployment benefits	(791,485)
Accrued interest payable on long-term debt	(7,970)
Net pension liability	(5,204,703)
Net position of governmental activities	$ 27,510,271

The notes to the financial statements are an integral part of this statement.

CITY OF LINDSAY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Community Development Fund	Local Transportation Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Note collections	$ -	$ 857,336	$ -	$ 8,397	$ 865,733
Property taxes	377,934	-	-	-	377,934
Other taxes	3,714,891	-	-	71,927	3,786,818
Licenses and permits	356,595	-	-	820	357,415
Intergovernmental	514,309	408,569	1,171,294	402,464	2,496,636
Charges for services	24,208	-	-	-	24,208
Fees and fines	41,859	-	-	-	41,859
Interest revenue	2,334	45,368	230	288	48,220
Other revenue	163,515	45	-	332	163,892
Total revenues	5,195,645	1,311,318	1,171,524	484,228	8,162,715
EXPENDITURES					
Current:					
General government	1,385,956	-	-	50,752	1,436,708
Public safety	2,275,634	-	-	-	2,275,634
Parks and recreation	219,251	-	-	23,654	242,905
Public works	383,418	-	-	-	383,418
Streets and transportation	224,296	-	137,980	289,791	652,067
Community development	-	460,015	-	-	460,015
Debt service:					
Principal	17,026	-	67,136	-	84,162
Interest and administrative charges	39,835	-	54,780	-	94,615
Capital outlay	981,320	-	-	-	981,320
Total expenditures	5,526,736	460,015	259,896	364,197	6,610,844
Excess (deficiency) of revenues over (under) expenditures	(331,091)	851,303	911,628	120,031	1,551,871
OTHER FINANCING SOURCES (USES)					
Sale of land	130,559	-	-	-	130,559
Transfers in	1,954,400	-	-	-	1,954,400
Transfers out	(1,509,217)	(11,312)	(781,848)	(208,220)	(2,510,597)
Total other financing sources (uses)	575,742	(11,312)	(781,848)	(208,220)	(425,638)
Net change in fund balances	244,651	839,991	129,780	(88,189)	1,126,233
Fund balances - beginning	5,121,704	3,442,915	907,264	663,104	10,134,987
Prior period adjustment	(44,470)	512	(174)	(2,677)	(46,809)
Fund balances - ending	$ 5,321,885	$ 4,283,418	$ 1,036,870	$ 572,238	$ 11,214,411

The notes to the financial statements are an integral part of this statement.

CITY OF LINDSAY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds	$	1,126,233
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in the governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay $981,320 exceeded depreciation $(1,005,168) in the current period.		(23,848)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Change in accrued interest payable		10,474
Pension expense		224,139
Repayment of long-term debt is reported as an expenditure in the governmental funds. In the statement of net position, the repayment reduces long-term liabilities:		
Bond and note principal		84,162
Long-term compensated absences reported in the statement of activities are not reported as expenditures in the governmental funds.		9,389
Amortization of net other postemployment benefits obligation activities to individual funds.		73,061
Change in net position of governmental activities	$	1,503,610

The notes to the financial statements are an integral part of this statement.

CITY OF LINDSAY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current assets			
Cash and cash equivalents	$ 539,584	$ 683,032	$ 446,607
Accounts receivable, net	94,810	79,766	55,034
Due from other funds	990,000	1,300,000	-
Due from other governments	4,122	-	-
Total current assets	1,628,516	2,062,798	501,641
Non-current assets			
Construction in progress	-	294,139	-
Land	68,377	230,143	-
Buildings and improvements	5,104,546	6,800,531	-
Infrastructure	9,137,056	12,602,765	-
Equipment	21,356	180,700	-
Less accumulated depreciation	(5,556,989)	(8,787,055)	-
Total non-current assets	8,774,346	11,321,223	-
Total assets	10,402,862	13,384,021	501,641
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions	166,121	111,463	30,567
Total Assets and Deferred Outflows of Resources	$ 10,568,983	$ 13,495,484	$ 532,208
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
LIABILITIES			
Current liabilities			
Cash overdraft	$ -	$ 121,576	$ 265,773
Accounts and other payables	81,285	39,670	79,060
Accrued wages	7,865	4,196	1,358
Accrued interest	32,852	102,046	-
Compensated absences payable	3,422	1,706	532
Due to other funds	-	-	-
Unearned revenue	-	-	-
Refundable deposits	39,849	-	-
Long-term debt - current portion	64,496	158,278	-
Total current liabilities	229,769	427,472	346,723
Non-current liabilities			
Other postemployment benefits	130,161	95,489	23,741
Net pension liability	323,906	241,232	62,830
Advances from other funds	-	-	-
Long-term debt	1,808,432	8,146,194	3,501
Total non-current liabilities	2,262,499	8,482,915	90,072
Total liabilities	2,492,268	8,910,387	436,795
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pensions	129,215	90,850	24,336
NET POSITION			
Net investment in capital assets	6,908,263	5,588,708	-
Unrestricted	1,039,237	(1,094,461)	71,077
Total net position	7,947,500	4,494,247	71,077
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 10,568,983	$ 13,495,484	$ 532,208

The notes to the financial statements are an integral part of this statement.

CITY OF LINDSAY
STATEMENT OF NET POSITION (Continued)
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		
	McDermont Sports Complex Fund	Wellness Center Fund	Total Proprietary Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current assets			
Cash and cash equivalents	$ -	$ 9,298	$ 1,678,521
Accounts receivable, net	3,032	1,652	234,294
Due from other funds	-	-	2,290,000
Due from other governments	-	-	4,122
Total current assets	3,032	10,950	4,206,937
Non-current assets			
Construction in progress	-	-	294,139
Land	217,413	181,326	697,259
Buildings and improvements	22,987,873	8,631,783	43,524,734
Infrastructure	-	824,260	22,564,081
Equipment	1,740,545	26,572	1,969,173
Less accumulated depreciation	(4,673,099)	(952,228)	(19,969,372)
Total non-current assets	20,272,732	8,711,713	49,080,014
Total assets	20,275,764	8,722,663	53,286,951
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pensions	358,262	54,101	720,514
Total Assets and Deferred Outflows of Resources	$ 20,634,026	$ 8,776,764	$ 54,007,465
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
LIABILITIES			
Current liabilities			
Cash overdraft	$ 3,092,087	$ -	$ 3,479,436
Accounts and other payables	31,399	202,758	434,172
Accrued wages	29,748	7,276	50,443
Accrued interest	47,573	38,999	221,470
Compensated absences payable	9,517	896	16,073
Due to other funds	-	300,000	300,000
Unearned revenue	15,478	134,856	150,334
Refundable deposits	-	-	39,849
Long-term debt - current portion	101,519	41,513	365,806
Total current liabilities	3,327,321	726,298	5,057,583
Non-current liabilities			
Other postemployment benefits	604,448	152,136	1,005,975
Net pension liability	741,307	121,079	1,490,354
Advances from other funds	13,476,016	-	13,476,016
Long-term debt	1,430,970	2,066,470	13,455,567
Total non-current liabilities	16,252,741	2,339,685	29,427,912
Total liabilities	19,580,062	3,065,983	34,485,495
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pensions	286,096	44,790	575,287
NET POSITION			
Net investment in capital assets	18,759,277	6,605,522	37,861,770
Unrestricted	(17,991,409)	(939,531)	(18,915,087)
Total net position	767,868	5,665,991	18,946,683
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 20,634,026	$ 8,776,764	$ 54,007,465

The notes to the financial statements are an integral part of this statement.

CITY OF LINDSAY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
Operating revenues			
Service fees	$ 1,305,404	$ 1,279,627	$ 896,563
Total operating revenues	1,305,404	1,279,627	896,563
Operating expenses			
Salaries	228,439	142,708	40,162
Benefits	179,017	109,958	24,743
Materials, services, and supplies	588,291	503,212	795,701
Depreciation and amortization	284,832	388,066	-
Total operating expenses	1,280,579	1,143,944	860,606
Operating income (loss)	24,825	135,683	35,957
Nonoperating revenues (expenses)			
Intergovernmental	-	-	-
Other income	1,253	6,000	35,120
Interest earnings	14	27	-
Interest expense	(63,743)	(193,098)	-
Total nonoperating revenues (expenses)	(62,476)	(187,071)	35,120
Other financing sources (uses)			
Transfers in	15,000	15,000	206,292
Transfers out	(140,674)	-	-
Total other financing sources (uses)	(125,674)	15,000	206,292
Change in net position	(163,325)	(36,388)	277,369
Total net position - beginning	8,116,498	4,538,325	(203,909)
Prior period adjustment	(5,673)	(7,690)	(2,383)
Total net position - ending	$ 7,947,500	$ 4,494,247	$ 71,077

The notes to the financial statements are an integral part of this statement.

CITY OF LINDSAY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION (Continued)
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		
	McDermont Sports Complex Fund	Wellness Center Fund	Total Proprietary Funds
Operating revenues			
Service fees	$ 1,843,529	$ 228,714	$ 5,553,837
Total operating revenues	1,843,529	228,714	5,553,837
Operating expenses			
Salaries	841,117	141,967	1,394,393
Benefits	414,896	102,872	831,486
Materials, services, and supplies	1,128,170	241,842	3,257,216
Depreciation and amortization	541,968	190,218	1,405,084
Total operating expenses	2,926,151	676,899	6,888,179
Operating income (loss)	(1,082,622)	(448,185)	(1,334,342)
Nonoperating revenues (expenses)			
Intergovernmental	287,073	233,721	520,794
Other income	-	52,102	94,475
Interest earnings	8,304	607	8,952
Interest expense	(92,523)	(91,855)	(441,219)
Total nonoperating revenues (expenses)	202,854	194,575	183,002
Other financing sources (uses)			
Transfers in	286,767	212,512	735,571
Transfers out	(38,700)	-	(179,374)
Total other financing sources (uses)	248,067	212,512	556,197
Change in net position	(631,701)	(41,098)	(595,143)
Total net position - beginning	1,443,810	5,727,184	19,621,908
Prior period adjustment	(44,241)	(20,095)	(80,082)
Total net position - ending	$ 767,868	$ 5,665,991	$ 18,946,683

The notes to the financial statements are an integral part of this statement.

CITY OF LINDSAY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	$ 908,114	$ (24,259)	$ 895,225
Payments to employees	(387,499)	(263,512)	(68,715)
Payments to suppliers	(618,763)	(566,984)	(854,721)
Net cash used by operating activities	(98,148)	(854,755)	(28,211)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Grant income	-	-	-
Other income	1,267	6,027	35,120
Transfers in	15,000	15,000	206,292
Transfers out	(140,674)	-	-
Net cash provided (used) by noncapital financing activities	(124,407)	21,027	241,412
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	-	-	-
Capital expenditures	-	(86,075)	-
Interest paid on long-term debt	(63,743)	(193,098)	-
Principal payments on long-term debt	(65,603)	(153,212)	-
Net cash used by capital and related financing activities	(129,346)	(432,385)	-
Net increase (decrease) in cash and cash equivalents	(351,901)	(1,266,113)	213,201
Balances - beginning of year	891,485	1,827,569	(32,367)
Balances - end of the year	$ 539,584	$ 561,456	$ 180,834
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	$ 24,825	$ 135,683	$ 35,957
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Depreciation expense	284,832	388,066	-
Changes in assets and liabilities:			
(Increase) Decrease in receivables	55,228	(3,886)	(1,338)
(Increase) Decrease in due from other funds	(450,000)	(1,300,000)	-
(Increase) Decrease in due from other governments	(2,518)	-	-
(Increase) Decrease in deferred outflows of resources - deferred pension	(130,686)	(84,450)	(23,609)
Increase (Decrease) in accounts payable	(33,248)	(63,772)	(59,020)
Increase (Decrease) in due to other funds	-	-	-
Increase (Decrease) in compensated absences	(7,492)	(3,090)	(348)
Increase (Decrease) in net postemployment benefits	43,822	12,445	1,974
Increase (Decrease) in customer deposits	2,776	-	-
Increase (Decrease) in unearned revenue	-	-	-
Increase (Decrease) in salaries and benefits payable	(599)	(10,008)	(2,586)
Increase (Decrease) in net pension liability	49,004	31,667	8,853
Increase (Decrease) in deferred inflows of resources - deferred pension	65,908	42,590	11,906
Net cash used by operating activities	$ (98,148)	$ (854,755)	$ (28,211)

The notes to the financial statements are an integral part of this statement.

CITY OF LINDSAY
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds		
	McDermont Sports Complex Fund	Wellness Center Fund	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	$ 1,780,830	$ 294,180	$ 3,854,090
Payments to employees	(1,228,147)	(226,231)	(2,174,104)
Payments to suppliers	(1,166,850)	(257,459)	(3,464,777)
Net cash used by operating activities	(614,167)	(189,510)	(1,784,791)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Grant income	287,073	233,721	520,794
Other income	8,304	52,709	103,427
Transfers in	286,767	212,512	735,571
Transfers out	(38,700)	-	(179,374)
Net cash provided (used) by noncapital financing activities	543,444	498,942	1,180,418
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(76,974)	-	(76,974)
Capital expenditures	-	(63,305)	(149,380)
Interest paid on long-term debt	(92,523)	(91,855)	(441,219)
Principal payments on long-term debt	(77,485)	(42,415)	(338,715)
Net cash used by capital and related financing activities	(246,982)	(197,575)	(1,006,288)
Net increase (decrease) in cash and cash equivalents	(317,705)	111,857	(1,610,661)
Balances - beginning of year	(2,774,382)	(102,559)	(190,254)
Balances - end of the year	$ (3,092,087)	$ 9,298	$ (1,800,915)
Reconciliation of operating income (loss) to net cash used by operating activities:			
Operating income (loss)	$ (1,082,622)	$ (448,185)	$ (1,334,342)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:			
Depreciation expense	541,968	190,218	1,405,084
Changes in assets and liabilities:			
(Increase) Decrease in receivables	31,823	484	82,311
(Increase) Decrease in due from other funds	-	-	(1,750,000)
(Increase) Decrease in due from other governments	-	-	(2,518)
(Increase) Decrease in deferred outflows of resources - deferred pension	(276,049)	(40,449)	(555,243)
Increase (Decrease) in accounts payable	(38,680)	(16,217)	(210,937)
Increase (Decrease) in due to other funds	-	300,000	300,000
Increase (Decrease) in compensated absences	-	(1,297)	(12,227)
Increase (Decrease) in net postemployment benefits	127,710	43,829	229,780
Increase (Decrease) in customer deposits	-	600	3,376
Increase (Decrease) in unearned revenue	(94,522)	(233,721)	(328,243)
Increase (Decrease) in salaries and benefits payable	(66,524)	(20,339)	(100,056)
Increase (Decrease) in net pension liability	103,511	15,167	208,202
Increase (Decrease) in deferred inflows of resources - deferred pension	139,218	20,400	280,022
Net cash used by operating activities	$ (614,167)	$ (189,510)	$ (1,784,791)

The notes to the financial statements are an integral part of this statement.

CITY OF LINDSAY
STATEMENT OF FIDUCIARY NET POSITION (DEFICIT)
FIDUCIARY FUND
JUNE 30, 2016

	Private-Purpose Trust Fund
ASSETS	
Current assets	
Cash and cash equivalents	$ 904,346
Notes receivable	1,383,072
Land held for resale	1,705,000
Advances to the City	2,820,678
Premium on bond insurance	222,315
Total assets	7,035,411
LIABILITIES	
Accounts payable	13,169
Unearned revenue	1,383,072
Accrued interest payable	210,273
Long-term debt	
Due within one year	470,000
Due in more than one year	17,871,357
Total liabilities	19,947,871
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on refunding of debt	510,298
Total deferred inflows of resources	510,298
NET POSITION (DEFICIT)	
Net position (deficit) held in trust	$ (13,422,758)

The notes to the financial statements are an integral part of this statement.

CITY OF LINDSAY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (DEFICIT)
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Private-Purpose Trust Fund
ADDITIONS	
Redevelopment Agency Property Tax Trust Fund	$ 1,744,200
Loan repayments	8,203
Other income	17,831
Total additions	1,770,234
DEDUCTIONS	
Administrative expenses	15,550
Interest on long-term debt	236,624
Amortization	9,666
Total deductions	261,840
Change in net position	1,508,394
Net position (deficit), beginning	(14,557,072)
Prior period adjustment	(374,080)
Net position (deficit), beginning, restated	(14,931,152)
Net position (deficit), ending	$ (13,422,758)

The notes to the financial statements are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of the City of Lindsay (the City) are prepared in conformity with accounting principles generally accepted in the United States of America. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The accompanying financial statements are presented on the basis set forth in GASB Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*; No. 36, *Recipient Reporting for Certain Non-Exchange Revenues, an Amendment of GASB Statement No. 33*; No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Omnibus*; and No. 38, *Certain Financial Statement Note Disclosures*.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (e.g., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives the cash.

The City reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- The *Community Development Fund* accounts for all financial transactions having to do with the Community Development Block Grant Program and First-Time Homebuyers Program of the Federal Department of Housing and Urban Development for low-interest housing rehabilitation and mortgage assistance loans.

- The *Local Transportation Fund* accounts for Transportation Development Act funds for the development and support of public transportation needs.

The City reports the following major proprietary funds:

- The *Water Fund* accounts for the activities of the water distribution system.

- The *Sewer Fund* accounts for the activities of the sewage pumping stations, treatment plant, and laboratory.

- The *Refuse Fund* accounts for the activities of the refuse collection and recycling.

- The *McDermont Sports Complex Fund* accounts for the activities of the McDermont Field House Sports and Recreation Center (McDermont Sports Complex).

- The *Wellness Center Fund* accounts for the activities of the Wellness Center and Aquatic Center.

Additionally, the City reports the following fiduciary fund type:

- The *Private-Purpose Trust Fund* is used to account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the City under the terms of a formal trust agreement.

Amounts reported as *program revenues* include:

1) charges to customers or applicants for goods, services, or privileges provided;
2) operating grants and contributions; and
3) capital grants and contributions, including special assessments.

Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the utility system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Revenue – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis of accounting when the exchange takes place. On a modified accrual basis of accounting, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Under the modified accrual basis of accounting, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements from federal and state projects and programs received before eligibility requirements are met are recorded as unearned revenue. On the governmental funds financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as unearned revenue.

Deferred Outflows of Resources and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate schedule for deferred outflows of resources. Deferred outflows of resources are defined as a consumption of net position by the City that is applicable to a future reporting period.

In addition to liabilities, the Statement of Net Position will sometimes report a separate schedule for deferred inflows of resources. Deferred inflows of resources are defined as an acquisition of net position by the City that is applicable to a future reporting period. The City is reporting deferred pension in this category.

C. <u>Measurement Focus, Basis of Accounting, and Financial Statement Presentation</u> (Continued)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. <u>Budgetary Information</u>

Annual budgets are legally required to be, and are, adopted by the City Council for all funds and provide for operations, debt service, and capital expenditures of the City. Budgetary accounting controls do not include the use of encumbrances.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally enacted through passage of an ordinance.
- The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgets for the governmental funds are presented in the accompanying basic financial statements on a basis consistent with accounting principles generally accepted in the United States of America.

E. <u>Restricted Assets</u>

Restricted assets are the result of Urban Development Action Grants received in prior years that were allowed to remain in the City for additional revolving loans.

F. <u>Cash, Cash Equivalents, and Investments</u>

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. City investment policy authorizes investment in the State of California Local Agency Investment Fund to a maximum of $10,000,000, and certificates of deposit and U.S. Governmental Securities with maturities not exceeding five years.

California banks and savings and loan associations are required to secure a city's deposits by pledging government securities as collateral. The fair value of the pledged securities must equal at least 110 percent of a city's deposits. The City Treasurer, at his or her discretion, may waive the 110 percent collateral requirement for deposits that are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC). It is the City's policy to waive the collateral requirement in order to receive a higher interest yield on its deposits. It is also the City's policy not to deposit more than $250,000 in a savings and loan association or a small bank.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash, Cash Equivalents, and Investments (Continued)

California law allows financial institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150 percent of a city's total deposits. It is the City's policy not to accept this form of collateral.

G. Accounts Receivable

The enterprise funds use the reserve method of accounting for bad debts. Delinquent accounts that are closed have a lien placed upon the property.

H. Inventory and Prepaids

Governmental funds inventories are valued at average cost using the first-in/first-out (FIFO) method and are recorded as expenditures when consumed rather than when purchased. Business-type funds inventories are stated at cost using the FIFO method and consist of expendable materials and supplies.

Any payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

Fund balance is reserved for inventories and prepaids, if any, to indicate that a portion of fund balance is not available for appropriation and not expendable, available financial resources.

Inventory in proprietary funds is comprised of supplies for resale and are slated at the lower of cost or market on a FIFO basis.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, equipment, and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	50
Public domain infrastructure	50
System infrastructure	30
Vehicles	5
Office equipment	5
Computer equipment	5

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Investment in Property

The investment in property is recorded at cost and evaluated annually for impairment.

K. Compensated Absences

Accumulated vested unpaid employee vacation and compensatory time-off benefits are recognized as liabilities of the City. Governmental funds recognize the current portion of the liabilities at year-end, while the non-current portion of these liabilities is recognized in the general long-term debt account group. Proprietary funds record the full liability as the vested benefits to the employees accrue.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of the City since payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenditures in the period that the sick leave is taken.

L. Self-Insurance

The City is a member of the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The purpose of this group is to minimize liability and workers' compensation expenses for cities in the central San Joaquin Valley. CSJVRMA provides statutory coverage for the City's workers' compensation risks. The City retains liability risks up to $25,000 and shares risk with the pool to $10,000,000.

M. Property Taxes

Tulare County is responsible for the assessment, collection, and apportionment of property taxes for all taxing jurisdictions. Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and March 1. Unsecured property taxes are payable in one installment on or before August 31. Property taxes are accounted for in the General Fund and the Private-Purpose Trust Fund (formally the City's Redevelopment Agency). Property tax revenues are recognized when they become measurable and available to finance current liabilities.

The City is permitted by Article XIIIA of the State of California Constitution (Proposition 13) to levy a maximum tax of 1% of assessed value, plus other increases as approved by the voters.

N. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

O. Use of Estimates

City management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, and reported revenue and expenditures. Actual results could vary from the estimates that management uses.

P. Postemployment Benefits Other than Pensions

The City accounts for health insurance premiums on a pay as you go basis.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- **Nonspendable** - Amounts that are not in spendable form (such as inventory) or are required either legally or contractually to be maintained intact.
- **Restricted** - Amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional or enabling legislation.
- **Committed** - Amounts constrained to specific purposes by the City itself, using the City's highest level of decision-making authority (the City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned** - Amounts the City *intends* to use for a specific purpose. Intent can be expressed by the City at either the highest level of decision-making authority or by an official or body to which the City delegates the authority. This is also the classification for residual funds in the City's special revenue funds.
- **Unassigned -** The residual classification for the City's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The City establishes and modifies or rescinds fund balance commitments by passage of an ordinance or policy. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget as a designation or commitment of the fund, such as approved construction contracts. Assigned fund balance is established by the City through adoption or amendment of the budget or future year budget plan as intended for a specific purpose.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, followed by the unrestricted committed, assigned, and unassigned resources as they are needed.

The City believes that sound financial management principles require that sufficient funds be retained by the City to provide a stable financial base at all times. To retain this stable financial base, the City needs to maintain unrestricted fund balance in its funds sufficient to fund cash flows of the City and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned, and unassigned fund balances are considered unrestricted.

The City strives to achieve and maintain unrestricted fund balance in the General Fund sufficient to cover approximately 6 months of working capital at the close of each fiscal year, which exceeds the recommended level (approximately 60 days working capital) promulgated by the Government Finance Officers Association (GFOA).

R. Current Governmental Accounting Standards Board Statements – Implemented Pronouncements

For the fiscal year ended June 30, 2016, the City implemented the following GASB standards:

GASB Statement No. 72 – *Fair Value Measurement and Application*. The provisions of GASB Statement No. 72 are effective for financial statements beginning after June 15, 2015. The City implemented the change for the fiscal year ended June 30, 2016.

R. Current Governmental Accounting Standards Board Statements – Implemented Pronouncements (Continued)

GASB Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The provisions of GASB Statement No. 76 are effective for financial statements beginning after June 15, 2015, and should be applied retroactively. The City implemented the change for the fiscal year ended June 30, 2016.

GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*. The requirements of GASB Statement No. 79 are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23–26, and 40, which are effective for reporting periods beginning after December 15, 2015. The City implemented the change for the fiscal year ended June 30, 2016.

S. Future Governmental Accounting Standards Board Statements

The GASB statements listed below will be implemented in future financial statements:

GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provision of GASB Statements No. 67 and No. 68.* The provisions of GASB Statement No. 73 are effective for financial statements beginning after June 15, 2015. The City has not fully judged the effect of the implementation of GASB Statement No. 73 as of the date of the basic financial statements.

GASB Statement No. 74 – *Financial Reporting for Postemployment Benefits Other than Pension Pl*ans. The provisions of this statement are effective for fiscal years beginning after June 15, 2016. The City has not fully judged the effect of the implementation of GASB Statement No. 74 as of the date of the basic financial statements.

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pension Plans*. The provisions of this statement are effective for fiscal years beginning after June 15, 2017. The City has not fully judged the effect of the implementation of GASB Statement No. 75 as of the date of the basic financial statements.

GASB Statement No. 80 – *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14.* The requirements of this statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The City has not fully judged the effect of the implementation of GASB Statement No. 80 as of the date of the basic financial statements.

GASB Statement No. 81 – *Irrevocable Split-Interest Agreements.* The requirements of this statement are effective for periods beginning after December 15, 2016. Earlier application is encouraged. The City has not fully judged the effect of the implementation of GASB Statement No. 81 as of the date of the basic financial statements.

GASB Statement No. 82 – *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* The requirements of this statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged. The City has not fully judged the effect of the implementation of GASB Statement No. 82 as of the date of the basic financial statements.

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents, and investments

Cash, cash equivalents, and investments are reported in the accompanying financial statements as follows:

	Governmental Funds	Enterprise Funds	Private-Purpose Trust Fund	Total
Cash, cash equivalents, and investments	$ 3,436,511	$ 1,678,521	$ 904,346	$ 6,019,378
Cash overdraft	-	(3,479,436)	-	(3,479,436)
Total cash, cash equivalents, and investments	$ 3,436,511	$ (1,800,915)	$ 904,346	$ 2,539,942

Cash, cash equivalents, and investments as of June 30, 2016, consist of the following:

Deposits with fiscal institutions	$ 1,748,734
Certificate of Deposit	179,808
Federal Home Loan Bank Bonds	500,000
Investments - Local Agency Investment Fund (LAIF)	111,400
Total cash, cash equivalents, and investments	$ 2,539,942

Investments authorized by the California Government Code and the City's investment policy

The table below identifies the investment types that are authorized by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code and/or the City's investment policy that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Securities	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	270 days	30%	30%
Certificates of Deposit	5 years	None	10%
Passbook Deposits	N/A	None	None
Repurchase Agreements	1 year	30%	None
Mutual Funds	N/A	15%	None
Money Market Mutual Funds	N/A	25%	10%
Commercial Paper	180 days	30%	None
Local Agency Investment Fund (LAIF)	On demand	None	None

Disclosures relating to interest rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Disclosures relating to interest rate risk (Continued)

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

		Remaining Maturity (in months)			
Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Certificates of Deposit	$ 179,808	$ 179,808	$ -	$ -	$ -
Federal Home Loan Bank bonds	500,000	500,000	-	-	-
LAIF	111,400	111,400	-	-	-
Total	$ 791,208	$ 791,208	$ -	$ -	$ -

Investments with fair values highly sensitive to interest rate fluctuations

The City's investment policy does not permit investment in securities that are highly sensitive to interest rate fluctuations.

Disclosures relating to credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the City's investment policy or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Amount	Minimum Legal Rating	AAA	Aa	Not Rated
Certificates of Deposit	$ 179,808	N/A	$ -	$ -	$ 179,808
Federal Home Loan Bank bonds	500,000	A	-	500,000	-
LAIF	111,400	N/A	-	-	111,400
Total	$ 791,208		$ -	$ 500,000	$ 291,208

Concentration of credit risk

The investment policy of the City contains certain limitations on the amount that can be invested in any one issuer. The City did not have investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) at June 30, 2016.

Custodial credit risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Custodial credit risk (Continued)

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2016, the City's deposits with financial institutions did not exceed FDIC limits and were held in collateralized accounts.

Investment in State Investment Pool

The City is a voluntary participant in LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. These principles recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active; and
- Level 3: Investments reflect prices based upon unobservable sources.

The City has the following recurring fair value measurements as of June 30, 2016:

		Fair Value Measurements Using		
Investments by Fair Value Level		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	$ 179,808	$ 179,808	$ -	$ -
Federal Home Loan Bank Bonds	500,000	500,000	-	-
Total Investments Measured at Fair Value	$ 679,808	$ 679,808	$ -	$ -
At Amortized Cost - LAIF	$ 111,400			
Total Investments	$ 791,208			

NOTE 3 – INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at June 30, 2016, are as follows:

	Due from Other Funds	Due to Other Funds
General Fund	$ -	$ 6,000,000
Community Development Fund	3,700,000	-
Local Transportation Fund	310,000	-
Wellness Center Fund	-	300,000
Water Fund	990,000	-
Sewer Fund	1,300,000	-
	$ 6,300,000	$ 6,300,000

NOTE 4 – TRANSFERS IN AND OUT

The purpose of the majority of transfers is to reimburse a fund which has made expenditures on behalf of another fund. Transfers between funds during the fiscal year ended June 30, 2016, were as follows:

	Purpose	Transfers In	Transfers Out
Governmental Activities:			
General Fund	Tulare County Transit Authority - Principal and Interest	$ 1,954,400	$ -
General Fund	Transfer to Other Funds	-	1,509,217
Community Development Fund	Capital Improvement	-	11,312
Local Transportation Fund	Streets Projects - Local Transportation Funds	-	781,848
Transit Fund	Transfer to Other Funds	-	21,894
Gas Tax Fund	Streets Projects - Surface Transportation Program	-	186,326
Total Governmental Activities		1,954,400	2,510,597
Business-Type Activities:			
Wellness Center Fund	To Apply to Aquatic Center Expenses	212,512	-
McDermont Sports Complex Fund	Transfer from Other Funds	286,767	-
McDermont Sports Complex Fund	To Transfer Capital Asset Expenditures	-	38,700
Refuse Fund	To Eliminate Fund Deficit	206,292	-
Water Fund	To Transfer Capital Asset Expenditures	15,000	140,674
Sewer Fund	Transfer from Other Funds	15,000	-
Total Business-Type Activities		735,571	179,374
Total Transfers		$ 2,689,971	$ 2,689,971

NOTE 5 – ADVANCES TO AND FROM OTHER FUNDS

Interfund advances from and to other fund balances at June 30, 2016, are as follows:

	Advances To	Advances From
General Fund	$ 13,476,016	$ 2,834,707
Community Development Fund	19,171	5,142
McDermont Sports Complex Fund	-	13,476,016
Private-Purpose Trust Fund	2,820,678	-
	$ 16,315,865	$ 16,315,865

The advances from the General Fund were used to help build the McDermont Sports Complex and revenue earned at the complex will be used to pay back the advance.

The advances to the General Fund were funds that were used to help with various Downtown projects and for land transactions that occurred between the former City of Lindsay Redevelopment Agency and the City.

NOTE 6 – NOTES RECEIVABLE

The following are notes receivable recorded in various funds at June 30, 2016:

	General Fund	Community Development Fund	Curb and Gutter Fund	Private-Purpose Trust Fund	Total
Individuals 7% unsecured notes with annual principal and interest payments of $5,002.	$ -	$ -	$ 2,102	$ -	$ 2,102
Business loans	17,547	-	-	-	17,547
Non-interest and below-market rate secured notes with deferred payments of monthly principal and interest. Collateralized by trust deeds on improved property.	-	14,583,143	-	1,383,072	15,966,215
	$ 17,547	$ 14,583,143	$ 2,102	$ 1,383,072	$ 15,985,864

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

Governmental activities:	June 30, 2015 Balance	Additions	Deletions	June 30, 2016 Balance
Capital assets, not being depreciated:				
Land	$ 771,699	$ -	$ -	$ 771,699
Construction in progress	-	541,229	-	541,229
Total capital assets, not being depreciated	771,699	541,229	-	1,312,928
Capital assets, being depreciated:				
Buildings	3,985,066	-	-	3,985,066
Improvements other than buildings	37,918,690	385,544	-	38,304,234
Machinery and equipment	3,169,169	54,547	-	3,223,716
Total capital assets, being depreciated	45,072,925	440,091	-	45,513,016
Less accumulated depreciation for:				
Buildings	(1,150,556)	(72,884)	-	(1,223,440)
Improvements other than buildings	(17,463,690)	(784,650)	-	(18,248,340)
Machinery and equipment	(2,975,945)	(147,634)	-	(3,123,579)
Total accumulated depreciation	(21,590,191)	(1,005,168)	-	(22,595,359)
Total capital assets, being depreciated, net	23,482,734	(565,077)	-	22,917,657
Governmental activities capital assets, net	$ 24,254,433	$ (23,848)	$ -	$ 24,230,585

Business-type activities:	June 30, 2015 Balance	Additions	Deletions	June 30, 2016 Balance
Capital assets, not being depreciated:				
Land	$ 697,259	$ -	$ -	$ 697,259
Construction in progress	208,064	86,075	-	294,139
Total capital assets, not being depreciated	905,323	86,075	-	991,398
Capital assets, being depreciated:				
Buildings and improvements	43,488,000	36,734	-	43,524,734
Improvements other than buildings	22,564,081	-	-	22,564,081
Machinery and equipment	1,865,628	103,545	-	1,969,173
Total capital assets, not being depreciated	67,917,709	140,279	-	68,057,988
Less accumulated depreciation for:				
Buildings and improvements	(8,098,701)	(869,822)	-	(8,968,523)
Improvements other than buildings	(8,870,649)	(451,281)	-	(9,321,930)
Machinery and equipment	(1,594,938)	(83,981)	-	(1,678,919)
Total accumulated depreciation	(18,564,288)	(1,405,084)	-	(19,969,372)
Total capital assets, being depreciated, net	49,353,421	(1,264,805)	-	48,088,616
Business-type activities capital assets, net	$ 50,258,744	$ (1,178,730)	$ -	$ 49,080,014

NOTE 7 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:		
General government	$	1,005,168
Total depreciation expense - governmental activities	$	1,005,168
Business-type activities:		
Water Fund	$	284,832
Sewer Fund		388,066
Refuse Fund		-
McDermont Sport Complex Fund		541,968
Wellness Center Fund		190,218
Total depreciation expense - business-type activities	$	1,405,084

NOTE 8 – LONG-TERM DEBT

Governmental Activities

Certificates of Participation (COP)

On October 1, 2008, the City entered into a COP with the United States Department of Agriculture Rural Development Agency (USDA RD) for Tulare Road in the amount of $1,600,000. The COP has annual principal and interest of approximately $120,000 a year at 4.5% through 2029. As of June 30, 2016, the balance of the COP was $1,183,771.

On May 12, 2010, the City entered into a COP with the USDA RD for the construction of the Library Project in the amount of $750,000. The COP has annual principal and interest payments of approximately $37,000 a year at 4.125% through 2040. As of June 30, 2016, the balance of the COP was $468,148.

Business-Type Activities

Certificates of Participation

On June 20, 2007, the City entered into a COP with USDA RD for the Wellness Center in the amount of $1,130,689. The total amount of the COP will be $3,000,000 if totally drawn. The Wellness Center Fund has annual principal and interest payments of approximately $129,000 a year at 4.25% through 2032. As of June 30, 2016, the balance of the COP was $2,106,191.

Revenue Bonds Payable

On June 1, 1993, the City refinanced with the California Statewide Communities Development Authority (CSCDA) an existing loan that assisted in financing construction of a project, which enables the City to meet safe drinking water standards. The bond amount of $197,054 at 7.125% has semi-annual principal and interest payments of $8,377 through June 1, 2019. The bond is secured by a first pledge of a lien on all of the pledged water revenues. As of June 30, 2016, the balance of the revenue bond was $44,546.

On November 5, 1999, the City entered into a revenue bond with the USDA RD for the Waste Water Treatment Plant Project for $7,000,000. The annual principal and interest payments of $323,470 at 3.25% are through November 27, 2039. As of June 30, 2016, the balance due was $5,331,840.

On December 11, 2000, the City entered into a revenue bond with the USDA RD for the Water Line Project for $2,440,000. The annual principal and interest payments of $109,874 at 3.25% are through December 11, 2040. As of June 30, 2016, the balance due was $1,821,537.

NOTE 8 – LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

Revenue Bonds Payable (Continued)

On June 22, 2004, the City entered into a revenue bond with the USDA RD for the Waste Water Project for $480,000. The annual principal and interest payments of $25,623 at 4.375% are through June 28, 2040. As of June 30, 2016, the balance due was $400,675.

On November 1, 2012, the City entered into a refunding bond with US Bank National Association for refunding of the City's $1,500,000 Mid Valley Services, Inc., promissory note dated November 19, 2009. The annual principal payments are due annually beginning on January 1, 2014. Interest ranging from 4.0% to 6.4% on the bonds is payable on January 1st and July 1st of each year, commencing on July 1, 2013. As of June 30, 2016, the balance due was $1,550,000.

The annual requirements to amortize all debt outstanding as of June 30, 2016, including interest, are as follows:

	Governmental Activities		
	Certificates of Participation		
Year Ended June 30,	2008 USDA RD Roads COP	2010 USDA RD Library COP	Total
2017	$ 120,110	$ 37,018	$ 157,128
2018	119,801	36,996	156,797
2019	119,479	36,973	156,452
2020	119,143	36,949	156,092
2021	118,793	36,923	155,716
2022-2026	588,176	184,210	772,386
2027-2031	349,161	183,419	532,580
2032-2036	-	182,460	182,460
2037-2040	-	111,188	111,188
	1,534,663	846,136	2,380,799
Less interest	(350,892)	(377,988)	(728,880)
	$ 1,183,771	$ 468,148	$ 1,651,919

	Business-Type Activities						
	Revenue Bonds Payable				COPs	Lease Revenue	
Year Ended June 30,	1993 CSCDA Refunding Bonds	1999 USDA RD Waste Water	2000 USDA RD Water Line	2004 USDA RD Waste Water	2007 USDA RD Wellness Center	2012 Refunding Bonds	Total
2017	$ 16,754	$ 323,470	$ 109,874	$ 25,623	$ 129,262	$ 194,200	$ 799,183
2018	16,754	323,470	109,874	25,623	129,187	194,475	799,383
2019	16,754	323,470	109,874	25,623	129,108	194,250	799,079
2020	-	323,470	109,874	25,623	129,027	198,213	786,207
2021	-	323,470	109,874	25,623	128,942	196,338	784,247
2022-2026	-	1,617,350	549,370	128,115	643,304	987,100	3,925,239
2027-2031	-	1,617,350	549,370	128,115	640,569	196,563	3,131,967
2032-2036	-	1,617,350	549,370	128,115	637,201	-	2,932,036
2037-2040	-	1,290,337	460,818	128,115	633,052	-	2,512,322
2041-2045	-	-	-	49,070	627,944	-	677,014
2046-2049	-	-	-	-	249,411	-	249,411
	50,262	7,759,737	2,658,298	689,645	4,077,007	2,161,139	17,396,088
Less interest	(5,716)	(2,427,897)	(836,761)	(288,970)	(1,970,816)	(611,139)	(6,141,299)
	$ 44,546	$ 5,331,840	$ 1,821,537	$ 400,675	$ 2,106,191	$ 1,550,000	$ 11,254,789

NOTE 8 – LONG-TERM DEBT (Continued)

Operating Lease

On March 20, 2012, the City entered into an agreement with Ray Morgan Company to lease four copier machines. The lease expires in June 2017.

The future minimum lease payments under the operating lease at June 30, 2016, were as follows:

Operating Lease	
Year Ending June 30,	Amount
2017	$ 5,490
Total	$ 5,490

A schedule of changes in long-term debt for the year ended June 30, 2016, is shown below:

Governmental Activities	Adjusted Balance July 1, 2015	Additions/ Adjustments	Deductions	Balance June 30, 2016	Due Within One Year
Certificates of Participation (COP)					
2008 USDA RD Roads COP	$ 1,250,907	$ -	$ (67,136)	$ 1,183,771	$ 69,990
2010 USDA RD Library COP	485,174	-	(17,026)	468,148	17,707
Compensated Absences	160,727	111,558	(120,946)	151,339	50,446
Net Other Postemployment Benefits Obligation	864,547	50,144	(123,206)	791,485	-
Governmental Activities Long-Term Liabilities	$ 2,761,355	$ 161,702	$ (328,314)	$ 2,594,743	$ 138,143

Business-Type Activities	Adjusted Balance July 1, 2015	Additions/ Adjustments	Deductions	Balance June 30, 2016	Due Within One Year
Revenue Bonds					
1993 CSCDA Refunding Bonds	$ 57,433	$ -	$ (12,887)	$ 44,546	$ 13,822
1999 USDA RD Waste Water Expansion	5,477,298	-	(145,458)	5,331,840	150,185
2000 USDA RD Water Line Project	1,870,616	-	(49,079)	1,821,537	50,674
2004 USDA RD Waste Water Project	408,429	-	(7,754)	400,675	8,093
2012 Taxable Lease Revenue Refunding Bonds	1,650,000	-	(100,000)	1,550,000	105,000
Bond Issuance Discount	(40,026)	-	3,481	(36,545)	(3,481)
Total Revenue Bonds	9,423,750	-	(311,697)	9,112,053	324,293
Certificates of Participation (COP)					
2007 USDA RD Wellness Center COP	2,146,012	-	(39,821)	2,106,191	41,513
Lindsay Olive Growers Pond Closure Cost Liability	2,570,981	-	-	2,570,981	-
Compensated Absences	68,807	53,059	(73,646)	48,220	16,073
Net Other Postemployment Benefits Obligation	769,318	273,264	(36,606)	1,005,976	-
Business-Type Activities Long-Term Liabilities	$ 14,978,868	$ 326,323	$ (461,770)	$ 14,843,421	$ 381,879

NOTE 9 – RETIREMENT PLANS

Plan Descriptions

The City contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments (COLA), and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of CalPERS' annual financial report may be obtained from their Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Participants hired before January 1, 2011, (Classic 1st Tier) are required to contribute 4% (of the 8% employer paid member contribution (EPMC) - Misc / 9% EPMC - Safety) of their annual covered salary; participants hired after January 1, 2011, but before January 1, 2013, (Classic 2nd Tier) are required to contribute the entire EPMC per their employee group; and participants hired after January 1, 2013, are subject to the new California Public Employees' Pension Reform Act (PEPRA) regulations which sets the EPMC rates at 6.25% for Miscellaneous and 11.5% for Safety with no tax deferred option. The City makes the contributions required of City employees, per the previous statement, on their behalf and for their account. The City is required to contribute at an actuarially determined rate of annual covered payroll: The rate for the fiscal year ended June 30, 2016, was 25.43% for Classic non-safety employees, 22.65% for PEPRA employees, and 25.43% for Classic safety employees. The contribution of plan members and the City are established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2015-16, the City's annual pension cost was $636,979 and was equal to the City's required and actual contributions. The required contribution for fiscal year 2015-16 was determined as part of the June 30, 2015, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: (a) 7.5% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% for miscellaneous and safety plan members; and (c) 2% COLA. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of the plans' assets was determined using a technique that smoothes the effects of short-term volatility in the market value of investments over a five-year period. The Miscellaneous Plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2016, was 30 years for the Miscellaneous Plan and 30 years for the Safety Plan.

Three Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
Miscellaneous Plan	6/30/2014	$ 472,858	100%
	6/30/2015	$ 447,054	100%
	6/30/2016	$ 351,190	100%
Safety Plan	6/30/2014	$ 456,601	100%
	6/30/2015	$ 312,039	100%
	6/30/2016	$ 285,789	100%

NOTE 9 – RETIREMENT PLANS (Continued)

Net Pension Liability and Actuarial Methods and Assumptions

The City's net pension liability for each Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the plans is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Cost Method	Age-Entry Normal
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation Rate	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.5% (a)
Mortality Rate Table (b)	CalPERS Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

(a) Net Pension Plan Investment and Administrative Expenses; includes inflation.
(b) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increases and mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.5% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.5% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB Statement No. 68 section.

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.5% investment return assumption used in this accounting valuation excludes administrative expenses. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the agent multiple employer plan.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require CalPERS Board of Administration action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statements No. 67 and No. 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as CalPERS has changed its methodology.

NOTE 9 – RETIREMENT PLANS (Continued)

Discount Rate (Continued)

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.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

(a) An expected inflation of 2.5% used for this period
(b) An expected inflation of 3.0% used for this period

Miscellaneous Plan

Changes in Net Pension Liability

The change in the Net Pension Liability recognized over the measurement period is as follows:

Miscellaneous Plan	Total Pension Liability (1)	Increase in Plan Fiduciary Net Position (2)	Net Pension Liability/(Asset) (3)=(1) - (2)
Balance at June 30, 2014 (a)	$ 15,075,447	$ 11,607,456	$ 3,467,991
Net Changes during 2014-15	(374,791)	(941,326)	566,535
Balance at June 30, 2015 (a)	$ 14,700,656	$ 10,666,130	$ 4,034,526

(a) The plan fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary, self-insurance, and other postemployment benefits expense. This may be different from the plan assets reported in the funding actuarial valuation report.

NOTE 9 – RETIREMENT PLANS (Continued)

Miscellaneous Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Miscellaneous Plan	Discount Rate - 1% (6.5%)	Current Discount Rate (7.5%)	Discount Rate + 1% (8.5%)
Plan's Net Pension Liability / (Asset)	$ 6,766,182	$ 4,034,526	$ 1,779,227

Recognition of Gains and Losses

Under GASB Statement No. 68, gains and losses related to changes in total pension liability and plan fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year in which the gain or loss occurs. The remaining amounts are categorized as deferred outflows of resources and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss. For differences between projected and actual earnings, it is a five year straight-line amortization. All other amounts are amortized using straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the plan for the 2015-16 measurement period is 3.8 years, which was obtained by dividing the total service years of 467,023 (the sum of remaining service lifetimes of the active employees) by 122,410 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

NOTE 9 – <u>RETIREMENT PLANS</u> (Continued)

Miscellaneous Plan (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

The City incurred a pension expense of $306,807 for the plan. Note that no adjustments have been made for contributions subsequent to the measurement date. Adequate treatment of any contributions made after the measurement date is the responsibility of the employer. The City's share of the Miscellaneous Risk Pool pension expense for the plan is developed in the table below.

Pension Expense Component	**Plan's Share**
Service Cost	$ 537,873
Interest on the Total Pension Liability	1,053,605
Changes of Benefit Terms	779
Recognized Changes of Assumptions	(102,203)
Recognized Differences between Expected and Actual Experience	10,803
Net Plan to Plan Resource Movement	(105,012)
Employee Contributions (a)	(247,258)
Projected Earnings on Pension Plan Investments	(794,931)
Recognized Differences between Projected and Actual Earnings	(66,471)
Administrative Expense	19,621
Pension Expense/(Income)	$ 306,807

(a) This line represents the plan's share of the risk pool's total employee contributions. This figure may not match the actual contributions made by employees participating in the plan.

As of June 30, 2015, the City had deferred outflows of resources related to pensions of $368,954 for contributions made subsequent to the measurement date. Amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized in future pension revenue and expenses amortized annually at $(96,039), $(96,039), $(82,570), and $(28,692) over the next four fiscal years.

Safety Plan

Changes in Net Pension Liability

The change in the Net Pension Liability recognized over the measurement period is as follows:

Safety Plan	Total Pension Liability (1)	Increase in Plan Fiduciary Net Position (2)	Net Pension Liability/(Asset) (3)=(1) - (2)
Balance at June 30, 2014 (a)	$ 12,668,374	$ 9,920,158	$ 2,748,216
Net Changes during 2014-15	487,998	575,683	(87,685)
Balance at June 30, 2015 (a)	$ 13,156,372	$ 10,495,841	$ 2,660,531

(a) The plan fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary, self-insurance, and other postemployment benefits expense. This may be different from the plan assets reported in the funding actuarial valuation report.

NOTE 9 – RETIREMENT PLANS (Continued)

Safety Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Safety Plan	Discount Rate - 1% (6.5%)	Current Discount Rate (7.5%)	Discount Rate + 1% (8.5%)
Plan's Net Pension Liability / (Asset)	$ 4,265,743	$ 2,660,531	$ 1,344,285

Recognition of Gains and Losses

Under GASB Statement No. 68, gains and losses related to changes in total pension liability and plan fiduciary net position are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year in which the gain or loss occurs. The remaining amounts are categorized as deferred outflows of resources and deferred inflows of resources related to pensions and are to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss. For differences between projected and actual earnings, it is a five year straight-line amortization. All other amounts are amortized using straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the plan for the 2015-16 measurement period is 3.8 years, which was obtained by dividing the total service years of 467,023 (the sum of remaining service lifetimes of the active employees) by 122,410 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

NOTE 9 – <u>RETIREMENT PLANS</u> (Continued)

Safety Plan (Continued)

<u>Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions</u>

The City incurred a pension expense of $170,710 for the plan. Note that no adjustments have been made for contributions subsequent to the measurement date. Adequate treatment of any contributions made after the measurement date is the responsibility of the employer. The City's share of the Safety Risk Pool pension expense for the plan is developed in the table below.

Pension Expense Component	**Plan's Share**
Service Cost	$ 262,069
Interest on the Total Pension Liability	947,730
Changes of Benefit Terms	-
Recognized Changes of Assumptions	(62,628)
Recognized Differences between Expected and Actual Experience	(13,617)
Net Plan to Plan Resource Movement	449
Employee Contributions (a)	(95,000)
Projected Earnings on Pension Plan Investments	(791,182)
Recognized Differences between Projected and Actual Earnings	(88,587)
Administrative Expense	11,475
Pension Expense/(Income)	$ 170,710

(a) This line represents the plan's share of the risk pool's total employee contributions. This figure may not match the actual contributions made by employees participating in the plan.

As of June 30, 2015, the City had deferred outflows of resources related to pensions of $357,088 for contributions made subsequent to the measurement date. Amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized in future pension revenue and expenses amortized annually at $(73,955), $(73,955), $(62,719), and $(17,775) over the next four fiscal years.

NOTE 10 – <u>HOUSING AND COMMUNITY DEVELOPMENT LOAN PROGRAM</u>

The City uses Housing and Community Development Block Grant funds to provide housing rehabilitation loans and HOME Investment Partnerships Program (HOME) grant funds to provide first-time homebuyer assistance loans and housing rehabilitation loans to eligible applicants. Rehabilitation loans are used to improve, rehabilitate, or replace residences. All loans are made to low and moderate income persons or landlords benefiting these same persons. The City accounts for this program in the Community Development Fund. This fund's primary assets consist of notes receivable from participants, which originated from U.S. Department of Housing and Urban Development (HUD) funds. Since HUD has a claim to any funds remaining when the program is terminated, a fund equity reserve has been recorded for monies received not used in program management in the Community Development Fund.

NOTE 11 – JOINT VENTURE – SELF-INSURANCE PROGRAM

The City is a member of the Central San Joaquin Valley Risk Management Authority (CSJVRMA). CSJVRMA is a consortium of fifty-four (54) cities in the San Joaquin Valley, California, established under the provisions of California Government Code Section 6500, et seq. CSJVRMA provides risk coverage for its members through the pooling of risks and purchased insurance. This coverage extends to workers' compensation and general liability. CSJVRMA is governed by a board consisting of one board member appointed by each member agency and meets three to four times a year. The board has contracted with a management group to supervise and conduct CSJVRMA affairs.

The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

In the event of termination and after all claims have been settled, any excess or deficit will be divided among the agencies in accordance with an approved formula.

General Liability Insurance: Annual deposits are paid by member cities and are adjusted retrospectively to cover costs. The City is covered for the first $1,000,000 of each general liability claim. The City has the right to receive dividends or the obligation to pay assessments based on a formula, which among other expenses, charges the City's account for liability under $25,000. CSJVRMA participates in an excess pool that provides general liability coverage from $1,000,000 to $10,000,000.

Workers' Compensation: The workers' compensation program includes pooling of retained losses plus excess insurance. Annual deposits are paid by member cities and are adjusted retrospectively on an annual basis to cover costs and reflect claims experience of both the individual member and the pool. The City is covered for the first $250,000 of each workers' compensation claim through CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula, which among other expenses, charges the City's account for workers' compensation losses under $250,000. CSJVRMA participates in an excess pool that provides workers' compensation coverage from $250,000 to $500,000 and purchases excess insurance above the statutory imit.

There have been no significant changes in insurance coverage as compared to last year, and settlements have not exceeded coverage in each of the past three fiscal years.

NOTE 12 – POST-RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN

Plan Description

The City provides continuation of medical, dental, and vision coverage to qualifying retiring employees as described below:

- **Access to coverage:** This coverage is available for employees who retire from the City and:

    - Meet the requirements for CalPERS service or disability retirement (i.e., retirement at age 50 or older with 5 years of CalPERS membership or an approved disability retirement);
    - Have completed 15 or more years of continuous service with the City; and
    - Have not yet reached age 65.

NOTE 12 – POST-RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN (Continued)

Plan Description (Continued)

- **Benefits provided:** For qualifying retirees, the City will contribute 3.5% of the employee-only portion of medical, dental, and/or vision plan premiums for each year of City service, as follows:

Continuous Years of City Service	Percent of Employee-Only Premium Paid	Continuous Years of City Service	Percent of Employee Only Premium Paid	Medical	Dental	Vision
				$ 1,039.31	$ 36.32	$ 5.80
Less than 15	0.0%	22	77.0%			
15	52.5%	23	80.5%	Rates are per month as of January 1, 2016		
16	56.0%	24	84.0%			
17	59.5%	25	87.5%			
18	63.0%	26	91.0%			
19	66.5%	27	84.5%			
20	70.0%	28	98.0%			
21	73.5%	29 or more	100.0%			

  The retiree may choose to cover his or her dependents, but is responsible for paying 100% of the additional premium amounts for dependent coverage.

- There are currently 4 retirees receiving these health care benefits which account for current year $19,613 Explicit Subsidy + $32,143 Implicit Subsidy for $51,756 of the total current year benefit of $51,756 per the actuarial report (Future Retiree Implicit Subsidy is $1,993).

- The claims experience of active and retired members is co-mingled in setting premium rates for the plans in which City employees and retirees participate which results in an “implicit subsidy”:

  - The valuation report performed by Bickmore Risk Services & Consulting includes cost analysis for an implicit subsidy – same premium rates for retirees as active employees which provide a lower premium rate for retiree(s) than if rated separately from younger and healthier active employees.
  - Paragraph 13.a of GASB Statement No. 45 generally requires an implicit subsidy of retiree premium rates be valued as an other postemployment benefits (OPEB) liability.

Funding Policy and Actuarial Assumptions

The City’s funding policy for the plan is to fund benefits on a pay-as-you-go basis. The annual required contribution was determined as part of the July 1, 2014 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued:

Actuarial Accrued Liability	Past Years’ Costs
plus the Normal Cost	Current Year’s Costs
plus Present Value of Future Normal	Future Years’ Costs
equals Present Value of Future Benefits	Total Benefit Costs

NOTE 12 – POST-RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN (Continued)

Funding Policy and Actuarial Assumptions (Continued)

In selecting an appropriate discount rate as part of the actuarial assumptions, GASB states that the discount rate should be based on the expected long-term yields of investments used to finance benefits. No OPEB trust has yet been established so there are no funds invested. The City approved calculation of liabilities on a pay-as-you-go basis used a 4.0% discount rate based on the non-funded status. Additional actuarial assumptions included a 3.25% projected annual salary increase, a 9% inflation rate, and a 9.5% health inflation increase. The actuarial methods and assumptions used include techniques that are designed to reduce the short-term volatility in actuarial accrued liability. Actuarial calculations reflect a long-term perspective and actuarial calculations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2015, the date of the actuarial valuation, is 26 years.

Note: The City will seek to eliminate this benefit for all new hires subsequent to July 1, 2013, which will substantially limit and eventually eliminate this liability, but until this is achieved the current and future calculations and assumptions are based on the current plan as-is.

The City did set aside, within its General Fund, the amount of $22,500 for payment of *explicit* costs for the fiscal year-end June 30, 2016, and will calculate, based on current and immediate participation, the explicit cost to be set aside within the annual City budget equal to one year's explicit subsidy benefit. Accounting principles generally accepted in the United States of America permit assets to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such assets are placed in an irrevocable trust or equivalent arrangement. Since the City's contribution did not meet this requirement, the assets have been excluded from the actuarial study and calculation. This funding policy means that the City contributions are considered to be on a pay-as-you-go basis. As a result, the City has calculated and recorded the Net OPEB Obligation, representing the difference between the annual required contribution and the pay-as-you-go contributions as presented below.

Summary of employer contributions for OPEB is as follows:

Fiscal Year Ended	Annual Required Contribution (ARC)	Employer Actual Contribution*	Percentage of ARC Contributed	Net OPEB Obligation (Asset)
6/30/2013	$ 355,664	$ 61,569	17%	$ 1,196,436
6/30/2014	$ 362,123	$ 102,760	28%	$ 1,455,799
6/30/2015	$ 232,076	$ 63,210	27%	$ 1,633,865
6/30/2016	*$ 250,530*	*$ 71,686*	*29%*	*$ 1,797,461*

** Includes the projected value of the current year's implicit subsidy of retiree premiums.*

Italicized values above are estimates which may change if contributions are other than projected.

NOTE 12 – POST-RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN (Continued)

Funding Policy and Actuarial Assumptions (Continued)

OPEB cost for the year ended June 30, 2016, is as follows:

Annual required contribution	$ 250,530
Interest on net OPEB obligation	64,987
Adjustments to annual required contribution	(80,235)
Annual OPEB cost	235,282
Contributions made	(71,686)
Change in net OPEB obligation (asset)	163,596
Net OPEB obligation (asset) - beginning of year	1,633,865
Net OPEB obligation (asset) - end of year	$ 1,797,461

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Service Employees International Union (SEIU) Settlement

In August of 2015 the City enacted a furlough program, which cost employees approximately 10% of their monthly check, to save costs due to cash flow issues. As a result of this furlough program, the SEIU brought suit to the City. The City settled with SEIU and agreed to pay 60% of the total furlough taken by employees in 2015 in the form of accumulated compensation time. Employees will be able to use the accumulated compensation time beginning January 1, 2017. The accumulated time cannot be cashed out by employees.

Remediation Liability

The City's Sewer Fund is responsible for the contamination of two water basins at the City's sewer plant. The preliminary cost of the clean up referred to as the Lindsay Olive Growers (LOG) Pond Closure liability is estimated at $2,570,981. This amount has been accrued as of June 30, 2016. However, additional amounts might be needed in the future in order to clean up the site, and the issue will be reviewed in fiscal year 2016-17 to ascertain if any additional amounts should be accrued.

Budgetary Concerns – Cash Overdraft

McDermont Sports Complex has a large cash deficit which is attributable to previous years' activity wherein revenues fell far short of expenditures. McDermont Sports Complex has a current year operating loss of $1,082,622. While the losses have been reduced under the new administration, that department continues to challenge the City's financial well being, and unfortunately, the revenues continue to fall short of operational costs, thus the note of concern.

NOTE 14 – RELATED PARTY TRANSACTIONS

The City has entered into various loan agreements with City employees and relatives of City employees, under its First-Time Homebuyer and Micro-Loan Programs. The various loan types provided included Deferred Payment Loans (DPL), Deferred No Interest Loans (DNIL), No Interest Loans (NIL), and Below Market Interest Rate Loans (BMIR). Note, the amounts below increased from the prior year due to incomplete data in the prior year. Detail of these related party transactions is provided below:

	June 30, 2016
RELATED PARTY LOANS	
Employee Loans	
Deferred Payment Loans	$ 1,177,351
Deferred No Interest Loans	112,395
No Interest Loans	5,580
Below Market Interest Rate Loans	106,546
Total Employee Loans	1,401,872
Loans to Employees' Relatives	
Deferred Payment Loans	773,950
Deferred No Interest Loans	122,394
No Interest Loans	14,930
Below Market Interest Loans	254,632
Total Loans to Employees' Relatives	1,165,906
Total All Related Party Loans	$ 2,567,778

NOTE 15 – SUBSEQUENT EVENTS

In accordance with accounting standards generally accepted in the United States, subsequent events have been evaluated through April 21, 2017, the date in which the financial statements have been issued. No additional items have come forward.

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

	Governmental Activities	Business-Type Activities
Net position at July 1, 2015, as previously stated	$ 26,053,470	$ 19,621,908
To reconcile liability accounts	(90,577)	(80,082)
To reconcile cash	43,768	-
Total prior period adjustment	(46,809)	(80,082)
Net position at July 1, 2015, as restated	$ 26,006,661	$ 19,541,826

NOTE 16 – PRIOR PERIOD ADJUSTMENTS (Continued)

	Governmental Funds						
	General Fund	Community Development	Local Transportation Tax Fund	Special Assessment	Gas Tax	Total	Fiduciary Fund
Fund balance at July 1, 2015, as previously stated	$ 5,121,704	$ 3,442,915	$ 907,264	$ 24,472	$ 586,225	$ 10,082,580	$ (14,557,072)
To reconcile liability accounts	(88,238)	512	(174)	(659)	(2,018)	(90,577)	-
To reconcile cash	43,768					43,768	-
Write-off of Housing Program Loan	-	-	-	-	-	-	(374,080)
Total prior period adjustment	(44,470)	512	(174)	(659)	(2,018)	(46,809)	(374,080)
Fund balance at July 1, 2015, as restated	$ 5,077,234	$ 3,443,427	$ 907,090	$ 23,813	$ 584,207	$ 10,035,771	$ (14,931,152)

	Enterprise Funds					
	Water Fund	Sewer Fund	McDermont Sport Complex Fund	Refuse Fund	Wellness Center Fund	Total
Fund balance at July 1, 2015, as previously stated	$ 8,116,498	$ 4,538,325	$ 1,443,810	$ (203,909)	$ 5,727,184	$ 19,621,908
To reconcile liability accounts	(5,673)	(7,690)	(44,241)	(2,383)	(20,095)	(80,082)
Fund balance at July 1, 2015, as restated	$ 8,110,825	$ 4,530,635	$ 1,399,569	$ (206,292)	$ 5,707,089	$ 19,621,908

NOTE 17 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2016, expenditures exceeded appropriations in the individual major funds as follows:

Fund	Appropriations Category	Excess Expenditures
General Fund	General government	$ 609,356
	Streets and transportation	65,412
	Debt service:	
	Interest and administrative charges	18,691
	Capital outlay	965,520
Community Development	Community development	460,015
Local Transportation Fund	Streets and transportation	104,604
	Debt service:	
	Principal	657

NOTE 18 – GOING CONCERN

The accompanying financial statements have been prepared assuming the City will continue as a going concern.

The City shows a cash overdraft in various proprietary funds and $1,082,622 operating loss in the McDermont Sport Complex Fund during the year ended June 30, 2016. The City has also carried “due to and due from other funds” and “advance to and advance from” balances spreading over various years that cannot be paid back as the City’s funds lack the necessary financial resources to repay such balances. These create a substantial doubt about the City’s ability to continue as a going concern for the year following the date the financial statements are available to be issued. Management of the City has evaluated these conditions and has proposed a plan to increase collections on receivables. The ability of the City to continue as a going concern and meet its obligations as they become due is dependent on the City’s ability to develop and implement a plan that will successfully increase cash flows. The financial statements do not include any adjustments that might be necessary if the City is unable to continue as a going concern.

NOTE 19 – FUND BALANCE

	General Fund	Community Development Fund	Local Transportation Fund	Other Governmental Funds	Total
Fund balances:					
Nonspendable:					
Receivables	$ 385,476	$ 99	$ 40,886	$ 13,587	$ 440,048
Advances	11,078,775	-	-		11,078,775
Restricted for:					
Note receivable	17,547	-	-	2,102	19,649
Road construction and maintenance	-	151,319	627,744	197,880	976,943
Community development	-	2,969,550	-	-	2,969,550
Restricted cash	52,714	-	-	14,470	67,184
Committed to:					
General Fund	-	80,000	-	-	80,000
Road construction and maintenance	-	158,884	245,000	-	403,884
Wellness Center	40,000	-	-	-	40,000
Debt service	107,283	73,566	123,240	-	304,089
McDermont Sports Complex	290,000	-	-	-	290,000
Construction projects	-	850,000	-	-	850,000
Curb and gutter	-	-	-	14,078	14,078
Assigned to:					
Transit Fund	-	-	-	7,011	7,011
Special assessments	-	-	-	24,618	24,618
Gas tax	-	-	-	298,492	298,492
Unassigned:	(6,649,910)	-	-	-	(6,649,910)
Total fund balances	$ 5,321,885	$ 4,283,418	$ 1,036,870	$ 572,238	$ 11,214,411

NOTE 20 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26 (the Bill) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the City that previously had reported a redevelopment agency blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the county or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the Lindsay City Council adopted a resolution affirming that the City would serve as the successor agency to the former Lindsay Redevelopment Agency (the Agency).

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations, or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies are only to be allocated tax increment revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

NOTE 20 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities as of February 1, 2012.

After the date of dissolution, as allowed under Section 341716(a) of the Bill, the City elected to transfer the housing assets and functions previously performed by the Agency. The remaining assets, liabilities, and activities of the dissolved Agency are reported in the Successor Agency fiduciary fund (private-purpose trust fund) in the financial statements of the City.

Successor Agency Long-Term Debt

In accordance with the provisions of the Bill and the court case, the obligations of the former redevelopment agency became vested with the funds established for the successor agency upon the date of dissolution, February 1, 2012. Tax increment revenue is pledged to fund the debts of the Successor Agency Trust subject to the reapportionment of such revenues as provided by the Bill.

The debt of the Successor Agency Trust as of June 30, 2016, is as follows:

	Successor Agency Trust	
Year Ending June 30,	Principal	Interest
2017	$ 470,000	$ 499,856
2018	545,000	489,131
2019	560,000	475,006
2020	580,000	458,206
2021	4,453,695	438,731
2022-2026	3,282,662	1,837,431
2027-2031	3,095,000	1,310,716
2032-2036	3,670,000	706,300
2037-2041	1,685,000	68,100
Total	$ 18,341,357	$ 6,283,477

NOTE 20 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

Successor Agency Long-Term Debt (Continued)

Tax Allocation Bonds Payable

On June 1, 2015, the Successor Agency refunded the 2005, 2007, and 2008 tax allocation bonds in the amounts of $3,925,000, $6,895,000, and $3,270,000, respectively, with the refunding issue of 2015 in the amount of $13,000,000. The bonds have principal payments each August 1 through 2037 and accrue interest at 3.0% – 5.0%, which is payable semiannually. The bonds are payable solely from pledged tax revenues allocated and paid to the Successor Agency from properties in the project area. As of June 30, 2016, the balance on the bonds was $13,000,000.

Notes Payable

On March 30, 2004, the Agency entered into a loan agreement with the California Housing Finance Agency (CalHFA) for the purpose of assisting the Agency in operating a local housing program through the CalHFA HELP program. The loan is in the amount of $1,250,000, bears a simple annual interest rate of 3.0%, and repayment of principal and interest is deferred for a term of 10 years from date of the note. On August 21, 2015, the Successor Agency obtained a second amendment to the original loan extending the unpaid balance due date to August 21, 2025. As of June 30, 2016, there remained an unpaid balance due on the CalHFA HELP loan of $1,122,662.

On August 7, 2007, the Agency entered into a loan agreement with CalHFA for the purpose of assisting the Agency in operating a local housing program through the CalHFA Residential Development Loan Program (RDLP). The loan is in the amount of $3,690,000, bears a simple annual interest rate of 3.0%, and repayment of principal and interest is deferred for a term of 5 years from date of the note. On August 21, 2015, the Successor Agency obtained a third amendment to the original loan extending the unpaid balance due date to May 7, 2021. As of June 30, 2016, there remained an unpaid balance due on the CalHFA loan of $4,218,695.

Changes in Long-Term Liabilities

Successor Agency long-term liabilities activity for the fiscal year ended June 30, 2016, was as follows:

Successor Agency Trust Activities:	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Bonds payable					
2015 Tax Allocation Refunding Bond	$ 13,000,000	$ -	$ -	$ 13,000,000	$ 320,000
Total bonds payable	13,000,000	-	-	13,000,000	320,000
Notes payable					
CalHFA - RDLP Loan	3,690,000	553,695	(25,000)	4,218,695	50,000
CalHFA - HELP Loan	1,250,000	139,444	(266,782)	1,122,662	100,000
Total notes payable	4,940,000	-	(291,782)	5,341,357	150,000
Total Successor Agency Trust Activities	$ 17,940,000	$ -	$ (291,782)	$ 18,341,357	$ 470,000

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LINDSAY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Property taxes	$ 387,250	$ 387,250	$ 377,934	$ (9,316)
Other taxes	2,609,750	2,609,750	3,714,891	1,105,141
Licenses and permits	145,540	145,540	356,595	211,055
Intergovernmental	188,846	188,846	514,309	325,463
Charges for services	-	-	24,208	24,208
Fees and fines	-	-	41,859	41,859
Interest revenue	-	-	2,334	2,334
Other revenue	86,400	86,400	163,515	77,115
Total revenues	3,417,786	3,417,786	5,195,645	1,777,859
EXPENDITURES				
Current:				
General government	776,600	776,600	1,385,956	(609,356)
Public safety	2,365,297	2,365,297	2,275,634	89,663
Parks and recreation	268,163	268,163	219,251	48,912
Public works	401,050	401,050	383,418	17,632
Streets and transportation	158,884	158,884	224,296	(65,412)
Debt service:				
Principal	52,422	52,422	17,026	35,396
Interest and administrative charges	21,144	21,144	39,835	(18,691)
Capital outlay	15,800	15,800	981,320	(965,520)
Total expenditures	4,059,360	4,059,360	5,526,736	(1,467,376)
Excess (deficiency) of revenues over (under) expenditures	(641,574)	(641,574)	(331,091)	310,483
OTHER FINANCING SOURCES (USES)				
Sale of land	121,474	121,474	130,559	9,085
Transfers in	-	-	1,954,400	1,954,400
Transfers out	-	-	(1,509,217)	(1,509,217)
Total other financing sources (uses)	121,474	121,474	575,742	454,268
Net change in fund balance	$ (520,100)	$ (520,100)	244,651	$ 764,751
Fund balance - beginning			5,121,704	
Prior period adjustment			(44,470)	
Fund balance - ending			$ 5,321,885	

CITY OF LINDSAY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Note collections	$ -	$ -	$ 857,336	$ 857,336
Intergovernmental	-	-	408,569	408,569
Interest revenue	-	-	45,368	45,368
Other revenue	-	-	45	45
Total revenues	-	-	1,311,318	1,311,318
EXPENDITURES				
Current:				
Community development	-	-	460,015	(460,015)
Total expenditures	-	-	460,015	(460,015)
Excess (deficiency) of revenues over (under) expenditures	-	-	851,303	851,303
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(11,312)	(11,312)
Total other financing sources (uses)	-	-	(11,312)	(11,312)
Net change in fund balance	$ -	$ -	839,991	$ 839,991
Fund balance - beginning			3,442,915	
Prior period adjustment			512	
Fund balance - ending			$ 4,283,418	

CITY OF LINDSAY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
LOCAL TRANSPORTATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	$ 809,000	$ 809,000	$ 1,171,294	$ 362,294
Interest revenue	250	250	230	(20)
Total revenues	809,250	809,250	1,171,524	362,274
EXPENDITURES				
Current:				
Streets and transportation	33,376	33,376	137,980	(104,604)
Debt service:				
Principal	66,479	66,479	67,136	(657)
Interest and administrative charges	56,270	56,270	54,780	1,490
Total expenditures	156,125	156,125	259,896	(103,771)
Excess (deficiency) of revenues over (under) expenditures	653,125	653,125	911,628	258,503
OTHER FINANCING USES				
Transfers out	(767,750)	(767,750)	(781,848)	(14,098)
Total other financing uses	(767,750)	(767,750)	(781,848)	(14,098)
Net change in fund balance	$ (114,625)	$ (114,625)	129,780	$ 244,405
Fund balance - beginning			907,264	
Prior period adjustment			(174)	
Fund balance - ending			$ 1,036,870	

CITY OF LINDSAY
REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2016

2016	Miscellaneous	Safety
Proportion of the Net Pension Liability	0.10778%	0.07256%
Proportionate Share of the Net Pension Liability	$ 4,034,526	$ 2,660,531
Covered-Employee Payroll	$ 1,512,757	$ 1,176,514
Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	266.70%	226.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.56%	79.78%
Plan's Proportionate Share of Aggregate Employer Contributions	$ 368,950	$ 357,088

2015	Miscellaneous	Safety
Proportion of the Net Pension Liability	0.05573%	0.04417%
Proportionate Share of the Net Pension Liability	$ 3,467,991	$ 2,748,216
Covered-Employee Payroll	$ 1,558,140	$ 1,211,810
Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	222.57%	226.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.00%	78.31%
Plan's Proportionate Share of Aggregate Employer Contributions	$ 313,885	$ 280,851

* Amounts presented above were determined as of June 30. Additional years will be presented as they become available.

CITY OF LINDSAY
REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF THE CITY'S CONTRIBUTIONS
JUNE 30, 2016

2016	Miscellaneous	Safety
Contractually Required Contribution (Actuarially Determined)	$ 368,950	$ 357,088
Contributions in Relation to the Actuarially Determined Contributions	(368,950)	(357,088)
Contribution Deficiency (Excess)	$ -	$ -
Covered-Employee Payroll	$ 1,512,757	$ 1,176,514
Contributions as a Percentage of Covered-Employee Payroll	24.39%	15.79%

2015	Miscellaneous	Safety
Contractually Required Contribution (Actuarially Determined)	$ 351,972	$ 348,935
Contributions in Relation to the Actuarially Determined Contributions	(351,972)	(348,935)
Contribution Deficiency (Excess)	$ -	$ -
Covered-Employee Payroll	$ 1,588,140	$ 1,211,810
Contributions as a Percentage of Covered-Employee Payroll	22.59%	28.79%

* Amounts presented above were determined as of June 30. Additional years will be presented as they become available.

CITY OF LINDSAY
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS (OPEB)
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2014	$ -	$ 2,063,929	$ 2,063,929	0%	$ 2,766,980	74.59%

SUPPLEMENTARY INFORMATION

CITY OF LINDSAY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	Special Revenue			Capital Projects	
	Special Assessment Districts	Gas Tax	Transit	Curb and Gutter	Total Non-Major Governmental Funds
Assets					
Cash and cash equivalents	$ 22,952	$ 525,312	$ 7,011	$ 16,380	$ 571,655
Accounts receivable - net	-	-	-	1,273	1,273
Notes receivable	-	-	-	2,102	2,102
Due from other governments	12,370	-	-	-	12,370
Other assets	2,594	-	-	-	2,594
Total assets	$ 37,916	$ 525,312	$ 7,011	$ 19,755	$ 589,994
Liabilities					
Accounts and other payables	$ -	$ 11,938	$ -	$ 200	$ 12,138
Accrued wages	984	2,532	-	-	3,516
Unearned revenue	-	-	-	2,102	2,102
Total liabilities	984	14,470	-	2,302	17,756
Fund balances					
Total	36,932	510,842	7,011	17,453	572,238
Total fund balances	36,932	510,842	7,011	17,453	572,238
Total liabilities and fund balances	$ 37,916	$ 525,312	$ 7,011	$ 19,755	$ 589,994

CITY OF LINDSAY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Special Revenue			Capital Projects	
	Special Assessment Districts	Gas Tax	Transit	Curb and Gutter	Total Non-Major Governmental Funds
REVENUES					
Note collections	$ -	$ -	$ -	$ 8,397	$ 8,397
Other taxes	71,927	-	-	-	71,927
Licenses and permits	-	-	-	820	820
Intergovernmental	-	402,464	-	-	402,464
Interest revenue	-	288	-	-	288
Other revenue	-	-	332	-	332
Total revenues	71,927	402,752	332	9,217	484,228
EXPENDITURES					
Current:					
General government	35,154	-	-	15,598	50,752
Parks and recreation	23,654	-	-	-	23,654
Streets and transportation	-	289,791	-	-	289,791
Total expenditures	58,808	289,791	-	15,598	364,197
Excess (deficiency) of revenues over (under) expenditures	13,119	112,961	332	(6,381)	120,031
OTHER FINANCING USES					
Transfers out	-	(186,326)	(21,894)	-	(208,220)
Total other financing uses	-	(186,326)	(21,894)	-	(208,220)
Net change in fund balances	13,119	(73,365)	(21,562)	(6,381)	(88,189)
Fund balances - beginning	24,472	586,225	28,573	23,834	663,104
Prior period adjustment	(659)	(2,018)	-	-	(2,677)
Fund balances - ending	$ 36,932	$ 510,842	$ 7,011	$ 17,453	$ 572,238

BROWN
ARMSTRONG

CERTIFIED
PUBLIC
ACCOUNTANTS

BAKERSFIELD OFFICE
(MAIN OFFICE)
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE
7673 N. INGRAM AVENUE
SUITE 101
FRESNO, CA 93711
TEL 559.476.3592
FAX 559.476.3593

PASADENA OFFICE
260 S. LOS ROBLES AVENUE
SUITE 310
PASADENA, CA 91101
TEL 626.204.6542

STOCKTON OFFICE
5250 CLAREMONT AVENUE
SUITE 150
STOCKTON, CA 95207
TEL 209.451.4833

BROWN ARMSTRONG
Certified Public Accountants

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, California

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, each major fund, and the aggregate remaining fund information of the City of Lindsay (the City), as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 21, 2017.

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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies, described in the accompanying summary schedule of findings and responses, to be material weaknesses: 2016-01 through 2016-04.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We noted no deficiencies to be significant deficiencies; all deficiencies described in the accompanying summary schedule of findings and responses are assessed as material weaknesses.

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*.

The City's Response to Findings

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

Purpose of this Report

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
April 21, 2017

CITY OF LINDSAY
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

2016-01: Cash Receipts

Criteria:

In accordance with Governmental Accounting Standards, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, or compliance with applicable laws and regulations.

Condition:

During our test of controls over the City of Lindsay's (the City) cash receipts, we noted five instances out of the 40 items tested where the City was not retrieving initials from both the Finance Department and a McDermont official on their reconciliations for the McDermont Field House Sports and Recreation Center (McDermont) cash receipts.

Cause of Condition:

In four instances we noted that the City was not sending McDermont cash receipt reconciliations to the Finance Department for review. We also noted one instance where the reconciliation was not being reviewed by a McDermont official. McDermont cash receipts require initials from both the Finance Department and a McDermont official indicating that the reconciliation has been reviewed for both parties for accuracy.

Effect of Condition:

The City is not properly applying controls over cash receipts which could result in cash not being accounted for and deposited into accounts.

Recommendation:

We recommend that the City implement proper controls over reviewing McDermont cash receipts so as to prevent any discrepancies in reconciliations.

Management's Response:

The City has instituted proper controls over reviewing McDermont cash receipts to ensure both the Finance Department and McDermont officials review and approve the cash reconciliations.

2016-02: Segregation of Duties

Condition:

We noted during the financial reporting process that the City's consultant (former Finance Director) handled most of the year-end closing procedures, including calculating and posting year-end accruals, preparation of final trial balance figures, reconciling due to/from and transfers in/out, and implementing new Governmental Accounting Standards Board (GASB) Statements.

Cause of Condition:

City staff lacks adequate knowledge of governmental accounting to ensure the accounting records are correctly stated for preparation of the financial statements. Currently, the City's consultant is the only City personnel with knowledge of governmental accounting.

Effect of Condition:

The Finance Director is able to conduct financial closing procedures with little oversight. This may result in the misstatement of financial information due to improper postings of journal entries or improper financial closing procedures. In addition, lack of governmental accounting knowledge by City personnel has resulted in late filing of the Comprehensive Annual Financial Report (CAFR).

Recommendation:

We recommend that the City either hire individuals with governmental accounting knowledge to aid in completing financial reporting duties or train current staff to obtain a basic understanding of governmental accounting. To improve segregation of duties, journal entries should be approved by someone other than the preparer of the entry.

Management's Response:

The City is providing extensive training for its Finance Department staff to educate and train department staff in governmental accounting to ensure proper separation of duties. Additionally, the City is considering an RFP for year-end closing services.

2016-03: Utility Billings

Criteria:

In accordance with Governmental Accounting Standards, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, or compliance with applicable laws and regulations.

Condition:

During our test of controls over the City's utility billing process, we noted an instance in which water consumption was not recorded.

Cause of Condition:

The City has not taken action to fix the broken meter and as a result discrepancies may occur.

Effect of Condition:

The City is not properly recording and/or applying authorized billing rates across all customer accounts which results in the under and over collection of utility billing revenue.

Recommendation:

We recommend the City take action to fix broken meters and closely monitor all meters to make sure they are working properly.

Management's Response:

The Auditor's recommendation is in line with the City's current practices. The City Service department currently replaces broken meters as quickly, efficiently, and systematically as possible with its staffing levels. It will continue its broken meter replacement program to ensure proper monitoring of all meters.

2016-04: Advances To/From and Due To/From

Criteria:

In accordance with Governmental Accounting Standards, advances to/from and due to/from other funds are expected to be repaid and used for specified purposes.

Condition:

While performing audit procedures over advances to/from, we noted that the total $16,300,000 advances to/from balance was composed of transactions outstanding for numerous years and are not expected to be repaid. Advances to/from funds were made that were intended to be used for other purposes. In addition, due to/ from funds in the amount of $6,300,000 occurred during the year. These amounts also will not all be repaid in one year.

Cause of Condition:

Due to the City's cash flow issues, prior management would advance funds from one fund to another in order to avoid showing negative cash balances. However, due to a current shortage of funds, the City has been unable to fix these improper advances made by prior management.

Effect of Condition:

Allowing advances to/from and due to/from transactions to remain on the balance sheet creates misleading fund balances. Advances to/from and due to/from transactions are intended to be repaid and used for specified purposes. As the City has cash flow issues, these amounts are not expected to be repaid.

Recommendation:

We recommend that the City advance funds to/from and due to/from other funds only if the funds are expected to be paid back and are used for specified purposes. We also recommend that the City seek legal advice from the City's legal counsel, or permission from the original funding source and State Controller's Office, to see if it can write off advances to/from and due to/from other funds as these will most likely not be repaid since the City does not have the financial resources to repay such amounts.

Management's Response:

The City recognizes the problems caused by prior management. The City will continue to work through this issue by seeking legal advice and seeking permission, where appropriate, to rectify issues caused by prior management.

2015-01: Notes Receivable

Criteria:

In accordance with Governmental Accounting Standards, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, and compliance with applicable laws and regulations.

Condition:

During our year-end audit procedures, we noted that, as of the date of fieldwork, the year-end reconciliation of notes receivable to the City of Lindsay's (the City) general ledger had not yet been completed. We noted that multiple material adjustments were required to arrive at the accurate and complete notes receivable balances as of June 30, 2015.

Cause of Condition:

During our walkthrough of the notes receivable process and testing, we noted the City does not reconcile notes receivable in a timely manner and was unable to reconcile certain differences.

Effect of Condition:

Although the City makes adjustments to bring notes receivable to its true balance, not reconciling notes receivable on a consistent, timely basis throughout the year allows errors to accumulate and delays the year-end closing and audit process.

Recommendation:

We recommend that the City reconcile notes receivable on a monthly basis, or at the very least quarterly, in order to mitigate errors found at year-end and improve the year-end closing procedures.

Management's Response:

Notes receivable have been updated and are now followed by two staff members. With the assistance of a new Finance Director, additional training in this area has already been implemented and the goal is to have proper record keeping and consistent reconciliations of said statements. The reconciliations are reviewed by the Finance Director quarterly, and monthly reconciliations are completed per the advice of the independent audit team.

Current Year Status:

Implemented.

2015-02: Segregation of Duties

Criteria:

In accordance with Governmental Accounting Standards, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, and compliance with applicable laws and regulations.

Condition:

While performing our audit procedures over cash, we noted that cash reconciliations were not being completed in a timely manner as the Finance Director was the only City personnel with adequate accounting knowledge required to complete the reconciliations. We also noted during the financial reporting process that the Finance Director handled most of the year-end closing procedures, including calculating and posting year-end accruals, preparation of final trial balance figures, reconciling due to/from and transfers in/out, and implementing new Governmental Accounting Standards Board (GASB) Statements.

Cause of Condition:

City staff lacks adequate knowledge of governmental accounting to ensure the accounting records are correctly stated for preparation of the financial statements. Currently, the Finance Director is the only City personnel with knowledge of governmental accounting.

Effect of Condition:

The Finance Director is able to prepare cash reconciliations and conduct financial closing procedures with little oversight. This may result in the misstatement of financial information due to improper postings of journal entries or improper financial closing procedures. In addition, lack of governmental accounting knowledge by City personnel has resulted in late filing of the Comprehensive Annual Financial Report (CAFR).

Recommendation:

We recommend that the City either hire individuals with governmental accounting knowledge to aid the Finance Director in completing financial reporting duties or train current staff to obtain a basic understanding of governmental accounting. To improve segregation of duties, cash reconciliations should be prepared by an individual other than the Finance Director, limiting the Finance Director's role to review and approval of reconciliations. In addition, journal entries should be approved by someone other than the preparer of the entry.

Management's Response:

The newly hired Finance Director brought previous staff familiar with cash reconciliation from another department to go backwards every month until properly reconciled. In addition, a depository account, in which only City funds received from all sources will be deposited, has been established. The goal is that only deposits are made in one account, and the exact amount of expenses will be transferred to the current General Fund Account which has been an issue with reconciliations. It is the intent of staff and the Finance Director to monitor the current General Fund Account to reconcile to zero while the depository account will retain only the monies received by the City which will be reconciled easily each month. By having two separate accounts, the chances of errors and improper reconciliation will be significantly reduced. In addition, temporary workers will be brought in to Finance to handle front counter operations while a full scale technology upgrade to Utility Billing Software is implemented, which will ultimately free up staff time in other capacities to further segregate the duties currently overlapped by a few individuals due to time constraints.

Current Year Status:

See Finding 2016-02.

2015-03: Financial Reporting

Criteria:

The City should design and implement internal controls over the financial reporting process to ensure the following: 1) that the general ledger undergoes adequate procedures to ensure the proper application of fiscal year cut-off, 2) that the general ledger fiscal year period is closed and related financial statement supporting schedules are prepared in a timely manner allowing for a more efficient audit, and 3) that the final trial balance figures are subject to sufficient management review so that balances are presented in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition:

During our fieldwork, we noted that the City did not have year-end closing procedures in place which would have allowed the financial statements to be issued in a timely manner. We noted that the closing procedures currently in place did not include a sufficient review of the information before it was provided to the external auditors. Based upon our audit, we noted there were several post-close adjustments made by the City. Adjustments made by management considered to be material to the financial statements were related to beginning fund balance/net position for prior period adjustments, accounts payable, accounts receivable, notes receivable, unearned revenue, capital assets, long-term debt, and revenue and expenditure/expense accounts. Also, during our testing of year-end cutoff procedures and over financial statement account balances, we proposed audit adjustments to properly state the year-end account balances of certain accounts in accordance with GAAP. All adjustments that were proposed during the current year audit were presented to management and subsequently posted to the financial statements.

Cause of Condition:

Internal controls have not been suitably designed and implemented over the financial reporting process to ensure timely closure of the general ledger and sufficient management supervision of this process that would result in reliable and materially correct ending account balances in accordance with GAAP. In addition, the City has not implemented training programs for staff with financial reporting responsibilities.

Effect of Condition:

Untimely closing and lack of financial statement preparation procedures resulted in final fieldwork for the City's audit being postponed. As a result, material adjustments were proposed and posted to the City's financial statements for the year ended June 30, 2015.

Recommendation:

We recommend that the City implement stronger policies and procedures to ensure that a comprehensive closing of the general ledger is performed in a timely manner and that sufficient resources and adequate oversight are available to oversee the City's year-end closing procedures and preparation of the financial statement supporting schedules. We also recommend that the City strengthen its year-end closing procedures to ensure that all transactions related to the fiscal year are properly captured and recorded in the general ledger to ensure the accuracy and completeness of the financial statements. Lastly, we recommend the City invest in training and cross-training programs for those employees with financial reporting responsibilities.

Management's Response:

With the newly hired Finance Director, a fiscal year roll up procedure has been placed in force. The policy is to encourage the City management and department managers to refrain from any spending 15 days prior to fiscal year close. This is to ensure that all payments will be properly coded, paid, and reconciled in a quick order post fiscal year. Further, particular expense needs of the City and staff are put on hold until the end of the fiscal year. This ensures that all checks are properly sent and hopefully cashed in a timely manner to effect a cleaner and more expedited closing process. Staff is hindered by other departments grant requirements, and new policies have been implemented with project management to ensure projects and grants are recognized and completed well in advance of the fiscal year close. Staff is encouraged to attend, and have been to, multiple California Public Employees Retirement System (CalPERS) trainings, and ongoing support for educational learning is provided to staff on an ongoing basis.

Current Year Status:

Implemented.

2015-04: Reconciling Accounts to Supporting Documentation – Accounting Controls

Criteria:

In accordance with Governmental Accounting Standards, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, and compliance with applicable laws and regulations.

Condition:

The City does not reconcile its general ledger accounts to supporting documents. In order to make the interim and annual financial statements meaningful, we recommend the City reconcile the general ledger accounts for cash accounts, accounts receivable, and notes receivable to supporting documentation on a monthly or routine basis. During our audit, we identified numerous adjustments to general ledger assets and liabilities that impacted the operating results of the City.

Cause of Condition:

Management has not reviewed its policies and procedures to ensure that the general ledger accounts are supported on a monthly basis. Management is responsible for establishing and maintaining internal controls, including reconciling general ledger accounts to supporting documents.

Effect of Condition:

The absence of performing monthly and/or routine reconciliations provides an opportunity for errors to accumulate and these errors may go undetected. The benefit of monthly reconciliations is that errors do not accumulate, but can be identified and attributed to a particular period (month), which makes it easier to perform future reconciliations. Because the procedures recommended below were not in place during the year ended June 30, 2015, this finding is considered a material weakness because a material misstatement of the financial statements would have occurred and not been prevented or detected by the City's existing internal controls.

Recommendation:

We recommend management establish monthly and/or routine reconciliation policies and procedures, including the performance of the following functions:

- Cash should be reconciled from the bank statement balance to the general ledger balance on a monthly basis to determine that all cash transactions have been recorded properly, and to discover banking errors. The proper recordation of cash activity will provide for the fair presentation of the financial statements.

- An aging schedule for accounts receivable should be generated from the City's financial system on a monthly basis. Anything deemed uncollectable per the aging schedule should be written off. The proper recordation of uncollectable accounts receivable balances will provide for fair presentation of the accounts receivable balance per the year-end financial statements.

- Notes receivable should be reconciled from the payment history reports month-end balance to the notes receivable schedules kept by City personnel on a monthly basis to ensure that all note holder payments are properly recorded. The proper recordation of note holder payments will provide for fair presentation of the notes receivable balance per the year-end financial statements.

Management's Response:

The newly hired Finance Director brought previous staff familiar with cash reconciliation from another department to go backwards every month until properly reconciled. In addition, a depository account, in which only City funds received from all sources will be deposited, has been established. The goal is that only deposits are made in one account, and the exact amount of expenses will be transferred to the current General Fund Account which has been an issue with reconciliations. It is the intent of staff and the Finance Director to monitor the current General Fund Account to reconcile to zero while the depository account will retain only the monies received by the City which will be reconciled easily each month. By having two separate accounts, the chances of errors and improper reconciliation will be significantly reduced.

Current Year Status:

Implemented.

2015-05: Cash and Cash Equivalents

Criteria:

In accordance with Governmental Accounting Standards, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, and compliance with applicable laws and regulations.

Condition:

While performing our audit procedures over cash and cash equivalents, we noted the City was not performing cash reconciliations to the general ledger on a timely basis.

Cause of Condition:

The City Finance Department is short-staffed and did not have an accountant that could reconcile cash accounts on a monthly basis.

Effect of Condition:

By not regularly performing cash reconciliations, errors or discrepancies are allowed to accumulate and create difficulty in reconciling accounts. Regular reconciliations would address discrepancies as they arise and aid in preparing year-end reconciliations.

Recommendation:

We recommend the City perform cash reconciliations for all accounts on a monthly basis.

Management's Response:

The newly hired Finance Director brought previous staff familiar with cash reconciliation from another department to go backwards every month until properly reconciled. In addition, a depository account, in which only City funds received from all sources will be deposited, has been established. The goal is that only deposits are made in one account, and the exact amount of expenses will be transferred to the current General Fund Account which has been an issue with reconciliations. It is the intent of staff and the Finance Director to monitor the current General Fund Account to reconcile to zero while the depository account will retain only the monies received by the City which will be reconciled easily each month. By having two separate accounts, the chances of errors and improper reconciliation will be significantly reduced. Further, the newly hired Finance Director is reviewing the current software solution for a potential change to another Financial Management software through Microsoft Dynamics GP which will have more robust features to complete proper reconciliations as well as integrate a more user friendly utility billing software through Harris Technologies which will integrate with the digital meter reader hardware not currently operational under the current software structure. This will reduce further errors, and will provide a means to perform reconciliations in a more efficient and effective manner.

Current Year Status:

See Finding 2016-01.

2015-06: Utility Billings

Criteria:

In accordance with Governmental Accounting Standards, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, and compliance with applicable laws and regulations.

Condition:

During our test of controls over the City's utility billing process, we noted four instances out of the 40 billings tested where the City did not properly record and/or used unauthorized billing rates for water, refuse, and/or sewer services.

Cause of Condition:

Many discrepancies arose amidst the implementation of the new accounting system. The City was short staffed and controls were not in place to address and correct discrepancies.

Effect of Condition:

The City is not properly recording and/or applying authorized billing rates across all customer accounts, which results in the under and over collection of utility billing revenue.

Recommendation:

We recommend that the City properly reconcile the meter read list to the total amount consumed and charged recorded in the Customer Consumption Summary Report and the Standard Billings Journal in order to avoid future discrepancies. Furthermore, we recommend the City identify those customers who are being charged unauthorized billing rates for water, refuse, and/or sewer services and make the necessary corrections in the City's billing software.

Management's Response:

Staff is continually monitoring the users and billing for Water, Refuse, and Sewer. There have been increases in these rates that have not been passed on to residents or users of these services for which the City is paying. A utility billing specialist is monitoring all accounts and proper aging schedules are used to help pinpoint various accounts that might be misstated. Further, a new utility billing software is being reviewed by management as a means to have clean record keeping procedures, the ability to use the electronic meter reading system currently purchased in City Services, and increase available reporting options for such services through the software. Staff is also reviewing methods to provide payment sources to its residents that will be easier to track and complete through current channels as well as its potential connectivity to new software.

Current Year Status:

See Finding 2016-03.

2015-07: Due To/From

Criteria:

In accordance with Governmental Accounting Standards, transfers of funds using due to/from are intended to be short-term in nature. A due to/from remaining outstanding over an entity's operating cycle is essentially a loan and should be classified as such.

Condition:

While performing our audit of due to/from, we noted that the total $4.8 million due to/from balance was composed of transactions outstanding for more than one year. Further, we noted that $4.7 million of the outstanding balance was attributable to amounts owed to other funds by the City's General Fund. Due to the City being a going concern, we believe that there is a low probability this $4.7 million will be paid back to the corresponding funds.

Cause of Condition:

Due to the City's cash flow issues, prior management would transfer funds from one fund to another in order to avoid showing negative cash balances. However, this was usually done without the intention of the funds being paid back. Due to a current shortage of funds, the City has been unable to fix these transfers made by prior management.

Effect of Condition:

Allowing due to/from transactions to last more than one year creates misleading fund balances. Due to/from transactions are indented to be short-term in nature, and therefore, transfers which exceed one year are long-term.

Recommendation:

We recommend that the City transfer funds using due to/from only if the funds are expected to be paid back within one year. We also recommend that the City take the necessary steps to reclassify, reverse, or pay-down the outstanding $4.8 million due to/from balance composed of transactions outstanding for more than one year. We also recommend that the City seek legal advice from the City's legal counsel, or permission from the original funding source and State Controller's Office, to see if it can write off advances to/from other funds as these will most likely not be repaid since the City does not have the financial resources to repay such amounts.

Management's Response:

The newly hired Finance Director is working on presenting a sales tax initiative and Proposition (Prop) 218 agreement to present to the City Council for fiscal year 2016 / 2017, with hopes to increase revenues to the General Fund. It is the Finance Director's intent to bring to light the General Fund discrepancies in future City Council meetings once a clear direction of accounting options are properly made and clearly defined for the City Council to understand. The ideal concept is to create a long-term note payable from funds to the General Fund to which the General Fund will pay the funds back over time at a set interest rate which has not yet been determined or known if it is feasibly possible. The Finance Director is reviewing all possible options for support to the General Fund and will present to the City Council the best options for support to the General Fund going forward. All contingencies must be reviewed prior to the City Council presentation in case a sales tax or Prop 218 is not passed, and whether the accounting procedures related to the General Fund long-term notes are not an acceptable option to complete. Further, this finding has been on every audit since 2008 when these balances began to carry forward. Staff has completed requirements exactly as auditors have requested each year. Information relating to these findings have also been presented to the City Council throughout those years, and going forward the Due to/Due From will be properly accounted for.

Current Year Status:

See Finding 2016-04.

2015-08: Advances To/From

Criteria:

In accordance with Governmental Accounting Standards, advances to/from other funds are expected to be repaid and used for specified purposes.

Condition:

While performing audit procedures over advances to/from, we noted that the total $16.3 million advances to/from balance was composed of transactions outstanding for numerous years and are not expected to be repaid. Advances to/from funds were made that were intended to be used for other purposes.

Cause of Condition:

Due to the City's cash flow issues, prior management would advance funds from one fund to another in order to avoid showing negative cash balances. However, due to a current shortage of funds, the City has been unable to fix these improper advances made by prior management.

Effect of Condition:

Allowing advances to/from transactions to remain on the balance sheet creates misleading fund balances. Advances to/from transactions are intended to be repaid and used for specified purposes. As the City has cash flow issues, these advances are not expected to be repaid.

Recommendation:

We recommend that the City advance funds to/from other funds only if the funds are expected to be paid back and are used for specified purposes. We also recommend that the City seek legal advice from the City's legal counsel, or permission from the original funding source and State Controller's Office, to see if it can write off advances to/from other funds as these will most likely not be repaid since the City does not have the financial resources to repay such amounts.

Management's Response:

The main cause of the large advances occurred due to the building of the McDermont Field House in 2008. As McDermont Field House continues operations, each year has a different set of financial responsibilities to operate successfully. Like most businesses of this size and scope, profitability has been an issue for many years. Since the adoption of new marketing practices, streamlined expenses, and lower capital improvement costs, McDermont Field House is beginning to show small profits. It is expected that the revenue cycle at McDermont will continue to improve as the venue increases awareness of events and brings other revenue generating events with yearly renewals. Going forward, it is expected that the funds generated by the McDermont Field House will continue to supplement the City finances and begin repaying an amount determined to be sustainable back to the General Fund. Accounting research is being conducted by the newly hired Finance Director to establish a repayment schedule that would be in line with the revenue production of the McDermont Field House without significantly impacting the operations of the venue. In effect, it is determined that the best course of action would be to establish a set of loans with a particular term between all funds in question to best serve the completion of this audit finding. Finance staff continues to explore the various possibilities of these loan structures that would make financial sense to both the City and the McDermont Field House within proper accounting methods.

Current Year Status:

See Finding 2016-04.