

**CITY OF LINDSAY**

**AUDITED BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2008**



CITY OF LINDSAY

BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2008

TABLE OF CONTENTS

	<u>PAGE</u>
<b><u>FINANCIAL SECTION:</u></b>	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of net Assets	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenses, and Changes in Fund Balances - Statement of Net Assets - Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	18
Statement of Cash Flows - Proprietary Funds	19
Notes to the Financial Statements	20
Required Supplementary Information:	
Budget and Actual - General Fund	40
Budget and Actual - Community Development Fund	41
Budget and Actual - Redevelopment Agency Capital Projects Fund	42
Schedule of Funding Progress - Public Employees Retirement System	43
Supplemental information:	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	44
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	45
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
Special revenue funds:	
Gas Tax Fund	46
Wellness Center Fund	47
Redevelopment Agency Low and Moderate Income Housing Fund	48

## FINANCIAL SECTION

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, 2008, 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, 2008, 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 20, 2009, 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  
Page 2 of 2

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 20, 2009

## 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, 2008. 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 \$19,385 (*net assets*). Of this amount, there is a negative \$10,798 of *unrestricted net assets*.
- As of the close of the current fiscal year, the City of Lindsay governmental funds reported combined ending fund balances of \$9,733, 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 a negative \$900.

### 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 of 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 \$19,385 at the close of the most recent fiscal year.

Of the City of Lindsay's net assets (98 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	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 30,314	\$ 30,962	\$ 1,944	\$ 1,810	\$ 32,258	\$ 32,772
Capital assets	27,975	14,327	10,081	10,375	38,056	24,702
<b>Total assets</b>	<b>58,289</b>	<b>45,289</b>	<b>12,025</b>	<b>12,185</b>	<b>70,314</b>	<b>57,474</b>
Long-term liabilities	20,498	13,527	8,963	9,296	29,461	22,823
Other liabilities	20,416	16,589	1,052	818	21,468	17,407
<b>Total liabilities</b>	<b>40,914</b>	<b>30,116</b>	<b>10,015</b>	<b>10,114</b>	<b>50,929</b>	<b>40,230</b>
<b>Net assets:</b>						
Invested in capital assets, net						
of related debt	18,071	8,442	949	1,080	19,020	9,522
Restricted	11,163	7,017	-	-	11,163	7,017
Unrestricted	(11,859)	(286)	1,061	991	(10,798)	705
<b>Total net assets</b>	<b>\$ 17,375</b>	<b>\$ 15,173</b>	<b>\$ 2,010</b>	<b>\$ 2,071</b>	<b>\$ 19,385</b>	<b>\$ 17,244</b>

A portion of the City of Lindsay's net assets, \$1,163, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, a negative \$10,798, represents the governmental activities deficit of 11,859, combined with the business-type activities positive balance of \$1,061. At fiscal year-end, the City reported negative balances in the unrestricted categories of net assets, both for the government as a whole, as well as for the general fund and special revenue funds of its separate governmental activities. The other non-major governmental funds had a combined positive fund balance at year-end.

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

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Program Revenue:</b>						
Charges for services	\$ 1,024	\$ 1,327	\$ 4,563	\$ 4,262	\$ 5,587	\$ 5,589
Operating grants and contributions	11,429	4,748	5	-	11,434	4,748
Capital grants and contributions	1,404	2,972	-	14	1,404	2,986
<b>General Revenues</b>						
Property taxes	1,434	292	-	-	1,434	292
Other taxes	1,518	2,433	-	-	1,518	2,433
Miscellaneous	32	13	9	16	41	29
Transfers	-	-	-	-	-	-
Total revenues	<u>16,841</u>	<u>11,785</u>	<u>4,577</u>	<u>4,292</u>	<u>21,418</u>	<u>16,077</u>
<b>Expenses</b>						
General government	2,782	3,169	-	-	2,782	3,169
Public safety	2,723	2,440	-	-	2,723	2,440
Highways and streets	1,039	619	-	-	1,039	619
Economic development	5,894	2,965	-	-	5,894	2,965
Interest on long-term debt	676	434	-	-	676	434
Water operating	-	-	1,716	1,461	1,716	1,461
Sewer operating	-	-	1,610	1,517	1,610	1,517
Refuse operating	-	-	950	1,094	950	1,094
Animal control	-	-	362	283	362	283
Total expenses	<u>13,114</u>	<u>9,627</u>	<u>4,638</u>	<u>4,355</u>	<u>17,752</u>	<u>13,982</u>
Changes in net assets	<u>3,727</u>	<u>2,158</u>	<u>(61)</u>	<u>(63)</u>	<u>3,666</u>	<u>2,095</u>
Net assets - beginning	15,173	9,699	2,071	2,134	17,244	11,833
Prior period adjustments	(1,525)	3,316	-	-	(1,525)	3,316
Net assets - beginning restated	<u>13,648</u>	<u>13,015</u>	<u>2,071</u>	<u>2,134</u>	<u>15,719</u>	<u>15,149</u>
Net assets - ending	<u>\$ 17,375</u>	<u>\$ 15,173</u>	<u>\$ 2,010</u>	<u>\$ 2,071</u>	<u>\$ 19,385</u>	<u>\$ 17,244</u>

**Governmental activities.** Governmental activities increased the City of Lindsay's net assets by \$3,727. However, we recorded a prior period adjustment that reduced net assets by \$1,525.

**Business-type activities.** Business-type activities decreased the City of Lindsay's net assets by \$61.

## 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 \$9,733. The unreserved fund balance, which is available for spending at the government's discretion, is a negative balance at this time. 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 is currently at a negative balance. 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 \$2,381 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 \$1,061. The total decrease in net assets for all these funds was (\$61). 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, 2008, amounts to \$38,056 (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:

- Construction in progress as of the end of the current fiscal year had reached \$23,508.
- 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	
	2008	2007	2008	2007	2008	2007
Land	\$ 173	\$ 173	\$ -	\$ -	\$ 173	\$ 173
Buildings and improvements	3,265	3,349	10,061	10,352	13,326	13,701
Machinery & equipment	1,029	1,311	20	23	1,049	1,334
Infrastructure	-	-	-	-	-	-
Construction in progress	23,508	9,494	-	-	23,508	9,494
<b>Total</b>	<b>\$ 27,975</b>	<b>\$ 14,327</b>	<b>\$ 10,081</b>	<b>\$ 10,375</b>	<b>\$ 38,056</b>	<b>\$ 24,702</b>

**CITY OF LINDSAY'S Outstanding Debt**  
General Obligation and Revenue Bonds  
(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 5	\$ 5	\$ -	\$ -	\$ 5	\$ 5
Notes payable	4,597	1,767	9,132	9,296	13,729	11,063
Revenue bonds	16,171	12,745	-	-	16,171	12,745
Interest payable	389	207	-	-	389	207
Compensated absences	231	194	-	-	231	194
<b>Total</b>	<b>\$ 21,393</b>	<b>\$ 14,918</b>	<b>\$ 9,132</b>	<b>\$ 9,296</b>	<b>\$ 30,525</b>	<b>\$ 24,214</b>

**Long-term debt.** At the end of the current fiscal year, the City of Lindsay had total bonded debt outstanding of \$16,171. 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 10 percent, which is an increase over previous years.
- The opening of McDermont Field House is a focus for the City. All departments recognize the vital economic development role that McDermont will play in the City's future. It is planned for a total opening in 2009.
- Property values have seen a decrease in the last twelve months. This results in slower turnover of the existing housing inventory. New developments have been slow to build-out. This trend will result in reductions in general property tax revenues and a decrease in building permit fees.
- The occupancy rate of the government's central business district has decreased to approximately 80 percent in the last year.

All of these factors were considered in preparing the City of Lindsay's budget for the 2009 fiscal year.

Water, Sewer and Refuse rates were increased for the 2009 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.

## BASIC FINANCIAL STATEMENTS

City of Lindsay  
Statement of Net Assets  
June 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,252,517	\$ 1,264,306	\$ 6,516,823
Accounts receivable, net	2,615,232	750,625	3,365,857
Intergovernmental receivables	965,927	-	965,927
Interest receivables	34,374	1,442	35,816
Internal balances	76,165	(76,165)	-
Investments in property	2,983,102	-	2,983,102
Inventory	-	3,113	3,113
Restricted assets:			
Cash/fiscal agent	1,399,056	-	1,399,056
Interest receivable	143	-	143
Notes receivable	16,236,074	-	16,236,074
Deferred bond issuance charges, net of amortization	751,780	-	751,780
Capital assets - land, construction in progress	23,680,470	-	23,680,470
Capital assets - other, net of accumulated depreciation	4,294,211	10,081,170	14,375,381
Total assets	<u>58,289,051</u>	<u>12,024,491</u>	<u>70,313,542</u>
<b>LIABILITIES</b>			
Accounts and other payables	3,109,574	829,721	3,939,295
Unearned revenue	16,246,359	52,667	16,299,026
Notes payable	165,224	-	165,224
Non-current liabilities:			
Due within one year	1,292,084	169,045	1,461,129
Due in more than one year	20,100,776	8,963,198	29,063,974
Total liabilities	<u>40,914,017</u>	<u>10,014,631</u>	<u>50,928,648</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	18,071,428	948,927	19,020,355
Restricted for community development & redevelopment	11,162,349	-	11,162,349
Unrestricted	(11,858,743)	1,060,933	(10,797,810)
Total net assets	<u>\$ 17,375,034</u>	<u>\$ 2,009,860</u>	<u>\$ 19,384,894</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, 2008

Functions/Programs	Program Revenues				Primary Government		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 2,781,626	\$ 1,006,890	\$ 323,092	\$ 359,329	\$ (1,092,315)	\$ -	\$ (1,092,315)
Public Safety	2,722,670	16,995	181,851	-	(2,523,824)	-	(2,523,824)
Highways and streets	1,038,898	-	1,245,697	1,044,171	1,250,970	-	1,250,970
Economic development	5,894,445	-	9,678,626	-	3,784,181	-	3,784,181
Interest on long-term debt	675,887	-	-	-	(675,887)	-	(675,887)
Total governmental activities	13,113,526	1,023,885	11,429,266	1,403,500	743,125	-	743,125
Business-type Activities:							
Water operating	1,716,049	1,634,806	-	-	-	(81,243)	(81,243)
Sewer operating	1,610,174	1,665,116	-	-	-	54,942	54,942
Refuse operating	949,530	1,106,851	5,000	-	-	162,321	162,321
Animal Control	362,062	156,459	-	-	-	(205,603)	(205,603)
Total business-type activities	4,637,815	4,563,232	5,000	-	-	(69,583)	(69,583)
Total primary government	\$ 17,751,341	\$ 5,587,117	\$ 11,434,266	\$ 1,403,500	743,125	(69,583)	673,542
General revenues:							
Property taxes					573,883	-	573,883
Sales tax					452,025	-	452,025
Utility users tax					860,752	-	860,752
Franchise tax					79,781	-	79,781
Transient occupancy tax					41,844	-	41,844
Motor vehicle in-lieu					920,477	-	920,477
Other taxes					23,097	-	23,097
Unrestricted investment earnings					32,227	8,814	41,041
Total general revenues					2,984,086	8,814	2,992,900
Change in net assets					3,727,211	(60,769)	3,666,442
Net assets - beginning					15,172,986	2,070,629	17,243,615
Prior period adjustment					(1,525,163)	-	(1,525,163)
Net assets - beginning (restated)					13,647,823	2,070,629	15,718,452
Net assets - ending					\$ 17,375,034	\$ 2,009,860	\$ 19,384,894

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

City of Lindsay  
Balance Sheet  
Governmental Funds  
June 30, 2008

	General	Gas Tax	Community Development	RDA Capital Projects	Other Governmental Funds (non-major)	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 656,335	\$ 454,456	\$ 2,862,613	\$ -	\$ 971,706	\$ 4,945,110
Accounts receivable - net	1,373,057	-	-	-	1,242,175	2,615,232
Interest receivable	3,350	74	5,667	22,842	1,224	33,157
Due from other funds	2,163,347	1,425,816	2,225,101	2,130,523	2,209,243	10,154,030
Due from other governments	74,180	355,428	518,826	17,493	-	965,927
Notes receivable	-	-	16,219,654	-	16,420	16,236,074
Investment in property	564,258	-	104,799	2,314,045	-	2,983,102
Restricted - cash/fiscal agent	352,665	-	-	837,113	209,278	1,399,056
Restricted - due from other funds	-	-	-	-	-	-
Restricted - interest receivable	143	-	-	-	-	143
<b>Total assets</b>	<b>\$ 5,187,335</b>	<b>\$ 2,235,774</b>	<b>\$ 21,936,660</b>	<b>\$ 5,322,016</b>	<b>\$ 4,650,046</b>	<b>\$ 39,331,831</b>
<b>Liabilities</b>						
Accounts and other payables	\$ 1,305,398	\$ 94,427	\$ 989,388	\$ 7,162	\$ 486,032	\$ 2,882,407
Accrued wages	145,051	9,123	6,795	25,049	-	186,018
Due to other funds	4,625,410	2,569,810	423,128	1,706,873	752,557	10,077,778
Deferred revenue	6,553	-	16,216,766	-	23,040	16,246,359
Refundable deposits	4,560	-	36,589	-	-	41,149
Notes payable	-	-	-	165,224	-	165,224
<b>Total liabilities</b>	<b>6,086,972</b>	<b>2,673,360</b>	<b>17,672,666</b>	<b>1,904,308</b>	<b>1,261,629</b>	<b>29,598,935</b>
<b>Fund balances:</b>						
Reserved for:						
Community development	-	-	4,263,994	-	3,480,647	7,744,641
Redevelopment	-	-	-	3,417,708	-	3,417,708
Unreserved, reported in						
General fund	(899,637)	-	-	-	-	(899,637)
Special revenue funds	-	(437,586)	-	-	(258,377)	(695,963)
Capital projects	-	-	-	-	166,147	166,147
<b>Total fund balances</b>	<b>(899,637)</b>	<b>(437,586)</b>	<b>4,263,994</b>	<b>3,417,708</b>	<b>3,388,417</b>	<b>9,732,896</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,187,335</b>	<b>\$ 2,235,774</b>	<b>\$ 21,936,660</b>	<b>\$ 5,322,016</b>	<b>\$ 4,650,046</b>	<b>\$ 39,331,831</b>

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, 2008

Fund balances of governmental funds	\$ 9,732,896
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.	27,974,681
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.	308,537
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. Add: Deferred charge for issuance costs (to be amortized over life of debt) Less: Issuance premiums/discounts (to be amortized as interest expense)	(21,161,620) 751,780 <u>(231,240)</u>
Net assets of governmental activities	\$ 17,375,034

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, 2008**

	General	Gas Tax	Community Development	RDA Capital Projects	Other Governmental Funds (non-major)	Total Governmental Funds
<b>REVENUES</b>						
Note collections	\$ -	\$ -	\$ 871,289	\$ -	\$ 8,025	\$ 879,314
Property taxes	573,863	-	-	1,256,708	310,845	2,141,436
Other taxes	1,457,499	-	-	-	-	1,457,499
Licenses and permits	530,927	-	-	-	-	530,927
Intergovernmental	2,215,723	1,548,183	6,921,439	-	-	10,685,345
Charges for services	443,633	-	-	-	-	443,633
Fees and fines	15,531	-	-	-	-	15,531
Interest revenue	23,313	296	131,493	149,376	25,247	329,725
Other revenue	311,490	389	1,342	2,862	-	316,083
Total revenues	5,571,999	1,548,868	7,925,563	1,408,946	344,117	16,799,493
<b>EXPENDITURES</b>						
Current:						
General government	539,527	-	-	-	-	539,527
Public safety	2,538,632	-	-	-	-	2,538,632
Parks and recreation	1,556,977	-	-	-	-	1,556,977
Public works	442,141	-	-	-	-	442,141
Streets & transportation	177,496	368,748	-	-	-	546,244
Community development	-	-	7,079,744	618,926	227,508	7,926,178
Debt service:						
Principal	-	-	-	168,000	42,000	210,000
Interest and administrative charges	-	-	-	431,530	147,521	579,051
Capital outlay	11,505,625	492,654	1,890,634	678,866	98,267	14,666,046
Total expenditures	16,760,398	861,402	8,970,378	1,897,322	515,296	29,004,796
Excess (deficiency) of revenues over expenditures	(11,188,399)	687,466	(1,044,815)	(488,376)	(171,179)	(12,205,303)
<b>OTHER FINANCING SOURCES (USES)</b>						
Tax bonds issued	-	-	-	2,968,000	742,000	3,710,000
Tax bonds discounts and issuance costs	-	-	-	(209,478)	(52,369)	(261,847)
Loans proceeds	-	-	-	1,980,000	849,132	2,829,132
Sale of land	2,130,000	-	-	-	-	2,130,000
Operating transfers in	6,677,792	-	3,175,150	-	-	9,852,942
Operating transfers out	-	-	(2,101,153)	(7,391,952)	(359,837)	(9,852,942)
Total other financing sources (uses)	8,807,792	-	1,073,997	(2,653,430)	1,178,926	8,407,285
Net change in fund balance	(2,380,607)	687,466	29,182	(3,141,806)	1,007,747	(3,798,018)
Fund balances -- beginning	1,480,970	(1,125,052)	4,234,812	6,559,514	2,380,670	13,530,914
Fund balances -- ending	\$ (699,637)	\$ (437,586)	\$ 4,263,994	\$ 3,417,708	\$ 3,388,417	\$ 9,732,896

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, 2008

Net change in fund balances --total governmental funds	\$ (3,798,018)
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(\$14,050,851) exceeded depreciation (\$402,745) in the current period.	13,648,106
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.	(3,448,153)
Governmental funds report loan proceeds as other financing sources/uses. While loan 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.	(2,829,132)
Repayment of long-term debt is reported as an expenditure in governmental funds. In the statement of net assets, the repayment reduces long-term liabilities:	
Bond principal	210,000
Accrued interest on long-term debt reported in the statement of activities are not reported as expenditures in governmental funds.	(47,843)
Long-term compensated absences reported in the statement of activities are not reported as expenditures in governmental funds.	(36,763)
Annual amortization of bond issuance costs reported in government-wide presentation	(21,419)
Annual amortization of bond premiums reported in government-wide presentation	9,189
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.	41,244
Change in net assets of governmental activities	\$ 3,727,211

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

City of Lindsay  
Statement of Net Assets  
Proprietary Funds  
June 30, 2008

Business-Type Activities - Enterprise Funds

	Water	Sewer	Refuse	Animal Control (nonmajor)	Total Proprietary Funds	Internal Service Funds
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 737,738	\$ 325,376	\$ 193,134	\$ 8,058	\$ 1,264,306	\$ 307,407
Accounts receivable, net	208,814	390,017	121,322	30,472	750,625	-
Interest receivable	-	537	905	-	1,442	1,217
Due from other funds	309,190	1,293,363	235,120	-	1,837,673	-
Inventory	-	-	-	3,113	3,113	-
Total current assets:	1,255,742	2,009,293	550,481	41,643	3,857,159	308,624
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	(716,660)	(1,114,544)	(25,696)	(149,222)	(2,006,122)	-
Total noncurrent assets:	3,582,916	6,490,950	4,638	2,666	10,081,170	-
Total assets	4,838,658	8,500,243	555,119	44,309	13,938,329	308,624
<b>LIABILITIES AND FUND BALANCES</b>						
Current liabilities:						
Accounts and other payables	75,208	25,454	67,984	20,329	188,975	-
Accrued wages	10,890	10,578	1,317	7,613	30,398	-
Accrued interest	39,650	121,475	-	-	161,125	-
Compensated absences payable	35,404	33,946	2,689	-	72,039	-
Due to other funds	257,056	577,202	191,513	888,067	1,913,838	87
Refundable deposits	74,314	274,619	-	28,251	377,184	-
Long-term debt-current portion	47,128	121,917	-	-	169,045	-
Deferred revenue	52,667	-	-	-	52,667	-
Total current liabilities:	592,317	1,165,191	263,503	944,260	2,965,271	87
Non current liabilities:						
Long-term debt	2,255,720	6,707,478	-	-	8,963,198	-
Total non current liabilities:	2,255,720	6,707,478	-	-	8,963,198	-
Total liabilities	2,848,037	7,872,669	263,503	944,260	11,928,469	87
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	1,260,068	(338,445)	4,638	2,666	948,927	-
Unrestricted	710,553	966,019	286,978	(902,617)	1,060,933	308,537
Total net assets	\$ 1,990,621	\$ 627,574	\$ 291,616	\$ (699,951)	\$ 2,009,860	\$ 308,537

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, 2008

	Business-type Activities - Enterprise Funds					
	Water	Sewer	Refuse	Animal Control (nonmajor)	Total Proprietary Funds	Internal Service Funds
Operating revenues:						
Service fees	\$ 1,634,806	\$ 1,665,116	\$ 1,106,851	\$ 156,459	\$ 4,563,232	\$ 717,823
Total operating	1,634,806	1,665,116	1,106,851	156,459	4,563,232	717,823
Operating expenses:						
Salaries	279,697	268,023	31,032	141,034	719,786	-
Benefits	157,310	152,621	21,292	64,509	395,732	685,493
Material, service & supply	1,101,515	800,613	896,856	154,519	2,953,503	-
Depreciation	106,070	185,720	350	2,000	294,140	-
Total operating expenses	1,644,592	1,406,977	949,530	362,062	4,363,161	685,493
Operating income (loss)	(9,786)	258,139	157,321	(205,603)	200,071	32,330
Nonoperating revenues (expenses):						
Intergovernmental	-	-	5,000	-	5,000	-
Investment earnings	18	3,012	5,784	-	8,814	8,914
Interest expense	(71,457)	(203,197)	-	-	(274,654)	-
Total non operating revenue (expenses)	(71,439)	(200,185)	10,784	-	(260,840)	8,914
Change in net assets	(81,225)	57,954	168,105	(205,603)	(60,769)	41,244
Total net assets - beginning	2,071,846	569,620	123,511	(694,348)	2,070,629	267,293
Total net assets - ending	\$ 1,990,621	\$ 627,574	\$ 291,616	\$ (899,951)	\$ 2,009,860	\$ 308,537

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, 2008

	Business-type Activities - Enterprise Funds					Internal Service Funds
	Water	Sewer	Refuse	Animal Control (nonmajor)	Total Proprietary Funds	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash receipts from customer	\$ 1,689,477	\$ 1,773,373	\$ 1,109,398	\$ 187,060	\$ 4,759,308	\$ 717,823
Payments to employees	(429,566)	(410,906)	(88,958)	(200,190)	(1,099,620)	-
Payments to suppliers	(1,072,468)	(811,548)	(951,610)	(149,556)	(2,985,182)	(685,493)
Net cash provided by operating activities	187,443	550,919	98,830	(162,686)	674,506	32,330
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Intergovernmental	-	-	5,000	-	5,000	-
Transfers to/from other funds	257,056	(103,419)	(43,318)	170,744	281,063	87
Net cash (used) by noncapital financing	257,056	(103,419)	(38,318)	170,744	286,063	87
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Intergovernmental - capital contributed	-	-	-	-	-	-
Purchase of capital assets	-	-	-	-	-	-
Interest paid on long-term debt and advances	(72,181)	(205,344)	-	-	(277,525)	-
Principal payments on long-term debt	(45,360)	(118,126)	-	-	(163,486)	-
Net cash (used) by capital and related financing activities	(117,541)	(323,470)	-	-	(441,011)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest and rent received	18	3,337	6,967	-	10,322	10,913
Net cash provided by investing activities	18	3,337	6,967	-	10,322	10,913
Net increase (decrease) in cash and cash equivalents	326,976	127,367	67,479	8,058	529,880	43,330
Balances - beginning of year	410,762	198,009	125,655	-	734,426	264,077
Balances - end of the year	\$ 737,738	\$ 325,376	\$ 193,134	\$ 8,058	\$ 1,264,306	\$ 307,407
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ (9,786)	\$ 258,139	\$ 157,321	\$ (205,603)	\$ 200,071	\$ 32,330
Adjustments to reconcile operating income to net cash provided (used) by operating activities						
Depreciation and amortization	106,070	185,720	350	2,000	294,140	-
Changes in assets and liabilities:						
Refundable deposits	645	80,125	-	1,729	82,499	-
Accounts payable - supplier	29,047	(10,935)	(54,754)	4,963	(31,679)	-
Compensated absences	5,560	7,997	(5,016)	-	8,541	-
Customer receivables	54,026	28,132	2,547	28,872	113,577	-
Salaries & benefits payable	1,881	1,741	(1,618)	5,353	7,357	-
Net cash provided by operating activities	\$ 187,443	\$ 550,919	\$ 98,830	\$ (162,686)	\$ 674,506	\$ 32,330

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

**CITY OF LINDSAY**  
Notes to Financial Statements  
June 30, 2008

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, 2008

*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, 2008

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, 2008

- 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, 2008

- 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, 2008, 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 \$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, 2008

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 Prepays

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, 2008

<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, 2008

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	\$ 6,869,488
Cash and investments held by bond trustees	<u>1,046,391</u>
Total cash and investments	<u><u>\$ 7,915,879</u></u>

Cash and investments as of June 30, 2008, consist of the following:

Cash on hand	\$ 2,000
Deposits with fiscal institutions	2,417,328
Investments	<u>5,496,551</u>
Total cash and investments	<u><u>\$ 7,915,879</u></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, 2008

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

<u>Authorized investment type</u>	<u>Maximum maturity</u>	<u>Maximum percentage of portfolio</u>	<u>Maximum investment in one issuer</u>
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:

<u>Investment type</u>	<u>Total</u>	<u>Remaining maturity (in months)</u>			
		<u>12 months or less</u>	<u>13 to 24 months</u>	<u>25 to 60 months</u>	<u>More than 60 months</u>
Certificates of deposits	\$ -	\$ -	\$ -	\$ -	\$ -
State investment pool	4,450,160	4,450,160	-	-	-
Held by bond trustee:					
Money market - US Treasury	1,046,391	1,046,391	-	-	-
<b>Total</b>	<b>\$ 5,496,551</b>	<b>\$ 5,496,551</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF LINDSAY**  
Notes to Financial Statements  
June 30, 2008

*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.

<u>Investment type</u>	<u>Total</u>	<u>Minimum legal rating</u>	<u>AAA</u>	<u>Aa</u>	<u>Not rated</u>
State investment pool	\$ 4,450,160	N/A	\$ -	\$ -	\$ 4,450,160
Held by bond trustees:					
Money Market - US Treasury	<u>1,046,391</u>	A	<u>-</u>	<u>1,046,391</u>	<u>-</u>
Total	<u>\$ 5,496,551</u>		<u>\$ -</u>	<u>\$1,046,391</u>	<u>\$ 4,450,160</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:

<u>Issuer</u>	<u>Investment type</u>	<u>Reported amount</u>
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 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

**CITY OF LINDSAY**  
Notes to Financial Statements  
June 30, 2008

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, 2008, \$1,898,891 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in uncollateralized accounts. As of June 30, 2008, 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, 2008 are as follows:

	Due from other funds	Due to other funds
General	\$ 2,163,347	\$ 4,625,410
Special Gas Tax	1,425,816	2,569,810
Low & Moderate Income Housing	2,092,501	190,311
Redevelopment Agency	2,130,523	1,706,873
Community Development	2,225,101	423,128
Wellness Center	-	562,246
Curb, Gutter & Sidewalk	116,742	-
Water	309,190	257,056
Sewer	1,293,363	577,202
Refuse	235,120	191,513
Animal Control	-	888,067
Internal Service	-	87
	<u>\$ 11,991,703</u>	<u>\$ 11,991,703</u>

**CITY OF LINDSAY**  
Notes to Financial Statements  
June 30, 2008

NOTE 4 – NOTES RECEIVABLE

The following are notes receivable recorded in various funds at June 30, 2008:

	<u>Parking</u>	<u>Community Development</u>	<u>Curb &amp; 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.			7,923
Non-interest and below-market rate secured notes with deferred payments of monthly principal and interest. Collateralized by trust deeds on improved Lindsay property.		16,194,564	
	<u>\$       8,497</u>	<u>\$16,219,564</u>	<u>\$       7,923</u>

**CITY OF LINDSAY**  
Notes to Financial Statements  
June 30, 2008

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2008, was as follows:

	June 30, 2007			June 30, 2008
	Balance	Additions	Deletions	Balance
Capital assets, not being depreciated:				
Land	\$ 172,418	\$ -	\$ -	\$ 172,418
Construction in progress	8,003,542	14,013,666	-	22,017,208
Sweetbriar Park & Plaza	1,490,844	-	-	1,490,844
Total capital assets, not being depreciated	<u>9,666,804</u>	<u>14,013,666</u>	<u>-</u>	<u>23,680,470</u>
Capital assets, being depreciated:				
Buildings	-	-	-	-
Improvements other than buildings	3,460,728	-	-	3,460,728
Machinery and equipment	2,560,998	37,185	-	2,598,183
Total capital assets, being depreciated	<u>6,021,726</u>	<u>37,185</u>	<u>-</u>	<u>6,058,911</u>
Less accumulated depreciation for:				
Buildings	-	-	-	-
Improvements other than buildings	(111,919)	(83,662)	-	(195,581)
Machinery and equipment	(1,250,036)	(319,083)	-	(1,569,119)
Total accumulated depreciation	<u>(1,361,955)</u>	<u>(402,745)</u>	<u>-</u>	<u>(1,764,700)</u>
Total capital assets, being depreciated, net	<u>4,659,771</u>	<u>(365,560)</u>	<u>-</u>	<u>4,294,211</u>
Governmental activities capital assets, net	<u>\$ 14,326,575</u>	<u>\$ 13,648,106</u>	<u>\$ -</u>	<u>\$ 27,974,681</u>
<b>Business-type activities:</b>				
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	10,423,402	-	-	10,423,402
Improvements other than buildings	1,266,058	-	-	1,266,058
Machinery and equipment	397,832	-	-	397,832
Total capital assets, not being depreciated	<u>12,087,292</u>	<u>-</u>	<u>-</u>	<u>12,087,292</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,281,855)	(258,950)	-	(1,540,805)
Improvements other than buildings	(55,776)	(31,511)	-	(87,287)
Machinery and equipment	(374,352)	(3,678)	-	(378,030)
Total accumulated depreciation	<u>(1,711,983)</u>	<u>(294,139)</u>	<u>-</u>	<u>(2,006,122)</u>
Total capital assets, being depreciated, net	<u>10,375,309</u>	<u>(294,139)</u>	<u>-</u>	<u>10,081,170</u>
Business-type activities capital assets, net	<u>10,375,309</u>	<u>(294,139)</u>	<u>-</u>	<u>10,081,170</u>

**CITY OF LINDSAY**  
Notes to Financial Statements  
June 30, 2008

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

Governmental activities:	
General government	\$ 216,625
Public safety	186,120
Total depreciation expense - governmental activities	\$ 402,745
Business-type activities:	
Water operating	\$ 106,069
Sewer operating	185,720
Refuse	350
Animal Control (Nonmajor)	2,000
Total depreciation expense - business-type activities	\$ 294,139

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.

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 Lindsay Redevelopment Agency issued a 2007 tax allocation bond series in the amount of \$7,880,000 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.

The Lindsay Redevelopment Agency issued a 2008 tax allocation bond series in the amount of \$3,710,000 on April 3, 2008. These bonds also have principal payments each August 1 through 2037 and accrue interest at 5.7351%, 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, 2008

Notes Payable

The City entered into a promissory note with United States Department of Agriculture Rural Development Agency for the Wellness Center in the amount of \$489,295. The total amount of the loan will be \$3,000,000 if totally drawn. The Wellness fund has annual principal and interest of \$39,639 at 4.25% through 2040.

On October 19, 1999, the City entered into a loan agreement with the California Housing Finance Agency (CHFA) for the purpose of assisting the City in operating a local housing program. The loan is in the amount of \$500,000, bears a simple annual interest rate of 3.0%, and repayment of principal and interest is deferred for a term of 10 years from date of the note.

On March 30, 2004, the Lindsay Redevelopment Agency entered into a loan agreement with the California Housing Finance Agency (CHFA) for the purpose of assisting the Agency in operating a local housing program. The loan is in the amount of \$1,250,000, bears a simple annual interest rate of 3.0%, and repayment of principal and interest is deferred for a term of 10 years from date of the note.

On August 7, 2007, the Lindsay Redevelopment Agency entered into a loan agreement with the California Housing Finance Agency (CHFA) for the purpose of assisting the Agency in operating a local housing program. The loan is in the amount of \$3,690,000, bears a simple annual interest rate of 3.0%, and repayment of principal and interest is deferred for a term of 10 years from date of the note. As of June 30, 2008 the amount drawn down on this loan was \$1,980,000.

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.

**CITY OF LINDSAY**  
Notes to Financial Statements  
June 30, 2008

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, 2008, 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	
2009	5,000	1,033,451	689,639	494,718	2,222,808
2010	-	1,029,398	39,639	493,597	1,562,634
2011	-	1,029,743	39,639	492,476	1,561,858
2012	-	1,029,401	39,639	491,355	1,560,395
2013	-	1,031,304	39,639	490,234	1,561,177
2014-2018	-	5,162,828	3,428,195	2,434,354	11,025,377
2019-2023	-	5,154,437	198,195	2,350,295	7,702,927
2024-2028	-	5,161,990	52,838	2,219,832	7,434,660
2029-2033	-	5,155,814	-	2,166,720	7,322,534
2034-2038	-	4,125,750	377,237	2,166,720	6,669,707
2039-2041	-	-	-	885,163	885,163
	5,000	29,914,116	4,904,660	14,685,464	49,509,240
Less interest	-	15,005,829	308,128	5,885,572	21,199,529
	<u>\$ 5,000</u>	<u>\$ 14,908,287</u>	<u>\$ 4,596,532</u>	<u>\$ 8,799,892</u>	<u>\$ 28,309,711</u>

A schedule of changes in long-term debt for the year ended June 30, 2008 is shown below:

**CITY OF LINDSAY**  
Notes to Financial Statements  
June 30, 2008

<b>Governmental activities</b>	Adjusted Balance July 1, 2007	Additions/ Adjustments	Deductions	Balance June 30, 2008	Due within one year
Bonds payable	\$ 12,440,000	\$ 3,710,000	\$ 210,000	15,940,000	390,000
Add: Bond Premiums	304,698	(64,269)	9,189	231,240	7,712
Total bonds payable	<u>12,744,698</u>	<u>3,645,731</u>	<u>219,189</u>	<u>16,171,240</u>	<u>397,712</u>
General Obligation Bonds	5,000	-	-	5,000	5,000
Compensated Absences	193,953	36,763	-	230,716	-
Notes Payable	377,237	-	-	377,237	-
Cal HFA Payable	1,390,163	2,339,837	-	3,730,000	500,000
USDA Payable	-	489,295	-	489,295	-
Interest payable	341,529	570,482	522,639	389,372	389,372
Governmental activity long-term liabilities	<u>\$ 15,052,580</u>	<u>\$ 7,082,108</u>	<u>\$ 741,828</u>	<u>\$ 21,392,860</u>	<u>\$ 1,292,084</u>
 <b>Business-type activities</b>					
	Adjusted Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Due within one year
Notes Payable	\$ 9,295,730	\$ -	\$ 163,496	\$ 9,132,234	\$ 169,045
Obligations under Capital Leases	-	-	-	-	-
	<u>\$ 9,295,730</u>	<u>\$ -</u>	<u>\$ 163,496</u>	<u>\$ 9,132,234</u>	<u>\$ 169,045</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, 2008

Funding Policy

Participants are required to contribute 8% (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, 2008 was \$668,844, 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>	6/30/2006	\$ 367,539	100%	\$ -
	6/30/2007	\$ 377,047	100%	\$ 107,672
	6/30/2008	\$ 441,088	100%	\$ -
<u>Safety Plan</u>	6/30/2006	\$ 297,168	100%	\$ -
	6/30/2007	\$ 235,045	100%	\$ 63,957
	6/30/2008	\$ 227,756	100%	\$ -

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, 2008

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, 2008, are presented below:

	Workers' Comp Programs	Liability Programs
Assets	\$ 27,367,206	\$ 22,618,584
Liabilities to members cities	<u>(27,062,094)</u>	<u>(17,507,226)</u>
Net Assets, reserved for insurance claims and losses	<u>\$ 305,112</u>	<u>\$ 5,111,358</u>
Revenues	\$ 10,384,575	\$ 9,002,246
Expenses	<u>(11,894,802)</u>	<u>(10,406,149)</u>
Operating income (loss)	(1,510,227)	(1,403,903)
Non-operating revenues	1,604,979	2,310,576
Transfers	<u>415,063</u>	<u>(415,063)</u>
Change in net assets	509,815	491,610
Net assets, July 1	<u>(204,703)</u>	<u>4,619,748</u>
Net assets, June 30	<u>\$ 305,112</u>	<u>\$ 5,111,358</u>

**CITY OF LINDSAY**  
Notes to Financial Statements  
June 30, 2008

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 19<sup>th</sup> 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 ADJUSTMENT

A prior period adjustment in the amount of \$1,525,163 was made to the City's Statement of Activities in order to include a previously unrecorded liability to CalHFA. This only affected the Governmental Activities component of the Statement of Activities.

REQUIRED SUPPLEMENTAL INFORMATION

**City of Lindsay**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 517,500	\$ 517,500	\$ 551,862	\$ 34,362
Sales taxes	498,000	498,000	452,025	(45,975)
Utility users tax	774,000	774,000	860,752	86,752
Transient occupancy tax	50,000	50,000	41,844	(8,156)
Property transfer tax	9,800	9,800	21,070	11,270
Franchise tax	112,000	112,000	79,781	(32,219)
Business licenses	60,000	60,000	75,965	15,965
Building permits	175,000	175,000	432,563	257,563
Motor vehicle in-lieu tax	679,000	679,000	920,477	241,477
COPS SLESF	100,000	100,000	100,099	99
Other restricted revenues	72,500	72,500	103,531	31,031
Sale, personal property	500	500	-	(500)
Rebates	65,000	65,000	77,890	12,890
Other fines	5,800	5,800	136,451	130,651
Interest	2,100	2,100	23,313	21,213
Rent	16,500	16,500	25,319	8,819
Recreation	370,750	370,750	467,681	96,931
Street franchise	741,000	741,000	741,000	-
Workforce housing	-	359,402	359,302	(100)
Other revenues	993,600	993,600	101,074	(892,526)
Total revenues	5,243,050	5,602,452	5,571,999	(30,453)
<b>EXPENDITURES</b>				
Current:				
General government	303,097	303,097	539,527	(236,430)
Public safety	2,414,617	2,742,300	2,538,632	203,668
Public works	300,360	300,360	442,141	(141,781)
Parks and recreation	840,130	1,229,532	1,556,977	(327,445)
Streets & Transportation	528,862	528,862	177,496	351,366
Capital outlay	-	-	11,505,625	(11,505,625)
Total expenditures	4,387,066	5,104,151	16,760,398	(11,656,247)
Excess (deficiency) of revenues over (under) expenditures	855,984	498,301	(11,188,399)	(11,686,700)
Other financing sources (Uses)				
Sale of land	-	-	2,130,000	2,130,000
Operating transfers in	-	-	6,677,792	6,677,792
Operating transfers out	-	-	-	-
Total other financing sources (uses)	-	-	8,807,792	8,807,792
Net change in fund balance	\$ 855,984	\$ 498,301	(2,380,607)	\$ (2,878,908)
Fund balances -- beginning			1,480,970	
Fund balances -- ending			\$ (899,637)	

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
<b>REVENUES</b>				
Note collections	\$ -	\$ -	\$ 871,289	\$ 871,289
Intergovernmental	2,410,842	2,410,842	6,921,439	4,510,597
Interest	-	-	131,493	131,493
Other revenues	-	-	1,342	1,342
Total revenues	2,410,842	2,410,842	7,925,563	5,514,721
<b>EXPENDITURES</b>				
Current:				
Community development	2,659,134	2,659,134	8,970,378	(6,311,244)
Total expenditures	2,659,134	2,659,134	8,970,378	(6,311,244)
Excess(deficiency) of revenues over(under) expenditures	(248,292)	(248,292)	(1,044,815)	(796,523)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	3,175,150	3,175,150
Transfers out	-	-	(2,101,153)	(2,101,153)
Total other financing sources (uses)	-	-	1,073,997	1,073,997
Net change in fund balances	\$ (248,292)	\$ (248,292)	29,182	\$ 277,474
Fund balance - beginning			4,234,812	
Fund balance - ending			\$ 4,263,994	

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 896,100	\$ 896,100	\$ 1,256,708	\$ 360,608
Interest	101,010	101,010	149,376	48,366
Other	-	-	2,862	2,862
Total revenues	997,110	997,110	1,408,946	411,836
<b>EXPENDITURES</b>				
Current:				
Wages and benefits	81,927	81,927	93,355	(11,428)
Enterprise Zone	175,767	175,767	147,572	28,195
Service and supply	18,650	18,650	14,463	4,187
Professional fees	65,000	65,000	32,204	32,796
Façade renovation	30,000	30,000	21,438	8,562
Sweet Brier	-	-	-	-
McDermont Fieldhouse	6,499,821	6,499,821	678,866	5,820,955
Grant matching funds	-	-	-	-
Downtown improvements	15,000	15,000	6,600	8,400
Business assistance	15,000	15,000	-	15,000
Housing program costs	-	-	303,294	(303,294)
Debt service:				
Principal	168,000	168,000	168,000	-
Interest	467,234	467,234	431,530	35,704
Total expenditures	7,536,399	7,536,399	1,897,322	5,639,077
Excess (deficiency) of revenues over (under) expenditures	(6,539,289)	(6,539,289)	(488,376)	6,050,913
<b>OTHER FINANCING SOURCES (USES)</b>				
Tax bonds issued	-	3,520,000	2,968,000	552,000
Tax bonds discounts and issuance costs	-	(209,774)	(209,478)	296
Loan proceeds	-	-	1,980,000	1,980,000
Operating transfers out	-	-	(7,391,952)	(7,391,952)
Total other financing sources (uses)	-	3,310,226	(2,653,430)	(4,859,656)
Net change in fund balances	\$ (6,539,289)	\$ (3,229,063)	(3,141,806)	\$ 1,191,257
Fund balances - beginning			6,559,514	
Fund balance - ending			\$ 3,417,708	

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

**CITY OF LINDSAY**  
 Required Supplemental Information  
 June 30, 2008

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
<b>Miscellaneous Plan</b>						
6/30/2005	872,346,612	729,556,809	142,789,803	83.6%	203,995,039	70.0%
6/30/2006	1,280,157,040	1,069,546,974	210,610,066	83.5%	304,898,179	69.1%
6/30/2007	1,627,025,950	1,362,059,317	264,966,633	83.7%	376,292,121	70.4%
<b>Safety Plan</b>						
6/30/2005	1,325,510,754	1,105,298,221	220,212,533	83.4%	161,446,071	136.4%
6/30/2006	1,473,284,852	1,252,059,468	221,225,384	85.0%	177,088,890	124.9%
6/30/2007	1,648,159,522	1,422,143,105	226,016,417	86.3%	200,537,256	112.7%

## SUPPLEMENTAL INFORMATION

City of Lindsay  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2008

	Special Revenue			Capital Project	Total Nonmajor Governmental Funds
	Parking	RDA Low & Moderate	Wellness Center		
<b>Assets</b>					
Cash and cash equivalents	\$ 2,525	\$ 501,736	\$ 418,432	\$ 49,013	\$ 971,706
Accounts receivable	-	1,242,065	-	110	1,242,175
Interest receivable	-	942	-	282	1,224
Due from other funds	-	2,092,501	-	116,742	2,209,243
Notes receivable	8,497	-	-	7,923	16,420
Investment in property	-	-	-	-	-
Restricted cash	-	209,278	-	-	209,278
<b>Total assets</b>	<b>\$ 11,022</b>	<b>\$ 4,046,522</b>	<b>\$ 418,432</b>	<b>\$ 174,070</b>	<b>\$ 4,650,046</b>
<b>Liabilities</b>					
Accounts and other payables	\$ -	\$ 360,447	\$ 125,585	\$ -	\$ 486,032
Due to other funds	-	190,311	562,246	-	752,557
Deferred revenue	-	15,117	-	7,923	23,040
<b>Total liabilities</b>	<b>-</b>	<b>565,875</b>	<b>687,831</b>	<b>7,923</b>	<b>1,261,629</b>
<b>Fund balances:</b>					
Reserved for:					
Community development	-	3,480,647	-	-	3,480,647
Unreserved, reported in					
Special revenue funds	11,022	-	(269,399)	-	(258,377)
Capital projects	-	-	-	166,147	166,147
<b>Total fund balances</b>	<b>11,022</b>	<b>3,480,647</b>	<b>(269,399)</b>	<b>166,147</b>	<b>3,388,417</b>
<b>Total liabilities and fund balances</b>	<b>\$ 11,022</b>	<b>\$ 4,046,522</b>	<b>\$ 418,432</b>	<b>\$ 174,070</b>	<b>\$ 4,650,046</b>

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, 2008

	Special Revenue			Capital Project Curb & Gutter	Total Nonmajor Governmental Funds
	Parking	RDA Low & Moderate	Wellness Center		
<b>REVENUES</b>					
Note collections	\$ -	\$ -	\$ -	\$ 8,025	\$ 8,025
Taxes	-	310,845	-	-	310,845
Intergovernmental	-	-	-	-	-
Interest revenue	-	23,681	-	1,566	25,247
Total revenues	-	334,526	-	9,591	344,117
<b>EXPENDITURES</b>					
Current:					
Community development	-	176,284	51,224	-	227,508
Debt service					
Principal	-	42,000	-	-	42,000
Interest and administrative charges	-	107,882	39,639	-	147,521
Capital outlay	-	-	98,267	-	98,267
Total expenditures	-	326,166	189,130	-	515,296
Excess (deficiency) of revenues over expenditures	-	8,360	(189,130)	9,591	(171,179)
<b>OTHER FINANCING SOURCES (USES)</b>					
Tax bonds issued	-	742,000	-	-	742,000
Tax bonds discounts & issuance costs	-	(52,369)	-	-	(52,369)
Loan proceeds	-	359,837	489,295	-	849,132
Transfer out	-	(359,837)	-	-	(359,837)
Total other financing sources (uses)	-	689,631	489,295	-	1,178,926
Net change in fund balances	-	697,991	300,165	9,591	1,007,747
Fund balances -- beginning	11,022	2,782,656	(569,564)	156,556	2,380,670
Fund balances -- ending	\$ 11,022	\$ 3,480,647	\$ (269,399)	\$ 166,147	\$ 3,388,417

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive(Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 3,444,150	\$ 3,444,150	\$ 1,548,183	\$ (1,895,967)
Other service charges	-	-	-	-
Interest	-	-	296	296
Other revenues	-	-	389	389
Total revenues	<u>3,444,150</u>	<u>3,444,150</u>	<u>1,548,868</u>	<u>(1,895,282)</u>
<b>EXPENDITURES</b>				
Current:				
Streets & Transportation	<u>3,729,256</u>	<u>3,729,256</u>	<u>861,402</u>	<u>2,867,854</u>
Total expenditures	<u>3,729,256</u>	<u>3,729,256</u>	<u>861,402</u>	<u>2,867,854</u>
Excess(deficiency) of revenues over(under) expenditures	<u>(285,106)</u>	<u>(285,106)</u>	<u>687,466</u>	<u>972,572</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (285,106)</u>	<u>\$ (285,106)</u>	<u>687,466</u>	<u>\$ 972,572</u>
Fund balance - beginning			<u>(1,125,052)</u>	
Fund balance - ending			<u>\$ (437,586)</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 2,250,000	\$ 2,250,000	\$ -	\$ (2,250,000)
Other service charges	-	-	-	-
Interest	-	-	-	-
Other revenues	-	-	-	-
	<u>2,250,000</u>	<u>2,250,000</u>	<u>-</u>	<u>(2,250,000)</u>
<b>EXPENDITURES</b>				
Current:				
Community development	5,205,000	5,205,000	51,224	5,153,776
Interest and administrative charges	-	-	39,639	(39,639)
Capital outlay	-	-	98,267	(98,267)
	<u>5,205,000</u>	<u>5,205,000</u>	<u>189,130</u>	<u>5,015,870</u>
Excess(deficiency) of revenues over(under) expenditures	<u>(2,955,000)</u>	<u>(2,955,000)</u>	<u>(189,130)</u>	<u>2,765,870</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	-	-	489,295	489,295
Transfers out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>489,295</u>	<u>489,295</u>
Net change in fund balances	<u>\$ (2,955,000)</u>	<u>\$ (2,955,000)</u>	<u>300,165</u>	<u>\$ 3,255,165</u>
Fund balance - beginning			<u>(569,564)</u>	
Fund balance - ending			<u>\$ (269,399)</u>	

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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 224,540	\$ 224,540	\$ 310,845	\$ 86,305
Other service charges	-	-	-	-
Interest	9,800	9,800	23,681	13,881
Other revenues	-	-	-	-
Total revenues	<u>234,340</u>	<u>234,340</u>	<u>334,526</u>	<u>100,186</u>
<b>EXPENDITURES</b>				
Current:				
Grant Matching Funds	-	80,000	176,284	(96,284)
Housing program costs	-	-	-	-
Principal & Interest	<u>158,809</u>	<u>158,809</u>	<u>149,882</u>	<u>8,927</u>
Total expenditures	<u>158,809</u>	<u>238,809</u>	<u>326,166</u>	<u>(87,357)</u>
Excess(deficiency) of revenues over(under) expenditures	<u>75,531</u>	<u>(4,469)</u>	<u>8,360</u>	<u>12,829</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Tax bond issued	-	880,000	742,000	(138,000)
Tax bond discounts and issuance costs	-	(52,443)	(52,369)	74
Loan proceeds	-	-	359,837	359,837
Transfer out	<u>-</u>	<u>-</u>	<u>(359,837)</u>	<u>(359,837)</u>
Total other financing sources (uses)	<u>-</u>	<u>827,557</u>	<u>689,631</u>	<u>(137,926)</u>
Net change in fund balances	<u>\$ 75,531</u>	<u>\$ 823,088</u>	<u>697,991</u>	<u>\$ (125,097)</u>
Fund balance - beginning			<u>2,782,656</u>	
Fund balance - ending			<u>\$ 3,480,647</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, 2008**

**CITY OF LINDSAY**

**TABLE OF CONTENTS**

June 30, 2008

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 <i>Government Auditing Standards</i>	1
Single Audit Reports:	
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	3
Schedule of Expenditures of Federal Awards	5
Notes to Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	
Summary of Audit Results	7
Financial Statement Findings and Responses	8
Federal Award Findings and Questioned Costs	12
Summary Schedule of Prior Audit Findings	13

**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-type activities, each major fund, and the aggregate remaining fund information of the City of Lindsay, California (City) as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 20, 2009. 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. Accordingly, we do not express 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. [2008-FS1, 2008-FS2 and 2008-FS4.]

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 [2008-FS3] 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 20, 2009

## 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, 2008. 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, 2008.

### Internal Control Over Compliance

The management of the City 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 City'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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City'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.

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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### 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, 2008, and have issued our report thereon dated August 20, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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 20, 2009

City of Lindsay  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2008

Federal Grantor/pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Housing and Urban Development:</b>			
Passed through from the California Department of Housing and Urban Development:			
Community Development Block Grant	14.228	EDBG-2725	2,495,000
Community Development Block Grant		06-FREZ-2512	299,000
Community Development Block Grant		04-STBG-1963	2,867,366
Community Development Block Grant		06-STBG-2647	27,500
Community Development Block Grant		05-EDBG-2181	86,000
Total Community Development Block Grant			<u>5,774,866</u>
HOME Investment Partnership Program	14.239	04-HOME-082	376,790
HOME Investment Partnership Program		05-HOME-167	298,300
HOME Investment Partnership Program		06-HOME-205	150,000
HOME Investment Partnership Program		06-HOME-2466	137,425
Total HOME Investment Partnership Program			<u>962,515</u>
<i>Total U.S. Department of Housing and Urban Development</i>			<u>6,737,381</u>
<b>U.S. Department of Agriculture:</b>			
Community Facilities Loans	10.766	N/A	<u>489,295</u>
<b>U.S. Department of Transportation:</b>			
Passed through from the California Department of Transportation			
CMAQ	20.205	CML-5189	455,958
TEA		RPSTPLE-5189-8	79,570
<i>Total U.S. Department of Transportation</i>			<u>535,528</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 7,762,204</u></u>

**Notes to the Schedule of Expenditures  
of Federal Awards  
Year Ended June 30, 2008**

**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.

**Note 2: Loan Balances**

The City had the following loan balances outstanding at June 30, 2008. The portion of the loan balance expended for the project is included in the federal expenditures presented in the schedule.

Program Title	CFDA Number	Amount Outstanding
USDA - Water	10.706	\$ 2,173,530
USDA - Sewer	10.706	6,375,055
USDA - Sewer	10.706	454,332
USDA - Wellness Center	10.766	<u>489,295</u>
		<u>\$ 9,492,212</u>

## **Schedule of Findings and Questioned Costs**



**City of Lindsay**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

---

**Section II – Financial Statement Findings and Responses (continued)**

---

**Significant Deficiencies:**

**2008-FS1: 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. 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 and Corrective Action Plan:*

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

**City of Lindsay**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

---

**Section II – Financial Statement Findings and Responses (continued)**

---

**2008-FS2: 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, 2007. 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.

*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 and Corrective Action Plan:*

- 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.

**City of Lindsay  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2008**

---

**Section II – Financial Statement Findings and Responses (continued)**

---

**2008-FS4: Reconciling Bank Reconciliations**

*Condition:* Bank reconciliations are not being reviewed in a timely fashion.

*Effect:* Bank reconciliation needed adjustments up to fourteen months after year end.

*Cause:* Bank reconciliation adjustments to the general ledger are not being posted to the proper accounting periods.

*Criteria:* City policy and procedures require monthly bank reconciliations.

*Recommendation:* Finance Director should review monthly bank reconciliations. Accounting supervisor should posted adjustments to the bank reconciliations in the proper accounting period.

*Response and Corrective Action Plan:* Finance Director will review banks reconciliations monthly with posted adjustments.

**City of Lindsay**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

---

**Section II – Financial Statement Findings and Responses (continued)**

---

**Material Weaknesses:**

**2008-FS3: 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, 2008.

*Cause:* Management has not reviewed its policies and procedures to ensure 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, 2008, 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.

**City of Lindsay**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2008**

---

**Section II – Financial Statement Findings and Responses (continued)**

---

**2008-FS3: Reconciling Accounts to Supporting Documentation – Accounting Controls (continued)**

*Recommendations (continued):*

- 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.
  
- 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 and Corrective Action Plan:*

- 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, 2008**

Significant deficiencies

**2007-FS1: 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. 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 and Corrective Action Plan:*

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

*Status:* This item is still open.

**City of Lindsay**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2008**

Significant deficiencies

**2007-FS2: 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.

*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 and Corrective Action Plan:*

- 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.

*Status:* This item is still open.

**City of Lindsay**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2008**

**Material Weaknesses:**

**2007-FS3: 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.

*Cause:* Management has not reviewed its policies and procedures to ensure 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.

**City of Lindsay**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2008**

**2007-FS3: Reconciling Accounts to Supporting Documentation – Accounting Controls (continued)**

*Recommendations (continued):*

- 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.
- 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 and Corrective Action Plan:*

- 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.

*Status:* This item is still open.

**City of Lindsay  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2008**

**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

*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.

*Status:* Implemented.