



# CITY OF LINDSAY

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017



CITY OF LINDSAY

**AUDITED BASIC FINANCIAL STATEMENTS**

FISCAL YEAR 2016-2017

ENDED JUNE 30, 2017





**City of Lindsay**  
**Basic Financial Statements**  
**For the year ended June 30, 2017**

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**City of Lindsay**  
**Basic Financial Statements**  
**For the year ended June 30, 2017**

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Bret Harmon, MPA  
Director of Finance  
City of Lindsay

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June 7, 2018

Honorable Mayor Kimball, City Council Members and City Manager Zigler

City of Lindsay, California

The comprehensive annual financial report of the City of Lindsay (the City) for the year ended June 30, 2017, is hereby submitted in accordance with Section 3.15 of the City Charter and California state law. The ordinance requires the City issue a report on its financial position and activity annually. An independent firm of certified public accountants must audit this report annually. Pursuant to these requirements, we hereby issue this annual financial report of the City for the fiscal year ended June 30, 2017.

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 employs a comprehensive internal control framework 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 provides reasonable, rather than absolute, assurance the financial statements are free from material misstatement. We assert, 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 Badawi & Associates, a licensed certified public accountant firm. The goal of the independent audit is to provide reasonable assurance the financial statements of the City for the fiscal year ended June 30, 2017, 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 found the City's financial statements for fiscal year ended June 30, 2017 to 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. 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 to require 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, 2017. 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 in the middle of the state in the Central San Joaquin Valley. The Central Valley is 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 13,245 (2016) an increase of 12.5% since 2010.

The City of Lindsay operates under the council manager form of government. Policymaking 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 policies 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 city parks, a skate park, and adult and youth recreational activities. The Wellness & Aquatic Center, 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 grant programs 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, and staff members in the City Services department. I also express appreciation to the Mayor, City Council, and the City Manager for their support in planning and conducting the financial operations of the City in a responsible, thoughtful manner. A special thank you to Badawi & Associates for their professional, exceptional work.

Respectfully,

Bret Harmon, Director of Finance



City of Lindsay  
 Department Organization  
 Fiscal Year 2016-2017



Residents



City Council

Mayor: P. Kimball  
 Mayor Pro-Tem: D. Salinas  
 Council Members: L. Cortes, B. Watson & E. Velasquez



Executives

City Manager: W. Zigler      City Attorney: M. Zamora



Directors

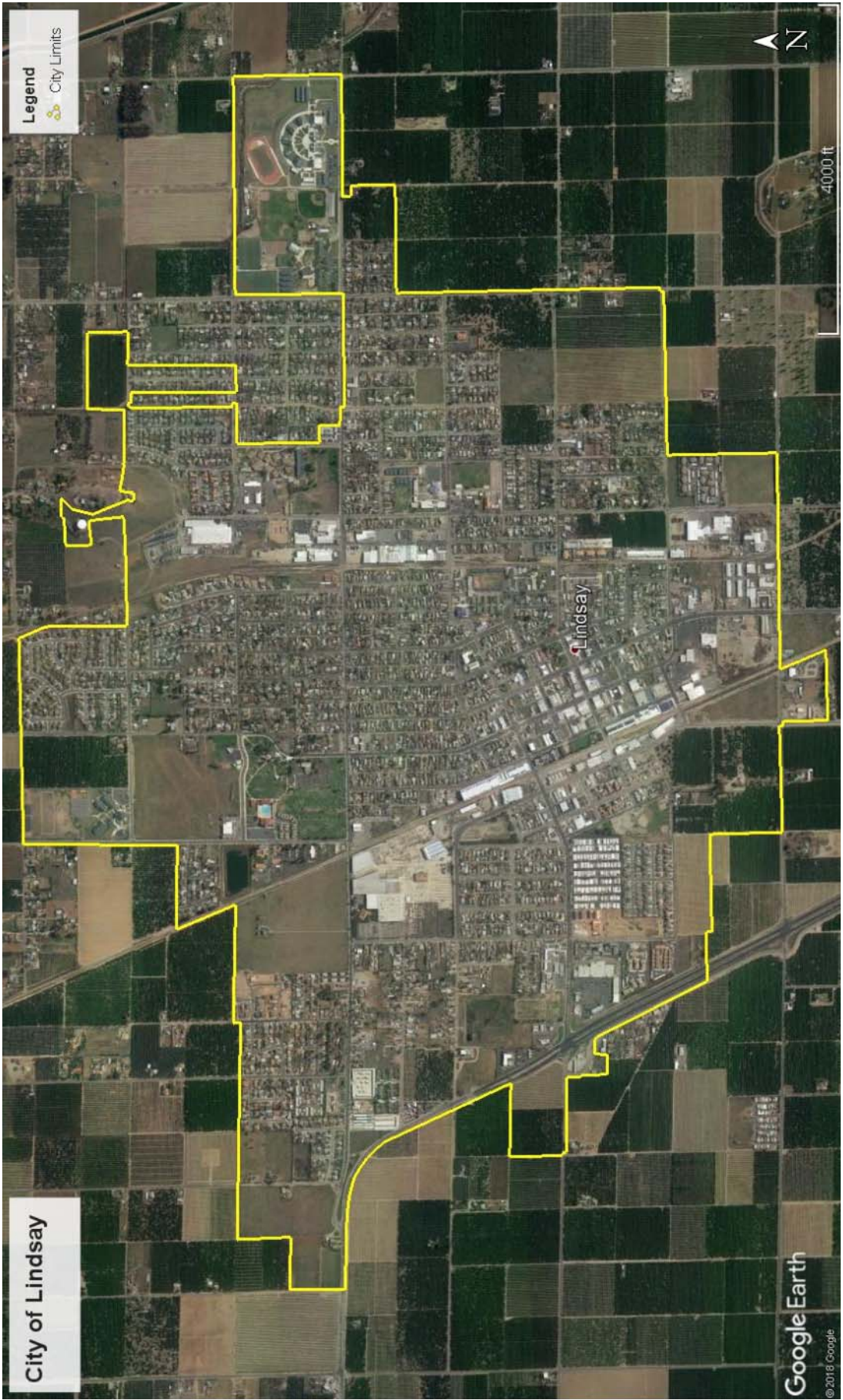
<b>Public Safety</b> C. Hughes	<b>City Services</b> M. Camarena	<b>Finance</b> B. Harmon	<b>Recreation</b> L. Davis	<b>Administration</b> W. Zigler
Police	Capital Projects	City Clerk	Wellness Ctr.	Human Res.
Fire	Engineering	Finance	Aquatic Ctr.	Planning
Code Enf.	Water	Accounting	Youth Prog.	
Animal Control	Sewer	Debt Mgmt.	Senior Services	
	Storm Drain	Payroll		
	Refuse Mgmt.	Budget		
	Bldg. Dept.	Policies		
	Streets	Investments		
	Parks			
	Special Districts			
	City Facilities			

**City Council**

<b>Mayor</b>	Pam Kimball
<b>Mayor Pro-Tem</b>	Danny Salinas
<b>Council Member</b>	Laura Cortes
<b>Council Member</b>	Steve Velasquez
<b>Council Member</b>	Brian Watson

**Administrative Officials & Department Heads**

<b>City Manager</b>	William Zigler
<b>Dir. of Finance</b>	Bret Harmon
<b>Dir. of City Services</b>	Michael Camarena
<b>Dir. of Public Safety</b>	Chris Hughes
<b>Recreation Manager</b>	Lisa Davis
<b>City Clerk</b>	Bret Harmon





## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council  
of the City of Lindsay  
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, California (City) as of and for the year ended June 30, 2017, 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.

To the Honorable Mayor and Members of the City Council  
of the City of Lindsay  
Lindsay, California  
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### ***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, 2017, 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***

#### *Regarding Going Concern*

The accompanying financial statements have been prepared assuming that the City will continue as a going concern. As discussed in Note 12 to the financial statements, the City has significant deficit fund balances in its General Fund, McDermont Sports Complex Fund and Wellness Fund. In addition, the City continues to experience operating losses in those funds, is having difficulties maintaining operating cash balances and paying for City expenditures. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are described in Note 12. 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.

#### *Regarding Violations of Grant Requirements*

As discussed in Note 15 to the financial statements, the City, in previous years, has expended certain federal and State grant funds in a manner that may have violated certain of the restrictive provisions of the related grants. These matters which occurred in previous years remain unresolved and the possible outcome of these matters, which have been reported to appropriate federal officials, cannot presently be determined. Accordingly, no provision for any liability that may result has been made in the financial statements for possible federal claims for refunds of those grant monies.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension information, other postemployment benefit information, and budgetary comparison information on pages 5-10 and 78-83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



To the Honorable Mayor and Members of the City Council  
of the City of Lindsay  
Lindsay, California  
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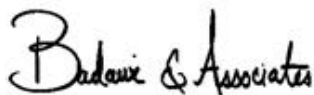
*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements on pages 86-87, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements on pages 86-87 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 and individual nonmajor fund financial statements on pages 86-87 are fairly stated in all material respects in relation to the basic financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2018, 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.



Badawi and Associates  
Certified Public Accountants  
Oakland, California  
June 7, 2018

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CITY OF LINDSAY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 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, 2017. We encourage readers to consider the information in the Transmittal Letter and Management's Discussion & Analysis as they review the financial statements. The narratives give valuable context and insightful analysis. All amounts, unless otherwise indicated, are expressed in thousands of dollars (000's). Unless noted otherwise, fiscal year refers to the fiscal year ended June 30, 2017.

#### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at fiscal year-end by \$46,203 (net position).
- As of the close of the fiscal year, the City governmental funds reported combined ending fund balances of (\$5,061).

#### FINANCIAL STATEMENTS OVERVIEW

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements include:

1. Government-wide financial statements *high-level view*
2. Fund financial statements *summary view*
3. Notes to the financial statements *detailed view*

This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements provide the broadest view of the City's financial condition.

The **statement of net position** presents information for the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position at a specific point in time. The reader can think of the statement of net position as a snapshot of the City on the last day of the fiscal year. 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 fiscal year. The reader may think of the statement of activities as the report that shows what happened between last year's statement of net position (a snapshot in time) and this year's statement of net position (another snapshot in time). The statement of activities shows changes in net position based on when events (a revenue or an expenditure) causing the change happened rather than reporting based solely on when the related cash transaction finishes. Sometimes the related cash transaction happens and is recorded at the same time as the revenue or expenditure, yet other times it happens afterward. Consequently, revenues and expenditures 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).

The government-wide financial statements distinguish functions principally supported by taxes and intergovernmental revenues (governmental activities) from other functions supported in full or in part by cost recoveries known as user fees and charges (business-type activities). The governmental activities of the City include general administration, public safety, parks and recreation, public works, streets, transportation, and community development. The business-type activities of the City include water, sewer, and refuse services, as well as the Lindsay Wellness & Aquatic Center and McDermont Field House Sports Complex. The Wellness & Aquatic Center and McDermont provide fee-based entertainment, facility rental, and recreational events and activities for the community and other Central 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 used to maintain control over specific resources 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. The City's funds can be divided into three categories:

- Governmental funds
- Proprietary funds
- 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 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.

**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 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 as a useful indicator of a government's financial position over time. In the case of the City of Lindsay, assets exceeded liabilities by \$46,203 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 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	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 13,368	\$ 27,176	\$ 3,173	\$ (6,748)	\$ 16,541	\$ 20,428
Capital assets	23,840	24,231	47,751	49,080	71,591	73,311
Total assets	37,208	51,407	50,924	42,332	88,132	93,739
Deferred outflows of resources	1,930	20	866	721	2,796	741
Long-term liabilities	18,585	7,799	787	16,334	19,372	24,133
Other liabilities	8,241	15,970	16,692	7,196	24,933	23,166
Total liabilities	26,826	23,769	17,479	23,530	44,305	47,299
Deferred inflows of resources	289	147	130	575	419	722
Net position:						
Net investment in capital assets	22,188	22,579	34,275	37,862	56,463	60,441
Restricted	4,377	4,033	-	-	4,377	4,033
Unrestricted	(14,542)	898	(94)	(18,915)	(14,636)	(18,017)
Total net position	\$ 12,023	\$ 27,510	\$ 34,181	\$ 18,947	\$ 46,204	\$ 46,457

A portion of the City's net position, \$4,377, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, (\$14,636), represents the governmental activities negative balance of (\$14,542), combined with the business-type activities negative balance of (\$94). At fiscal year-end, the City reported a negative balance in the unrestricted categories of fund balance in the general fund. The other major funds (community development fund and local transportation fund) reported positive fund balances. 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	
	2017	2016	2017	2016	2017	2016
Program Revenues:						
Charges for services	\$ 321	\$ 423	\$ 5,763	\$ 5,554	\$ 6,084	\$ 5,977
Operating grants and contributions	1,099	-	-	521	1,099	521
Capital grants and contributions	1,888	2,497	-	-	1,888	2,497
General Revenues:						
Property taxes	329	378	-	-	329	378
Other taxes	2,893	3,787	-	-	2,893	3,787
Miscellaneous	183	1,208	221	103	404	1,311
Transfers	(17,299)	(556)	17,299	556	-	-
Total Revenues	(10,586)	7,737	23,283	6,734	12,697	14,471
Expense:						
General government	1,616	2,135	-	-	1,616	2,135
Public safety	2,586	2,276	-	-	2,586	2,276
Parks and recreation	200	243	-	-	200	243
Public works	610	383	-	-	610	383
Streets and transportation	382	652	-	-	382	652
Community development	415	460	-	-	415	460
Interest on long-term debt	93	84	-	-	93	84
Water Fund	-	-	1,478	1,344	1,478	1,344
Sewer Fund	-	-	1,291	1,337	1,291	1,337
Refuse Fund	-	-	932	861	932	861
McDermont Sports Complex Fund	-	-	2,866	3,019	2,866	3,019
Wellness Center Fund	-	-	650	768	650	768
Total Expenses	5,902	6,233	7,217	7,329	13,119	13,562
Change in Net Position	(16,488)	1,504	16,066	(595)	(422)	909
Net position - Beginning	27,510	26,053	18,947	19,622	46,457	45,675
Prior period adjustments	1,000	(47)	(832)	(80)	168	(127)
Net position - Beginning, restated	28,510	26,006	18,115	19,542	46,625	45,548
Net position - Ending	\$ 12,022	\$ 27,510	\$ 34,181	\$ 18,947	\$ 46,203	\$ 46,457

**Governmental activities.** Governmental activities decreased the City's net position by (\$ 16,488).

**Business-type activities.** Business-type activities increased the City's net position by \$16,066.

## CITY'S FUNDS FINANCIAL ANALYSIS

**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. 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 negative, ending fund balances of (\$5,061).

The fund balance of the City's General Fund decreased by (\$14,760) during the current fiscal year. Key factors in this decrease 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 \$34,181. The combined increase in net position for all these funds was \$15,234 due primarily to the General Fund vacated an advance from McDermont via transfer. Had the General Fund not forgiven the advance, then losses in the McDermont Sports Complex, Sewer, Refuse, and Wellness Center Funds would have been (\$1,233). See Note 16 for more information on the transfer and prior year adjustments made the year.

## 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, 2017, amounts to \$71,590 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. See note 5 for more information in the City's capital assets.

**Long-term debt.** At the end of the current fiscal year, the City had total debt outstanding of \$13,850. 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 2017 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 in compliance with State and local statutes. See note 6 for more information in the City's Long-term debt.

## INFORMATION REQUESTS

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) 562-7102.

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# **BASIC FINANCIAL STATEMENTS**

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# GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**City of Lindsay**  
**Statement of Net Position**  
**June 30, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,058,673	\$ 125,500	\$ 1,184,173
Accounts receivable, net	136,354	355,297	491,651
Interest receivable	99	-	99
Internal balances	(2,692,167)	2,692,167	-
Due from other governments	361,964	-	361,964
Notes receivable	14,502,732	-	14,502,732
<b>Total current assets</b>	<b>13,367,655</b>	<b>3,172,964</b>	<b>16,540,619</b>
Capital assets			
Nondepreciable	771,699	794,022	1,565,721
Depreciable, net	23,067,869	46,956,563	70,024,432
<b>Net capital assets</b>	<b>23,839,568</b>	<b>47,750,585</b>	<b>71,590,153</b>
<b>Total assets</b>	<b>37,207,223</b>	<b>50,923,549</b>	<b>88,130,772</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pensions	1,930,471	866,301	2,796,772
<b>Total deferred outflows of resources</b>	<b>1,930,471</b>	<b>866,301</b>	<b>2,796,772</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts and other payables	210,617	119,936	330,553
Accrued wages	113,583	90,994	204,577
Accrued interest	10,205	168,455	178,660
Refundable deposits	345	4,610	4,955
Unearned revenue	14,502,732	-	14,502,732
Long-term obligations - other			
Due to other governments	786,332	-	786,332
Advances from private-purpose trust fund	2,815,536	-	2,815,536
Long-term debt - current portion	145,351	403,384	548,735
<b>Total current liabilities</b>	<b>18,584,701</b>	<b>787,379</b>	<b>19,372,080</b>
Non-current liabilities:			
Long-term debt	2,541,364	14,133,147	16,674,511
Net pension liability	5,700,072	2,558,572	8,258,644
<b>Total noncurrent liabilities</b>	<b>8,241,436</b>	<b>16,691,719</b>	<b>24,933,155</b>
<b>Total liabilities</b>	<b>26,826,137</b>	<b>17,479,098</b>	<b>44,305,235</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pensions	289,313	129,645	418,958
<b>Total deferred inflows of resources</b>	<b>289,313</b>	<b>129,645</b>	<b>418,958</b>
<b>NET POSITION</b>			
Net investment in capital assets	22,187,649	34,275,484	56,463,133
Restricted	4,377,001	-	4,377,001
Unrestricted	(14,542,406)	(94,377)	(14,636,783)
<b>Total net position</b>	<b>\$ 12,022,244</b>	<b>\$ 34,181,107</b>	<b>\$ 46,203,351</b>

**City of Lindsay**  
**Statement of Activities**  
**For the year ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<b>Governmental activities:</b>					
General Government	\$ 1,615,898	\$ 3,225	\$ 386,154	\$ 12,740	\$ 402,119
Public Safety	2,585,757	120,994	184,999	-	305,993
Parks and recreation	200,117	-	-	-	-
Public works	610,189	30,484	-	-	30,484
Streets and transportation	381,912	166,404	527,939	1,875,302	2,569,645
Community development	415,269	-	-	-	-
Interest on long-term debt	92,573	-	-	-	-
Total governmental activities	5,901,715	321,107	1,099,092	1,888,042	3,308,241
<b>Business-type activities:</b>					
Water Fund	1,478,304	1,532,450	-	-	1,532,450
Sewer Fund	1,290,836	1,370,108	-	-	1,370,108
Refuse Fund	931,844	934,251	-	-	934,251
McDermont Sports Complex Fund	2,865,878	1,688,456	-	-	1,688,456
Wellness Center Fund	650,294	237,866	-	-	237,866
Total business-type activities	7,217,156	5,763,131	-	-	5,763,131
<b>Total primary government</b>	<b>\$ 13,118,871</b>	<b>\$ 6,084,238</b>	<b>\$ 1,099,092</b>	<b>\$ 1,888,042</b>	<b>\$ 9,071,372</b>
<b>General Revenues and transfers:</b>					
Taxes:					
Property taxes					
Sales taxes					
Utilities Uses Tax					
Other taxes					
Sales of assets					
Other income					
Unrestricted investments earnings					
Transfers					
<b>Total general revenues and transfers</b>					
<b>Change in net position</b>					
<b>Net position - beginning of year</b>					
<b>Prior period adjustment</b>					
<b>Net position - end of year</b>					

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,213,779)	\$ -	\$ (1,213,779)
(2,279,764)	-	(2,279,764)
(200,117)	-	(200,117)
(579,705)	-	(579,705)
2,187,733	-	2,187,733
(415,269)	-	(415,269)
(92,573)	-	(92,573)
<u>(2,593,474)</u>	<u>-</u>	<u>(2,593,474)</u>
-	54,146	54,146
-	79,272	79,272
-	2,407	2,407
-	(1,177,422)	(1,177,422)
-	(412,428)	(412,428)
-	<u>(1,454,025)</u>	<u>(1,454,025)</u>
<u>\$ (2,593,474)</u>	<u>\$ (1,454,025)</u>	<u>\$ (4,047,499)</u>
329,200	-	329,200
740,974	-	740,974
879,037	-	879,037
1,272,780	-	1,272,780
30,114	-	30,114
110,909	189,394	300,303
41,503	32,073	73,576
(17,299,480)	17,299,480	-
<u>(13,894,963)</u>	<u>17,520,947</u>	<u>3,625,984</u>
(16,488,437)	16,066,922	(421,515)
27,510,271	18,946,683	46,456,954
1,000,410	(832,498)	167,912
<u>\$ 12,022,244</u>	<u>\$ 34,181,107</u>	<u>\$ 46,203,351</u>

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# FUND FINANCIAL STATEMENTS

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*Governmental Fund Financial Statements*

*Proprietary Fund Financial Statements*

*Fiduciary Fund Financial Statements*

**City of Lindsay**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	Major Funds				Total Governmental Funds
	General Fund	Community Development Fund	Local Transportation Fund	Non-Major Governmental Funds	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 296,539	\$ 97,587	\$ 2,922	\$ 661,625	\$ 1,058,673
Accounts receivable, net	132,956	-	-	3,398	136,354
Interest receivable	-	99	-	-	99
Due from other governments	202,870	54,466	94,867	9,761	361,964
Notes receivable	9,626	14,468,808	-	24,298	14,502,732
Advances to other funds	611,833	2,078,356	1,440,000	-	4,130,189
<b>Total assets</b>	<b>\$ 1,253,824</b>	<b>\$ 16,699,316</b>	<b>\$ 1,537,789</b>	<b>\$ 699,082</b>	<b>\$ 20,190,011</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts and other payables	149,433	53,421	-	7,763	210,617
Accrued wages	108,687	405	594	3,897	113,583
Due to other governments	786,332	-	-	-	786,332
Unearned revenue	9,626	14,468,808	-	24,298	14,502,732
Advances from other funds	9,637,892	-	-	-	9,637,892
Refundable deposits	345	-	-	-	345
<b>Total liabilities</b>	<b>10,692,315</b>	<b>14,522,634</b>	<b>594</b>	<b>35,958</b>	<b>25,251,501</b>
<b>Fund Balances:</b>					
Restricted	-	2,176,682	1,537,195	663,124	4,377,001
Unassigned	(9,438,491)	-	-	-	(9,438,491)
<b>Total fund balances</b>	<b>(9,438,491)</b>	<b>2,176,682</b>	<b>1,537,195</b>	<b>663,124</b>	<b>(5,061,490)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,253,824</b>	<b>\$ 16,699,316</b>	<b>\$ 1,537,789</b>	<b>\$ 699,082</b>	<b>\$ 20,190,011</b>

**City of Lindsay**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2017**

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<b>Total Fund Balances - Total Governmental Funds</b>	\$ (5,061,490)
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Amounts reported for governmental activities in the Statement of Net Position were different from those reported in the Governmental Funds above because of the following:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. The capital assets were adjusted as follows:

Non-depreciable	771,699
Depreciable, net	23,067,869

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	(10,205)
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In the Government-Wide Financial Statement certain differences between actuarial estimates and actual results for pension are deferred and amortized over a period of time, however, in the governmental funds no transactions are recorded.	1,641,158
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Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Net pension liability	(5,700,072)
Net OPEB Obligation	(959,970)
Long term liabilities - due within one year	(145,351)
Long term liabilities - due in more than one year	(1,581,394)

<b>Net Position of Governmental Activities</b>	<u><u>\$ 12,022,244</u></u>
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**City of Lindsay**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2017**

	Major Funds				Total Governmental Funds
	General Fund	Community Development Fund	Local Transportation Fund	Non-Major Governmental Funds	
<b>REVENUES:</b>					
Note collections	\$ -	\$ 382,074	\$ -	\$ 13,503	\$ 395,577
Property taxes	329,200	-	-	-	329,200
Other taxes	3,857,106	-	-	76,094	3,933,200
Licenses and permits	430,352	-	-	-	430,352
Intergovernmental	246,456	150,429	644,316	376,484	1,417,685
Charges for services	7,093	-	-	-	7,093
Fees and fines	2,206	-	-	397	2,603
Interest revenue	422	32,837	29	29	33,317
Other revenues	129,277	180	-	4,160	133,617
<b>Total revenues</b>	<b>5,002,112</b>	<b>565,520</b>	<b>644,345</b>	<b>470,667</b>	<b>6,682,644</b>
<b>EXPENDITURES:</b>					
Current:					
General Government	994,757	5,534	-	67,169	1,067,460
Public safety	2,585,757	-	-	-	2,585,757
Parks and recreation	200,117	-	-	-	200,117
Public works	610,189	-	-	-	610,189
Streets and transportation	77,905	491	22,335	281,181	381,912
Community development	66,335	348,934	-	-	415,269
Debt service:					
Principal	17,707	-	69,990	-	87,697
Interest and administrative charges	38,643	-	51,695	-	90,338
Capital outlay	495,935	-	-	31,431	527,366
<b>Total expenditures</b>	<b>5,087,345</b>	<b>354,959</b>	<b>144,020</b>	<b>379,781</b>	<b>5,966,105</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(85,233)</b>	<b>210,561</b>	<b>500,325</b>	<b>90,886</b>	<b>716,539</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	422	-	-	-	422
Transfers out	(17,299,902)	-	-	-	(17,299,902)
<b>Total other financing sources (uses)</b>	<b>(17,269,366)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17,269,366)</b>
<b>Net change in fund balances</b>	<b>(17,354,599)</b>	<b>210,561</b>	<b>500,325</b>	<b>90,886</b>	<b>(16,552,827)</b>
<b>FUND BALANCES (DEFICITS):</b>					
Beginning of year	5,321,885	4,283,418	1,036,870	572,238	11,214,411
Prior period adjustments	2,594,223	(2,317,297)	-	-	276,926
End of year	\$ (9,438,491)	\$ 2,176,682	\$ 1,537,195	\$ 663,124	\$ (5,061,490)



# City of Lindsay

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities For the year ended June 30, 2017

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Net Change in Fund Balances - Total Governmental Funds	\$ (16,552,827)
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Amounts reported for governmental activities in the Statement of Activities were different because:

Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period.	529,628
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds.	(920,645)
Accrued compensated leave payable was an expenditure in governmental funds, but the accrued payable increased compensated leave liabilities in the Government-Wide Statement of Net Position.	(11,184)
OPEB expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(168,485)
Bond proceeds provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.	87,697
Long-term debt repayments	87,697
Current year employer pension contributions are recorded as expenditures in the governmental funds, however, these amounts are reported as a deferred outflow of resources in the Government-Wide Statement of Net Position. Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however, pension expense is not recognized in the governmental funds. This is the net amount of the pension contribution and pension expense	549,614
Interest expense on long-term debt is reported on the accrual basis on the Government-Wide Statements, but expenditures on long-term debt in the governmental funds statements are recorded when paid. The following amount represents the change in accrued interest from the prior year.	(2,235)
<b>Change in Net Position of Governmental Activities</b>	<u>\$ (16,488,437)</u>

**City of Lindsay**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**

	Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
<b>ASSETS</b>			
Current assets:			
Cash and equivalents	\$ 9,545	\$ 77,403	\$ 13,554
Accounts receivable, net	153,749	101,716	70,927
Total current assets	163,294	179,119	84,481
Non-current assets:			
Advances to other funds	1,582,000	1,582,000	140,000
Capital assets:			
Construction in progress	96,763	-	-
Land	68,377	230,143	-
Buildings and improvements	5,104,547	6,800,531	-
Infrastructure	9,137,056	12,896,903	-
Equipment	21,356	180,700	-
Less accumulated depreciation	(5,841,552)	(9,181,004)	-
Total non-current assets	10,168,547	12,509,273	140,000
<b>Total assets</b>	<b>10,331,841</b>	<b>12,688,392</b>	<b>224,481</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pensions	218,249	141,398	39,530
<b>Total deferred outflows</b>	<b>218,249</b>	<b>141,398</b>	<b>39,530</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts and other payables	13,084	5,398	72,639
Accrued wages	16,808	7,752	3,299
Accrued interest	31,731	99,171	-
Compensated absences payable	4,556	3,010	658
Refundable deposits	4,610	-	-
Long-term debt - current portion	67,055	163,504	-
Total current liabilities	137,844	278,835	76,596
Non-current liabilities:			
Other postemployment benefits	116,075	95,372	25,682
Net pension liability	644,472	417,991	116,730
Advances from other funds	-	-	-
Long-term debt	1,746,472	7,988,674	3,375
Total non-current liabilities	2,507,019	8,502,037	145,787
<b>Total liabilities</b>	<b>2,644,863</b>	<b>8,780,872</b>	<b>222,383</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pensions	32,694	21,052	5,921
<b>Total deferred inflows of resources</b>	<b>32,694</b>	<b>21,052</b>	<b>5,921</b>
<b>NET POSITION</b>			
Net investment in capital assets	6,773,020	2,775,095	(3,375)
Unrestricted	1,099,513	1,252,771	39,082
<b>Total net position</b>	<b>7,872,533</b>	<b>4,027,866</b>	<b>35,707</b>

Enterprise Funds		
McDermont Sports Complex Fund	Wellness Center Fund	Total Proprietary Funds
\$ 24,999	\$ (1)	\$ 125,500
3,056	25,849	355,297
28,055	25,848	480,797
-	-	3,304,000
-	-	96,763
217,413	181,326	697,259
22,987,873	8,631,783	43,524,734
-	824,260	22,858,219
1,740,545	26,571	1,969,172
(5,226,343)	(1,146,663)	(21,395,562)
19,719,488	8,517,277	51,054,585
19,747,543	8,543,125	51,535,382
397,360	69,764	866,301
397,360	69,764	866,301
17,923	10,892	119,936
49,050	14,085	90,994
9	37,544	168,455
9,156	2,168	19,548
-	-	4,610
110,000	43,277	383,836
186,138	107,966	787,379
723,553	81,200	1,041,882
1,173,372	206,007	2,558,572
-	611,833	611,833
1,325,665	2,027,079	13,091,265
3,222,590	2,926,119	17,303,552
3,408,728	3,034,085	18,090,931
59,527	10,451	129,645
59,527	10,451	129,645
18,283,823	6,446,921	34,275,484
(1,607,175)	(878,568)	(94,377)
16,676,648	5,568,353	34,181,107

**City of Lindsay**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the year ended June 30, 2017**

	Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
<b>OPERATING REVENUES:</b>			
Service fees	\$ 1,490,460	\$ 1,370,108	\$ 931,743
Other revenues	41,990	-	2,508
<b>Total operating revenues</b>	<b>1,532,450</b>	<b>1,370,108</b>	<b>934,251</b>
<b>OPERATING EXPENSES:</b>			
Salaries	276,555	165,904	45,888
Benefits	125,445	72,897	25,875
Materials, services, and supplies	730,298	470,147	860,081
Depreciation and amortization	284,832	393,949	-
<b>Total operating expenses</b>	<b>1,417,130</b>	<b>1,102,897</b>	<b>931,844</b>
<b>OPERATING INCOME (LOSS)</b>	<b>115,320</b>	<b>267,211</b>	<b>2,407</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Intergovernmental	-	-	-
Other income	4,466	-	-
Interest earnings	507	478	-
Interest expense	(61,174)	(187,939)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(56,201)</b>	<b>(187,461)</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	-
Transfers out	(422)	-	-
<b>Total transfers</b>	<b>(422)</b>	<b>-</b>	<b>-</b>
<b>Change in net position</b>	<b>58,697</b>	<b>79,750</b>	<b>2,407</b>
<b>NET POSITION:</b>			
Beginning of year	7,947,500	4,494,247	71,077
Prior period adjustments	(133,664)	(546,131)	(37,777)
End of year	<b>\$ 7,872,533</b>	<b>\$ 4,027,866</b>	<b>\$ 35,707</b>

Enterprise Funds		
McDermont Sports Complex Fund	Wellness Center Fund	Total Proprietary Funds
\$ 1,688,456	\$ 237,866	\$ 5,718,633
-	-	44,498
1,688,456	237,866	5,763,131
868,972	152,530	1,509,849
415,907	(9,901)	630,223
981,521	223,773	3,265,820
553,244	194,435	1,426,460
2,819,644	560,837	6,832,352
(1,131,188)	(322,971)	(1,069,221)
15,478	134,856	150,334
-	34,594	39,060
30,806	282	32,073
(46,234)	(89,457)	(384,804)
50	80,275	(163,337)
17,299,902	-	17,299,902
-	-	(422)
17,299,902	-	17,299,480
16,168,764	(242,696)	16,066,922
767,868	5,665,991	18,946,683
(259,984)	145,058	(832,498)
\$ 16,676,648	\$ 5,568,353	\$ 34,181,107

**City of Lindsay**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2017**

	Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash receipts from customers	\$ 1,479,392	\$ 1,348,158	\$ 918,358
Cash receipts from other funds for services	990,000	1,300,000	-
Payments to other funds for services	-	-	-
Payments to employees	(468,150)	(274,358)	(79,010)
Payments to suppliers	(735,373)	(504,419)	(866,502)
<b>Net cash provided by (used in) operating activities</b>	<b>1,265,869</b>	<b>1,869,381</b>	<b>(27,154)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Grant income	-	-	-
Other income	4,973	478	-
Transfers in	-	-	-
Transfers out	(422)	-	-
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>4,551</b>	<b>478</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Purchase of capital assets	(1)	(294,138)	-
Capital expenditures	(96,763)	294,139	-
Payment of advances to other funds	(1,582,000)	(1,582,000)	(140,000)
Cash receipts of advances from other funds	-	-	-
Interest paid on long-term debt	(62,295)	(190,814)	-
Principal payments on long-term debt	(59,401)	(152,294)	(126)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(1,800,460)</b>	<b>(1,925,107)</b>	<b>(140,126)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(530,040)</b>	<b>(55,248)</b>	<b>(167,280)</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of year, as restated</b>	<b>539,584</b>	<b>132,651</b>	<b>180,834</b>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 9,544</b>	<b>\$ 77,403</b>	<b>\$ 13,554</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ 115,320	\$ 267,211	\$ 2,407
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	284,832	393,949	-
Changes in assets, deferred outflows and inflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	(58,939)	(21,950)	(15,893)
(Increase) decrease in due from other funds	990,000	1,300,000	-
(Increase) decrease in due from other governments	4,122	-	-
(Increase) decrease in deferred outflows of resources - deferred pension	(52,128)	(29,935)	(8,963)
Increase (decrease) in accounts and other payables	(5,075)	(34,272)	(6,421)
Increase (decrease) in accrued wages	8,943	3,556	1,941
Increase (decrease) in compensated absences payable	1,134	1,304	126
Increase (decrease) in due to other funds	-	-	-
Increase (decrease) in unearned revenue	-	-	-
Increase (decrease) in refundable deposits	1,759	-	-
Increase (decrease) in other postemployment benefits	(14,086)	(117)	1,941
Increase (decrease) in net pension liability	320,566	176,759	53,900
Increase (decrease) in deferred inflows of resources - deferred pension	(96,521)	(69,798)	(18,415)
Prior period adjustment relating to pension amounts	(234,058)	(117,326)	(37,777)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 1,265,869</b>	<b>\$ 1,869,381</b>	<b>\$ (27,154)</b>

Enterprise Funds		
McDermont Sports Complex Fund	Wellness Center Fund	Total Proprietary Funds
\$ 1,672,954	\$ 78,813	\$ 5,497,675
-	-	2,290,000
-	(300,000)	(300,000)
(1,259,969)	(225,347)	(2,306,834)
(975,447)	(215,792)	(3,297,533)
(562,462)	(662,326)	1,883,308
15,478	134,856	150,334
30,806	34,876	71,133
3,823,886	-	3,823,886
-	-	(422)
3,870,170	169,732	4,044,931
-	1	(294,138)
-	-	197,376
-	-	(3,304,000)
-	611,833	611,833
(93,798)	(90,912)	(437,819)
(96,824)	(37,627)	(346,272)
(190,622)	483,295	(3,573,020)
3,117,086	(9,299)	2,355,219
(3,092,087)	9,298	(2,229,720)
\$ 24,999	\$ (1)	\$ 125,499
\$ (1,131,188)	\$ (322,971)	\$ (1,069,221)
553,244	194,435	1,426,460
(24)	(24,197)	(121,003)
-	-	2,290,000
-	-	4,122
(39,098)	(15,663)	(145,787)
6,074	7,981	(31,713)
19,302	6,809	40,551
(361)	1,272	3,475
-	(300,000)	(300,000)
(15,478)	(134,856)	(150,334)
-	-	1,759
119,105	(70,936)	35,907
432,065	84,928	1,068,218
(226,569)	(34,339)	(445,642)
(279,534)	(54,789)	(723,484)
\$ (562,462)	\$ (662,326)	\$ 1,883,308

**City of Lindsay**  
**Statement of Fiduciary Net Position (Deficit)**  
**Fiduciary Fund**  
**June 30, 2017**

ASSETS	Private-Purpose Trust Fund
Cash and cash equivalents	\$ 1,127,829
Notes receivable	1,375,370
Due from other government	225,000
Land held for resale	1,705,000
Advances to the City	2,815,536
Other assets	222,315
<b>Total assets</b>	<b>7,471,050</b>
<b>LIABILITIES</b>	
Accounts payable	225,209
Unearned revenue	1,375,369
Accrued interest payable	206,273
Long-term debt:	
Due within one year	545,000
Due in more than one year	16,739,431
<b>Total liabilities</b>	<b>19,091,282</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred gain on refunding of debt	510,298
<b>Total deferred inflows of resources</b>	<b>510,298</b>
<b>NET POSITION (DEFICIT)</b>	
Net position (deficit) held in trust	(12,130,530)
<b>Total net position (deficit)</b>	<b>\$ (12,130,530)</b>



**City of Lindsay**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Fund**  
**For the year ended June 30, 2017**

	Private-Purpose Trust Fund
<b>ADDITIONS:</b>	
Redevelopment Agency Property Tax Trust Fund	\$ 1,774,770
Loan repayments	83,510
Other income	17,216
Proceeds from sale of capital asset	181,994
<b>Total additions</b>	<b>2,057,490</b>
<b>DEDUCTIONS:</b>	
Administrative expenses	277,206
Interest on long-term debt	495,856
<b>Total Deductions</b>	<b>773,062</b>
<b>Change in net position</b>	<b>1,284,428</b>
<b>NET POSITION (DEFICIT):</b>	
Beginning of year	(13,422,758)
Prior period adjustment	7,800
Beginning of year, restated	(13,414,958)
End of year	<b>\$ (12,130,530)</b>

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# NOTES TO BASIC FINANCIAL STATEMENTS

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**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of Lindsay, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

**A. *Financial Reporting Entity***

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 13,043 (2017) – an increase of 11% since 2010.

**B. *Basis of Accounting and Measurement Focus***

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

**Government-Wide Financial Statements**

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Basis of Accounting and Measurement Focus, Continued**

**Government-Wide Financial Statements, Continued**

These financial statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets, deferred inflows/outflows of resources, and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liabilities are incurred.

Certain types of transactions reported as program revenues for the City are reported in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Advanced to/from other funds
- Transfers in/out

The City applies all applicable GASB pronouncements including all NCGA Statements and Interpretations currently in effect.

**Governmental Fund Financial Statements**

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that meet specific qualifications.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***B. Basis of Accounting and Measurement Focus, Continued***

**Governmental Fund Financial Statements, Continued**

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

The City reports the following funds as major governmental funds of the City.

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.

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.

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

Revenues are recorded when received in cash, except that revenues subject to accrual (generally those received 45 to 90 days after year-end) are recognized when due. The primary revenue sources that have been treated as susceptible to accrual by the City are property taxes, taxpayer-assessed tax revenues (sales taxes, transient occupancy taxes, franchise taxes, etc.), grant revenues and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided.

**Proprietary Fund Financial Statements**

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position, and a Statement of Cash Flows for all proprietary funds.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**B. Basis of Accounting and Measurement Focus, Continued**

**Proprietary Fund Financial Statements, Continued**

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which a liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the Water, Sewer, Refuse, McDermont Sports Complex, and Wellness Center Funds as proprietary funds of the City.

Water Fund accounts for the activities of the water distribution system.

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

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

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

Wellness Center Fund accounts for the activities of the Wellness Center and Aquatic Center.

**Fiduciary Fund Financial Statements**

Fiduciary fund financial statements consist of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The City has one a private-purpose trust fund. The Private-purpose trust funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments (i.e. unclaimed property/escheat property). Fiduciary fund is accounted for using the accrual basis of accounting. The City reports the following fiduciary fund:

Private-Purpose Trust Fund – accounts 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.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**C. Cash, Cash Equivalents, and Investments**

The City pools cash and investments of all funds, except amounts held by fiscal agents. The Council invests on behalf of most funds of the City in accordance with the California State Government Code and the City's investment policy.

Investments are reported in the accompanying balance sheet at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amount which reasonably estimates fair value. Managed funds not listed on an established market are reported at the estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities.

Participant's equity in an investment pool is determined by the dollar amount of participant deposits, adjusted for withdrawals and distributed investment income. Investment income is determined on an amortized cost basis. Amortized premiums and accreted discounts, accrued interest, and realized gains and losses, net of expenses, are apportioned to pool participants annually. During the fiscal year ended June 30, 2017, the City had not entered into any legally binding guarantees to support the participant equity in the investment pool.

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
  - Overall
  - Custodial Credit Risk
  - Concentrations of Credit Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.



**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

***C. Cash, Cash Equivalents, and Investments, Continued***

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

The City participates in an investment pool managed by the State of California entitled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to the change in interest rates.

Cash equivalents are considered amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City and are presented as "Cash and Investments" in the accompanying Basic Financial Statements.

For the purposes of the accompanying statement of cash flows, the City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

***D. 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.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

*D. Inventory and Prepaids, Continued*

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.

*E. 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 acquisition 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
Vehicle	5
Office equipment	5
Computer equipment	5

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**F. *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.

**G. *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.

**H. *Long-Term Debt***

Government-Wide Financial Statements - Long-term debt and other long-term obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable is reported net of the applicable bond premium or discount. Bond issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred.

Fund Financial Statements - The governmental fund financial statements do not present long-term debt. As such, long-term debt is shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

Bond premiums and discounts are recognized during the current period as other financing sources or uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Bond proceeds are reported as other financing sources.

Proprietary Fund and Fiduciary Fund Financial Statements use the same principles as those used in the Government-Wide Financial Statements.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**I. *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.

**J. *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 XIII A 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.

**K. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position (balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position (balance sheet) will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**L. *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.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**M. Net Position**

In the Government-Wide Financial Statements, net position are classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of governments.

Unrestricted - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position" as defined above.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the City's policy is to apply restricted net position first.

**N. 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.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**N. Fund Balance, Continued**

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). However, as of June 30, 2017, the City had a deficit fund balance in its General Fund.

**O. Pension**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**P. Use of Estimates**

The preparation of the Basic Financial Statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amounts of revenues and expenses. Actual results could differ from these estimates and assumptions.

**Q. New Pronouncements**

In 2017, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*– The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this statement were not applicable to the City.
- GASB Statement No. 77, *Tax Abatement Disclosure*– This Statement addresses the financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. There was no impact on net position as a result of implementation of this statement.
- GASB Statement No. 78, *Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans*– The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this statement were not applicable to the City.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**Q. New Pronouncements, Continued**

- GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14* - The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this statement were not applicable to the City.
  
- GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statement No. 67, No. 68, and No. 73* - This Statement addresses certain issues that had been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in the required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The City updated covered employee payroll information in the required supplementary information as part of implementation of this accounting standard. The City updated amounts reported for covered payroll related to its pension plans and recalculated related ratios presented in required supplementary information as a result of implementing this statement.



**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**2. CASH AND INVESTMENTS**

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

	Government-Wide Statement of Net Position		Fund Financials	
	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash, cash equivalents, and investments	\$ 1,058,673	\$ 125,500	\$ 1,127,829	\$ 2,312,002
<b>Total cash and investments</b>	<b>\$ 1,058,673</b>	<b>\$ 125,500</b>	<b>\$ 1,127,829</b>	<b>\$ 2,312,002</b>

**A. Summary of Cash and Investments**

Cash, cash equivalents, and investments as of June 30, 2017, consist of the following:

Cash on hand	\$ 3,500
Deposits with financial institution	1,711,277
<b>Total cash on hand and deposits</b>	<b>1,714,777</b>
Local Agency Investment funds	412,634
Certificate of Deposits	184,591
<b>Total investments</b>	<b>597,225</b>
<b>Total City Treasury</b>	<b>2,312,002</b>
<b>Total cash and investments</b>	<b>\$ 2,312,002</b>

**B. Deposits**

The carrying amount of the City's cash deposit was \$1,714,277 at June 30, 2017. Bank balances before reconciling items were a positive amount of \$2,573,511 at June 30, 2017. The City's cash deposit was fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remaining amount was collateralized with securities held by the pledging financial institutions in the City's name.

The California Government Code (Code) Section 53652 requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. The Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**2. CASH AND INVESTMENTS, Continued**

**B. Deposits, Continued**

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

**C. Investments**

Under the provisions of the City's investment policy, and in accordance with the Code, the following investments are authorized:

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

Investments are stated at fair value using the aggregate method in all funds, resulting in the following investment income in all funds for the year ended June 30, 2017:

Interest income	\$ 2,564
Unrealized loss on changes in fair value of investments	<u>(438)</u>
<b>Total investment income</b>	<b><u><u>\$ 2,126</u></u></b>

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**2. CASH AND INVESTMENTS, Continued**

**C. Investments, Continued**

The City's portfolio value fluctuates in an inverse relationship to any change in interest rate. Accordingly, if interest rates rise, the portfolio value will decline. If interest rates fall, the portfolio value will rise. The portfolio for year-end reporting purposes is treated as if it were all sold. Therefore, fund balance must reflect the portfolio's change in value. These portfolio value changes are unrealized unless sold. Generally the City's practice is to buy and hold investments until maturity dates. Consequently, the City's investments are carried at fair value.

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2017, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes - are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities - the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2017, the City had \$412,634 invested in LAIF, which had invested 2.89% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 2.81% in the previous year. The LAIF fair value factor of 0.998940671 was used to calculate the fair value of the investments in LAIF.

**D. Risk Disclosures**

*Interest Risk:* Interest rate risk is the market value fluctuation due to overall changes in the interest rates. It is mitigated by limiting the average maturity of the City's portfolio not to exceed three years.

Investments held in the City Treasury grouped by maturity date at June 30, 2017, are shown below:

Investment Type	Total	Remaining Maturity (in Months)			
		12 Months or Less	13 - 24 Months	25 - 60 Months	More than 60 Months
Certificates of Deposit	\$ 184,591	\$ 184,591	\$ -	\$ -	\$ -
Local Agency Investment Fund	412,634	412,634	-	-	-
<b>Total</b>	<b>\$ 597,225</b>	<b>\$ 597,225</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**2. CASH AND INVESTMENTS, Continued**

*D. Risk Disclosures, Continued*

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

*E. Investment Valuation*

Investments (except for money market accounts, time deposits, and commercial paper) are measured at fair value on a recurring basis. *Recurring* fair value measurements, are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investment fair value measurements at June 30, 2017, are described below:

Investment Type	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments subject to leveling:				
Certificates of Deposit	\$ 184,591	\$ 184,591	\$ -	\$ -
<b>Total</b>	<u>184,591</u>	<u>\$ 184,591</u>	<u>\$ -</u>	<u>\$ -</u>
Investments not subject to leveling:				
Local Agency Investment Fund	<u>412,634</u>			
<b>Total Investments</b>	<u>\$ 597,225</u>			

**3. INTERFUND TRANSACTIONS**

*A. Due To/From Other Funds*

At June 30, 2017, the City had no due to/from other fund balances.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**3. INTERFUND TRANSACTIONS, Continued**

**B. Transfers**

The City had the following transfers between funds during the year ended June 30, 2017:

<b>Transfer Out</b>	<b>Transfer In</b>		
	<b>General Fund</b>	<b>McDermont Sports Complex Fund</b>	<b>Total</b>
General Fund	\$ -	\$ 17,299,902	\$ 17,299,902
Water Fund	422	-	422
<b>Total</b>	<b>\$ 422</b>	<b>\$ 17,299,902</b>	<b>\$ 17,300,324</b>

The balance of \$17,299,902 transferred from the General Fund to the McDermont Sports Complex Fund was comprised of (1) a \$13,476,016 transfer resulting from the write-off of prior years' advances to the McDermont Sports Complex Fund used for construction costs and (2) a \$3,823,886 transfer for funds the McDermont Sports Complex Fund has borrowed for operations through June 30, 2017.

**C. Advanced To/From**

At June 30, 2017, the City had the following advances to/from balances resulting from the conversion of prior years' due to/from transactions into advances pursuant to a resolution by the City Council.

<b>Advance To</b>	<b>Advance From</b>		
	<b>General Fund</b>	<b>Wellness Center Fund</b>	<b>Total</b>
General Fund	\$ -	\$ 611,833	\$ 611,833
Community Development Fund	2,078,356	-	2,078,356
Local Transportation Fund	1,440,000	-	1,440,000
Water Fund	1,582,000	-	1,582,000
Sewer Fund	1,582,000	-	1,582,000
Refuse Fund	140,000	-	140,000
Private-Purpose Trust Fund	2,815,536	-	2,815,536
<b>Total</b>	<b>\$ 9,637,892</b>	<b>\$ 611,833</b>	<b>\$ 10,249,725</b>

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**4. Loans and Notes Receivable**

**A. Notes Receivable**

At June 30, 2017, the City's loans and notes receivable consisted of the following:

	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.	\$ -	\$ -	\$ 24,298	\$ -	\$ 24,298
Business loans	9,626	-	-	-	9,626
Non-interest and below-market rate secured notes with deferred payments of monthly principal and interest. Collateralized by trust deeds on improved property.	-	14,468,808	-	1,375,370	15,844,178
Total	<u>\$ 9,626</u>	<u>\$ 14,468,808</u>	<u>\$ 24,298</u>	<u>\$ 1,375,370</u>	<u>\$ 15,878,102</u>

**B. 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). All of the loan types mentioned are allowed under the programs. However, as discussed in Note 15, some of the loans were not compliant with the programs requirements. Detail of these related party transactions is provided below:

	June 30, 2017
Related Party Loans	
Employee Loans	
Deferred Payment Loans	\$ 1,177,351
Deferred No Interest Loans	111,691
No Interest Loans	4,860
Below Market Interest Rate Loans	105,993
Total Employee Loans	<u>1,399,895</u>
Loans to Employees' Relatives	
Deferred Payment Loans	773,950
Deferred No Interest Loans	119,183
No Interest Loans	13,730
Below Market Interest Loans	247,718
Total Loans to Employees' Relatives	<u>1,154,581</u>
Total Related Party Loans	<u>\$ 2,554,476</u>

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**5. CAPITAL ASSETS**

**A. Government-Wide Financial Statements**

Capital assets activity for the year ended June 30, 2017, was as follows.

	July 1, 2016 Balance	Additions	Reductions	June 30, 2017 Balance
<b>Governmental activities</b>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 771,699	\$ -	\$ -	\$ 771,699
Construction in progress	541,229	70,095	(611,324)	-
Total capital assets, not being depreciated	<u>1,312,928</u>	<u>70,095</u>	<u>(611,324)</u>	<u>771,699</u>
<i>Capital assets, being depreciated</i>				
Buildings	3,985,066	-	-	3,985,066
Infrastructure	38,304,234	971,520	-	39,275,754
Machinery and equipment	3,223,716	99,337	-	3,323,053
Total capital assets, being depreciated	<u>45,513,016</u>	<u>1,070,857</u>	<u>-</u>	<u>46,583,873</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(1,223,440)	(72,884)	-	(1,296,324)
Infrastructure	(18,248,340)	(792,361)	-	(19,040,701)
Machinery and equipment	(3,123,579)	(55,400)	-	(3,178,979)
Total accumulated depreciation	<u>(22,595,359)</u>	<u>(920,645)</u>	<u>-</u>	<u>(23,516,004)</u>
Total capital assets, being depreciated, net	<u>22,917,657</u>	<u>150,212</u>	<u>-</u>	<u>23,067,869</u>
Governmental activities capital assets, net	<u>\$ 24,230,585</u>	<u>\$ 220,307</u>	<u>\$ (611,324)</u>	<u>\$ 23,839,568</u>
<b>Business-type activities</b>				
<i>Capital assets, not being depreciated</i>				
Land	\$ 697,259	\$ -	\$ -	\$ 697,259
Construction in progress	294,139	96,763	(294,139)	96,763
Total capital assets, not being depreciated	<u>991,398</u>	<u>96,763</u>	<u>(294,139)</u>	<u>794,022</u>
<i>Capital assets, being depreciated</i>				
Buildings	43,524,734	-	-	43,524,734
Infrastructure	22,564,351	294,137	-	22,858,488
Machinery and equipment	1,969,173	-	-	1,969,173
Total capital assets, being depreciated	<u>68,058,258</u>	<u>294,137</u>	<u>-</u>	<u>68,352,395</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(8,968,523)	(870,495)	-	(9,839,018)
Infrastructure	(9,321,930)	(457,165)	-	(9,779,095)
Machinery and equipment	(1,678,919)	(98,800)	-	(1,777,719)
Total accumulated depreciation	<u>(19,969,372)</u>	<u>(1,426,460)</u>	<u>-</u>	<u>(21,395,832)</u>
Total capital assets, being depreciated, net	<u>48,088,886</u>	<u>(1,132,323)</u>	<u>-</u>	<u>46,956,563</u>
Business-type activities capital assets, net	<u>\$ 49,080,284</u>	<u>\$ (1,035,560)</u>	<u>\$ (294,139)</u>	<u>\$ 47,750,585</u>

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**5. CAPITAL ASSETS, Continued**

**A. Government-Wide Financial Statements, Continued**

Depreciation expense by program for capital assets for the year ended June 30, 2017, was as follows:

General government	\$	14,954
Community development		36,800
Public safety		19,690
Public works		813,924
Library		35,277
<b>Total depreciation expense</b>	<b>\$</b>	<b>920,645</b>

**6. LONG-TERM DEBT**

A schedule of changes in long-term debt for the year ended June 30, 2017, is shown below.

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
<b>Governmental Activities</b>					
Certificates of Participation (COP)					
2008 USDA RD Roads COP	\$ 1,183,771	\$ -	\$ (69,990)	\$ 1,113,781	\$ 72,964
2010 USDA RD Library COP	468,148	-	(17,707)	450,441	18,415
Compensated Absences	151,339	11,184	-	162,523	53,972
Net OPEB Obligation	791,485	168,485	-	959,970	-
<b>Total Governmental Activities</b>	<b>2,594,743</b>	<b>179,669</b>	<b>(87,697)</b>	<b>2,686,715</b>	<b>145,351</b>
<b>Business-Type Activities</b>					
Revenue Bonds					
1993 CSCDA Refunding Bonds	44,546	-	(13,822)	30,724	14,824
1999 USDA RD Waste Water Expansion	5,331,840	-	(150,185)	5,181,655	155,066
2000 USDA RD Water Line Project	1,821,537	-	(50,512)	1,771,025	52,231
2004 USDA RD Waste Water Project	400,675	-	(8,094)	392,581	8,438
2012 Taxable Lease Revenue Refunding Bonds	1,550,000	-	(105,000)	1,445,000	110,000
Bond Issuance Discount	(36,545)	-	6,961	(29,584)	-
<b>Total Revenue Bonds</b>	<b>9,112,053</b>	<b>-</b>	<b>(320,652)</b>	<b>8,791,401</b>	<b>340,559</b>
Certificates of Participation (COP)					
2007 USDA RD Wellness Center COP	2,106,191	-	(41,513)	2,064,678	43,277
Lindsay Olive Growers Pond Closure	2,570,981	-	-	2,570,981	-
Compensated Absences	48,220	19,369	-	67,589	19,548
Net OPEB Obligation	1,005,976	35,906	-	1,041,882	-
<b>Total Business-Type Activities</b>	<b>\$ 14,843,421</b>	<b>\$ 55,275</b>	<b>\$ (362,165)</b>	<b>\$ 14,536,531</b>	<b>\$ 403,384</b>



**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**6. LONG-TERM DEBT, Continued**

*A. 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 approximately \$120,000 a year at 4.5% through 2029. As of **June 30, 2017**, the balance of the COP was \$1,113,781.

The annual debt service requirements for the 2008 USDA RD Roads COP are as follows:

Year Ended June 30	Principal	Interest	Total
2018	\$ 72,964	\$ 48,478	\$ 121,442
2019	76,065	45,125	121,190
2020	79,298	41,630	120,928
2021	82,668	37,985	120,653
2022	86,182	34,186	120,368
2023-2027	599,692	115,797	715,489
2028	116,912	2,631	119,543
<b>Total</b>	<b>\$ 1,113,781</b>	<b>\$ 325,833</b>	<b>\$ 1,439,614</b>

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, 2017**, the balance of the COP was \$450,441.

The annual debt service requirements for the 2010 USDA RD Library COP are as follows:

Year Ended June 30	Principal	Interest	Total
2018	\$ 18,415	\$ 18,581	\$ 36,996
2019	19,152	17,821	36,973
2020	19,918	17,031	36,949
2021	20,714	16,209	36,923
2022	21,543	15,355	36,898
2023-2027	121,351	62,712	184,063
2028-2032	147,642	35,601	183,243
2033-2035	81,706	5,952	87,658
<b>Total</b>	<b>\$ 450,441</b>	<b>\$ 189,262</b>	<b>\$ 639,703</b>

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**6. LONG-TERM DEBT, Continued**

*B. Business-type Activities*

Certification 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, 2017, the balance of the COP was \$2,064,678.

The annual debt service requirements for the 2007 USDA RD Wellness Center COP are as follows:

Year Ended June 30	Principal	Interest	Total
2018	\$ 43,277	\$ 85,910	\$ 129,187
2019	45,116	83,992	129,108
2020	47,034	81,993	129,027
2021	49,033	79,909	128,942
2022	51,117	77,737	128,854
2023-2027	290,076	352,725	642,801
2028-2032	357,186	282,764	639,950
2033-2037	439,820	196,619	636,439
2038-2042	541,571	90,543	632,114
2043-2047	200,448	3,312	203,760
<b>Total</b>	<b>\$ 2,064,678</b>	<b>\$ 1,335,504</b>	<b>\$ 3,400,182</b>

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, 2017, the balance of the revenue bond was \$30,724.

The annual debt service requirements for the 1993 CSCDA bond are as follows:

Year Ended June 30	Principal	Interest	Total
2018	\$ 14,824	\$ 1,930	\$ 16,754
2019	15,900	855	16,755
<b>Total</b>	<b>\$ 30,724</b>	<b>\$ 2,785</b>	<b>\$ 33,509</b>

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**6. LONG-TERM DEBT, Continued**

**B. Business-Type Activities, Continued**

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, 2017, the balance due was \$5,181,655.

The annual debt service requirements for 1999 USDA RD Waste Water expansion bond are as follows:

Year Ended June 30	Principal	Interest	Total
2018	\$ 155,066	\$ 168,404	\$ 323,470
2019	160,106	163,364	323,470
2020	165,309	158,161	323,470
2021	170,682	152,788	323,470
2022	176,229	147,241	323,470
2023-2027	970,871	646,479	1,617,350
2028-2032	1,139,232	478,118	1,617,350
2033-2037	1,336,788	280,563	1,617,351
2038-2040	907,372	59,495	966,867
<b>Total</b>	<b>\$ 5,181,655</b>	<b>\$ 2,254,613</b>	<b>\$ 7,436,268</b>

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, 2017, the balance due was \$1,771,025.

The annual debt service requirements for 2000 USDA RD Water Line Project bond are as follows:

Year Ended June 30	Principal	Interest	Total
2018	\$ 52,321	\$ 57,553	\$ 109,874
2019	54,021	55,853	109,874
2020	55,777	54,097	109,874
2021	57,590	52,284	109,874
2022	59,462	50,412	109,874
2023-2027	327,582	221,788	549,370
2028-2032	384,389	164,981	549,370
2033-2037	451,046	98,324	549,370
2038-2041	328,837	22,963	351,800
<b>Total</b>	<b>\$ 1,771,025</b>	<b>\$ 778,255</b>	<b>\$ 2,549,280</b>

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**6. LONG-TERM DEBT, Continued**

**B. Business-Type Activities, 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, 2017, the balance due was \$392,581.

The annual debt service requirements for 2004 USDA RD Waste Water Project are as follows:

Year Ended June 30	Principal	Interest	Total
2018	\$ 8,459	\$ 17,164	\$ 25,623
2019	8,830	16,793	25,623
2020	9,216	16,407	25,623
2021	9,619	16,004	25,623
2022	10,040	15,583	25,623
2023-2027	57,185	70,930	128,115
2028-2032	70,838	57,277	128,115
2033-2037	87,750	40,365	128,115
2038-2042	108,700	19,415	128,115
2043	21,944	948	22,892
<b>Total</b>	<b>\$ 392,581</b>	<b>\$ 270,886</b>	<b>\$ 663,467</b>

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 1<sup>st</sup> and July 1<sup>st</sup> of each year, commencing on July 1, 2013. As of June 30, 2017, the balance due was \$1,445,000.

The annual service debt service requirements for 2012 Taxable Lease Revenue Refunding Bonds are as follows:

Year Ended June 30	Principal	Interest	Total
2018	\$ 110,000	\$ 81,863	\$ 191,863
2019	115,000	76,231	191,231
2020	125,000	69,775	194,775
2021	130,000	62,600	192,600
2022	140,000	54,838	194,838
2023-2027	825,000	134,394	959,394
<b>Total</b>	<b>\$ 1,445,000</b>	<b>\$ 479,701</b>	<b>\$ 1,924,701</b>

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**6. LONG-TERM DEBT, Continued**

**C. *Compensated Leaves Payable***

Employees accrue vacation, annual leave, earned time off, and holiday leave up to certain maximums, based on the employee's bargaining unit.

The City accrues the liability for compensated leave as it is earned by employees. The amount of compensated leaves payable outstanding was \$230,112 as of June 30, 2017.

The amount due within one year of \$53,972 for Governmental Activities and \$19,548 for Business-Type Activities represents the estimated amount for anticipated retirees. The City typically uses the General Fund to liquidate the liability for compensated absences for governmental funds.

**7. CITY EMPLOYEES' RETIREMENT PLAN**

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors four rate plans (two miscellaneous and two safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefit Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employee's Retirement Law.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**7. CITY EMPLOYEES' RETIREMENT PLAN, Continued**

Benefit Provided, Continued

The rate plan provisions and benefits in effect at **June 30, 2017** are summarized as follows:

	Miscellaneous	Miscellaneous PEPRA
Hire Date	1/1/1960	1/1/2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	55 w/5 year service credit	62 w/5 year service credit
Benefit payment	2.7% Avg. highest 12 mos	2.0% Avg. highest 36 mos
Retirement age	55	62
Monthly benefits, as a % of annual salary	2.7%	2.0%
Required employee contribution rates	8.000%	6.250%
Required employer contribution rates	11.634%	6.555%
Required unfunded liability payment	\$339,028	\$20
	Safety	Safety PEPRA
Hire Date	1/1/1960	1/1/2013
Benefit formula	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	55 w/5 year service credit	57 w/5 year service credit
Benefit payment	3.0% Avg. highest 12 mos	2.7% Avg. highest 36 mos
Retirement age	55	57
Monthly benefits, as a % of annual salary	3.0%	2.7%
Required employee contribution rates	9.000%	11.500%
Required employer contribution rates	17.689%	12.082%
Required unfunded liability payment	\$208,577	\$117

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are to be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The City's Contributions to the Plan for the measurement period ended June 30, 2016 were \$554,704.

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

As of June 30, 2017, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$8,258,644.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**7. CITY EMPLOYEES' RETIREMENT PLAN, Continued**

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

The City's net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportionate of the net pension liability was based on the City's plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

The City's proportionate share of the net pension liability for each Plan as of June 30, 2015 and 2016 were as follows:

Proportion - June 30, 2015	0.09929%
Proportion - June 30, 2016	0.09544%
Change - Increase (Decrease)	<u>-0.00385%</u>

For the year ended June 30, 2017, the City recognized pension expense of \$411,290. At **June 30, 2017**, the City reported deferred outflow of resources and deferred inflows of resources related to pension from the following sources

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 1,207,603	\$ -
Changes of assumptions	-	296,696.00
Different between expected and actual experience	-	10,866.00
Changes in employer's proportion	-	90,316.00
Differences between the employer's contribution and the employer's proportionate share of contributions	77,852.00	21,080.00
Net differences between projected and actual earning on plan investments	<u>1,511,317.00</u>	<u>-</u>
Total	<u>\$ 2,796,772</u>	<u>\$ 418,958</u>

\$1,207,603 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**7. CITY EMPLOYEES' RETIREMENT PLAN, Continued**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	
2018	\$ 46,405
2019	73,107
2020	658,521
2021	392,178

*Actuarial Assumptions* - The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return <sup>(1)</sup>	7.50%
Mortality	Derived by CalPERS membership data for all funds

(1) Net of pension plan administrative expenses

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the 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 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.



**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**7. CITY EMPLOYEES' RETIREMENT PLAN, 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, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound 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 the 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 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	20.00%	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	1.00%	-0.55%	-1.05%
Total	100%		

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

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

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**7. CITY EMPLOYEES’ RETIREMENT PLAN, Continued**

*Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - The following presents the City’s proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.65%
Net Pension Liability	\$ 12,215,375
Current Discount Rate	7.65%
Net Pension Liability	\$ 8,258,644
1% Increase	8.65%
Net Pension Liability	\$ 4,998,963

*Pension Plan Fiduciary Net Position* - Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At **June 30, 2017** the City reported a payable of \$0 for outstanding amount of contributions to the pension plan required for the year ended **June 30, 2017**.

**8. HOUSING AND COMMUNITY DEVELOPMENT LOAN PROGRAM**

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.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**9. 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 limit.

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.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**10. 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 services or disability retirement (i.e., retirement at age 50 or older with 5 years of CalPERS membership or an approved disability retirement);
  - Have Complete 20 or more years of continuous service with the City; and
  - Have not yet reached age 65.
  
- 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
				\$ 586.87	\$ 36.32	\$ 5.80
Less than 15	0.0%	22	77.0%	Rate are per month as of January 1, 2017		
15	52.5%	23	80.5%			
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%			

Dependents will not be eligible.

- There are currently 4 retirees receiving these health care benefits which account for current year \$18,383 Explicit Subsidy plus \$34,453 Implicit Subsidy for \$52,836 of the total current year benefit.
  
- The claims experience of active and retired members is co-mingled in setting premium rates for the plans in which City employees and retirees participates 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 of GASB Statement No. 45 generally requires an implicit subsidy of retiree premium rates be valued as another postemployment benefits (OPEB) liability.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**10. POST-RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN, Continued**

Funding Policy and Actuarial Assumptions, Continued

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 Year's Costs
<i>plus</i> the Normal Cost	Current Year's Costs
<i>plus</i> Present Value of Future Normal	Future Years' Costs
<hr/> <i>equals</i> Present Value of Future Benefits	<hr/> Total Benefit Costs

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, 2014, 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 \$22,842 for payment of *explicit* costs for the fiscal year-end June 30, 2017, 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 OPEB cost and the pay-as-you-go contributions as presented below.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**10. POST-RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN, Continued**

Funding Policy and Actuarial Assumptions, Continued

Summary of employer contributions for OPEB is as follows:

Fiscal Year Ended	Annual Opeb Cost (ARC)	Employer Actual Contribution	Percentage of ARC Contributed	Net OPEB Obligation (Asset)
6/30/2015	\$ 232,076	\$ 63,210	27%	\$ 1,633,865
6/30/2016	235,282	71,686	29%	1,797,461
6/30/2017	257,227	52,836	27%	2,001,852

OPEB cost for the year ended June 30, 2017, is as follows:

Annual required contribution	\$ 266,777
Interest on net OPEB obligation	71,898
Adjustments to annual required contribution	<u>(81,448)</u>
Annual OPEB cost	<u>257,227</u>
Contributions made	<u>(52,836)</u>
Change in net OPEB obligation (asset)	204,391
Net OPEB obligation (asset) - beginning of year	<u>1,797,461</u>
Net OPEB obligation (asset) - end of year	<u><u>\$ 2,001,852</u></u>

Schedule of Funded Status:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (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%

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**11. 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, 2017. 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 2017-18 to ascertain if any additional amounts should be accrued.

**12. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2017, expenditures exceeded appropriations in the individual major funds as follows:

<u>Fund</u>	<u>Excess Expenditure</u>
General Fund	\$ 568,265
Local Transportation Fund	6,820

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**13. GOING CONCERN**

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

The City continue to suffer from a significant deficit fund balance in General Fund, McDermont Sports Complex Fund and the Wellness Center Fund. In addition, the General Fund has a significant advance which represents borrowing from other funds. There are serious doubts about the General Fund ability to repay the advances payable without having a significant impact on the City’s operation. McDermont Sports Complex Fund and the Wellness Fund continue to experience operating losses and continue to increase the deficit in its fund balance. 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.

In 2017, the City Council recognized the severity of its financial condition by declaring a fiscal emergency and pursuing a sales tax revenue measure. The successful passing of Measure O brings needed revenue to the City going forward. The City also implemented cost-saving measures by reducing staffing and outsourcing the management of McDermont Sports Complex. The City established advances to / from with repayment schedules to manage the repayment of the monies borrowed from funds listed in this finding. Management is making every effort to live within its means, to repay borrowed funds and to build a reserve for the future

**14. FUND BALANCE**

	General Fund	Development Fund	Transportation Fund	Governmental Fund	Total
<b>Fund Balance:</b>					
<b>Nonspendable:</b>					
Receivables	\$ 9,626	\$ -	\$ -	\$ -	\$ 9,626
Advances	611,833	-	-	-	611,833
<b>Restricted for:</b>					
Note Receivable	-	-	-	-	-
Road construction and maintenance	-	-	1,537,195	295,884	1,833,079
Community Development	-	2,176,682	-	-	2,176,682
Curb and gutter	-	-	-	26,226	26,226
Transit	-	-	-	7,153	7,153
Special assessments	-	-	-	54,657	54,657
Gas tax	-	-	-	279,204	279,204
<b>Unassigned:</b>	(10,059,950)	-	-	-	(10,059,950)
Total fund balances	<u>\$ (9,438,491)</u>	<u>\$ 2,176,682</u>	<u>\$ 1,537,195</u>	<u>\$ 663,124</u>	<u>\$ (5,061,490)</u>



**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**15. 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.

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.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**15. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, Continued**

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.

Successor Agency long-term debt liabilities activity for the fiscal year ended June 30, 2017, was as follows:

Successor Agency Trust Activities	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017	Due Within One Year	Due More than One Year
Bonds payable						
2015 Tax Allocation Refunding Bond	\$ 13,000,000	\$ -	\$ (320,000)	\$ 12,680,000	\$ 395,000	\$ 12,285,000
Total bonds payable	13,000,000	-	(320,000)	12,680,000	395,000	12,285,000
Notes payable						
CalHFA - RDLP Loan	4,218,695	-	(50,000)	4,168,695	50,000	4,118,695
CalHFA - HELP Loan	1,122,662	-	(686,926)	435,736	100,000	335,736
Total notes payable	5,341,357	-	(736,926)	4,604,431	150,000	4,454,431
Total Successor Agency Trust Activities	\$ 18,341,357	\$ -	\$ (1,056,926)	\$ 17,284,431	\$ 545,000	\$ 16,739,431

**A. 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, 2017, the balance on the bonds was \$12,680,000.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**15. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, Continued**

**A. Tax Allocation Bonds Payable, Continued**

The annual debt service requirements for 2015 Tax Allocation Refunding Bond are as follows:

Year Ended June 30	Principal	Interest	Total
2018	\$ 395,000	\$ 495,056	\$ 890,056
2019	410,000	483,206	893,206
2020	430,000	466,806	896,806
2021	435,000	449,606	884,606
2022	465,000	427,856	892,856
2023-2027	2,680,000	1,790,081	4,470,081
2028-2032	3,190,000	1,277,163	4,467,163
2033-2037	3,815,000	635,975	4,450,975
2038	860,000	34,400	894,400
<b>Total</b>	<b>\$ 12,680,000</b>	<b>\$ 6,060,149</b>	<b>\$ 18,740,149</b>

**B. 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 with 0% interest; no future interest accrual. As of June 30, 2017, there remained an unpaid balance due on the CalHFA HELP loan of \$435,736.

The annual debt service requirements for CalHFA – HELP loan are as follows:

Year Ended June 30	Principal	Interest	Total
2018	\$ 100,000	\$ -	\$ 100,000
2019	100,000	-	100,000
2020	100,000	-	100,000
2021	100,000	-	100,000
2022	35,736	-	35,736
<b>Total</b>	<b>\$ 435,736</b>	<b>\$ -</b>	<b>\$ 435,736</b>

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**15. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, Continued**

*B. Notes Payable, Continued*

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 with 0% interest; no future interest accrual. As of June 30, 2017, there remained an unpaid balance due on the CalHFA loan of \$4,168,695.

The annual debt service requirements for CalHFA – RDLP loan are as follows:

Year Ended June 30	Principal	Interest	Total
2018	\$ 50,000	\$ -	\$ 50,000
2019	50,000	-	50,000
2020	50,000	-	50,000
2021	4,018,695	-	4,018,695
Total	\$ 4,168,695	\$ -	\$ 4,168,695

**16. NON-COMPLIANCE WITH GRANTS RULES AND REGULATIONS**

*A. HUD*

The City of Lindsay provides home and business loans using grant funds from the Housing and Urban Development (HUD) department, specifically Community Development Block Grants (CDBG) and HOME Program grant funds through the California Housing and Community Development Department, a subdivision of HUD. The City is working to rectify three distinct issues related to grant funds from HUD via HCD. The following notes, for ease in reading, classify all home and business loan funds originating with HUD as HCD program funds because the City’s direct contact and source for these funds is HCD.

Issue #1 (Ongoing): Borrowing of grant funds for the City’s general operations. Between 2008 and 2017, the City experienced annual deficits in its general fund, McDermont Field House and the Wellness & Aquatic Center. In order to fund the overspending, the City borrowed grant funds from HCD programs through due to / due from transactions at the end of each year. This was common practice between FY2003 and FY2009, but the transactions were not reversed, compounding and confusing the actual balances. In FY2015, the City reversed the transactions and established temporary transactions. These transactions were reversed each year, but the funds were not repaid. As a result, the cash balances in the General Fund, McDermont Field House and the Wellness & Aquatic Center continued to increase in the negative direction. In 2017, the City formally recognized the borrowing by establishing Advances to / From to account for the funds due to HCD programs. City Council approved the creation of the advances with a repayment schedule via Resolution 17-44 in 2017.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**16. NON-COMPLIANCE WITH GRANTS RULES AND REGULATIONS Continued**

In 2018, the City Council amended the repayment schedule via Resolution 18-23. The City will repay \$2,060,000 (the entire amount borrowed from HCD programs) to HCD funds from the General Fund over a 10-year period beginning December 30, 2023. The City will pay an interest rate of 0.754%, which corresponds to the rate the City received from LAIF in 2017. The City did not have permission from HCD to borrow the funds for general purposes. Current administration, once it discovered the extent of the borrowing, shared the information with HCD. HCD understands the City is repaying the funds and has not imposed any additional penalty.

Issue #2 (Corrected): Home Loans to City employees and relatives of employees. Prior to May 2011, the City did not have a formal loan committee to review home and business loans thru the HCD program funding. During the administration that ended November 9, 2010, the City authorized home loans to some City employees and relatives of employees who did not qualify for the program. The following administration requested the District Attorney investigate to determine if there was criminal wrongdoing. The District Attorney found no criminal wrongdoing. The City then (1) created a loan committee to review each loan prior to funding and (2) contracted with Self Help Enterprises to manage the loan application process to ensure full transparency and program compliance. As a result, there have been no new issues. The City complies with all new related-party transactions. The City considers this matter to no longer be an issue. The reference to this past issue is contained in this disclosure note to give context to the reader.

Issue #3 (Ongoing): The City and HCD are currently negotiating a settlement for repayment of freeze relief funds. In 2005, the City of Lindsay experienced a devastating freeze, which damages the orange crops that are vital to the economy. HCD sent the City freeze relief funds, which the City used to put people to work with permission from HCD. After the City spent the money as approved by HCD, HCD reversed its permission and demanded the City repay \$900,000 in the freeze relief funds. Due to a fire that destroyed important records associated with the use of the freeze relief funds and turnover at HCD, the City does not have a complete record to demonstrate its compliance with HCD authorized uses. The City is currently negotiating with representatives with HCD for the purpose of either vacating the demanded amount or reducing it to a manageable level. Because the City does not yet know the outcome of these negotiations, it cannot determine the potential financial impact on the City.

***B. Caltrans***

Issue #1 (Ongoing): Caltrans provides state funding for construction projects. The City did multiple projects in the 2000's. Caltrans alleges the City did not properly account for Downtown project and the Safe Routes to School project, and it demands repayment of approximately \$1.0M. The City has been in negotiations with Caltrans. The City has learned a settlement offer from Caltrans is forthcoming. Without the settlement offer, the City is unable to predict the financial impact the negotiations with Caltrans will have on the City's future financial condition.

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**17. PRIOR PERIOD ADJUSTMENTS**

The City recorded a prior period adjustments to correct various accounting errors such as allocation of pension amounts between governmental and business type activities, move cash to the correct funds, accrue wages and correct some accounts. A summary of all prior period adjustments can be found in the table below

*Government-wide Statements*

	Net Position as Previously Reported	Prior Period Adjustment							Net Position as Restated
		Cash and Investments	Receivables	Deferred Outflows of Resources	Accounts and Other Payables	Accrued Wages	Net Pension Liability	Deferred Inflows of Resources	
<i>Government-Wide Statements</i>									
<i>Governmental</i>									
Activities	\$ 27,510,271	\$ 382,725	\$ 709	\$ 491,181	\$ 40,988	\$ (147,496)	\$ 583,808	\$ (351,505)	\$ 28,510,681
<i>Business-type</i>									
Activities	\$ 18,946,683	\$ (428,805)	\$ -	\$ (491,181)	\$ 319,791	\$ -	\$ (583,808)	\$ 351,505	\$ 18,114,185

*Fund Financial Statements*

	Net Position as Previously Reported	Prior Period Adjustment							Fund Balance as Restated
		Cash and Investments	Receivables	Deferred Outflows of Resources	Accounts and Other Payables	Accrued Wages	Net Pension Liability	Deferred Inflows of Resources	
<i>Government Funds</i>									
General Fund	\$ 5,321,885	\$ 2,700,912	\$ 709	\$ -	\$ 40,098	\$ (147,496)		\$ -	\$ 7,916,108
<i>Community</i>									
Development Fund	\$ 4,283,418	\$ (2,318,187)	\$ -	\$ -	\$ 890	\$ -		\$ -	\$ 1,966,121
<i>Enterprise Funds</i>									
Water Fund	\$ 7,947,500	\$ -	\$ -	\$ (108,355)	\$ 100,394	\$ -	\$ (198,550)	\$ 72,847	\$ 7,813,836
Sewer Fund	\$ 4,494,247	\$ (428,805)	\$ -	\$ (73,997)	\$ -	\$ -	\$ (97,620)	\$ 54,291	\$ 3,948,116
Sewer Fund	\$ 71,077	\$ -	\$ -	\$ (20,103)	\$ -	\$ -	\$ (31,800)	\$ 14,126	\$ 33,300
<i>McDermont Sport</i>									
Complex Fund	\$ 767,868	\$ -	\$ -	\$ (253,090)	\$ 19,550	\$ -	\$ (209,913)	\$ 183,469	\$ 507,884
<i>Wellness</i>									
Center Fund	\$ 5,665,991	\$ -	\$ -	\$ (35,636)	\$ 199,847	\$ -	\$ (45,925)	\$ 26,772	\$ 5,811,049
<i>Fiduciary Funds</i>									
Private-Purpose Trust Fund	\$ (13,422,758)	\$ -	\$ -	\$ -	\$ 7,800	\$ -		\$ -	\$ (13,414,958)

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**1. BUDGETS AND BUDGETARY ACCOUNTING**

*A. Budgetary Control and Budgetary Accounting*

The City Council is required to adopt an annual budget resolution by July 1<sup>st</sup> of each fiscal year for the General Fund, special revenue, capital projects, debt service, and enterprise funds. These budgets are adopted and presented for reporting purposes on a basis consistent with generally accepted accounting principles. The City did not adopt a budget for the Community Development Fund.

The appropriated budget is prepared by fund, function, and department. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the department level. The City Council made several supplemental budgetary appropriations throughout the fiscal year.

Budgeted appropriations for various governmental funds become effective each July 1. The City Council may amend the budget during the fiscal year. Appropriations generally lapse at the end of the fiscal year to the extent they have not been expended or encumbered.



**City of Lindsay**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the year ended June 30, 2017**

**1. BUDGETS AND BUDGETARY ACCOUNTING, Continued**

**B. Budgetary Comparison Schedules**

The following are the budget comparison schedules for all major Governmental Funds.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>REVENUES:</b>				
Property taxes	\$ 697,500	\$ 697,500	\$ 329,200	\$ (368,300)
Other taxes	3,843,000	3,843,000	3,857,106	14,106
Licenses and permits	306,500	306,500	430,352	123,852
Intergovernmental	328,000	328,000	246,456	(81,544)
Charges for services	500	500	7,093	6,593
Fees and fines	6,000	6,000	2,206	(3,794)
Interest revenue	1,000	1,000	422	(578)
Other revenues	98,000	98,000	129,277	31,277
<b>Total revenues</b>	<b>5,280,500</b>	<b>5,280,500</b>	<b>5,002,112</b>	<b>(278,388)</b>
<b>EXPENDITURES:</b>				
Current:				
General Government	1,096,057	1,096,057	994,757	101,300
Public safety	2,550,107	2,550,107	2,585,757	(35,650)
Parks and recreation	247,190	247,190	200,117	47,073
Public works	378,470	378,470	610,189	(231,719)
Streets and transportation	93,470	93,470	77,905	15,565
Community development	65,407	65,407	66,335	(928)
Debt service:				
Principal	17,707	17,707	17,707	-
Interest and administrative charges	37,172	37,172	38,643	(1,471)
Capital outlay	33,500	33,500	495,935	(462,435)
<b>Total expenditures</b>	<b>4,519,080</b>	<b>4,519,080</b>	<b>5,087,345</b>	<b>(568,265)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>761,420</b>	<b>761,420</b>	<b>(85,233)</b>	<b>289,877</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of land	-	-	27,584	27,584
Proceeds from capital leases	4,500	4,500	2,530	(1,970)
Transfers in	-	-	422	422
Transfers out	(1,002,450)	160,000	(17,299,902)	(17,459,902)
<b>Total other financing sources (uses)</b>	<b>(17,269,366)</b>	<b>164,500</b>	<b>(17,269,366)</b>	<b>(17,433,866)</b>
<b>Net change in fund balances</b>	<b>\$ (16,507,946)</b>	<b>\$ 925,920</b>	<b>(17,354,599)</b>	<b>\$ (17,143,989)</b>
<b>FUND BALANCES (DEFICITS):</b>				
Beginning of year			5,321,885	
Prior period adjustments			2,594,223	
End of year			<u>\$ (9,438,491)</u>	

**City of Lindsay**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Local Transportation Fund**  
**For the year ended June 30, 2017**

**1. BUDGETS AND BUDGETARY ACCOUNTING, Continued**  
**B. Budgetary Comparison Schedules, Continued**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ -	\$ 644,316	\$ 644,316
Interest revenue	-	-	29	29
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>644,345</b>	<b>644,345</b>
<b>EXPENDITURES:</b>				
Current:				
Streets and transportation	137,200	137,200	22,335	114,865
Debt service:				
Principal	-	-	69,990	(69,990)
Interest and administrative charges	-	-	51,695	(51,695)
<b>Total expenditures</b>	<b>137,200</b>	<b>137,200</b>	<b>144,020</b>	<b>(6,820)</b>
<b>Net change in fund balances</b>	<b>\$ (137,200)</b>	<b>\$ (137,200)</b>	<b>500,325</b>	<b>\$ 651,165</b>
<b>FUND BALANCES (DEFICITS):</b>				
Beginning of year			1,036,870	
End of year			\$ 1,537,195	

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

**2. DEFINED BENEFIT PENSION PLANS**

**A. Schedule of the City's Proportionate Share of the Net Pension Liability - Last 10 Years**

Fiscal year:	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement date:	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.09544%	0.09929%	0.09999%
Proportionate share of the net pension liability	\$ 8,258,639	\$ 6,695,057	\$ 6,216,207
Covered payroll	\$ 2,689,271	\$ 2,799,950	\$ 2,769,950
Proportionate share of the net pension liability as a percentage of covered payroll	307.10%	239.11%	224.42%
Plan's share of fiduciary net position as a percentage of total pension liability	74.06%	78.40%	79.82%

\* Fiscal year 2015 was the 1st year of implementation.

**B. Schedule of Contributions - Last 10 Years**

Fiscal Year:	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 1,207,603	\$ 726,038	\$ 700,907
Contractually in relation to the actuarially determined Contributions	<u>(1,207,603)</u>	<u>(726,038)</u>	<u>(700,907)</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	2,907,772	2,689,271	2,799,950
Contributions as percentage of covered payroll	41.53%	27.00%	25.03%

\*Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown

**City of Lindsay**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2017**

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**3. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

A schedule of funding progress for the past three actuarial valuations is presented below.

Funding Status:

Actuarial Valuation Date *	Actuarial Value of Assets (a)	Actuarial Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll ** (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	\$ -	\$ 2,419,071	\$ 2,419,071	0%	\$ 2,627,914	92.05%
7/1/2014	\$ -	\$ 2,063,929	\$ 2,063,929	0%	\$ 2,766,980	74.59%

\* Based on the most recent actuarial valuation available

\*\* Annual payroll of active employees covered by the plan

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# SUPPLEMENTARY INFORMATION

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**City of Lindsay**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2017**

	Special Revenue			Capital Projects	Total Non-Major Governmental Funds
	Special Assessment Districts	Gas Tax	Transit	Curb and Gutter	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 37,876	\$ 593,785	\$ 7,136	\$ 22,828	\$ 661,625
Accounts receivable, net	-	-	-	3,398	3,398
Due from other governments	9,761	-	-	-	9,761
Notes receivable	-	-	-	24,298	24,298
<b>Total assets</b>	<b>\$ 47,637</b>	<b>\$ 593,785</b>	<b>\$ 7,136</b>	<b>\$ 50,524</b>	<b>\$ 699,082</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts and other payables	4,674	3,089	-	-	7,763
Accrued wages	-	3,897	-	-	3,897
Unearned revenue	-	-	-	24,298	24,298
<b>Total liabilities</b>	<b>4,674</b>	<b>6,986</b>	<b>-</b>	<b>24,298</b>	<b>35,958</b>
<b>Fund Balances:</b>					
Restricted	42,963	586,799	7,136	26,226	663,124
<b>Total fund balances</b>	<b>42,963</b>	<b>586,799</b>	<b>7,136</b>	<b>26,226</b>	<b>663,124</b>
<b>Total liabilities and fund balances</b>	<b>\$ 47,637</b>	<b>\$ 593,785</b>	<b>\$ 7,136</b>	<b>\$ 50,524</b>	<b>\$ 699,082</b>

**City of Lindsay**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the year ended June 30, 2017**

	Special Revenue			Capital Projects	Total
	Special Assessment Districts	Gas Tax	Transit	Curb and Gutter	Non-Major Governmental Funds
<b>REVENUES:</b>					
Note collections	\$ -	\$ -	\$ -	\$ 13,503	\$ 13,503
Other taxes	76,094	-	-	-	76,094
Intergovernmental	-	376,484	-	-	376,484
Fees and fines	-	-	397	-	397
Interest revenue	-	29	-	-	29
Other revenues	-	4,160	-	-	4,160
<b>Total revenues</b>	<b>76,094</b>	<b>380,673</b>	<b>397</b>	<b>13,503</b>	<b>470,667</b>
<b>EXPENDITURES:</b>					
Current:					
General Government	67,169	-	-	-	67,169
Streets and transportation	49	280,860	272	-	281,181
Capital outlay	2,845	23,856	-	4,730	31,431
<b>Total expenditures</b>	<b>70,063</b>	<b>304,716</b>	<b>272</b>	<b>4,730</b>	<b>379,781</b>
<b>Net change in fund balances</b>	<b>6,031</b>	<b>75,957</b>	<b>125</b>	<b>8,773</b>	<b>90,886</b>
<b>FUND BALANCES (DEFICITS):</b>					
Beginning of year	36,932	510,842	7,011	17,453	572,238
End of year	\$ 42,963	\$ 586,799	\$ 7,136	\$ 26,226	\$ 663,124

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of the City Council  
of the City of Lindsay  
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, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 7, 2018.

**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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as items 2017-001 to 2017-003 in the accompanying schedule of findings and responses to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as items 2017-004 to 2017-007 in the accompanying schedule of findings and responses to be significant deficiencies

To the Honorable Mayor and Members of the City Council  
of the City of Lindsay  
Lindsay, California  
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### **Compliance and Other Matters**

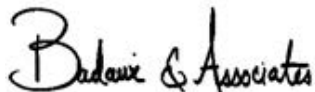
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-002.

### **City's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Badawi & Associates, CPAs  
Oakland, California  
June 7, 2018

**City of Lindsay**  
**Schedule of Findings and Responses**  
**For the year ended June 30, 2017**

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**FINDINGS - FINANCIAL STATEMENTS AUDIT**

**2017-001 - Deficit Fund Balance In The General Fund, McDermont Sports Complex Fund And The Wellness Center Fund And The Ability Of The City To Continue As A Going Concern (Material Weakness)**

**Criteria:**

General purpose local governments, regardless of size, at a minimum should maintain a fund balance in the general fund of either 1) no less than 5 to 15 percent of regular general fund operating revenues, or 2) no less than 1 to 2 months of regular general fund operating expenditures.

**Condition:**

The General Fund had a deficit fund balance of \$(9,438,491) as of June 30, 2017. The General Fund owed internally to the Community Development Fund, Local Transportation Fund, the Water Fund, the Sewer Fund and the Refuse Fund in the amounts of \$2,078,356, \$1,440,000, \$1,582,000, \$1,582,000 and \$140,000, respectively. These interfund loans were made so that the General Fund could sustain its basic operations.

The McDermont Sports Complex Fund had a negative unrestricted net position of \$(1,347,981) as of June 30, 2017. In addition, the fund continues to experience operating losses. Operating losses for the fiscal year ended June 30, 2017 was \$1,131,188.

The Wellness Center Fund had a negative unrestricted net position balance of \$(829,457) as of June 30, 2017. In addition, the fund continues to experience operating losses. Operating losses for the fiscal year ended June 30, 2017 was \$322,971.

The multiple afore mentioned conditions have raised substantial doubt about the City's ability to continue as a going concern, as described further in Note 16.

**Cause:**

The City has either overspend its budget in the past or the budget was not balanced which led to the overspending and the deficit fund balance situation.

**Effect:**

Deficiency in fund balances and decrease in revenues have created a budget shortfall that will require significant cost cutting measures to reach a budget that will recoup the negative fund balance as well as provide the necessary revenues and financing for continued operations of the City.

**Recommendation:**

We recommend the City continue to analyze all potential cost cutting measures and revenue sources, and review options to establish a budget plan for the General Fund and other funds to recoup the deficit fund balance as well as provide continued financing for City operations.

**City of Lindsay**  
**Schedule of Findings and Responses**  
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**Management Response:**

In the past, the City did not maintain sufficient controls on spending. The audit findings are accurate in representing the financial deficits in the General Fund, McDermont Sports Complex Fund and the Wellness Center Fund. The City agrees with the finding and the recommendations.

In 2017, the City Council recognized the severity of its financial condition by declaring a fiscal emergency and pursuing a sales tax revenue measure. The successful passing of Measure O brings needed revenue to the City going forward. The City also implemented cost-saving measures by reducing staffing and outsourcing the management of McDermont Sports Complex. The City established advances to / from with repayment schedules to manage the repayment of the monies borrowed from funds listed in this finding.

Management is making every effort to live within its means, to repay borrowed funds and to build a reserve for the future.

**2017-002 -Non-Compliance With Laws, Regulations, Contract and Grants (Material Weakness)**

**Criteria:**

Restricted resources such as grant funds are to be used only for their legally intended purpose. In addition, any borrowings by other funds from these restricted resources are usually not allowed unless it is very short term in nature and if it does occur, it should be recognized by the City and a repayment plan should be put in place.

**Condition:**

During our audit we noted that there were several incidents of non-compliance as follow:

- Borrowing of grant funds for the City's general operations. Between 2008 and 2017, the City experienced annual deficits in its general fund, McDermont Field House and the Wellness & Aquatic Center. In order to fund the overspending, the City borrowed grant funds from Housing and Community Development (HCD) programs which amounted to \$2,078,356 as of June 30, 2017.
- Prior to 2011, the City authorized home loans through the HCD program to some City employees and relatives of employees who did not qualify for the program. The loans amounted to \$1,008,741 as of June 30, 2017.
- Prior to 2011, HCD grant funds not spent in accordance with grant agreement. The State believe that the City spent \$900,000 not in accordance with the grant guidelines.
- Prior to 2011, The City did not properly account for Downtown project and the Safe Routes to School project funded by Caltrans for approximately \$1,000,000.

**Cause:**

The City has violated several grant agreements to cover its operating deficits.

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**Effect:**

The effect cannot be determined at this point as the City is in discussion with the granting agencies to resolve the matter. It is likely that the City will have to refund some of the funds back to the granting agencies.

**Recommendation:**

We recommend that the City institute controls to ensure compliance with laws and regulation and to settle the outstanding issues with the granting agencies.

**Management Response:**

This finding has two parts: (1) borrowing program income funds to cover operating deficits and (2) spending funds not in accordance with grant agreements. It is important to note most of these have been addressed in prior audits.

**Borrowing grant funds:**

In the past, the City did borrow program income funds (not the same as grant funds) for the City's general operations. During the fiscal year 2017-2018, the City recognized the extent of the borrowing program income and formally adopted a repayment plan. These program income funds are first in line for repayment.

**Spending funds:**

The City is in on-going discussions/negotiations with HCD and Caltrans. The City expects a settlement with both in fiscal year 2018-2019. The City disputes the amount to HCD as HCD approved the way the City spent the grant funds at the time of use. In later years, HCD retroactively reversed its approval, which placed the City in a state of non-compliance. To compound the problem, many important timecards associated with the approved-then-years-later-denied use of grant funds were lost in a fire at the Proteus offices. The City is working to finally resolve the issue with HCD.

The Caltrans issue is currently in negotiations. The City has implemented policies and procedures that have proved effective since these issues arose years ago.

The issue with the home loans goes back to the 2000's, has been thoroughly investigated by the district attorney and has been discussed with the granting agency. Neither the district attorney nor the granting agency determined there was need for corrective action. This issue is more than a decade old. The City no longer operates the home loan programs as it did when two executives controlled the lending decisions. The City now uses a loan committee to decide whether to approve an application. Until the City stopped lending, Self Help Enterprises provided the loan preparation process, which helped the City maintain a very transparent operation. The City has already taking all the necessary steps to ensure the loan program operates as intended. The City is in compliance with the lending standards and requirements now.

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**For the year ended June 30, 2017**

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**2017-003 – Restatement of Previously Issued Financial Statements**

**Criteria:**

The City is responsible for the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

**Condition:**

The City recorded a prior period adjustments to correct various accounting errors such as allocation of pension amounts between governmental and business type activities, move cash to the correct funds, accrue wages and correct some accounts. A summary of all prior period adjustments can be found in the table below

**Cause:**

The City's internal controls over financial reporting did not identify the misstatements in a timely manner resulting in the restatement.

**Context and Effect:**

The City's previously issued financial statements were not fairly stated in conformity with accounting principles generally accepted in the United States of America.

**Recommendation:**

We recommend that the City enhance its internal control over financial reporting to ensure complete and accurate financial reporting. The City can accomplish this by expanding its year-end closing procedures to ensure that all non-routine and nonsystematic transactions are accounted for, the appropriate accounting standards are applied, and transactions are accounted for in the proper period.

**Management Response:**

The City has been working to correct issues from the past. The City is expanding its year-end closing procedures to ensure all non-routine and non-systematic transactions are accounted for in the proper periods.

**2017-004 – Recordkeeping of Capital Assets (Significant Deficiency)**

**Criteria:**

A good internal control system over capital assets requires that City maintain detail records of all its capital assets to be able to support amounts reported on the financial statements and to ensuring safeguarding of assets and timely payment on long-term debt.

**Condition:**

We noted during the audit that the City did not maintain adequate records for capital assets to enable it to exercise control over those activities. Instead, the City is relying on loosely maintained spreadsheets that did not include detail of certain asset classes such as machinery and equipment and infrastructure.

**City of Lindsay**  
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**Cause:**

The City did not keep accurate and complete records of its capital assets.

**Effect:**

Capital assets may be misstated and/or not properly or timely accounted for.

**Recommendation:**

We recommend that the City implement a tracking system and to conduct an inventory of its capital assets.

**Management Response:**

The City used to have a capital asset management system, which functioned only on an older version of the Microsoft Windows Operating System. Regrettably, the system was lost a few years ago along with the records. The City has unsuccessfully attempted to recreate the records. The City plans to conduct a capital assets inventory audit in fiscal year 2018-2019 to manage capital assets in the future.

**2017-005 - Control Over Expenditures and Accounts Payable (Significant Deficiency)**

**Criteria:**

A good internal control system over expenditures and accounts payable requires that certain tasks such as creating new vendors, inputting invoices, and processing checks be segregated and not performed by the same individual. In addition, changes to the master file should be reviewed and reconciled by a qualified individual independent from the accounts payable process.

**Condition:**

During our audit we noted that the Accounts Payable Clerk is responsible for setting up new vendors in the system. There is no independent review of changes made to the vendor master files. In addition, we noted that the reviewer of the accounts payable do not keep track of the sequence numbers of the checks reviewed

**Cause:**

Duties in the accounts payable system is not properly segregated to ensure good checks and balances are in place.

**Effect:**

Errors in accounts payable may not be detected timely. In addition, unauthorized payments to vendors or payments to unauthorized vendors may not be detected timely.

**Recommendation:**

We recommend that the City improve and strengthen its procedures for review and reconciliation to ensure that changes to the vendor master files are properly reviewed and reconciled by an independent person and there is adequate segregation of duties in place.

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**Management Response:**

The City appreciates the auditor's thoroughness in reviewing its accounts payable operations and systems. The City will adjust its procedures relative to control over expenditures and accounts payable to ensure the appropriate segregation of duties.

**2017-006 - Control over Payroll and Related Liabilities (Significant Deficiency)**

**Criteria:**

A good internal control system over payroll requires that certain tasks such as creating new employees, inputting payrates, and processing payroll be segregated and not performed by the same individual. In addition, payroll should be reviewed and reconciled by a qualified individual independent from the payroll process.

**Condition:**

During our audit we noted that there was mainly one person who was responsible for setting up new employees, making and updating all changes in the payroll system as well as processing payroll.

**Cause:**

Duties in the payroll system is not properly segregated to ensure good checks and balances are in place.

**Effect:**

Payroll amounts may be misstated due to errors not detected during the review process. In addition, incorrect or unauthorized pay rates may be used and not detected timely.

**Recommendation:**

We recommend that the City improve and strengthen its procedures for review and reconciliation to ensure that payroll is properly reviewed and reconciled by an independent person and there is adequate segregation of duties in place.

**Management Response:**

The City appreciates the auditor's thoroughness in reviewing its payroll operations. The City divided duties in fiscal year 2017-2018 between payroll processing and the human resources department. Human Resources is responsible for entering all pay and position changes in the payroll processing system. Finance enters the hours and generates the payroll checks/direct deposits. By segregating the duties, the City has rectified this significant deficiency.



**City of Lindsay**  
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**2017-007 - Control Over Accounts Receivable (Significant Deficiency)**

**Criteria:**

A good internal control system over accounts receivable requires that certain reports such as aging accounts receivable be produced and reviewed to track delinquent account and to ensure all receivables are valid and collectible.

**Condition:**

During our audit we noted that the City was unable to produce an aging accounts receivable reports.

**Cause:**

The accounting system does not enable the City to generate a report for a date in the past and the City did not generate those reports on the last day of the fiscal year.

**Effect:**

Accounts receivable could be misstated and the City's ability to track delinquent accounts may be impacted.

**Recommendation:**

We recommend that the City improve and strengthen its procedures for review and reconciliation of accounts receivable and to ensure that an aging accounts receivable reports is produced at least quarterly and reviewed and reconciled to the accounting records.

**Management Response:**

The City agrees with the need to generate static reports on an annual-if-not-quarterly basis. Changing the process indeed will improve and strengthen the procedures, which will allow for more timely and valuable reconciliation of the accounts receivable. The City will make the changes at the end of fiscal year 2017-2018.