

CITY OF LINDSAY

AUDITED BASIC FINANCIAL STATEMENTS

JUNE 30, 2007

CITY OF LINDSAY

BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

To the City Council
Lindsay, California

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 City of Lindsay, California, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Lindsay, California, management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 of Lindsay, California, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated August 7, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with laws, regulations, contracts and grants 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the City Council
Lindsay, California
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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lindsay, California basic financial statements. The combining and individual nonmajor fund financial statements 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Pressley & Associates, Inc.

Accountancy Corporation

Bakersfield, California
August 7, 2008

Management's Discussion and Analysis

As management of the City of Lindsay, we offer readers of the City of Lindsay's financial statement this narrative overview and analysis of the financial activities of the City of Lindsay for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the City of Lindsay exceeded its liabilities at the close of the most recent fiscal year by \$17,244 (*net assets*). Of this amount, \$705 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Lindsay governmental funds reported combined ending fund balances of \$13,531. All of this is available *for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,481.

Overview of the Financial Statements

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

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

The *statement of net assets* presents information on all of the City of Lindsay's assets and liabilities, with the difference between the two reported as *net assets*.

Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Lindsay is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City of Lindsay that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of the City of Lindsay include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City of Lindsay include a Water and Sewer Authority.

The government-wide financial statements include not only the City of Lindsay itself (known as the *primary government*), but also a legally separate Redevelopment Agency. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The Water, Sewer, Refuse, and Animal Control Departments, functions for all practical purposes as departments of the City of Lindsay, and therefore has been included as an integral part of the primary government.

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

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

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

changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Lindsay maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Gas Tax, Community development, RDA Capital Projects funds, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Lindsay 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 of Lindsay maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Lindsay uses enterprise funds to account for its Water, Sewer, Refuse and Animal Control activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, Refuse and Animal Control activities, all of which are considered to be major funds of the City of Lindsay, with the exception of the Animal Control Fund

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Lindsay'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 assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Lindsay's, assets exceeded liabilities by \$17,244 at the close of the most recent fiscal year.

Of the City of Lindsay's net assets (55 percent) reflects 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 of Lindsay uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Lindsay's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 30,962	\$ 23,614	\$ 1,810	\$ 2,008	\$ 32,772	\$ 25,622
Capital assets	14,327	6,153	10,375	10,339	24,702	16,492
Total assets	45,289	29,767	12,185	12,347	57,474	42,114
Long-term liabilities	13,527	4,941	9,296	9,454	22,823	14,395
Other liabilities	16,589	15,127	818	760	17,407	15,887
Total liabilities	30,116	20,068	10,114	10,214	40,230	30,282
Net assets:						
Invested in capital assets, net						
of related debt	8,442	6,153	1,080	885	9,522	7,038
Restricted	7,017	5,506	-	-	7,017	5,506
Unrestricted	(286)	(1,960)	991	1,248	705	(712)
Total net assets	\$ 15,173	\$ 9,699	\$ 2,071	\$ 2,133	\$ 17,244	\$ 11,832

A portion of the City of Lindsay's net assets (41 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$705 may be used to meet the government's ongoing obligations to citizens and creditors. The business-type activities reported a positive balance. For the prior fiscal year the City reported positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

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

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Program Revenue:						
Charges for services	\$ 1,327	\$ 768	\$ 4,262	\$ 3,751	\$ 5,589	\$ 4,519
Operating grants and contributions	4,748	7,643	-	-	4,748	7,643
Capital grants and contributions	2,972	3,476	14	651	2,986	4,127
General Revenues						
Property taxes	292	411	-	-	292	411
Other taxes	2,433	2,185	-	-	2,433	2,185
Miscellaneous	13	72	16	9	29	81
Transfers	-	-	-	-	-	-
Total revenues	11,785	14,555	4,292	4,411	16,077	18,966
Expenses						
General government	3,169	1,679	-	-	3,169	1,679
Public safety	2,440	2,244	-	-	2,440	2,244
Highways and streets	619	525	-	-	619	525
Economic development	2,965	4,473	-	-	2,965	4,473
Interest on long-term debt	434	323	-	-	434	323
Water operating	-	-	1,461	1,329	1,461	1,329
Sewer operating	-	-	1,517	1,280	1,517	1,280
Refuse operating	-	-	1,094	842	1,094	842
Animal control	-	-	283	273	283	273
Total expenses	9,627	9,244	4,355	3,724	13,982	12,968
Changes in net assets	2,158	5,311	(63)	687	2,095	5,998
Net assets - beginning	9,699	4,693	2,134	1,737	11,833	6,430
Prior period adjustments	3,316	(305)	-	(291)	3,316	(596)
Net assets - beginning restated	13,015	4,388	2,134	1,446	15,149	5,834
Net assets - ending	\$ 15,173	\$ 9,699	\$ 2,071	\$ 2,133	\$ 17,244	\$ 11,832

Governmental activities. Governmental activities increased the City of Lindsay's net assets by \$2,158.

Business-type activities. Business-type activities decreased the City of Lindsay's net assets by \$63.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Lindsay'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 of Lindsay's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the end of the current fiscal year, the City of Lindsay's governmental funds reported combined ending fund balances of \$13,531. 48% of this total amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The general fund is the chief operating fund of the City of Lindsay. At the end of the current fiscal year, unreserved fund balance of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures.

The fund balance of the City of Lindsay's general fund decreased by \$1,085 during the current fiscal year. Key factors in this decrease are as follows:

- The general fund increased personnel in the public safety department.
- The general fund invested in McDermont Field House capital asset.

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

Unrestricted net assets of the Water, Sewer, Refuse, and Animal Control activities at the end of the year amounted to \$1,248. The total growth in net assets for all these funds was \$687. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Lindsay's business-type activities.

Capital Asset and Debt Administration

Capital assets. The City of Lindsay's investment in capital assets for its governmental and business type activities as of June 30, 2007, amounts to \$24,702 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Major capital asset events during the current fiscal year included the following:

- A variety of street construction projects for existing streets, curbs, gutters, and sidewalks began; construction in the progress as of the end of the current fiscal year had reached \$2,381.
- A major capital investment for McDermont Field House – Sports Complex.

CITY OF LINDSAY'S Capital Assets
(net of depreciation)
(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 173	\$ 173	\$ -	\$ -	\$ 173	\$ 173
Buildings and improvements	3,349	2,745	10,352	10,306	13,701	13,051
Machinery & equipment	1,311	1,615	23	33	1,334	1,648
Infrastructure	-	-	-	-	-	-
Construction in progress	9,494	4,897	-	-	9,494	4,897
Total	\$ 14,327	\$ 9,430	\$ 10,375	\$ 10,339	\$ 24,702	\$ 19,769

CITY OF LINDSAY'S Outstanding Debt
General Obligation and Revenue Bonds

	Governmental activities		Business-type activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 5	\$ 5	\$ -	\$ -	\$ 5	\$ 5
Notes payable	-	-	9,296	9,454	9,296	9,454
Revenue bonds	13,122	4,640	-	-	13,122	4,640
Interest payable	207	101	-	-	207	101
Compensated absences	194	195	-	-	194	195
Total	\$ 13,528	\$ 4,941	\$ 9,296	\$ 9,454	\$ 22,824	\$ 14,395

Long-term debt. At the end of the current fiscal year, the City of Lindsay had total bonded debt outstanding of \$13,122. The City of Lindsay's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City of Lindsay does not maintain ratings from any of the services for general obligation debt. The General Obligation bond listed above is outstanding from an old issue that has not been claimed.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Lindsay is \$3,612, which is significantly in excess of the City of Lindsay's outstanding general obligation debt.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Lindsay is currently 8.1 percent, which is a reduction over previous years.
- Developers have constructed 123 apartments in the last twelve months, with building permits issued for another 30 to be constructed in the 2008 fiscal year.
- Property values have seen a decrease in the last twelve months. This results in slower turnover of the existing housing inventory.
- The occupancy rate of the government's central business district has increased to over 90 percent over the past three years.

All of these factors were considered in preparing the City of Lindsay's budget for the 2008 fiscal year.

Water, Sewer and Refuse rates were increased for the 2008 budget year. The rates affected both residential and industrial consumers by approximately the same percentage.

Requests for Information

This financial report is designed to provide a general overview of the City of Lindsay's finances for all those with an interest in the government'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.

City of Lindsay
Statement of Net Assets
June 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,362,215	\$ 734,426	\$ 10,096,641
Accounts receivable, net	1,325,316	864,202	2,189,518
Intergovernmental receivables	2,174,485	-	2,174,485
Interest receivables	79,882	2,950	82,832
Internal balances	(204,898)	204,898	-
Investments in property	1,136,100	-	1,136,100
Inventory	-	3,113	3,113
Restricted assets:			
Cash/fiscal agent	1,264,949	-	1,264,949
Interest receivable	4,588	-	4,588
Notes receivable	15,244,409	-	15,244,409
Deferred bond issuance charges, net of amortization	575,621	-	575,621
Capital assets - land, construction in progress	9,666,804	-	9,666,804
Capital assets - other, net of accumulated depreciation	4,659,771	10,375,310	15,035,081
Total assets	<u>45,289,242</u>	<u>12,184,899</u>	<u>57,474,141</u>
LIABILITIES			
Accounts and other payables	985,573	765,874	1,751,447
Unearned revenue	15,438,042	52,667	15,490,709
Notes payable	165,224	-	165,224
Non-current liabilities:			
Due within one year	431,457	163,495	594,952
Due in more than one year	13,095,960	9,132,234	22,228,194
Total liabilities	<u>30,116,256</u>	<u>10,114,270</u>	<u>40,230,526</u>
NET ASSETS			
Invested in capital assets, net of related debt	8,442,036	1,079,581	9,521,617
Restricted for community development	7,017,468	-	7,017,468
Unrestricted	(286,518)	991,048	704,530
Total net assets	<u>\$ 15,172,986</u>	<u>\$ 2,070,629</u>	<u>\$ 17,243,615</u>

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

City of Lindsay
Statement of Activities
For the Fiscal Year Ended June 30, 2007

Functions/Programs	Program Revenues				Primary Government		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 3,169,315	\$ 1,279,903	\$ 497,949	\$ 1,650,569	\$ 259,106	\$ -	\$ 259,106
Public Safety	2,439,681	46,573	150,641	79,415	(2,163,052)	-	(2,163,052)
Highways and streets	619,338	-	399,996	1,241,985	1,022,643	-	1,022,643
Economic development	2,965,195	-	3,699,810	-	734,615	-	734,615
Interest on long-term debt	433,687	-	-	-	(433,687)	-	(433,687)
Total governmental activities	9,627,216	1,326,476	4,748,396	2,971,969	(580,375)	-	(580,375)
Business-type Activities:							
Water operating	1,461,173	1,497,351	-	-	-	36,178	36,178
Sewer operating	1,517,305	1,619,098	-	13,985	-	115,778	115,778
Refuse operating	1,093,314	973,988	-	-	-	(119,326)	(119,326)
Animal Control	283,087	171,585	-	-	-	(111,502)	(111,502)
Total business-type activities	4,354,879	4,262,022	-	13,985	-	(78,872)	(78,872)
Total primary government	\$ 13,982,095	\$ 5,588,498	\$ 4,748,396	\$ 2,985,954	(580,375)	(78,872)	(659,247)
General revenues:							
Property taxes		292,441			292,441	-	292,441
Sales tax		689,413			689,413	-	689,413
Utility users tax		771,618			771,618	-	771,618
Franchise tax		97,549			97,549	-	97,549
Transient occupancy tax		14,090			14,090	-	14,090
Motor vehicle in-lieu		792,029			792,029	-	792,029
Other taxes		67,976			67,976	-	67,976
Unrestricted investment earnings		13,037			13,037	15,878	28,915
Total general revenues		2,738,153			2,738,153	15,878	2,754,031
Change in net assets		2,157,778			2,157,778	(62,994)	2,094,784
Net assets - beginning		9,699,376			9,699,376	2,133,623	11,832,999
Prior period adjustment		3,315,832			3,315,832	-	3,315,832
Net assets - beginning (restated)		13,015,208			13,015,208	2,133,623	15,148,831
Net assets - ending		15,172,986			15,172,986	2,070,629	17,243,615

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

City of Lindsay
Balance Sheet
Governmental Funds
June 30, 2007

	General	Gas Tax	Community Development	RDA Capital Projects	Other Governmental Funds (non-major)	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ -	\$ 164,436	\$ 2,471,546	\$ 4,851,179	\$ 1,610,977	\$ 9,098,138
Accounts receivable - net	1,325,316	-	-	-	-	1,325,316
Interest receivable	5,397	87	8,922	53,895	8,365	76,666
Due from other funds	1,004,680	234,744	1,736,760	875,566	1,216,086	5,067,836
Due from other governments	884,237	1,040,773	247,931	1,544	-	2,174,485
Notes receivable	-	-	15,220,231	-	24,178	15,244,409
Investment in property	564,258	-	237,797	334,045	-	1,136,100
Restricted - cash/fiscal agent	451,287	-	-	650,930	162,732	1,264,949
Restricted - due from other funds	-	-	-	-	-	-
Restricted - interest receivable	4,588	-	-	-	-	4,588
Total assets	\$ 4,239,763	\$ 1,440,040	\$ 19,923,187	\$ 6,767,159	\$ 3,022,338	\$ 35,392,487
Liabilities						
Accounts and other payables	\$ 424,261	\$ 30,138	\$ 24,710	\$ 12,330	\$ 41,306	\$ 532,745
Accrued wages	371,064	1,931	9,452	30,091	-	412,538
Due to other funds	1,952,450	2,533,023	217,697	-	569,564	5,272,734
Deferred revenue	6,553	-	15,400,691	-	30,798	15,438,042
Refundable deposits	4,465	-	35,825	-	-	40,290
Notes payable	-	-	-	165,224	-	165,224
Total liabilities	2,758,793	2,565,092	15,688,375	207,645	641,668	21,861,573
Fund balances:						
Reserved for:						
Community development	-	-	4,234,812	-	2,782,656	7,017,468
Unreserved, reported in						
General fund	1,480,970	-	-	-	-	1,480,970
Special revenue funds	-	(1,125,052)	-	-	(558,542)	(1,683,594)
Capital projects	-	-	-	6,559,514	156,556	6,716,070
Total fund balances	1,480,970	(1,125,052)	4,234,812	6,559,514	2,380,670	13,530,914
Total liabilities and fund balances	\$ 4,239,763	\$ 1,440,040	\$ 19,923,187	\$ 6,767,159	\$ 3,022,338	\$ 35,392,487

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

City of Lindsay
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Assets
 June 30, 2007

Fund balances of governmental funds	\$ 13,530,914
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	11,049,445
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These RDA capital assets were not picked up in the prior year.	3,277,130
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	267,293
Note payable not included in the governmental fund activity	(377,237)
Long-term liabilities, including accrued interest on bonds, and compensated absences are not due and payable in the current period and therefore are not reported in the governmental fund activity.	(12,845,482)
Add: Deferred charge for issuance costs (to be amortized over life of debt)	575,621
Less: issuance premiums (to be amortized as interest expense)	(304,698)
Net assets of governmental activities	\$ 15,172,986

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

City of Lindsay
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General	Gas Tax	Community Development	RDA Capital Projects	Other Governmental Funds (non-major)	Total Governmental Funds
REVENUES						
Note collections	\$ -	\$ -	\$ 1,352,058	\$ -	\$ 5,763	\$ 1,357,821
Property taxes	292,441	-	-	936,162	235,072	1,463,675
Other taxes	1,640,645	-	-	-	-	1,640,645
Licenses and permits	591,266	-	-	-	-	591,266
Integovernmental	2,952,481	1,070,660	841,411	-	319,757	5,184,309
Charges for services	48,132	-	-	-	-	48,132
Fees and fines	46,573	-	-	-	-	46,573
Interest revenue	(1,394)	102	122,675	161,117	44,839	327,339
Other revenue	469,242	343	713	-	-	470,298
Total revenues	6,039,386	1,071,105	2,316,857	1,097,279	605,431	11,130,058
EXPENDITURES						
Current:						
General government	839,988	-	-	-	-	839,988
Public safety	2,256,545	-	-	-	-	2,256,545
Parks and recreation	649,131	-	-	-	-	649,131
Public works	524,371	-	-	-	-	524,371
Streets & transportation	215,759	403,579	-	-	-	619,338
Redevelopment	-	-	-	285,926	-	285,926
Community development	-	-	2,326,224	136,099	76,775	2,539,098
Debt service:						
Principal	-	-	-	64,000	16,000	80,000
Interest and administrative charges	-	-	-	256,406	64,103	320,509
Capital outlay	4,541,838	671,109	-	140,171	474,922	5,828,040
Total expenditures	9,027,632	1,074,688	2,326,224	882,602	631,800	13,942,946
	(2,988,246)	(3,583)	(9,367)	214,677	(26,369)	(2,812,888)
OTHER FINANCING SOURCES (USES)						
Tax bonds issued	-	-	-	6,304,000	1,576,000	7,880,000
Tax bonds premiums	-	-	-	239,330	59,833	299,163
Tax bonds issuance cost	-	-	-	(275,633)	(68,908)	(344,541)
Operating transfers in	2,473,866	570,876	-	-	-	3,044,742
Operating transfers out	(570,876)	-	(89,390)	(2,384,476)	-	(3,044,742)
Total other financing sources (uses)	1,902,990	570,876	(89,390)	3,883,221	1,566,925	7,834,622
Net change in fund balance	(1,085,256)	567,293	(88,757)	4,097,898	1,540,556	5,021,734
Fund balances -- beginning	2,566,226	(1,692,345)	4,437,100	2,064,110	849,939	8,225,030
Prior period adjustment	-	-	(103,531)	397,506	(9,825)	284,150
Fund balances -- beginning - restated	2,566,226	(1,692,345)	4,333,569	2,461,616	840,114	8,509,180
Fund balances -- ending	\$ 1,480,970	\$ (1,125,052)	\$ 4,234,812	\$ 6,559,514	\$ 2,380,670	\$ 13,530,914

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

City of Lindsay
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2007

Net change in fund balances --total governmental funds	\$ 5,021,734
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Capital outlay are reported as expenditures in governmental funds. However in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay(\$5,384,447) exceeded depreciation (\$385,569) in the current period.	4,998,878
Governmental funds report bond proceeds and costs as other financing sources/uses. While net bond proceeds provide current financial resources to governmental funds, the transaction has no effect on net assets and therefore is not reported in government-wide presentation.	(7,834,622)
Repayment of long-term debt is reported as an expenditure in governmental funds. In the statement of net statement of net assets, the repayment reduces long-term liabilities:	
Bond principal	80,000
Compensated absences	569
Accrued interest on long-term debt reported in the statement of activities are not reported as expenditures in governmental funds.	(104,934)
Annual amortization of bond issuance costs reported in government-wide presentation	(10,980)
Annual amortization of bond premiums reported in government-wide presentation	2,736
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.	4,397
Change in net assets of governmental activities	\$ <u><u>2,157,778</u></u>

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

City of Lindsay
Statement of Net Assets
Proprietary Funds
June 30, 2007

Business-Type Activities - Enterprise Funds

	Water	Sewer	Refuse	Animal Control (nonmajor)	Total Proprietary Funds	Internal Service Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 410,762	\$ 198,009	\$ 125,655	\$ -	\$ 734,426	\$ 264,077
Accounts receivable, net	262,840	418,149	123,869	59,344	864,202	-
Interest receivable	-	862	2,088	-	2,950	3,216
Due from other funds	309,190	893,363	289	-	1,202,842	-
Inventory	-	-	-	3,113	3,113	-
Total current assets:	982,792	1,510,383	251,901	62,457	2,807,533	267,293
Noncurrent assets:						
Capital assets:						
Distribution and collection systems	4,299,576	7,605,494	-	-	11,905,070	-
Buildings and equipment	-	-	30,334	151,888	182,222	-
Less accumulated depreciation	(610,590)	(928,824)	(25,346)	(147,222)	(1,711,982)	-
Total noncurrent assets:	3,688,986	6,676,670	4,988	4,666	10,375,310	-
Total assets	4,671,778	8,187,053	256,889	67,123	13,182,843	267,293
LIABILITIES AND FUND BALANCES						
Current liabilities:						
Accounts and other payables	46,161	36,389	122,738	15,366	220,654	-
Accrued wages	9,009	8,837	2,935	2,260	23,041	-
Accrued interest	40,374	123,622	-	-	163,996	-
Compensated absences payable	29,844	25,949	7,705	-	63,498	-
Due to other funds	-	280,621	-	717,323	997,944	-
Refundable deposits	73,669	194,494	-	26,522	294,685	-
Long-term debt-current portion	45,361	118,134	-	-	163,495	-
Deferred revenue	52,667	-	-	-	52,667	-
Total current liabilities:	297,085	788,046	133,378	761,471	1,979,980	-
Non current liabilities:						
Long-term debt	2,302,847	6,829,387	-	-	9,132,234	-
Total non current liabilities:	2,302,847	6,829,387	-	-	9,132,234	-
Total liabilities	2,599,932	7,617,433	133,378	761,471	11,112,214	-
NET ASSETS						
Invested in capital assets, net of related debt	1,340,778	(270,851)	4,988	4,666	1,079,581	-
Unrestricted	731,068	840,471	118,523	(699,014)	991,048	267,293
Total net assets	\$ 2,071,846	\$ 569,620	\$ 123,511	\$ (694,348)	\$ 2,070,629	\$ 267,293

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

City of Lindsay
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Refuse	Animal Control (nonmajor)	Total Proprietary Funds	Internal Service Funds
Operating revenues:						
Service fees	\$ 1,497,351	\$ 1,619,098	\$ 973,988	\$ 171,585	\$ 4,262,022	\$ 640,505
Total operating	1,497,351	1,619,098	973,988	171,585	4,262,022	640,505
Operating expenses:						
Salaries	246,975	241,943	88,324	111,333	688,575	-
Benefits	134,959	133,053	45,823	62,543	376,378	650,539
Material, service & supply	891,169	720,538	958,817	107,211	2,677,735	-
Depreciation	107,089	188,470	350	2,000	297,909	-
Total operating expenses	1,380,192	1,284,004	1,093,314	283,087	4,040,597	650,539
Operating income (loss)	117,159	335,094	(119,326)	(111,502)	221,425	(10,034)
Nonoperating revenues (expenses):						
Intergovernmental	-	13,985	-	-	13,985	-
Investment earnings	46	5,339	10,478	15	15,878	14,431
Interest expense	(80,981)	(233,301)	-	-	(314,282)	-
Total non operating revenue (expenses)	(80,935)	(213,977)	10,478	15	(284,419)	14,431
Change in net assets	36,224	121,117	(108,848)	(111,487)	(62,994)	4,397
Total net assets - beginning	2,035,622	448,503	232,359	(582,861)	2,133,623	262,896
Total net assets - ending	\$ 2,071,846	\$ 569,620	\$ 123,511	\$ (694,348)	\$ 2,070,629	\$ 267,293

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

City of Lindsay
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds					Internal Service Funds
	Water	Sewer	Refuse	Animal Control (nonmajor)	Total Proprietary Funds	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash receipts from customer	\$ 1,589,597	\$ 1,704,755	\$ 991,255	\$ 155,309	\$ 4,440,916	\$ 640,505
Payments to employees	(383,734)	(372,784)	(133,402)	(182,399)	(1,072,319)	-
Payments to suppliers	(962,688)	(747,555)	(886,119)	(106,120)	(2,702,482)	(650,539)
Net cash provided by operating activities	243,175	584,416	(28,266)	(133,210)	666,115	(10,034)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers to/from other funds	(47,893)	(419,457)	(289)	131,368	(336,271)	-
Net cash (used) by non-capital financing	(47,893)	(419,457)	(289)	131,368	(336,271)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Intergovernmental - capital contributed	-	13,985	-	-	13,985	-
Purchase of capital assets	(166,538)	(167,573)	-	-	(334,111)	-
Interest paid on long-term debt and advances	(82,962)	(234,743)	-	-	(317,705)	-
Principal payments on long-term debt	(43,666)	(114,350)	-	-	(158,016)	-
Net cash (used) by capital and related financing activities	(293,166)	(502,681)	-	-	(795,847)	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and rent received	46	5,171	8,710	15	13,942	13,064
Net cash provided by investing activities	46	5,171	8,710	15	13,942	13,064
Net increase (decrease) in cash and cash equivalents	(97,838)	(332,551)	(19,845)	(1,827)	(452,061)	3,030
Balances - beginning of year	508,600	530,560	145,500	1,827	1,186,487	261,047
Balances - end of the year	\$ 410,762	\$ 198,009	\$ 125,655	\$ -	\$ 734,426	\$ 264,077
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 117,159	\$ 335,094	\$ (119,326)	\$ (111,502)	\$ 221,425	\$ (10,034)
Adjustments to reconcile operating income to net cash provided (used) by operating activities						
Depreciation and amortization	107,089	188,470	350	2,000	297,909	-
Changes in assets and liabilities:						
Refundable deposits	7,834	80,411	-	5,838	94,083	-
Accounts payable - supplier	(71,519)	(27,017)	72,698	1,091	(24,747)	-
Compensated absences	(2,122)	2,712	2,009	-	2,599	-
Customer receivables	84,412	5,246	17,267	(22,114)	84,811	-
Salaries & benefits payable	322	(500)	(1,264)	(8,523)	(9,965)	-
Net cash provided by operating activities	\$ 243,175	\$ 584,416	\$ (28,266)	\$ (133,210)	\$ 666,115	\$ (10,034)

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

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting entity

The financial statements of the City of Lindsay (the City) are prepared in conformity with generally accepted accounting principles. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary Funds apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accompanying financial statements present the government and its component unit, entity for which the government is considered to be financially accountable. This component unit, although a legally separate entity, is, in substance, part of the government's operation. As such, this operation is "blended" with the City's. The more significant of the City's accounting policies are described below:

Blended component units. The Lindsay Redevelopment Agency was established during 1986-87 pursuant to the California Community Redevelopment Laws contained in Section 33000 Et. Seq. of Division 24 of the Health and Safety Code. The primary purpose of the Agency is to revitalize targeted areas of blight and deterioration within the city limits so as to eliminate or mitigate existing and potential physical, social, and economic liabilities in the interest of the health, safety, and welfare of all its citizens. A board consisting of the City's elected council governs the Agency.

The City and the Lindsay Redevelopment Agency (the Agency) have a financial and operational relationship which meets the reporting entity definitions criteria of GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the Agency as a component unit of the City. Accordingly, the financial activities of the Agency have been included in the financial statements of the City.

Complete financial statements for the component unit may be obtained from the City of Lindsay Finance Department, 251 East Honolulu, Lindsay, CA 93247.

b) Government-wide and fund financial statements

The government-wide financial statements (e.g., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2007

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include:

1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

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

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

c) Measurement focus, basis of accounting, and financial statement presentation

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

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

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2007

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

The City reports the following major governmental funds:

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

The *gas tax funds* are used to account for financial resources to be used for the street maintenance operations and construction.

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

The *RDA capital project fund* account for the resources accumulated and payments made for principal and interest on long-term obligation and for the acquisition or construction of major capital projects of the Redevelopment Agency.

The City reports the following major proprietary funds:

The *water operations fund* accounts for the activities of the water distribution system.

The *sewer operations fund* accounts for the activities of the sewage pumping stations, treatment plant, and laboratory.

The *refuse fund* accounts for the activities of the refuse collection and recycling.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The exceptions to this general rule are the fleet management and the risk management charges to the enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include:

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2007

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

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

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

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

d) Budgetary information

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

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

- The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to July 1, the budget is legally enacted through passage of an ordinance.

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2007

- The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgets for the Governmental Funds are presented in the accompanying general purpose financial statements on a basis consistent with generally accepted accounting principles.

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes. If appropriations from proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules or other refund arrangements. For the fiscal year ended June 30, 2007, based upon calculations by City staff, appropriations from proceeds of taxes did not exceed the appropriations limit.

e) Restricted Assets

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

f) Cash and Investments

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

California banks and savings and loan associations are required to secure a city's deposits by pledging government securities as collateral. The fair value of the pledged securities must equal at least 110 percent of a city's deposits. The City Treasurer, at his or her discretion, may waive the 110 percent collateral requirement for deposits that are insured up to the \$100,000 by the FDIC. It is the City's policy to waive the collateral requirement in order to receive a higher interest yield on its deposits. It is also the City's policy not to deposit more than \$100,000 in a savings and loan association or a small bank.

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

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2007

g) Accounts Receivable

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

h) Inventory and Prepaids

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

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

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

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

i) Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects as 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, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2007

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

j) 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 noncurrent 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.

k) Self Insurance

The City is a member of the Central San Joaquin Valley Risk Management Authority. The purpose of this group is to minimize the expense for liability and workmen's compensation insurance for the cities of the central San Joaquin Valley of California. The City is self-insured up to \$125,000 through the Authority and outside insurance is purchased by the Authority to extend the coverage to \$10,000,000.

l) 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 Redevelopment Agency Fund. Property tax revenues are

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2007

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.

m) Use of Estimates

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

NOTE 2 – CASH AND INVESTMENT

Cash and investments

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

Statement of net assets:

Cash and investments	\$ 10,547,927
Cash and investments held by bond trustees	<u>813,663</u>
Total cash and investments	<u>\$ 11,361,590</u>

Cash and investments as of June 30, 2006, consist of the following:

Cash on hand	\$ 300
Deposits with fiscal institutions	1,092,649
Investments	<u>10,268,641</u>
Total cash and investments	<u>\$ 11,361,590</u>

Investments authorized by the California Government Code and the City of Lindsay's Investment Policy

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

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2007

than the general provisions of the California Government Code or the City's investment policy.

Authorized investment type	Maximum maturity	Maximum percentage of portfolio	Maximum investment in one issuer
U.S. Treasury Securities	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	270 days	30%	30%
Certificates of deposits	5years	None	10%
Passbook deposits	N/A	None	None
Repurchase agreements	1 year	30%	None
Mutual funds	N/A	15%	None
Money Market Mutual Funds	N/A	25%	10%
Commercial paper	180 days	30%	None
Local Agency Investment Fund (LAIF)	On demand	None	None

Disclosures relating to interest rate risk

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

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

Investment type	Total	Remaining maturity (in months)			
		12 months or less	13 to 24 months	25 to 60 months	More than 60 months
Certificates of deposits	\$ -	\$ -	\$ -	\$ -	\$ -
State investment pool	9,454,978	9,454,978	-	-	-
Held by bond trustee:					
Money market - US Treasury	813,663	813,663	-	-	-
Total	\$ 10,268,641	\$ 10,268,641	\$ -	\$ -	\$ -

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2007

Investments with fair values highly sensitive to interest rate fluctuations

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

Disclosures relating to credit risk

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

Investment type	Total	Minimum legal rating	AAA	Aa	Not rated
State investment pool	\$ 9,454,978	N/A	\$ -	\$ -	\$ 9,454,978
Held by bond trustees:					
Money Market - US Treasury	813,663	A	-	813,663	-
Total	<u>\$ 10,268,641</u>		<u>\$ -</u>	<u>\$ 813,663</u>	<u>\$ 9,454,978</u>

Concentration of credit risk

The investment policy of the City contains certain limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment type	Reported amount
None	N/A	<u>\$ -</u>

Custodial credit risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2007

custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2007, \$892,649 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in uncollateralized accounts. As of June 30, 2007, the City had no investments that were held by a broker-dealer (counterparty).

Investment in State Investment Pool

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

NOTE 3 – INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at June 30, 2007 are as follows:

	<u>Due from other funds</u>	<u>Due to other funds</u>
General	\$ 1,004,680	\$ 1,952,450
Special Gas Tax	234,744	2,533,023
Low & Moderate Income Housing	1,092,025	-
Redevelopment Agency	875,566	-
Community Development	1,736,760	217,697
Wellness Center	-	569,564
Curb, Gutter & Sidewalk	124,061	-
Water	309,190	-
Sewer	893,363	280,621
Refuse	289	-
Animal Control	-	717,323
	<u>\$ 6,270,678</u>	<u>\$ 6,270,678</u>

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2007

NOTE 4 – NOTES RECEIVABLE

The following are notes receivable recorded in various funds at June 30, 2007:

	<u>Parking</u>	<u>Community Development</u>	<u>Curb & Gutter</u>
Lindsay Development Corporation			
Non-interest bearing unsecured note with \$25,000 due by December 1, 2006	\$ -	\$ 25,000	\$ -
Individuals			
8.5% unsecured note with monthly principal and interest payments of \$213.	8,497		
7% unsecured notes with annual principal and interest payments of \$5,002.			15,681
Non-interest and below-market rate secured notes with deferred payments of monthly principal and interest. Collateralized by trust deeds on improved Lindsay property.		15,195,231	
	<u>\$ 8,497</u>	<u>\$15,220,231</u>	<u>\$ 15,681</u>

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2007

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007, was as follows:

	June 30, 2006			June 30, 2007
	Balance	Additions	Deletions	Balance
Capital assets, not being depreciated:				
Land	\$ 172,418	\$ -	\$ -	\$ 172,418
Construction in progress	3,405,915	4,699,627	(102,000)	8,003,542
Sweetbriar Park & Plaza	1,490,844	-	-	1,490,844
Total capital assets, not being depreciated	<u>5,069,177</u>	<u>4,699,627</u>	<u>(102,000)</u>	<u>9,666,804</u>
Capital assets, being depreciated:				
Buildings	-	-	-	-
Improvements other than buildings	2,789,619	671,109	-	3,460,728
Machinery and equipment	2,895,132	13,711	(347,845)	2,560,998
Total capital assets, being depreciated	<u>5,684,751</u>	<u>684,820</u>	<u>(347,845)</u>	<u>6,021,726</u>
Less accumulated depreciation for:				
Buildings	-	-	-	-
Improvements other than buildings	(29,242)	(82,677)	-	(111,919)
Machinery and equipment	(1,294,989)	(318,684)	363,637	(1,250,036)
Total accumulated depreciation	<u>(1,324,231)</u>	<u>(401,361)</u>	<u>363,637</u>	<u>(1,361,955)</u>
Total capital assets, being depreciated, net	<u>4,360,520</u>	<u>283,459</u>	<u>15,792</u>	<u>4,659,771</u>
Governmental activities capital assets, net	<u>\$ 9,429,697</u>	<u>\$ 4,983,086</u>	<u>\$ (86,208)</u>	<u>\$ 14,326,575</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital assets, being depreciated:				
Buildings and improvements	10,722,022	191,858	(490,478)	10,423,402
Improvements other than buildings	633,327	632,731	-	1,266,058
Machinery and equipment	348,312	49,520	-	397,832
Total capital assets, not being depreciated	<u>11,703,661</u>	<u>874,109</u>	<u>(490,478)</u>	<u>12,087,292</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,043,299)	(258,701)	20,145	(1,281,855)
Improvements other than buildings	(5,601)	(50,175)	-	(55,776)
Machinery and equipment	(315,654)	(58,698)	-	(374,352)
Total accumulated depreciation	<u>(1,364,554)</u>	<u>(367,574)</u>	<u>20,145</u>	<u>(1,711,983)</u>
Total capital assets, being depreciated, net	<u>10,339,107</u>	<u>506,535</u>	<u>(470,333)</u>	<u>10,375,309</u>
Business-type activities capital assets, net	<u>10,339,107</u>	<u>506,535</u>	<u>(470,333)</u>	<u>10,375,309</u>

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2007

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

Governmental activities:	
General government	\$ 202,433
Public safety	183,136
Total depreciation expense - governmental activities	\$ 385,569
Business-type activities:	
Water operating	\$ 107,089
Sewer operating	188,470
Refuse	350
Animal Control (Nonmajor)	51,520
Total depreciation expense - business-type activities	\$ 347,429

NOTE 6 – LONG-TERM DEBT

A. Governmental Activities
General Obligation Bonds

Improvement Bonds Assessment District No. 1 serial bonds issued January 2, 1972 in the amount of \$140,000. The bonds bear interest at 6% payable semi-annually with bonds maturing annually through July 2, 1997. The remaining balance is a bond not yet submitted for payment.

Notes Payable

Tax Allocation Bonds Payable

The Lindsay Redevelopment Agency refunded 1994 tax allocation bonds in the amount of \$1,655,000, with the refunding issue of 2005. The bonds have principal payments each August 1 through 2035 and accrue interest at 2.25 - 5.0%, which is payable semi-annually. The bonds are payable solely from pledged tax revenues allocated and paid to the Agency from properties in the project area.

The Agency issued a 2007 tax allocation bond series on March 29, 2007. These bonds also have principal payments each August 1 through 2037 and accrue interest at 3.50% - 5.0%, which is payable semi-annually. The bonds are payable solely from pledged tax revenues allocated and paid to the Agency from properties in the project area.

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2007

Note Payable

The Agency has entered into a Deferred Payment Loan Agreement with the City of Lindsay's Housing Program, which provided funding to purchase the Ashland Apartments. There is a 15 year restriction on the rental income conditions to make affordable rental housing available to low and very low income families. The note is due in 2035 and accrues interest at a rate of 0% per annum.

B. Business-type Activities

Notes Payable

The City refinanced with the California Statewide Communities Development Authority an existing loan, which assisted in financing construction of a project, which enables the City to meet safe drinking water standards. The loan amount of \$197,054 at 7.125% has semi-annual principal and interest payments of \$8,377 through June 1, 2019. The loan is secured by a first pledge of a lien on all of the pledged water revenues.

The City entered into two promissory notes with United States Department of Agriculture Rural Development agency for the Water Line Project in the Water Fund, \$2,440,000, and the Waste Water Treatment Plant in the Sewer Fund, 7,000,000. The Water fund has annual principal and interest of \$109,874 at 3.25% through December 11, 2040. The Sewer fund has annual principal and interest payments of \$323,470 at 3.25% through November 27, 2039.

The annual requirements to amortize all debt outstanding as of June 30, 2007, including interest, is as follows:

Year ended June 30,	Governmental activities			Business-type	Total
	General Obligation Bonds	Tax Allocation Revenue Bonds	Notes Payable	Notes Payable	
2008	\$ 5,000	\$ 550,413	\$ -	\$ 495,839	\$ 1,051,252
2009	-	794,043	-	494,718	1,288,761
2010	-	792,070	-	493,597	1,285,667
2011	-	794,667	-	492,476	1,287,143
2012	-	796,613	-	491,355	1,287,968
2013-17	-	3,978,662	-	2,439,959	6,418,621
2018-22	-	3,975,700	-	2,372,654	6,348,354
2023-27	-	3,973,000	-	2,248,757	6,221,757
2028-32	-	3,967,500	-	2,166,720	6,134,220
2033-37	-	3,676,500	377,237	2,166,720	6,220,457
2038-41	-	498,750	-	1,318,507	1,817,257
	5,000	23,797,918	377,237	15,181,302	39,361,457
Less interest	-	11,357,918	-	5,885,572	17,243,490
	<u>\$ 5,000</u>	<u>\$ 12,440,000</u>	<u>\$ 377,237</u>	<u>\$ 9,295,730</u>	<u>\$ 22,117,967</u>

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2007

A schedule of changes in long-term debt for the year ended June 30, 2007 is shown below:

Governmental activities	Adjusted			Balance June 30, 2007	Due within one year
	Balance July 1, 2006	Additions/ Adjustments	Deductions		
Bonds payable	\$ 4,640,000	\$ 7,880,000	\$ 80,000	12,440,000	210,000
Add: Bond Premiums	-	307,434	2,736	304,698	9,928
Total bonds payable	4,640,000	8,187,434	82,736	12,744,698	219,928
General Obligation Bonds	5,000	-	-	5,000	5,000
Compensated Absences	194,522	-	569	193,953	-
Notes Payable	-	377,237	-	377,237	-
Interest payable	101,595	320,507	215,573	206,529	206,529
Governmental activity long-term liabilities	<u>\$ 4,941,117</u>	<u>\$ 8,885,178</u>	<u>\$ 298,878</u>	<u>\$ 13,527,417</u>	<u>\$ 431,457</u>
Business-type activities					
	Adjusted			Balance June 30, 2007	Due within one year
	Balance July 1, 2006	Additions	Deductions		
Notes Payable	\$ 9,453,745	\$ -	\$ 158,015	\$ 9,295,730	\$ 163,496
Obligations under Capital Leases	-	-	-	-	-
	<u>\$ 9,453,745</u>	<u>\$ -</u>	<u>\$ 158,015</u>	<u>\$ 9,295,730</u>	<u>\$ 163,496</u>

NOTE 7 – RETIREMENT PLANS

Plan Description

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

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2007

Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the PERS Board of Administration. The City's contributions to PERS for the fiscal year ending June 30, 2007 was \$664,707, and equal 100% of the required contributions for each year.

	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
<u>Miscellaneous Plan</u>	6/30/2005	\$ 299,175	100%	\$ -
	6/30/2006	\$ 367,539	100%	\$ -
	6/30/2007	\$ 377,047	100%	\$ 107,672
<u>Safety Plan</u>	6/30/2005	\$ 258,064	100%	\$ -
	6/30/2006	\$ 297,168	100%	\$ -
	6/30/2007	\$ 235,045	100%	\$ 63,957

NOTE 8– HOUSING AND COMMUNITY DEVELOPMENT LOAN PROGRAM

The City uses Housing and Community Development block grant funds to provide housing rehabilitation loans and 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 capital project fund. This fund's primary assets consist of notes receivable from participants, which originated from HUD funds. Since the Department of Housing and Urban Development 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 capital projects fund.

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2007

NOTE 9 – JOINT VENTURE – SELF-INSURANCE PROGRAM

The City participates with other public entities in a joint venture under a joint powers agreement which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA).

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

The City is covered for the first \$1,000,000 of each general liability claim and \$250,000 of each workers' compensation claim through the 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 liability losses under \$25,000 and workers' compensation losses under \$250,000. The CSJVRMA participates in an excess pool, which provides general liability coverage from \$1,000,000 to \$10,000,000. The CSJVRMA participates in an excess pool, which provides Workers' Compensation coverage from \$250,000 to \$500,000 and purchases excess insurance above the \$500,000 to the statutory limit.

The CSJVRMA is a consortium of fifty-four (54) cities in San Joaquin Valley, California. It was established under the provision of California Government Code Section 6500 et seq. The CSJVRMA is governed by a Board of Directors, which meets 3-4 times per year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group by the CSJVRMA. The financial position and results of operations for the CSJVRMA (in thousands), as of June 30, 2007, are presented below:

	Workers' Compensation Programs	Liability Programs
Assets	\$ 23,035,229	\$ 19,134,160
Liabilities to members cities	(23,239,932)	(14,514,412)
Net Assets, reserved for insurance claims and losses	\$ (204,703)	\$ 4,619,748
Revenues	\$ 10,078,930	\$ 10,450,518
Expenses	(12,089,688)	(9,728,254)
Change in net assets	(2,010,758)	722,264
Net assets, July 1	1,806,055	3,897,484
Net assets, June 30	\$ (204,703)	\$ 4,619,748

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2007

At the termination of the joint powers agreement, after all claims have been settled, any excess or deficit will be divided among the cities in accordance with its governing documents.

The aforementioned information is not included in the accompanying financial statements. Separate financial statements of CSJVRMA may be obtained at Brickmore Risk Services, 1020 19th Street, Suite 200, Sacramento, California, 95814.

NOTE 10 – CONTINGENCIES

The City has received federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

The City of Lindsay has established a franchise fee for the Water, Sewer, and Refuse charges that is designed for street repairs, maintenance, and construction. The City will continue to collect this fee into the future. This fee will be transferred to the City's General Fund and then the General Fund will transfer the balance to the Gas Tax Fund. This is the method that will be used to bring the Gas Tax Fund into a positive position.

NOTE 11 – Prior period adjustments

Lindsay Redevelopment Agency held certain properties for redevelopment and had investments held with its bond trustee that needed to be adjusted at July 1, 2006. The Agency purchased an apartment complex with a loan from the City of Lindsay's Housing Program. The Agency added additional capital assets, including construction in progress that was missed on the City's financial statements in the prior year. Also, items from the Agency's 2005 refunding bond issuance needed to be reported at the government-wide level of the Agency's financial statements.

The City's community development fund understated deferred revenue in the prior year.

The details of the adjustments are itemized on the next page.

CITY OF LINDSAY
Notes to Financial Statements
June 30, 2007

The following adjustments to each related asset and liability account are reported as of July 1, 2007:

	Government activities			Total
	RDA Low & Moderate	RDA Capital Projects	Community Development	
Held by bond trustees:				
Cash and investments	\$ 61,279	\$ 117,804	\$ -	\$ 179,083
Deferred revenues			(103,531)	(103,531)
Property held for redevelopment	(71,104)	279,703		208,599
Net fund balance adjustments	(9,825)	397,507	(103,531)	284,151
Capital Assets:				
Land	63,672	(11,859)	(11,859)	39,954
Construction in progress		2,365,419		2,365,419
Building and improvements	464,784	106,486	106,486	677,756
Machinery and equipment		85,134		85,134
Accumulated depreciation	(18,592)	(10,650)	(10,650)	(39,892)
Note Payable	(377,237)	-	-	(377,237)
2005 Bond Refunding:				
Bond premium	(1,654)	(6,617)	(1,654)	(9,925)
Bond issuance cost	48,412	193,648	48,412	290,472
Total net assets adjustments	<u>\$ 169,560</u>	<u>\$ 3,119,068</u>	<u>\$ 27,204</u>	<u>\$ 3,315,832</u>

City of Lindsay
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 284,450	\$ 284,450	\$ 271,126	\$ (13,324)
Sales taxes	412,000	412,000	689,413	277,413
Utility users tax	767,000	767,000	771,618	4,618
Transient occupancy tax	32,300	32,300	14,090	(18,210)
Property transfer tax	9,800	9,800	14,280	4,480
Franchise tax	78,800	78,800	97,549	18,749
Business licenses	58,000	58,000	63,542	5,542
Building permits	181,000	181,000	494,730	313,730
Electrical permits	-	-	-	-
Other licenses and permits	6,300	6,300	12,598	6,298
Motor vehicle in-lieu tax	679,857	679,857	792,029	112,172
COPS SLESF	-	-	100,335	100,335
Other Restricted Revenues	719,506	719,506	2,256,142	1,536,636
Sale, Personal Property	500	500	1,400	900
Rebates	65,000	65,000	150,819	85,819
Other fines	63,557	63,557	53,981	(9,576)
Interest	3,500	3,500	(1,394)	(4,894)
Rent	14,500	14,500	7,204	(7,296)
Other revenues	118,623	118,623	249,924	131,301
Total revenues	3,494,693	3,494,693	6,039,386	2,544,693
EXPENDITURES				
Current:			-	
General government	304,537	304,537	839,988	(535,451)
Public safety	2,126,787	2,114,787	2,270,256	(155,469)
Public works	161,900	161,900	524,371	(362,471)
Parks and recreation	325,165	2,751,415	5,177,258	(2,425,843)
Streets & Transportation	511,200	138,200	215,759	(77,559)
Total expenditures	3,429,589	5,470,839	9,027,632	(3,556,793)
Excess (deficiency) of revenues				
over (under) expenditures	\$ 65,104	\$ (1,976,146)	(2,988,246)	\$ (1,012,100)
Other financing sources (Uses)				
Operating transfers in			2,473,866	
Operating transfers out			(570,876)	
Total other financing sources (uses)			1,902,990	
Fund balances -- beginning			2,566,226	
Fund balances -- ending			\$ 1,480,970	

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

City of Lindsay
Community Development Fund
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Note collections	\$ -	\$ -	\$ 1,352,058	\$ 1,352,058
Intergovernmental	570,000	570,000	841,411	271,411
Interest	-	-	122,675	122,675
Other revenues	-	-	713	713
Total revenues	<u>570,000</u>	<u>570,000</u>	<u>2,316,857</u>	<u>1,746,857</u>
EXPENDITURES				
Current:				
Community development	570,000	570,000	2,326,224	(1,756,224)
Total expenditures	<u>570,000</u>	<u>570,000</u>	<u>2,326,224</u>	<u>(1,756,224)</u>
Excess(deficiency) of revenues over(under) expenditures	<u>-</u>	<u>-</u>	<u>(9,367)</u>	<u>(9,367)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(89,390)	(89,390)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(89,390)</u>	<u>(89,390)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(98,757)</u>	<u>\$ (98,757)</u>
Fund balance - beginning			4,437,100	
Residual equity transfers			<u>(103,531)</u>	
Fund balance - restated			<u>4,333,569</u>	
Fund balance - ending			<u>\$ 4,234,812</u>	

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

City of Lindsay
Redevelopment Agency Capital Projects Fund
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 543,600	\$ 543,600	\$ 936,162	\$ 392,562
Interest	43,240	43,240	161,117	117,877
Other	-	-	-	-
Total revenues	<u>586,840</u>	<u>586,840</u>	<u>1,097,279</u>	<u>510,439</u>
EXPENDITURES				
Current:				
Wages and benefits	7,100	7,100	90,868	(83,768)
Enterprise Zone	146,043	146,043	140,913	5,130
Service and supply	16,150	16,150	17,762	(1,612)
Professional fees	82,600	82,600	45,285	37,315
Façade renovation	60,000	60,000	5,000	55,000
Sweet Brier	10,000	10,000	-	10,000
McDermont Fieldhouse	-	2,524,647	2,524,647	-
Grant matching funds	-	-	311	(311)
Downtown improvements	-	-	295	(295)
Business assistance	35,000	35,000	-	35,000
Housing program costs	200,000	200,000	136,099	63,901
Debt service:				
Principal	64,000	64,000	64,000	-
Interest	173,178	173,178	256,406	(83,228)
Total expenditures	<u>794,071</u>	<u>3,318,718</u>	<u>3,281,586</u>	<u>37,132</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(207,231)</u>	<u>(2,731,878)</u>	<u>(2,184,307)</u>	<u>473,307</u>
OTHER FINANCING SOURCES (USES)				
Tax bonds issued	-	6,000,000	6,304,000	304,000
Tax bonds premium	-	-	239,330	239,330
Tax bonds issuance cost	-	(200,000)	(275,633)	(75,633)
Total other financing sources (uses)	<u>-</u>	<u>5,800,000</u>	<u>6,267,697</u>	<u>467,697</u>
Net change in fund balances	<u>\$ (207,231)</u>	<u>\$ 3,068,122</u>	<u>\$ 4,083,390</u>	<u>\$ 941,004</u>
Fund balances - July 1			2,064,109	
Prior period adjustment			397,507	
Fund balances - July 1 - restated			<u>2,461,616</u>	
Fund balance - ending			<u>\$ 6,545,006</u>	

The accompanying notes are an integral part of this financial statement.

CITY OF LINDSAY
 Required Supplemental Information
 June 30, 2007

Public Employees Retirement System
 Schedule of Funding Progress

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded Actuarial Liability As Percent of Covered Payroll
Miscellaneous Plan						
6/30/2003	29,322,238	23,615,759	5,706,479	80.5%	6,943,701	82.2%
6/30/2004	32,092,161	25,028,559	7,063,602	78.0%	6,797,333	103.9%
6/30/2005	37,584,350	27,137,434	10,446,916	72.2%	6,973,391	149.8%
Safety Plan						
6/30/2003	1,218,082,935	1,083,690,137	134,392,798	89.0%	184,098,257	73.0%
6/30/2004	966,203,370	855,549,650	110,653,720	88.5%	149,407,703	74.1%
6/30/2005	1,325,510,754	1,105,298,221	220,212,533	83.4%	161,446,071	136.4%

City of Lindsay
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue			Capital Project	Total Nonmajor Governmental Funds
	Parking	RDA Low & Moderate	Wellness Center		
Assets					
Cash and cash equivalents	\$ 2,525	\$ 1,576,410	\$ -	\$ 32,042	\$ 1,610,977
Interest receivable	-	7,912	-	453	8,365
Due from other funds	-	1,092,025	-	124,061	1,216,086
Notes receivable	8,497	-	-	15,681	24,178
Investment in property	-	-	-	-	-
Restricted cash	-	162,732	-	-	162,732
Total assets	\$ 11,022	\$ 2,839,079	\$ -	\$ 172,237	\$ 3,022,338
Liabilities					
Accounts and other payables	\$ -	\$ 41,306	\$ -	\$ -	\$ 41,306
Due to other funds	-	-	569,564	-	569,564
Deferred revenue	-	15,117	-	15,681	30,798
Total liabilities	-	56,423	569,564	15,681	641,668
Fund balances:					
Reserved for:					
Community development	-	2,782,656	-	-	2,782,656
Unreserved, reported in					
Special revenue funds	11,022	-	(569,564)	-	(558,542)
Capital projects	-	-	-	156,556	156,556
Total fund balances	11,022	2,782,656	(569,564)	156,556	2,380,670
Total liabilities and fund balances	\$ 11,022	\$ 2,839,079	\$ -	\$ 172,237	\$ 3,022,338

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

City of Lindsay
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2007

	Special Revenue				Capital Project Curb & Gutter	Total Nonmajor Governmental Funds
	Parking	RDA Low & Moderate	Wellness Center			
REVENUES						
Note collections	\$ -	\$ -	\$ -	\$ -	5,763	\$ 5,763
Taxes	-	235,072	-	-	-	235,072
Intergovernmental	-	-	319,757	-	-	319,757
Interest revenue	-	43,097	-	-	1,742	44,839
Total revenues	-	278,169	319,757	-	7,505	605,431
EXPENDITURES						
Current:						
Community Development	-	42,092	33,441	-	1,242	76,775
Principal	-	16,000	-	-	-	16,000
Interest and administrative charges	-	64,103	-	-	-	64,103
Capital outlay	-	-	474,922	-	-	474,922
Total expenditures	-	122,195	508,363	-	1,242	631,800
Excess (deficiency) of revenues over expenditures	-	155,974	(188,606)	-	6,263	(26,369)
OTHER FINANCING SOURCES (USES)						
Tax bonds issued	-	1,576,000	-	-	-	1,576,000
Tax bonds premium	-	59,833	-	-	-	59,833
Tax bonds issuance cost	-	(68,908)	-	-	-	(68,908)
Total other financing sources (uses)	-	1,566,925	-	-	-	1,566,925
Net change in fund balances	-	1,722,899	(188,606)	-	6,263	1,540,556
Fund balances -- beginning	11,022	1,069,582	(380,958)	-	150,293	849,939
Prior period adjustment	-	(9,825)	-	-	-	(9,825)
Fund balances -- beginning - restated	11,022	1,059,757	(380,958)	-	150,293	840,114
Fund balances -- ending	\$ 11,022	\$ 2,782,656	\$ (569,564)	-	\$ 156,556	\$ 2,380,670

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

City of Lindsay
Gas Tax
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 1,302,850	\$ 1,302,850	\$ 1,070,660	\$ (232,190)
Other service charges	-	-		-
Interest	500	500	102	(398)
Other revenues	-	-	343	343
Total revenues	<u>1,303,350</u>	<u>1,303,350</u>	<u>1,071,105</u>	<u>(232,245)</u>
EXPENDITURES				
Current:				
Streets & Transportation	<u>2,284,723</u>	<u>2,284,723</u>	<u>1,074,688</u>	<u>1,210,035</u>
Total expenditures	<u>2,284,723</u>	<u>2,284,723</u>	<u>1,074,688</u>	<u>1,210,035</u>
Excess(deficiency) of revenues over(under) expenditures	<u>(981,373)</u>	<u>(981,373)</u>	<u>(3,583)</u>	<u>977,790</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>570,876</u>	<u>570,876</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>570,876</u>	<u>570,876</u>
Net change in fund balances	<u>\$ (981,373)</u>	<u>\$ (981,373)</u>	<u>567,293</u>	<u>\$ 1,548,666</u>
Fund balance - beginning			<u>(1,692,345)</u>	
Fund balance - ending			<u>\$ (1,125,052)</u>	

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

City of Lindsay
Wellness Center Fund
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 253,000	\$ 253,000	\$ 319,757	\$ 66,757
Other service charges	-	-	-	-
Interest	-	-	-	-
Other revenues	-	-	-	-
Total revenues	253,000	253,000	319,757	66,757
EXPENDITURES				
Current:				
Community Development	433,000	433,000	33,441	
Capital Outlay	-	-	474,922	(474,922)
Total expenditures	-	-	508,363	(474,922)
Excess(deficiency) of revenues over(under) expenditures	253,000	253,000	(188,606)	(408,165)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	\$ 253,000	\$ 253,000	(188,606)	\$ (408,165)
Fund balance - beginning			(380,958)	
Fund balance - ending			\$ (569,564)	

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

City of Lindsay
Redevelopment Agency Low and Moderate Income Housing Fund
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 137,250	\$ 137,250	\$ 235,073	\$ 97,823
Other service charges	-	-	-	-
Interest	11,628	11,628	43,097	31,469
Other revenues	-	-	-	-
Total revenues	<u>148,878</u>	<u>148,878</u>	<u>278,170</u>	<u>129,292</u>
EXPENDITURES				
Current:				
Grant Matching Funds	60,000	60,000	9,834	50,166
Housing program costs	-	-	32,259	(32,259)
Principal & Interest	59,294	59,294	80,101	(20,807)
Total expenditures	<u>119,294</u>	<u>119,294</u>	<u>122,194</u>	<u>(2,900)</u>
Excess(deficiency) of revenues over(under) expenditures	<u>29,584</u>	<u>29,584</u>	<u>155,976</u>	<u>126,392</u>
OTHER FINANCING SOURCES (USES)				
Tax bond issued	-	1,500,000	1,576,000	76,000
Tax bond premium	-	-	59,833	59,833
Tax bond issuance cost	-	(50,000)	(68,908)	(18,908)
Total other financing sources (uses)	<u>-</u>	<u>1,450,000</u>	<u>1,566,925</u>	<u>116,925</u>
Net change in fund balances	<u>\$ 29,584</u>	<u>\$ 1,479,584</u>	<u>1,722,901</u>	<u>\$ 243,317</u>
Fund balance - beginning			1,069,580	
Prior Period Adjustment			<u>(9,825)</u>	
Fund balance - beginning - restated			<u>1,059,755</u>	
Fund balance - ending			<u>\$ 2,782,656</u>	

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

CITY OF LINDSAY

**OTHER AUDIT REPORTS
INCLUDING SINGLE
AUDIT REPORT**

JUNE 30, 2007

CITY OF LINDSAY

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June 30, 2007

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

To the Honorable Mayor and City Council
City of Lindsay

We have audited the financial statements of the governmental activities, the business 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, 2007, and have issued our report thereon dated August 7, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. [2007-1 and 2007-2.]

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

To the Honorable Mayor and City Council
City of Lindsay
Page two

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item [2007-3] to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pressley & Associates, Inc.

Accountancy Corporation
Bakersfield, California
August 7, 2008

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Lindsay, California (City) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entities internal control that might be significant deficiencies or material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2007, and have issued our report thereon dated August 7, 2008. Our audit was performed for the purpose of forming opinions on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Pressley & Associates, Inc.

Accountancy Corporation
Bakersfield, California
August 7, 2008

City of Lindsay
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

Federal Grantor/pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Passed through from the California Department of Housing and Urban Development:			
Community Development Block Grant	14.228	Freeze	43,568
		05-EDBG-2181	2,000
		04-STBG-1963	247,000
		04-STBG-1907	48,000
		04-EDBG-1030	16,816
		04-PTAA-0787	33,000
Total Community Development Block Grant			<u>390,384</u>
HOME Investment Partnership Program	14.239	03-CALHOME-051	198,884
		03-HOME-0676	101,752
		04-HOME-0736	100,661
Total HOME Investment Partnership Program			<u>401,297</u>
<i>Total U.S. Department of Housing and Urban Development</i>			<u>791,681</u>
U.S. Department of Justice:			
LLEBG	16.592		6,002
<i>Total U.S. Department of Justice</i>			<u>6,002</u>
U.S. Department of Homeland Security:			
Passed through from the Tulare County Office of Emergency Services:			
Interoperable Communications Equipment	97.055		79,415
<i>Total U.S. Department of Homeland Security</i>			<u>79,415</u>
U.S. Department of Transportation:			
Passed through from the California Department of Transportation			
CMAQ	20.205	CML-5189(007)	38,608
		CML-5189(010)	31,329
		CML-5189(016)	74,333
<i>Total U.S. Department of Transportation</i>			<u>144,270</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,021,368</u></u>

City of Lindsay
Notes to the Schedule of Expenditures
of Federal Awards
Year Ended June 30, 2007

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Lindsay, California and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Schedule of Findings and Questioned Costs

**City of Lindsay
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007**

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? Yes
- Significant deficiency identified that are not considered to be material weaknesses? Yes

Federal Awards:

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiency identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Identification of major programs:

CFDA #14.228	Community Development Block Grant
CFDA #14.239	HOME Investment Partnership Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

Section II – Financial Statement Findings and Responses

Significant Deficiencies:

2007-1: Recording Budget Amendments – Accounting and Administrative Controls

Condition: Management is responsible for establishing and maintaining internal controls, including monitoring, that allow for the fair presentation of the City's required supplementary information, which presents the results of actual operations compared to the City's final adopted budget. Currently, the City adopts a two-year budget.

City of Lindsay
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Section II – Financial Statement Findings and Responses (continued)

2007-1: Recording Budget Amendments – Accounting and Administrative Controls (continued)

Condition (continued): During this two-year period, the City's Council adopts various amendments to the original adopted budget; however, these amendments are not recorded to the City's financial accounting system.

Cause: Currently, management has not recorded budget expenditure appropriation adjustments, revised revenue estimates, or other financing sources and uses budget items authorized by the City's Council to its financial accounting system.

Effect: The absence of the internal accounting and administrative control to ensure the budget amendments are recorded to the financial accounting system is considered a significant deficiency because the potential exists that a more than inconsequential but less than material misstatement of the financial statements could occur and not be prevented or detected by the City's internal control.

Recommendation: We recommend all budget amendments approved and authorized by the City's Council be recorded to the financial accounting system to ensure proper preparation and presentation of the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual. This statement is required supplementary information when reporting the City results of operation in conformity with U.S. generally accepted accounting principles.

Response:

- Management will record all future budget amendments approved and authorized by the City's Council.

2007-2: Pooled Investment Earnings Allocations - Accounting Controls

Condition: The City follows the practice of pooling cash and investments of all the funds except for monies required to be held by outside fiscal agents under the provisions of bond indentures. Interest income earned on the pooled cash and investments is allocated quarterly to the various funds based on the monthly cash balances. During our audit, we identified that the City's assets known as "Due from Other Funds" were not reimbursed to the City within one year of July 1, 2006. Generally, "Due from Other Funds" are considered short-term lending arrangements to cover cash flow requirements in other funds; however, these funds should be repaid within no later than 1 year.

City of Lindsay
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Section II – Financial Statement Findings and Responses (continued)

2007-2: Pooled Investment Earnings Allocations - Accounting Controls (continued)

Cause: Management has not reviewed its internal accounting controls to ensure that monies due from other funds are repaid within one year, which will ensure that monthly cash balances in each of the City's fund are accurate when computing the quarterly interest income allocations.

Effect: Since the balances in the "Due from Other Funds" held by the City were not repaid on a timely basis, monthly cash balances were understated during the fiscal year, which resulted in an understatement of interest earnings. The estimated understatement of pool investment earnings in the Low and Moderating Income Housing Special Revenue Fund is \$10,241, while the understatement of interest earnings in the Agency's Capital Projects Fund is estimated to be \$55,269.

Recommendations: It is recommended that management review its policies and procedures to ensure interest earned from deposits, especially in the Low and Moderating Income Housing Special Revenue Fund, are deposited or accrued to each fund in a manner that is equitable and accurate insofar as each fund earns its proportionate share of the pooled investment earnings. Because the Agency is a separate legal entity, we also recommend the any monies loaned and/or transferred to/from the City of Lindsay be approved and authorized by the Board.

Response:

- Management will review its policies and procedures to ensure that interest earned from deposits accrue to each fund in a manner that is equitable and accurate insofar as each fund earns its proportionate share of the pooled investment earnings.

Material Weaknesses:

2007-3: Reconciling Accounts to Supporting Documentation – Accounting Controls

Condition: The City does not reconcile its general ledger accounts to supporting documents. In order to make the interim and annual financial statements meaningful, we recommend the City reconcile the general ledger accounts for cash with fiscal agent, property held for resale, and bond issuance proceeds, premiums and issuance costs to supporting documentation on a monthly or routine basis. During our audit, we identified certain adjustments to general ledger assets and liabilities that impacted the operating results of the City for the year ended June 30, 2007.

City of Lindsay
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Section II – Financial Statement Findings and Responses (continued)

2007-3: Reconciling Accounts to Supporting Documentation – Accounting Controls (continued)

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

We are responsible to communicate significant deficiencies and material weaknesses in accordance with professional standards regardless of management's decisions to establish and monitor its own internal controls.

Effect: The absence of performing monthly and/or routine reconciliations provides an opportunity that errors can accumulate and these errors may go undetected. The benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period (month), which makes it easier to perform future reconciliations. Because the procedures recommended below were not in place during the year ended June 30, 2007, these are considered a material weaknesses because a material misstatement of the financial statements would have occurred and not been prevented or detected by the City's existing internal controls.

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

- Cash and investments held with the City's fiscal agent should be reconciled from the bond trustee statement balance to the general ledger balance on a monthly basis to determine that all cash transactions, including investment earnings, have been recorded properly and to discover trustee errors. The proper recordation of fiscal agent transactions will provide for the fair presentation of the financial statements.
- Upon the issuance of long-term debt, such as bonds, the recording of bond proceeds, premiums/discounts and bond issuance costs should be recorded to the appropriate general ledger accounts based on supporting information found in the Official Bond Statement. Typically, the Official Bond Statement will report the sources and uses of the bond issuance. The proper recordation of the bond issuance to the general ledger will provide for the fair presentation of the financial statements, which is the responsibility of management.

City of Lindsay
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Section II – Financial Statement Findings and Responses (continued)

2007-3: Reconciling Accounts to Supporting Documentation – Accounting Controls (continued)

- Upon the purchase and/or sale of City real property, the inventory adjustment to property held for resale and the corresponding gain/loss on the sale of real property should be recorded to the general ledger accounts, and reconciled to supporting documentation provided by the title company. The recording of real property transactions should be performed shortly after the transactions have closed escrow. These reconciliations and adjustments to the general ledger accounts will ensure meaningful and accurate interim and annual financial statements.

Response:

- Management will perform a monthly reconciliation of cash and investments held with the City's fiscal agent. The reconciliation from the bond trustee statement balance will be made to the general ledger on a monthly basis to ensure that all cash transactions are properly recorded.
- For future bond issuances, management will obtain, if necessary, professional consultation services to ensure that transactions are recorded properly.
- Management will record the gain or loss from all future property transactions immediately after the sale is recorded.

Section III – Federal Award Findings and Questioned Costs

None

Summary Schedule of Prior Audit Findings

**City of Lindsay
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2007**

Financial Statement Audit

Findings and Questioned Costs – Major Federal Award Programs Audit

Reportable conditions:

06-01, 05-1 & 04-1: Department of Transportation– Congestion Mitigation and Air Quality– CFDA # 20.205; Request for Reimbursements

Condition: Request for reimbursements for expenditures incurred during the Department of Transportation - CMAQ funded expansion of streets and roads and purchase of street equipment were not being completed on a timely basis.

Criteria: Timing issues regarding the matching of revenues to their expenditures is being affected by the delay in the requesting of the reimbursements.

Effect: Funds are not recording the revenues that should be matched to expenditures in the same period.

Recommendation: The City should request reimbursements on a monthly basis and at a minimum quarterly. The request should be done as soon as the expenditures can be determined, so the City can book the corresponding revenues during the same period.

City Response: The City has hired an employee to oversee all future CMAQ projects. That employee's duties include the timely submittal of reimbursement and requests.