CITY OF LINDSAY

AUDITED BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

CITY OF LINDSAY
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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INTRODUCTORY SECTION

July 23, 2013

TO: Honorable Mayor, Members of the City Council, and Citizens of the City of Lindsay

FROM: Tamara Laken, Director of Finance

SUBJECT: Annual Financial Report for Fiscal Year 2011-12

INTRODUCTION

Contained herein is the City of Lindsay (the City) Annual Financial Report (AFR) for the fiscal year ended June 30, 2012, as prepared by the City's Finance Department. Responsibility for the accuracy of the presented data, the completeness, and fairness of the presentation rests with this department. The report has been prepared in conformance with the accounting principles generally accepted in the United States of America and the principles and standards as prescribed by Governmental Accounting Standards Board (GASB). Staff believes that the data, as presented, is accurate in all material respects; that its presentation fairly reflects the financial position and the results of the City's operations as measured by the financial activity of its various funds; and that all pertinent disclosures contained herein will provide the reader with a complete understanding to the City's financial affairs.

FINANCIAL REPORTING AND FORMATS

This report is prepared using the reporting requirements prescribed by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Government-wide financial statements are included in order to provide the reader with a clear picture of the City as a single unified reporting entity. Government-wide statements are intended to complement, rather than replace, the traditional fund-based financial statements. GASB Statement No. 34 also requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of "Management's Discussion & Analysis" (MD&A).

This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditor's report.

The City's AFR is divided into the following sections:

The Introductory Section includes this transmittal letter, information about the organizational structure of the City including elected and appointed officials, and other general information to provide the reader with a general understanding of the City.

<u>The Financial Section</u> is prepared in accordance with GASB Statement No. 34 requirements by including the MD&A, the Basic Financial Statements with notes, and Supplementary Information. The Basic Financial Statements include government-wide financial statements that present an overview of the City's entire financial operations, and the fund financial statements that present the financial information of each of the City's major funds, as well as non-major governmental and fiduciary funds. Also included in this section is the Independent Auditor's Report on the financial statements and schedules as prepared by Brown Armstrong Accountancy Corporation, Certified Public Accountants. Their report contained herein provides a "qualified" opinion that the financial statements contained herein are fairly presented in conformity with accounting principles generally accepted in the United States of America.

Additionally, the Federal Single Audit Act of 1996 requires the City to undergo an annual "single audit" in conformity with the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and *Government Auditing Standards*, issued by the Comptroller General of the United States. The "single audit" report is issued under separate cover and includes a schedule of federal financial assistance, findings and recommendations, and the independent auditor's report on the internal control structure and compliance with applicable laws and regulations.

<u>THE REPORTING ENTITY</u>

Profile of the Government

The City of Lindsay incorporated in 1910, as a general law city of the State of California, and reclassified to a Charter City January 8, 1996, filed with the State of California in April 1996. Lindsay is located in the middle of the state in the Central San Joaquin Valley. The Central Valley is considered to be a national and world leader in the agricultural industry, with dairy, citrus and deciduous crops the primary commodity around the Lindsay area. The City of Lindsay currently occupies an incorporated area of 2.5 miles with an urban development boundary of 3.9 miles and serves a population of 12,262.

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

The City of Lindsay provides a full range of services, including police and fire protection; the construction, maintenance, and cleaning of streets and other infrastructure; planning and development services; water services; contracting for refuse collection, disposal, and recycling services; sewer service; storm drainage; contracting for transit services; recreation activities; and general administration. As of January 1, 2012, the City contracts with Self-Help Enterprises, Inc. to provide home loan processing services for the City's first-time homebuyer and home rehab loans; a new loan committee was formed in December 2010 consisting of the city manager, finance director, city planner, and the assistant to the city manager, with the Human Resources Manager serving as the official secretary and keeper of the minutes. In FY12, the City contracted with Community Services Employment Training to administer a state grant micro-business loan program that provided low-interest assistance, business education, and business plan development instruction to seven local business entrepreneurs. By utilizing the services of these experienced third-party administrators, management ensured that all files were processed correctly, in compliance with all grant guidelines, and without the possibility of undue influence from either staff or council.

Factors Affecting Financial Condition

This report consists of management's representations concerning the finances of the City of Lindsay. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, current management of the City of Lindsay has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Lindsay financial statements in conformity with Generally Accepted Accounting Principles (GAAP). It was discovered during the FY2009-10 audit that prior management did not enforce, or did override, existing internal control polices, failed to obtain council approval for cost overrides and use of reserve funds, and failed to adhere to a reasonable debt limit plan, particularly as regards short-term debt, the result of which was a number of weaknesses and deficiencies identified in FY2009-10 that carried over into FY2010-11; staff has addressed all the aforementioned issues and is pleased to report that this audit report for the period July 1, 2011 through June 30, 2012, shows significant improvement and elimination of the previous findings.

The information presented in the financial statements is perhaps best understood when it is considered in the broader perspective of the specific environment within which the City of Lindsay operates.

Local Economy: The local economy continues to be affected by the economic slowdown but is showing signs of improvement as evidenced by the 2.6% increase in retail sales tax revenue. Although property values have increased slightly compared to the previous year, home sales are still stagnate and we do not expect to see any significant increase in property tax revenue. The City's unemployment rate has improved slightly with a decrease 4.2% over the previous year. Job creation and business development is a high priority for staff in the upcoming years.

The Friday Night Market (FNM), now in its 7th year of operation, has been expanded into the entire downtown area now that the reconstruction of the downtown area is complete. This expansion has significantly increased the participation of the vendors which has resulted in greater sales tax revenue and is responsible for attracting an average of 5,000 people to the City of Lindsay downtown area every week from mid-March to mid-November. The success of the FNM, originally started as a redevelopment project, has made the Chamber of Commerce totally self-sufficient which enabled the City to reduce the amount of retail business license fees, a portion of which had been used to fund the Chamber, thus providing much needed relief to our businesses who are struggling in these tough economic times. Making the downtown not only attractive, but pedestrian-friendly to a population, many of whom do not have conventional transportation, has greatly increased foot traffic to downtown and the businesses that anchor the downtown area. We are also seeing increased use of the County transit system at the bus stops located within the downtown area; the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Project grant that provided funding to add 10 new bus stop shelters to our transit system was completed in FY12.

State Budgetary Actions: The budget problems at the State level continue to be a major concern for the City of Lindsay, as it is for every city in California that relies on state funding that may be withheld, delayed, redirected, reduced, or eliminated at any time by the legislators. Add to this the actions of various state agencies such as the Workers' Compensation Insurance Rating Board that has increased work comp premiums over a two-year period by over 67% and the California Public Employees' Retirement System (CalPERS) agency that has consistently raised the employer percentage every year by at least 3% and you begin to see the concern that cities have regarding financial stability. The federal affordable health care act will also have a significant impact on future city budgets. ABx1 26 eliminated all redevelopment agencies, which has resulted in additional review processes both by the independent auditor, as well as the Department of Finance, intended to determine any amounts that may be owed by the former City of Lindsay Redevelopment Agency to other public entities. An independent Oversight Board serves to determine matters relative to the meeting the debt obligations and asset disposal for the former City of Lindsay Redevelopment Agency and authorize requests to the Department of Finance.

Risk Management: The City of Lindsay participates in a 54-member city Joint Powers Authority – the Central San Joaquin Valley Risk Management Authority – for all property, liability, workmen's compensation and employee assistance program coverage. As previously mentioned, the City has experienced a substantial rate increase in the past two years that is straining the city budget.

Pension benefits: The City of Lindsay contributes to the CalPERS, an agent multiple-employer public employee defined benefit pension plan for both safety members and miscellaneous members. On January 1, 2011, the City created a second tier for the purposes of defining responsibility for payment of the Employee Paid Member Contribution (EPMC) - 8% for Misc and 9% for Safety - with all new hires required to pay 100% of the EPMC; Pension reform is a major priority; all employees are now required to pay 4% of the EPMC and we anticipate increasing that amount in future years. Each year the employer rate is actuarially determined and includes a portion for any unfunded liability. The City currently contributes 100% of the annual required contribution as determined by CalPERS.

The preparation of this report has been delayed as staffing and the audit team conducted more extensive testing than in previous years in an effort to be able to render an opinion on the City's financial statements. I wish to thank all Finance staff for their cooperation and dedication to the preparation of this report and acknowledge the professional assistance of the audit team from Brown Armstrong Accountancy Corporation whose recommendations have resulted in significant improvements.

Respectfully submitted,

Tamara Laken

Tamara Laken
Finance Director

CITIZENS

CITY COUNCIL

Mayor	Council Members
Ed Murray	***Pam Kimball***
Mayor Pro-tem	***Ramona Padilla***
Esteban Velasquez	***Danny Salinas***

CITY ATTORNEY	CITY MANAGER	ASSISTANT CITY MGR
Julia Lew	***Rich Wilkinson***	***Vacant***
	Phone: 559-562-7103	

The following departments are responsible directly to the City Manager:

PUBLIC SAFETY DEPT
Chief Rich Wilkinson
Lt. Bryan Clower
Lt. Chris Hughes
Police & Fire Protection
Animal Control Srvs
Code Enforcement
Weed Abatement
Vehicle Abatement
Phone: 559-562-2511

FINANCE DEPT
Tamara Laken
Utility Billing
Risk Management
Business License
Financial Mng & Records
Phone: 559-562-5927

COMMUNITY DEVELOPMENT
Diane Bucaroff
Economic Development
Planning & GIS
Bill Zigler
City Clerk
Carmen Wilson
Phone: 559-562-7117

HUMAN RESOURCES
Mari Carrillo
Personnel
Phone: 559-562-7120

CITY SERVICES DEPT
Michael Camarena
Water, Sewer, Refuse
Street Sweeping & Maint.
Storm Drain & Fleet Maint.
CIP Projects, Parks Maint.
Phone: 559-562-5945

WELLNESS CENTER
Marie Arroyo
Programming
Aquatics
Phone: 559-562-5196

MCDERMONT FIELD HOUSE
Clint Ashcraft
McDermont Field House
Recreation

Red Zone Academy
Tim Culver
Phone: 559-562-3326

CITY OF LINDSAY
PRINCIPAL CITY OFFICIALS
JUNE 30, 2012

City Council

Ed Murray	Mayor
Esteban Velasquez	Mayor Pro-Tem
Danny Salinas	Council Member
Pam Kimball	Council Member
Ramona Padilla	Council Member

Administrative Officials and Department Heads

Rich Wilkinson	City Manager/Public Safety Director
Tamara Laken	Finance Director/City Treasurer
Michael Camarena	City Services Director
Clint Ashcraft	McDermont Field House Director
Marie Arroyo	Wellness Center Director
Diane Bucaroff	Community and Economic Development
Carmen Wilson	City Clerk

FINANCIAL SECTION

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CERTIFIED PUBLIC ACCOUNTANTS

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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
of the City of 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 the City of Lindsay, California (the City), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's 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 the 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.

The following circumstances have resulted in the qualification of our audit opinion. First, the City failed to perform a full physical inventory inspection of its capital assets which includes reconciliation of inspection results to its capital asset records. As a result, the City is uncertain regarding the accuracy of its capital assets due to possible inclusion of assets no longer in use by the City or omission of assets acquired but not properly capitalized. Second, as a search for impaired assets was not performed as required by Governmental Accounting Standards Board Statement No. 42, there may be assets improperly valued. If the City had performed a search for impaired assets, the capital asset values currently booked could change materially as land transfers between the City and the former City of Lindsay Redevelopment Agency were executed in prior years without proper appraisals. Lastly, as a result of past accounting practices, the City is unable to determine the accuracy of each fund's cash balances. Past practices include improper transferring and inadequate tracking of cash balances borrowed amongst funds.

In our opinion, except of the circumstances noted above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1C to the financial statements, the City changed the classification of the Wellness Center Fund to a new, major proprietary fund through the combining of two pre-existing governmental funds. The City made a reassessment of the fund's operations and considers the fund to meet the definition of an Enterprise Fund in accordance with accounting principles generally accepted in the United States of America. This change has been noted as a prior-period adjustment, along with other adjustments in Note 16 to the financial statements.

As discussed in Note 18, to the financial statements, the City is having difficulties maintaining operating cash balances and paying for City expenditures and is out of compliance with several debt agreements. These conditions raise substantial doubt about the City's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
July 23, 2013

As management of the City of Lindsay (the City), we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. 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

(All Amounts in Thousands)

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $60,526 (*net assets*). Of this amount, $(7,035) (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.

- As of the close of the current fiscal year, the City governmental funds reported combined ending fund balances of $7,973. All of this is available *for spending* at the City's discretion (*unreserved fund balance*).

Overview of the Financial Statements

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

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

The *statement of net assets* presents information on all of the City'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 is improving or deteriorating.

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

The government-wide financial statements have changed substantially from previous years due to the dissolution of the Lindsay Redevelopment Agency (LRA); all financial information relevant to the former LRA is now accounted for, as an integral part of these financial statements, in the Private-Purpose Trust Fund, a fiduciary fund established to manage the assets and debt of the former agency. The other major change that should be noted is the consolidation and reclassification of the Aquatic Center and Wellness Center into a single enterprise fund (Wellness Center) with all activity reported under "business-type activities." The Water, Sewer, Refuse, Wellness Center, and McDermont Sports Complex Departments function for all practical purposes as departments of the City, and therefore have been included as an integral part of the primary government.

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

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Lindsay, assets exceeded liabilities by $60,526 at the close of the most recent fiscal year.

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

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

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 29,490	$ 24,440	$ (9,850)	$ (10,728)	$ 19,640	$ 13,712
Capital assets	29,733	38,053	52,497	44,670	82,230	82,723
Total assets	59,223	62,493	42,647	33,942	101,870	96,435
Long-term liabilities	23,234	25,095	14,723	12,802	37,957	37,897
Other liabilities	913	8,844	2,474	1,037	3,387	9,881
Total liabilities	24,147	33,939	17,197	13,839	41,344	47,778
Net assets:						
Invested in capital assets, net of related debt	26,686	17,469	38,237	31,946	64,923	49,415
Restricted	2,638	8,894	-	-	2,638	8,894
Unrestricted	5,752	2,191	(12,787)	(11,843)	(7,035)	(9,652)
Total net assets	$ 35,076	$ 28,554	$ 25,450	$ 20,103	$ 60,526	$ 48,657

A portion of the City's net assets, $2,638, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets,* $(7,035), represents the governmental activities surplus of $5,752, combined with the business-type activities negative balance of $12,787. 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 Gas Tax Fund of its separate governmental activities. The other non-major governmental funds had a combined positive fund balance at year-end.

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

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Program revenues:						
Charges for services	$ 93	$ 314	$ 6,773	$ 7,573	$ 6,866	$ 7,887
Operating grants and contributions	216	2,910	1,076	-	1,292	2,910
Capital grants and contributions	1,418	4,872	285	-	1,703	4,872
General revenues:						
Property taxes	487	2,036	-	-	487	2,036
Other taxes	3,592	3,602	-	-	3,592	3,602
Miscellaneous	835	922	10	35	845	957
Transfers	(6,356)	(105)	6,356	105	-	-
Total revenues	285	14,551	14,500	7,713	14,785	22,264
Expenses:						
General government	2,414	2,832	-	-	2,414	2,832
Public safety	2,501	2,761	-	-	2,501	2,761
Parks and recreation	212	1,045	-	-	212	1,045
Public works	444	329	-	-	444	329
Street and transportation	503	985	-	-	503	985
Community development	1,227	2,265	-	-	1,227	2,265
Interest on long-term debt	432	1,086	-	-	432	1,086
Water fund	-	-	1,797	2,539	1,797	2,539
Sewer fund	-	-	1,669	2,085	1,669	2,085
Refuse fund	-	-	1,331	1,432	1,331	1,432
McDermont sport complex fund	-	-	3,607	3,406	3,607	3,406
Wellness center fund	-	-	393	-	393	-
Total expenses	7,733	11,303	8,797	9,462	16,530	20,765
Change in net assets before extraordinary items	(7,448)	3,248	5,703	(1,749)	(1,745)	1,499
Extraordinary items	14,143	-	-	-	14,143	-
Change in net assets	6,695	3,248	5,703	(1,749)	12,398	1,499
Net assets - beginning	28,555	17,927	20,102	22,213	48,657	40,140
Prior period adjustment	(174)	7,379	(355)	(361)	(529)	7,018
Net assets - beginning, restated	28,381	25,306	19,747	21,852	48,128	47,158
Net assets - ending	$ 35,076	$ 28,554	$ 25,450	$ 20,103	$ 60,526	$ 48,657

Governmental activities. Governmental activities increased the City's net assets by $6,695.

Business-type activities. Business-type activities increased the City's net assets by $5,703.

Financial Analysis of the City's Funds

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

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

As the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $7,973.

The fund balance of the City's General Fund increased by $126 during the current fiscal year. Key factors in this increase are as follows:

- There were several prior year adjustments made during the year, see Note 16.

Proprietary funds. The City'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, McDermont Sports Complex, and Wellness Center activities at the end of the year amounted to $(12,787). The increase in net assets for all these funds was $5,702 due primarily to the gain noted in the transfer of the Wellness Center from governmental activities to business-type activities.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to $82,230 (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:

- Completion of all construction on the Wellness Center and reclassification as complete. Construction in progress as of the end of the current fiscal year had reached $840.

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

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Land	$ 2,293	$ 2,563	$ 1,521	$ 1,236	$ 3,814	$ 3,799
Right of way	247	247	-	-	247	247
Buildings and improvements	3,250	6,841	37,997	30,322	41,247	37,163
Machinery and equipment	480	498	516	772	996	1,270
Infrastructure	20,184	20,842	12,080	12,340	32,264	33,182
Construction in progress	3,279	7,062	383	-	3,662	7,062
Total	$ 29,733	$ 38,053	$ 52,497	$ 44,670	$ 82,230	$ 82,723

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

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	$ 5	$ 5	$ -	$ -	$ 5	$ 5
Notes payable	-	5,707	1,500	1,500	1,500	7,207
Certificates of participation	1,969	2,972	1,688	-	3,657	2,972
Tax allocation bonds	-	16,485	-	-	-	16,485
Revenue bonds	-	-	8,416	8,603	8,416	8,603
Capital lease	29	-	35	50	64	50
LOG pond closure cost	-	-	2,571	2,571	2,571	2,571
Compensated absences	155	332	75	78	230	410
Other postemployment benefits	462	-	438	78	900	78
Total	$ 2,620	$ 25,501	$ 14,723	$ 12,880	$ 17,343	$ 38,381

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of $17,343.

The City 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 15% of its total assessed valuation ($315,588 for fiscal year 2012 per Tulare County Assessor). The current debt limitation for the City is $47,338, which is not in excess of the City's outstanding general obligation debt and in compliance with State statutes. The Mid-Valley loan (McDermont Field House), which has a balloon payment of $1.5 million in December 2012, will be refinanced into a long-term Certificate of Participation Lease bond in fiscal year 2013 with semi-annual payments that will reduce the principal. The City did complete the Library Landscape Project *under* budget in fiscal year 2012 and did return $189,932 - of the granted amount of $750,000 - to the USDA (funding agent) to reduce the amount and required annual payment of that debt. It is anticipated that the construction of the Wellness Center, for which $3 million has been authorized by the USDA, will also come in *under* budget with the final long-term debt amount not to exceed $2.4 million, thus substantially reducing the annual debt service for that loan. All City debt has an identified and secure repayment mechanism; the City is in no danger of defaulting on any debt obligation. Staff has worked diligently to restructure debt with high interest and balloon payment features and to limit additional debt to ensure reasonable cash flow throughout the year. The City, acting as Successor Agent for the former LRA, is currently in the midst of negotiations with CalHFA to restructure two short-term debt instruments, that have balloon payments within the next 15 months, into longer-terms with more reasonable repayment features and will continue to request all available funds from the Redevelopment Property Tax Trust Fund (RPTTF) to apply to the former LRA debt. Staff is confident that this process will result in the requested extension, but cautious regarding the repayment source as the RPTTF does not receive adequate revenue to make the bond payments as well as these loan payments.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the City is currently 15%, which is a decrease over the previous year of 4.2%; the growth factor provided by the State Department of Finance (May 2013) indicates Lindsay is the 5th fastest growing city of the 8 incorporated cities in Tulare County. Retail Sales Tax revenue has increased by over 25% since fiscal year 2010 due in large part to the success of the Friday Night Market, McDermont Field House, and a used car lot that has located within the City's boundaries. Despite a slight increase in property valuations over the previous fiscal year, property tax revenue remains stagnate and is not expected to increase with any significance in fiscal year 2013. Economic Development shall be a key focus in future years as the City has built many attractive features such as the new Library, Wellness Center, and McDermont Field House in an effort to encourage growth and spending within the community and continue the quest towards self-sufficiency.

- One major development in fiscal year 2012 was the closing of the City's Community Development Department, outsourcing home loan processing to Self-Help Enterprises, Inc., and opening a new department dedicated to Planning and Economic Development. The Sequoia Valley Enterprises Zone received final designation from the Governor. The Enterprise Zone status will provide tax credits to all businesses located within the Zone allowing for small and large businesses to increase their bottom line. The City, working closely with the Tulare County Economic Development Corporation, has been aggressively marketing the program to local businesses.

- The number of issued building permits in fiscal year 2012 was 209 which was 28 less than the 237 issued in fiscal year 2011; however, it should be noted that a number of building permits were requested in December 2010 by developers seeking future-year "placeholder" permits before the new building codes went into effect January 1, 2011. We predict that fiscal year 2013 will remain static with the fiscal year 2012 numbers as the fiscal year 2011 permits are activated and considering the housing market has been slow to improve. As part of the ABx126 dissolution process, the parcel known as the Sequoia Villas Affordable Housing Project was transferred to the Tulare County Housing Authority which will complete the 19-unit project in fiscal year 2014.

No new taxes or rate fees were implemented in fiscal year 2012, nor planned for fiscal year 2013. Sewer rates were reduced by a flat $6.86 per residential unit and Refuse rates were lowered by 5%. Sewer rates for restaurants, laundry mats, and car washes were also studied and reduced in fiscal year 2010-11. These reductions have resulted in less collections in the enterprise funds and also the street improvement fund that is included within those rates, but only the Refuse Fund ended the fiscal year with a deficit. The deficit was due in large part to the fact that the previous method of paying the contractor for refuse collection services resulted in a very large accumulated outstanding balance that is being reduced in extra installments over fiscal year 2012 until the end of fiscal year 2013 after which the revenue should equal the expenditures for that fund. The City was awarded two grants of $35,000 each which will be used to conduct a water rate and water feasibility study to determine if the current and future rates are adequate to maintain a safe water supply and provide for future growth.

Additional Information

FUND RECLASSIFICATION:

In order to provide greater transparency for all concerned parties, current management has reclassified the McDermont Sports Complex from a General Fund department to an enterprise, or proprietary fund, that has its own balance sheet for ease of identifying all revenues, expenses, debt service, capital assets, and depreciation unique to that enterprise. With the completion of the Lindsay Wellness Center, the Aquatic Center, formerly a special revenue fund, has now been combined under that fund, which is a proprietary fund

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENT NO. 34 CAPITAL ASSETS:

The City's assets were increased by $12,399 over the previous year due mainly to the dissolution of the former LRA, but also included a prior period adjustment to account for CIP and depreciation as well as the reclassification from CIP to complete for the Lindsay Wellness Center. Proper accounting for all City assets continues to be a challenge staff faces with a shortage of both the time and funds to adequately maintain the asset database. A consultant will be engaged in fiscal year 2013 to assist with bringing the City's asset database current, including updates for impairments; devaluations, particularly of real property; and capital depreciation.

MAJOR ACHIEVEMENTS AND INITIATIVES:

Internal Controls – Strict internal control policies were developed and implemented in fiscal year 2012. All policies have been presented to the City Council for review and are included within the annual budget document. Every department has received a copy and briefing on the control policies and have demonstrated strict adherence. This has resulted in not only living within the budget, but coming in under budget for fiscal year 2012 as opposed to fiscal year 2011 with expenditures in excess of the budgeted amounts. Part of the problem in previous fiscal years was the use of the 2-year budget model, without regular reporting and an annual Financial Plan Update. In fiscal year 2012, we returned to the 1-year budget model and also increased reports to the City Council to Quarterly for both Revenue YTD progress as well as Expenditure YTD progress. In addition to the regular budget update reports, the Finance Department strives constantly to add and/or improve reports relative to all grants, debt service, and capital improvement to provide timely and relevant information to the governing body and provide the greatest amount of transparency to our citizens. The Assistant to the City Manager has increased the number of report and information options to the public that are available on the City's website, thus increasing the transparency process even more. Staff continues to work diligently toward refining the reporting process as well as the analytical process involved in the cost projection process which has significantly reduced the amount of Change Orders made on construction projects ensuring compliance with the appropriated amount. The City Manager did implement a new system of communication, via mandatory weekly staff meetings, in which all department heads share information and challenges within their respective departments and all staff contributes to the ongoing pursuit of cost-savings measures. Fiscal year 2012 saw the elimination of the Housing Department and the outsourcing of all loan applications to Self-Help Enterprises which ensures total adherence to all home loan grant guidelines. A formal loan committee has also been established.

User Fees – A formal schedule of fees for all City facilities has been established to ensure uniformity in this area. McDermont Field House no longer sponsors entertainment events, but does rent the venue to outside entities, thus eliminating the risk of return-rate not meeting expectations. There have been no increase in user fees for McDermont and some services fees were actually reduced as previously described. Also during fiscal year 2012 the Lindsay Improvement District Fee, which had originally been implemented to fund downtown activities, was eliminated in order to provide some relief to our business owners during these tough economic times. Staff and the City Council are committed to providing the best service possible for the lowest fees possible.

The Friday Night Market continues to thrive and has made the Lindsay Chamber of Commerce totally self-sufficient.

The Bus Shelter Project was completed in fiscal year 2012 with the addition of 10 new bus stop shelters throughout the City of Lindsay to enhance the public transportation options.

The City of Lindsay was awarded the 2012 Local Motion Award for Innovation for its Downtown Project by the Tulare County Transportation Authority.

SUMMARY:

Staff has continued to face multiple challenges related to decisions made in previous years; we have made great progress in meeting the demands of the funding sources upon whom we rely, the governing body who require greater and more accurate reporting to assist with their decision-making process, and most importantly, to our businesses and the citizens of this community who entrust us to provide the highest level of service and transparency. Fiscal year 2012 was marked with a deluge of information requests from many other government agencies, as well as public records demands. Staff did comply with all requests and still make progress toward improving their current work and reporting processes. Fiscal year 2013 will be the year that we are able to complete all projects that were begun under the previous administration: the Wellness Center and Park Renovation Project. Fiscal year 2013 will be the year that we reorganize and restructure all outstanding debt obligations to ensure principal is being reduced, interest is not exorbitant, and cash flow is adequate to meet all the City's obligations as well as replenish cash reserves. Fiscal year 2013 will be the year that the improvements implemented in fiscal year 2012, and continued forward, will result in reduction and/or elimination of most of the findings in this report and return this City to financial health and integrity.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF LINDSAY
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 1,139,826	$ 716,184	$ 1,856,010
Accounts receivable, net	78,279	337,195	415,474
Interest receivable	289	149	438
Internal balances	11,028,892	(11,028,892)	-
Due from other governments	423,154	125,436	548,590
Notes receivable	16,738,720	-	16,738,720
Investment in property	80,762	-	80,762
Capital assets (net of accumulated depreciation)			
Land	2,293,042	1,521,360	3,814,402
Right of way	246,519	-	246,519
Buildings and improvements	3,250,270	37,996,543	41,246,813
Infrastructure	20,183,829	12,080,252	32,264,081
Equipment	479,630	516,654	996,284
Construction in progress	3,279,401	382,682	3,662,083
Net Capital Assets	29,732,691	52,497,491	82,230,182
Total Assets	$ 59,222,613	$ 42,647,563	$ 101,870,176
LIABILITIES			
Cash overdraft	$ 27,734	$ 1,567,169	$ 1,594,903
Accounts and other payables	648,446	428,635	1,077,081
Accrued wages	186,261	30,919	217,180
Accrued interest	9,727	155,775	165,502
Refundable deposits	40,435	228,647	269,082
Unearned revenue	-	62,936	62,936
Long-term - other			
Due to other governments	1,048,443	-	1,048,443
Advances from private purpose trust fund	2,820,678	-	2,820,678
Unearned revenue	16,745,273	-	16,745,273
Long-term debt			
Due within one year	181,063	1,770,521	1,951,584
Due in more than one year	2,438,745	12,952,797	15,391,542
Total Liabilities	24,146,805	17,197,399	41,344,204
NET ASSETS			
Invested in capital assets, net of related debt	26,686,209	38,237,217	64,923,426
Restricted	2,637,393	-	2,637,393
Unrestricted	5,752,206	(12,787,053)	(7,034,847)
Total Net Assets	35,075,808	25,450,164	60,525,972
Total Liabilities and Net Assets	$ 59,222,613	$ 42,647,563	$ 101,870,176

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, 2012

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	$ 2,414,602	$ -	$ -	$ 1,418,187
Public safety	2,500,780	8,334	215,837	-
Parks and recreation	211,742	85,090	-	-
Public works	444,178	-	-	-
Streets and transportation	502,752	-	-	-
Community development	1,226,698	-	-	-
Interest on long-term debt	431,976	-	-	-
Total Governmental Activities	7,732,728	93,424	215,837	1,418,187
Business-Type Activities:				
Water fund	1,797,229	1,815,540	-	-
Sewer fund	1,669,339	1,554,041	-	-
Refuse fund	1,331,406	1,201,111	-	-
McDermont sports complex fund	3,606,658	2,033,202	406,050	-
Wellness center fund	393,309	169,368	669,908	285,000
Total Business-Type Activities	8,797,941	6,773,262	1,075,958	285,000
Total Primary Government	$ 16,530,669	$ 6,866,686	$ 1,291,795	$ 1,703,187

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

CITY OF LINDSAY
STATEMENT OF ACTIVITIES (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Primary Government		
Functions/Programs	Governmental Activities	Business-Type Activities	Total
Primary Government:			
Governmental Activities:			
General government	$ (996,415)	$ -	$ (996,415)
Public safety	(2,276,609)	-	(2,276,609)
Parks and recreation	(126,652)	-	(126,652)
Public works	(444,178)	-	(444,178)
Streets and transportation	(502,752)	-	(502,752)
Community development	(1,226,698)	-	(1,226,698)
Interest on long-term debt	(431,976)	-	(431,976)
Total Governmental Activities	(6,005,280)	-	(6,005,280)
Business-Type Activities:			
Water fund	-	18,311	18,311
Sewer fund	-	(115,298)	(115,298)
Refuse fund	-	(130,295)	(130,295)
McDermont sports complex fund	-	(1,167,406)	(1,167,406)
Wellness center fund	-	730,967	730,967
Total Business-Type Activities	-	(663,721)	(663,721)
Total Primary Government	(6,005,280)	(663,721)	(6,669,001)
General Revenues:			
Property taxes	487,209	-	487,209
Sales tax	523,892	-	523,892
Utility users tax	819,390	-	819,390
Franchise tax	101,704	-	101,704
Transient occupancy tax	60,952	-	60,952
Motor vehicle in-lieu	-	-	-
Other taxes	2,085,382	-	2,085,382
Note collections	626,654	-	626,654
Sale of land	-	-	-
Other income	173,256	9,120	182,376
Unrestricted investment earnings	35,497	1,516	37,013
Transfers	(6,355,818)	6,355,818	-
Extraordinary items			
Redevlopment agency dissolution	14,142,656	-	14,142,656
Total General Revenues	12,700,774	6,366,454	19,067,228
Change in Net Assets	6,695,494	5,702,733	12,398,227
Net Assets - Beginning	28,554,689	20,102,314	48,657,003
Prior Period Adjustment	(174,375)	(354,883)	(529,258)
Net Assets - Ending	$ 35,075,808	$ 25,450,164	$ 60,525,972

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

CITY OF LINDSAY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Community Development	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 665,963	$ -	$ 473,863	$ 1,139,826
Accounts receivable - net	78,279	-	-	78,279
Interest receivable	-	129	160	289
Due from other funds	422,190	1,100,000	1,000,000	2,522,190
Due from other governments	119,861	303,293	-	423,154
Notes receivable	57,037	16,673,780	7,903	16,738,720
Investment in property	77,689	621	2,452	80,762
Advances to other funds	13,476,016	-	-	13,476,016
Total Assets	$ 14,897,035	$ 18,077,823	$ 1,484,378	$ 34,459,236
Liabilities				
Cash overdraft	$ -	$ 27,734	$ -	$ 27,734
Accounts and other payables	630,174	8,412	9,860	648,446
Accrued wages	184,783	197	1,281	186,261
Due to other funds	4,577,599	391,715	-	4,969,314
Due to other governments	1,048,443	-	-	1,048,443
Deferred revenue	63,590	16,673,780	7,903	16,745,273
Advances from other funds	2,820,678	-	-	2,820,678
Refundable deposits	22,084	18,351	-	40,435
Total Liabilities	9,347,351	17,120,189	19,044	26,486,584
Fund Balances				
Nonspendable	635,195	750	10,492	646,437
Restricted	669,345	956,884	1,011,164	2,637,393
Committed	814,957	-	27,096	842,053
Assigned	1,339,649	-	416,582	1,756,231
Unassigned	2,090,538	-	-	2,090,538
Total Fund Balances	5,549,684	957,634	1,465,334	7,972,652
Total Liabilities and Fund Balances	$ 14,897,035	$ 18,077,823	$ 1,484,378	$ 34,459,236

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, 2012

Fund balances of governmental funds	$ 7,972,652
Amounts reported for governmental activities 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 governmental funds.	48,817,919
Accumulated depreciation has not been included in the governmental funds.	(19,085,228)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund activity.	
Bonds, certification of participation, and capital lease	(2,003,039)
Compensated absences	(154,782)
Other postemployment benefits	(461,987)
Accrued interest payable on long-term debt	(9,727)
Net assets of governmental activities	$ 35,075,808

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, 2012

	General	Community Development	Other Governmental Funds	Total Governmental Funds
REVENUES				
Note collections	$ 3,409	$ 411,960	$ 211,285	$ 626,654
Property taxes	487,209	-	-	487,209
Other taxes	3,548,934	-	42,386	3,591,320
Licenses and permits	280,761	-	-	280,761
Intergovernmental	266,534	474,654	676,999	1,418,187
Charges for services	28,500	-	-	28,500
Fees and fines	7,164	-	-	7,164
Interest revenue	4,642	30,212	643	35,497
Other revenue	156,818	-	9,274	166,092
Total revenues	4,783,971	916,826	940,587	6,641,384
EXPENDITURES				
Current:				
General government	1,143,680	-	24,048	1,167,728
Public safety	2,500,780	-	-	2,500,780
Parks and recreation	188,151	-	23,591	211,742
Public works	444,178	-	-	444,178
Streets and transportation	178,465	-	324,287	502,752
Community development	-	1,200,771	25,927	1,226,698
Debt service:				
Principal	42,775	350,562	346,840	740,177
Interest and administrative charges	19,751	10,534	401,691	431,976
Capital outlay	431,801	351,543	56,551	839,895
Total expenditures	4,949,581	1,913,410	1,202,935	8,065,926
Excess (deficiency) of revenues over (under) expenditures	(165,610)	(996,584)	(262,348)	(1,424,542)
OTHER FINANCING SOURCES (USES)				
Bond and loans proceeds	178,853	-	-	178,853
Transfers in	81,382	43,385	2,877	127,644
Transfers out	(52,295)	-	(341,947)	(394,242)
Total other financing sources (uses)	207,940	43,385	(339,070)	(87,745)
Net change in fund balance before extraordinary items	42,330	(953,199)	(601,418)	(1,512,287)
Extraordinary items:				
Redevelopment agency dissolution asset transfers	-	-	(8,687,335)	(8,687,335)
Redevelopment agency dissolution liability transfers	-	-	2,284,872	2,284,872
Total extraordinary items	-	-	(6,402,463)	(6,402,463)
Net change in fund balance	42,330	(953,199)	(7,003,881)	(7,914,750)
Fund balances - beginning	5,424,051	1,892,899	8,858,556	16,175,506
Prior period adjustment	83,303	17,934	(389,341)	(288,104)
Fund balances - ending	$ 5,549,684	$ 957,634	$ 1,465,334	$ 7,972,652

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

CITY OF LINDSAY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds	$ (7,914,750)
Amounts reported for governmental activities 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 depreciation ($1,017,630) exceeded capital outlay $839,895 in the current period.	(177,735)
Transfer of government funds to the enterprise funds.	(6,089,220)
Loss on sale of capital assets.	(59,569)
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.	(178,853)
To account for the extraordinary item caused by the redevelopment agency dissolution asset transfers to the private-purpose trust fund.	(1,507,238)
To account for the extraordinary item caused by the redevelopment agency dissolution liability transfers to the private-purpose trust fund.	22,052,357
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 and note principal	740,177
Long-term compensated absences reported in the statement of activities are not reported as expenditures in governmental funds.	(38,299)
Annual amortization of bond issuance costs reported in government-wide presentation.	(17,293)
Annual amortization of bond premiums reported in government-wide presentation.	4,651
Amortization of net OPEB obligation activities to individual funds.	(118,734)
Change in net assets of governmental activities	$ 6,695,494

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

CITY OF LINDSAY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Refuse Fund	McDermont Sports Complex Fund
ASSETS				
Current assets				
Cash and cash equivalents	$ 225,000	$ 491,184	$ -	$ -
Accounts receivable, net	171,671	42,877	19,751	170
Interest receivable	-	149	-	-
Due from other funds	800,000	1,500,000	-	-
Due from other governments	-	-	-	62,500
Total current assets	1,196,671	2,034,210	19,751	62,670
Non-current assets				
Capital assets				
Construction in progress	-	-	-	-
Land	45,248	219,285	-	971,827
Buildings and improvements	5,165,476	6,800,531	7,000	22,987,874
Infrastructure	8,775,521	10,732,224	-	-
Equipment	36,546	180,700	-	1,277,275
Less accumulated depreciation	(4,491,912)	(7,247,264)	(1,505)	(2,121,403)
Total non-current assets	9,530,879	10,685,476	5,495	23,115,573
Total assets	10,727,550	12,719,686	25,246	23,178,243
LIABILITIES AND NET ASSETS				
Current liabilities				
Cash overdraft	-	-	128,568	750,975
Accounts and other payables	128,007	14,641	77,782	24,783
Accrued wages	3,489	3,699	981	18,538
Accrued interest	38,287	117,488	-	-
Compensated absences payable	5,699	5,263	1,334	10,716
Due to other funds	-	-	-	210,000
Deferred revenue	-	-	-	-
Refundable deposits	21,981	206,666	-	-
Long-term debt - current portion	55,035	138,969	-	1,516,479
Total current liabilities	252,498	486,726	208,665	2,531,491
Non-current liabilities				
Other postemployment benefits	42,792	39,071	13,023	274,427
Advances from other funds	-	-	-	13,476,016
Long-term debt	2,056,239	8,759,104	2,668	39,736
Total non-current liabilities	2,099,031	8,798,175	15,691	13,790,179
Total liabilities	2,351,529	9,284,901	224,356	16,321,670
NET ASSETS				
Invested in capital assets, net of related debt	7,419,605	1,787,403	2,827	21,559,358
Unrestricted	956,416	1,647,382	(201,937)	(14,702,785)
Total net assets	8,376,021	3,434,785	(199,110)	6,856,573
Total liabilities and net assets	$ 10,727,550	$ 12,719,686	$ 25,246	$ 23,178,243

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

CITY OF LINDSAY
STATEMENT OF NET ASSETS (Continued)
PROPRIETARY FUNDS
JUNE 30, 2012

	Business-Type Activities - Enterprise Funds	
	Wellness Center Fund	Total Proprietary Funds
ASSETS		
Current assets		
Cash and cash equivalents	$ -	$ 716,184
Accounts receivable, net	102,726	337,195
Interest receivable	-	149
Due from other funds	357,124	2,657,124
Due from other governments	62,936	125,436
Total current assets	522,786	3,836,088
Non-current assets		
Capital assets		
Construction in progress	382,682	382,682
Land	285,000	1,521,360
Buildings and improvements	8,595,050	43,555,931
Infrastructure	130,569	19,638,314
Equipment	-	1,494,521
Less accumulated depreciation	(233,233)	(14,095,317)
Total non-current assets	9,160,068	52,497,491
Total assets	9,682,854	56,333,579
LIABILITIES AND NET ASSETS		
Current liabilities		
Cash overdraft	687,626	1,567,169
Accounts and other payables	183,422	428,635
Accrued wages	4,212	30,919
Accrued interest	-	155,775
Compensated absences payable	1,880	24,892
Due to other funds	-	210,000
Deferred revenue	62,936	62,936
Refundable deposits	-	228,647
Long-term debt - current portion	35,146	1,745,629
Total current liabilities	975,222	4,454,602
Non-current liabilities		
Other postemployment benefits	68,839	438,152
Advances from other funds	-	13,476,016
Long-term debt	1,656,898	12,514,645
Total non-current liabilities	1,725,737	26,428,813
Total liabilities	2,700,959	30,883,415
NET ASSETS		
Invested in capital assets, net of related debt	7,468,024	38,237,217
Unrestricted	(486,129)	(12,787,053)
Total net assets	6,981,895	25,450,164
Total liabilities and net assets	$ 9,682,854	$ 56,333,579

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, 2012

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Refuse Fund	McDermont Sports Complex Fund
Operating revenues				
Service fees	$ 1,815,540	$ 1,554,041	$ 1,201,111	$ 2,033,202
Total operating revenues	1,815,540	1,554,041	1,201,111	2,033,202
Operating expenses				
Salaries	226,640	209,725	47,432	1,063,927
Benefits	129,449	112,186	26,320	464,757
Materials, services, and supplies	1,054,955	782,202	1,257,514	1,193,867
Bad debt expense	33,661	-	-	-
Depreciation	278,821	350,657	140	708,216
Total operating expenses	1,723,526	1,454,770	1,331,406	3,430,767
Operating income (loss)	92,014	99,271	(130,295)	(1,397,565)
Nonoperating revenues (expenses)				
Intergovernmental	-	-	-	406,050
Other income	-	142	-	8,797
Interest earnings	63	395	-	-
Interest expense	(73,703)	(214,569)	-	(175,891)
Total nonoperating revenue (expenses)	(73,640)	(214,032)	-	238,956
Other financing sources (uses)				
Capital contribution	-	-	-	-
Transfers in	-	-	22,062	8,910
Transfers out	(22,062)	-	-	(81,382)
Total other financing sources (uses)	(22,062)	-	22,062	(72,472)
Change in net assets	(3,688)	(114,761)	(108,233)	(1,231,081)
Total net assets - beginning	8,271,083	3,639,856	(84,684)	8,276,059
Prior period adjustment	108,626	(90,310)	(6,193)	(188,405)
Total net assets - ending	$ 8,376,021	$ 3,434,785	$ (199,110)	$ 6,856,573

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 (Continued)
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds	
	Wellness Center Fund	Total Proprietary Funds
Operating revenues		
Service fees	$ 169,368	$ 6,773,262
Total operating revenues	169,368	6,773,262
Operating expenses		
Salaries	63,138	1,610,862
Benefits	48,487	781,199
Materials, services, and supplies	131,726	4,420,264
Bad debt expense	-	33,661
Depreciation	88,094	1,425,928
Total operating expenses	331,445	8,271,914
Operating income (loss)	(162,077)	(1,498,652)
Nonoperating revenues (expenses)		
Intergovernmental	669,908	1,075,958
Other income	181	9,120
Interest earnings	1,058	1,516
Interest expense	(61,864)	(526,027)
Total nonoperating revenue (expenses)	609,283	560,567
Other financing sources (uses)		
Capital contribution	7,846,696	7,846,696
Transfers in	341,947	372,919
Transfers out	(1,475,353)	(1,578,797)
Total other financing sources (uses)	6,713,290	6,640,818
Change in net assets	7,160,496	5,702,733
Total net assets - beginning	-	20,102,314
Prior period adjustment	(178,601)	(354,883)
Total net assets - ending	$ 6,981,895	$ 25,450,164

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

CITY OF LINDSAY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	$ 1,684,576	$ 1,666,505	$ 1,193,403
Payments to employees	(322,560)	(290,606)	(65,893)
Payments to suppliers	(1,076,249)	(788,336)	(1,262,648)
Net cash provided (used) by operating activities	285,767	587,563	(135,138)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other income	-	142	-
Transfer governmental funds to business-type fund	-	-	-
Transfers in	-	-	22,062
Transfers out	(22,062)	-	-
Net cash provided (used) by noncapital financing activities	(22,062)	142	22,062
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from long-term debt	-	-	-
Purchase of capital assets	-	-	-
Interest paid on long-term debt	(73,703)	(214,569)	-
Principal payments on long-term debt	(52,924)	(134,524)	-
Net cash provided (used) by capital and related financing activities	(126,627)	(349,093)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	63	395	
Net cash provided by investing activities	63	395	-
Net increase (decrease) in cash and cash equivalents	137,141	239,007	(113,076)
Balances - beginning of year	87,859	252,177	(15,492)
Balances - end of the year	$ 225,000	$ 491,184	$ (128,568)
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ 92,014	$ 99,271	$ (130,295)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	278,821	350,657	140
Changes in assets and liabilities:			
(Increase) Decrease in receivables	(90,964)	37,521	(7,710)
(Increase) Decrease in due from other funds	-	40,000	-
(Increase) Decrease in due from other governments	-	34,943	-
Increase (Decrease) in accounts payable	6,350	(6,134)	(5,132)
Increase (Decrease) in due to other funds	(40,000)	-	-
Increase (Decrease) in compensated absences	5,699	15,788	2,939
Increase (Decrease) in net postemployment benefits	24,341	11,818	3,939
Increase (Decrease) in customer deposits	6,017	-	-
Increase (Decrease) in salaries and benefits payable	3,489	3,699	981
Net cash provided (used) by operating activities	$ 285,767	$ 587,563	$ (135,138)

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

CITY OF LINDSAY
STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds		
	McDermont Sports Complex Fund	Wellness Center	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	$ 2,140,065	$ 731,185	$ 7,415,734
Payments to employees	(1,394,989)	(86,590)	(2,160,638)
Payments to suppliers	(1,452,531)	(27,053)	(4,606,817)
Net cash provided (used) by operating activities	(707,455)	617,542	648,279
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other income	414,847	670,089	1,085,078
Transfer governmental funds to business-type fund	-	(672,820)	(672,820)
Transfers in	8,910	-	30,972
Transfers out	(81,382)	-	(103,444)
Net cash provided (used) by noncapital financing activities	342,375	(2,731)	339,786
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from long-term debt	-	249,522	249,522
Purchase of capital assets	(5,000)	(1,457,440)	(1,462,440)
Interest paid on long-term debt	(175,891)	(61,864)	(526,027)
Principal payments on long-term debt	(14,836)	(33,713)	(235,997)
Net cash provided (used) by capital and related financing activities	(195,727)	(1,303,495)	(1,974,942)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	-	1,058	1,516
Net cash provided by investing activities	-	1,058	1,516
Net increase (decrease) in cash and cash equivalents	(560,807)	(687,626)	(985,361)
Balances - beginning of year	(190,168)	-	134,376
Balances - end of the year	$ (750,975)	$ (687,626)	$ (850,985)
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ (1,397,565)	$ (162,077)	$ (1,498,652)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	708,216	88,094	1,425,928
Changes in assets and liabilities:			
(Increase) Decrease in receivables	(170)	556,178	494,855
(Increase) Decrease in due from other funds	107,033	-	147,033
(Increase) Decrease in due from other governments	-	-	34,943
Increase (Decrease) in accounts payable	(8,664)	104,673	91,093
Increase (Decrease) in due to other funds	(250,000)	-	(290,000)
Increase (Decrease) in compensated absences	-	5,639	30,065
Increase (Decrease) in net postemployment benefits	83,010	20,823	143,931
Increase (Decrease) in customer deposits	-	-	6,017
Increase (Decrease) in salaries and benefits payable	50,685	4,212	63,066
Net cash provided (used) by operating activities	$ (707,455)	$ 617,542	$ 648,279

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

CITY OF LINDSAY
STATEMENT OF FIDUCIARY NET ASSETS (DEFICIT)
FIDUCIARY FUND
JUNE 30, 2012

	Private-Purpose Trust Fund
ASSETS	
Current assets	
Cash and cash equivalents	$ 1,180,135
Interest receivable	436
Notes receivable	1,542,364
Land held for resale	1,705,000
Advances to the City	2,820,678
Bond issuance cost	732,136
Cash with fiscal agent	1,144,127
Non-current assets	
Capital assets, net	757,834
Total assets	9,882,710
LIABILITIES	
Accounts payable	4,784
Deposits from others	2,600
Deferred revenue	1,542,364
Accrued interest payable	944,119
Long-term debt	
Due within one year	5,247,974
Due in more than one year	15,968,504
Total liabilities	23,710,345
NET ASSETS (DEFICIT)	
Net assets held in trust	$ (13,827,635)

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

CITY OF LINDSAY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Private-Purpose Trust Fund
ADDITIONS	
Redevelopment Agency Property Tax Trust Fund	$ 1,176,098
Other income	1,836
Total additions	1,177,934
DEDUCTIONS	
Administrative expenses	57,752
Interest on long term debt	506,215
Amortization	9,029
Depreciation	4,917
Loss on land sale	285,000
Total deductions	862,913
Change in net assets before extraordinary items	315,021
EXTRAORDINARY ITEMS	
Assets of the City of Lindsay Redevelopment Agency	10,194,573
Liabilities of the City of Lindsay Redevelopment Agency	(24,337,229)
Total extraordinary items	(14,142,656)
Change in net assets	(13,827,635)
Net assets, beginning	-
Net assets, ending	$ (13,827,635)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of the City of Lindsay (the City) are prepared in conformity with accounting principles generally accepted in the United States of America. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. 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 City and its component unit, an entity for which the City is considered to be financially accountable. This component unit, although a legally separate entity, is, in substance, part of the City'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 unit. The Lindsay Redevelopment Agency (the 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 City Council governs the Agency.

Pursuant to California Legislature adopted Assembly Bill ABx1 26, the State dissolved all redevelopment agencies. As a result, effective February 1, 2012, all redevelopment agencies including the City's Agency ceased to exist. On January 31, 2012, a Successor Agency for the former City of Lindsay Redevelopment Agency was formed. The Successor Agency is reported as a private purpose trust fund in the June 30, 2012, City's financial statements.

The City and 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 as of the period July 1, 2011 to January 31, 2012.

B. Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major proprietary funds:

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

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

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

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

The *Wellness Center Fund* is a new proprietary fund that was previously reported in two governmental funds. It accounts for the activities of the Wellness Center and Aquatic Center.

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

Additionally, the City reports the following fiduciary fund type:

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

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:

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

Revenue – Exchange and Non-Exchange Transactions

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

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

Deferred Revenue

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

NOTE 1 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

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

Expenses/Expenditures

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

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

D. <u>Budgetary Information</u>

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

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

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

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

E. <u>Restricted Assets</u>

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

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

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

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

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

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

G. Accounts Receivable

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

H. Inventory and Prepaids

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

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

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

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

I. Capital Assets

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Investment in Property

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

K. Compensated Absences

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

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

L. Self-Insurance

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

M. Property Taxes

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

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

N. Encumbrances

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

O. Use of Estimates

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in-lieu sales tax, and supplemental property tax, apportioned to cities, counties, and special districts (excluding redevelopment agencies). The State is required to repay this borrowing plus interest by June 30, 2012. After repayment of this initial borrowing, the California state legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City was $104,863.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A bonds") to provide local agencies with cash proceeds with two equal installments, on January 15, 2010, and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the Securitization Program and, accordingly, property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

Q. Postemployment Benefits Other than Pensions

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

R. Fund Balance

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

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

NOTE 1 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

R. Fund Balance (Continued)

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

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

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

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

S. Current Governmental Accounting Standards Board Statements – Implemented Pronouncement

For the fiscal year ended June 30, 2012, the City implemented the following GASB standard:

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, amends current accounting and financial reporting related to terminations of swap agreements due to default or other termination events. In certain instances where swap counterparties or credit support providers are replaced, hedge accounting may continue, rather than cease. The provisions of GASB Statement No. 64 are effective for financial statements beginning after June 15, 2011. The requirements of this statement are effective for the City's fiscal year ending June 30, 2012.

T. Future Governmental Accounting Standards Board Statements

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements,* addresses accounting and financial reporting issues related to public-private and public-public partnerships. The statement is effective for periods beginning after December 15, 2011. The City has not fully judged the effect of the implementation of GASB Statement No. 60 as of the date of the basic financial statements.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an Amendment of GASB Statements No. 14 and No. 34,* modifies a number of provisions with regard to reporting of component units within a financial reporting entity. The statement is effective for periods beginning after June 15, 2012. As of the date of the basic financial statements, the City has not made an assessment of any changes that will occur upon this statement's implementation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Future Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements - Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The statement is effective for periods beginning after December 15, 2011. However, as the statement codifies what is in current practice, there is no net effect on the City's accounting or financial reporting upon the statement's implementation.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position,* modifies current financial reporting of those elements. The largest change will be the replacement of the current Statement of Net Assets with a Statement of Net Position and a Statement of Changes in Net Position instead of the current Statement of Activities upon implementation for periods beginning after December 15, 2011. The City will implement this change for the fiscal year ended June 30, 2013.

In addition, GASB issued the following statements during the year:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities.* The provisions of GASB Statement No. 65 are effective for financial statements beginning after December 15, 2012, or for City financial statements for the fiscal year ended June 30, 2014.

GASB Statement No. 66, *Items Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and 62.* The provisions of GASB Statement No. 66 are effective for financial statements beginning after December 15, 2012, or for City financial statements for fiscal year ended June 30, 2014.

GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB No. 25.* The provisions of GASB Statement No. 67 are effective for financial statements beginning after June 15, 2013, or for City financial statements for the fiscal year ended June 30, 2014.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27.* The provisions of GASB Statement No. 68 are effective for financial statements beginning after June 15, 2014 or for City financial statements for the fiscal year ended June 30, 2015.

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents, and investments

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

	Governmental Funds	Enterprise Funds	Private-Purpose Trust Fund	Total
Cash and cash equivalents	$ 1,139,826	$ 716,184	$ 1,180,135	$ 3,036,145
Investments held by bond trustees	-	-	1,144,127	1,144,127
Cash overdraft	(27,734)	(1,567,169)	-	(1,594,903)
Total cash, cash equivalents, and investments	$ 1,112,092	$ (850,985)	$ 2,324,262	$ 2,585,369

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

Cash, cash equivalents, and investments (Continued)

Cash, cash equivalents, and investments as of June 30, 2012, consist of the following:

Deposits with fiscal institutions	$ 358,083
Money Market - U.S. Tresury held with bond trustee	1,144,127
Investments - Local Agency Investment Fund (LAIF)	1,083,159
Total cash, cash equivalents, and investments	$ 2,585,369

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

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

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

Disclosures relating to interest rate risk

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

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

		Remaining Maturity (in months)			
Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
LAIF	$ 1,083,159	$ 1,083,159	$ -	$ -	$ -
Held by bond trustee:					
Money market - U.S. Treasury	1,144,127	1,144,127	-	-	-
Total	$ 2,227,286	$ 2,227,286	$ -	$ -	$ -

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

Investments with fair values highly sensitive to interest rate fluctuations

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

Disclosures relating to credit risk

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

Investment Type	Amount	Minimum Legal Rating	AAA	Aa	Not Rated
LAIF	$1,083,159	N/A	$ -	$ -	$ 1,083,159
Held by bond trustees:					
Money Market - U.S. Treasury	1,144,127		-	-	1,144,127
Total	$ 2,227,286		$ -	$ -	$ 2,227,286

Concentration of credit risk

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

Issuer	Investment Type	Reported Amount
None	N/A	$ -

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 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.

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

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

Custodial credit risk (Continued)

As of June 30, 2012, the City's deposits with financial institutions did not exceed federal depository insurance limits and were held in collateralized accounts. The City's deposits held by bond trustees are not federally insured and are held in uncollateralized accounts. As of June 30, 2012, the City's investments in the following investment types were held by its bond trustees:

Investment Type	Reported Amount
Money Market - U.S. Treasury Fund	$ 1,144,127

Investment in State Investment Pool

The City 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, 2012, are as follows:

	Due from Other Funds	Due to Other Funds
General Fund	$ 422,190	$ 4,577,599
Community Development Fund	1,100,000	391,715
Gas Tax Fund	1,000,000	-
Water Fund	800,000	-
Sewer Fund	1,500,000	-
McDermont Sport Complex Fund	-	210,000
Wellness Center Fund	357,124	-
	$ 5,179,314	$ 5,179,314

NOTE 4 – <u>TRANSFERS IN AND OUT</u>

In fiscal year 2011-12, $1,472,476 of Certificates of Participation debt and related costs was transferred from the governmental activities to the Wellness Center enterprise fund. Unlike in the Statement of Revenues, Expenditures, and Changes in Fund Balance additions to long-term debt do not flow through the Statement of Revenues, Expenses, and Changes in Fund Balance therefore, transfers in and out between governmental funds and enterprise funds are out of balance by $1,472,476.

Transfers in and out at June 30, 2012, were:

	Purpose	Transfers In	Transfers Out
General Fund			
Community Development Fund	Capital outlay contribution for City Park	$ -	$ 43,345
Community Development Fund	To reconcile cash balances	-	40
McDermont Sports Complex Fund	To reconcile cash balances	81,382	-
McDermont Sports Complex Fund	To reconcile cash balances	-	8,910
Total General Fund		81,382	52,295
Community Development Fund			
General Fund	Capital outlay contribution for City Park	43,345	-
General Fund	To reconcile cash balances	40	-
Total Community Development Fund		43,385	-
Refuse Fund			
Water Fund	To reconcile utility billing receivables	22,062	-
Water Fund			
General Fund	To reconcile utility billing receivables	-	22,062
Wellness Center Fund (Governmental)			
Welness Center Fund (Enterprise)	Close Wellness Center governmental fund	-	341,947
Aquatic Fund (Governmental)			
Welness Center Fund (Enterprise)	Close Aquatic Center governmental fund	2,877	
Welness Center Fund (Enterprise)			
Wellness Center Fund (Governmental)	Close Wellness Center governmental fund		2,877
Aquatic Fund (Governmental)	Close Aquatic Center governmental fund	341,947	
		341,947	2,877
McDermont Sports Complex Fund			
Aquatic Fund	To reconcile cash balances	8,910	81,382
Totals		$ 500,563	$ 500,563

NOTE 5 – ADVANCES FROM AND TO OTHER FUNDS

Interfund advances from and to other fund balances at June 30, 2012, are as follows:

	Advances From	Advances To
General Fund	$ 2,820,678	$ 13,476,016
McDermont Sports Complex Fund	13,476,016	-
Private-Purpose Trust Fund	-	2,820,678
	$ 16,296,694	$ 16,296,694

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

The advances from the Private-Purpose Trust Fund were funds that were used to help with the completion of the City's McDermont Sports Complex, various Downtown projects, and for land transactions that occurred between the former City of Lindsay Redevelopment Agency and the City.

NOTE 6 – NOTES RECEIVABLE

The following are notes receivable recorded in various funds at June 30, 2012:

	General Fund	Community Development	Curb and Gutter	Total
Individuals 7% unsecured notes with annual principal and interest payments of $5,002.	$ -	$ -	$ 7,903	$ 7,903
Business loans	57,037	-	-	57,037
Non-interest and below-market rate secured notes with deferred payments of monthly principal and interest payments. Collateralized by trust deeds on improved property.	-	16,673,780	-	16,673,780
	$ 57,037	$ 16,673,780	$ 7,903	$ 16,738,720

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

Governmental activities:	June 30, 2011 Balance	Prior Period Adjustment	Additions	Deletions	*Private-Purpose Trust Fund Extraordinary Transfer	June 30, 2012 Balance
Capital assets, not being depreciated:						
Land	$ 2,563,440	$ -	$ -	$ -	$ (270,398)	$ 2,293,042
Right of way	246,519	-	-	-	-	246,519
Construction in progress	7,061,711		811,384	(4,593,694)	-	3,279,401
Total capital assets, not being depreciated	9,871,670	-	811,384	(4,593,694)	(270,398)	5,818,962
Capital assets, being depreciated:						
Buildings	8,109,381		469,067	(3,628,469)	(589,993)	4,359,986
Improvements other than buildings	35,404,732	-	50,192	-	-	35,454,924
Machinery and equipment	3,154,047	183,266	24,580	(124,197)	(53,649)	3,184,047
Total capital assets, being depreciated	46,668,160	183,266	543,839	(3,752,666)	(643,642)	42,998,957
Less accumulated depreciation for:						
Buildings	(1,268,085)		(84,410)	145,139	97,640	(1,109,716)
Improvements other than buildings	(14,562,773)	-	(708,322)	-	-	(15,271,095)
Machinery and equipment	(2,655,726)	57,930	(224,898)	64,628	53,649	(2,704,417)
Total accumulated depreciation	(18,486,584)	57,930	(1,017,630)	209,767	151,289	(19,085,228)
Total capital assets, being depreciated, net	28,181,576	241,196	(473,791)	(3,542,899)	(492,353)	23,913,729
Governmental activities capital assets, net	$ 38,053,246	$ 241,196	$ 337,593	$ (8,136,593)	$ (762,751)	$ 29,732,691

* Agency Capital Assets

On February 1, 2012, pursuant to the provisions of the Redevelopment Restructuring Act, these assets were transferred to the City of Lindsay Redevelopment Successor Agency, Fiduciary Fund. See Note 21.

Business-type activities:	June 30, 2011 Balance	Prior Period Adjustment	Additions	Deletions	Current Year Transfers	June 30, 2012 Balance
Capital assets, not being depreciated:						
Land	$ 1,236,360	$ -	$ 285,000	$ -	$ -	$ 1,521,360
Construction in progress	-		1,310,266	(4,966,581)	4,038,997	382,682
Total capital assets, not being depreciated	1,236,360	-	1,595,266	(4,966,581)	4,038,997	1,904,042
Capital assets, being depreciated:						
Buildings and improvements	34,953,881	7,000	4,966,581	-	3,628,469	43,555,931
Improvements other than buildings	19,507,745	-	130,569	-	-	19,638,314
Machinery and equipment	1,496,521	(7,000)	5,000	-	-	1,494,521
Total capital assets, not being depreciated	55,958,147	-	5,102,150	-	3,628,469	64,688,766
Less accumulated depreciation for:						
Buildings and improvements	(4,632,170)	(1,365)	(780,714)	-	(145,139)	(5,559,388)
Improvements other than buildings	(7,167,470)	-	(390,592)	-	-	(7,558,062)
Machinery and equipment	(724,610)	1,365	(254,622)	-	-	(977,867)
Total accumulated depreciation	(12,524,250)	-	(1,425,928)	-	(145,139)	(14,095,317)
Total capital assets, being depreciated, net	43,433,897	-	3,676,222	-	3,483,330	50,593,449
Business-type activities capital assets, net	$ 44,670,257	$ -	$ 5,271,488	$ (4,966,581)	$ 7,522,327	$ 52,497,491

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

NOTE 7 – CAPITAL ASSETS (Continued)

Governmental activities:		
General government	$	1,017,630
Total depreciation expense - governmental activities	$	1,017,630
Business-type activities:		
Water Fund	$	278,821
Sewer Fund		350,657
Refuse Fund		140
McDermont Sport Complex Fund		708,216
Wellness Center Fund		88,094
Total depreciation expense - business-type activities	$	1,425,928

NOTE 8 – LONG-TERM DEBT

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 of $5,000 is a bond not yet submitted for payment.

Notes Payable

On October 19, 1999, the City entered into a loan agreement with the California Housing Finance Agency (CalHFA) for the purpose of assisting the City in operating a local housing program through the CalHFA Housing Enabled by Local Partnerships (HELP) 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. However, during the year, the prior year remaining balance of $350,562 was paid off.

Certificates of Participation

On October 1, 2008, the City entered into a Certificate of Participation (COP) with the United States Department of Agriculture Rural Development Agency (USDA RD) for Tulare Road in the amount of $1,600,000. The COP has annual principal and interest of approximately $120,000 a year at 4.5% through 2029. As of June 30, 2012, the balance of the COP was $1,436,337.

On May 12, 2010, the City entered into a COP with the USDA RD for the construction of the Library Project in the amount of $750,000. The COP has annual principal and interest payments of $44,030 at 4.125% through 2040. As of June 30, 2012, the balance of the COP was $532,422.

Business-Type Activities

Certificates of Participation

On June 20, 2007, the City entered into a COP with USDA RD for the Wellness Center in the amount of $1,130,689. The total amount of the COP will be $3,000,000 if totally drawn. The Wellness Center Fund has annual principal and interest payments of $78,416 at 4.25% through 2032. As of June 30, 2012, the balance of the COP was $1,688,285.

Revenue Bonds Payable

On June 1, 1993, the City refinanced with the California Statewide Communities Development Authority (CSCDA) an existing loan that assisted in financing construction of a project, which enables the City to meet safe drinking water standards. The bond amount of $197,054 at 7.125% has semi-annual principal and interest payments of $8,377 through June 1, 2019. The bond is secured by a first pledge of a lien on all of the pledged water revenues. As of June 30, 2012, the balance of the revenue bond was $91,099.

On November 5, 1999, the City entered into a revenue bond with the USDA RD for the Waste Water Treatment Plant Project for $7,000,000. The annual principal and interest payments of $323,470 at 3.25% are through November 27, 2039. As of June 30, 2012, the balance due was $5,886,772.

On December 11, 2000, the City entered into a revenue bond with the USDA RD for the Water Line Project for $2,440,000. The annual principal and interest payments of $109,874 at 3.25% are through December 11, 2040. As of June 30, 2012, the balance due was $2,008,777.

On June 22, 2004, the City entered into a revenue bond with the USDA RD for the Waste Water Project for $480,000. The annual principal and interest payments of $25,623 at 4.375% are through June 28, 2040. As of June 30, 2012, the balance due was $429,795.

Notes Payable

On November 19, 2009, the City entered into a promissory note with Mid Valley Services, Inc., secured by the McDermont Sports Complex property for $1,500,000. The interest payments of $187,500 at 12.5% are payable through November 19, 2013, at which time the entire principal amount will be due. As of June 30, 2012, the balance was $1,500,000.

The annual requirements to amortize all debt outstanding as of June 30, 2012, including interest, are as follows:

	Governmental Activities			
	Bonds Payable	Certificates of Participation		
Year Ended June 30,	General Obligation Bonds	2008 USDA RD Roads COP	2010 USDA RD Library COP	Total
2013	$ 5,000	$ 121,225	$ 37,098	$ 163,323
2014	-	120,963	37,079	158,042
2015	-	120,691	37,060	157,751
2016	-	120,406	37,039	157,445
2017	-	120,110	37,018	157,128
2018-2022	-	595,646	184,739	780,385
2023-2027	-	586,105	184,064	770,169
2028-2032	-	232,803	183,242	416,045
2033-2037	-	-	87,658	87,658
	5,000	2,017,949	824,997	2,847,946
Less interest	-	(581,612)	(292,575)	(874,187)
	$ 5,000	$ 1,436,337	$ 532,422	$ 1,973,759

NOTE 8 – LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

Notes Payable (Continued)

	Business-Type Activities						
	Revenue Bonds Payable				COPs	Note Payable	
	1993	1999	2000	2004	2007	2009	
	CSCDA	USDA RD	USDA RD	USDA RD	USDA RD	Mid Valley	
Year Ended June 30,	Refunding Bonds	Waste Water	Water Line	Waste Water	Wellness Center	Loan	Total
2013	$ 16,754	$ 323,470	$ 109,874	$ 25,623	$ 105,341	$ 1,593,750	$ 2,174,812
2014	16,754	323,470	109,874	25,623	105,275	-	580,996
2015	16,754	323,470	109,874	25,623	105,206	-	580,927
2016	16,754	323,470	109,874	25,623	105,134	-	580,855
2017	16,754	323,470	109,874	25,623	105,059	-	580,780
2018-2022	33,508	1,617,350	549,370	128,115	524,054	-	2,852,397
2023-2027	-	1,617,350	549,370	128,115	521,639	-	2,816,474
2028-2032	-	1,617,350	549,370	128,115	518,666	-	2,813,501
2033-2037	-	1,617,350	549,370	128,115	515,005	-	2,809,840
2038-2042	-	966,867	350,944	128,115	74,818	-	1,520,744
2043	-	-	-	23,447	-	-	23,447
	117,278	9,053,617	3,097,794	792,137	2,680,197	1,593,750	17,334,773
Less interest	(26,179)	(3,166,845)	(1,089,017)	(362,342)	(991,912)	(93,750)	(5,730,045)
	$ 91,099	$ 5,886,772	$ 2,008,777	$ 429,795	$ 1,688,285	$ 1,500,000	$ 11,604,728

Capital Lease

On July 7, 2009, the City acquired the Hippo Slide under the provision of a capital lease with Cypress Financial Corporation in the amount of $75,000 with an interest rate of 10.55%. The lease expires in June 2014. The lease is being recorded as a capital asset and the amortization of the leased property is included in depreciation expense.

The future minimum lease payments under the capital lease and the net present value of the future minimum lease payments at June 30, 2012, were as follows:

Total minimum lease payments	$ 38,737
Less amount representing interest	(3,953)
Present value of net minimum lease payments	34,784
Current maturities of capital lease	16,479
Long-term capital lease less current maturity	$ 18,305

On September 5, 2008, the City acquired the 2000 American LaFrance Eagle 1500 GPM Pumper Fire Truck under the provision of a capital lease with Westamerica Bank in the amount of $141,300 with an interest rate of 3.75%. The lease expires in September 2012. The lease is being recorded as a capital asset and the amortization of the leased property is included in the depreciation expense.

The future minimum lease payments under the capital lease and the net present value of the future minimum lease payments at June 30, 2012, were as follows:

Total minimum lease payments	$ 30,378
Less amount representing interest	(1,098)
Present value of net minimum lease payments	29,280
Current maturities of capital lease	29,280
Long-term capital lease less current maturity	$ -

NOTE 8 – LONG-TERM DEBT (Continued)

Operating Lease

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

The future minimum lease payments under the operating lease at June 30, 2012, were as follows:

Operating Lease	
Year Ending June 30,	Amount
2013	$ 7,320
2014	7,320
2015	7,320
2016	7,320
2017	5,490
Total	$ 34,770

A schedule of changes in long-term debt for the year ended June 30, 2012, is shown below:

Governmental Activities	Adjusted Balance July 1, 2011	Additions/ Adjustments	Deductions	*Private-Purpose Trust Fund Extraordinary Transfer	Balance June 30, 2012	Due Within One Year
General Obligation Bonds	$ 5,000	$ -	$ -	$ -	$ 5,000	$ -
Tax Allocation Bonds Payable	15,995,000	-	290,000	15,705,000	-	-
Add: Bond Premiums	202,214	-	4,651	197,563	-	-
Total General and Tax Bonds Payable	16,202,214	-	294,651	15,902,563	5,000	-
Compensated Absences	332,269	(80,410)	97,077	-	154,782	77,391
Net Other Postemployment Benefits Obligation	-	513,782	51,795	-	461,987	-
Capital Lease						
Westamerica - Fire Truck Lease	57,501	-	28,221	-	29,280	29,280
Notes Payable						
1999 CalHFA HELP Loan	350,562	-	350,562	-	-	-
2004 Lindsay Housing Program Loan	377,237	-	-	377,237	-	-
2004 CalHFA HELP Loan	1,250,000	-	-	1,250,000	-	-
2008 CalHFA RDLP Loan	3,690,000	-	-	3,690,000	-	-
Certificates of Participation (COP)						
2007 USDA RD Wellness Center COP	1,472,476		-	1,472,476	-	-
2008 USDA RD Roads COP	1,493,177	-	56,840	-	1,436,337	59,256
2010 USDA RD Library COP	368,123	178,853	14,554	-	532,422	15,136
Governmental Activities Long-Term Liabilities	$ 25,593,559	$ 612,225	$ 893,700	$ 22,692,276	$ 2,619,808	$ 181,063

* Agency Long-Term Debt

On February 1, 2012, pursuant to the provisions of the Redevelopment Restructuring Act, these obligations were transferred to the City of Lindsay Redevelopment Successor Agency, Fiduciary Fund. See Note 21.

NOTE 8 – LONG-TERM DEBT (Continued)

Operating Lease (Continued)

Business-Type Activities	Adjusted Balance July 1, 2011	Additions/ Adjustments	Deductions	Balance June 30, 2012	Due Within One Year
Revenue Bonds					
1993 CSCDA Refunding Bonds	$ 100,839	$ -	$ 9,740	$ 91,099	$ 10,446
1999 USDA RD Waste Water Expansion	6,014,762	-	127,990	5,886,772	132,150
2000 USDA RD Water Line Project	2,051,962	-	43,185	2,008,777	44,589
2004 USDA RD Waste Water Project	436,329	-	6,534	429,795	6,819
Certificates of Participation (COP)					
2007 USDA RD Wellness Center COP	-	1,721,998	33,713	1,688,285	35,146
Note Payable					
Mid Valley Services, Inc. Note Payable	1,500,000	-	-	1,500,000	1,500,000
Capital Lease					
Cypress Financial Corporation	49,620	-	14,836	34,784	16,479
Compensated Absences	77,597	43,581	46,505	74,673	24,892
Net Other Post Employment Benefits Obligation	-	457,451	19,299	438,152	-
Lindsay Olive Growers Pond Closure Cost Liability	2,570,981	-	-	2,570,981	-
Business-Type Activities Long-Term Liabilities	$ 12,802,090	$ 2,223,030	$ 301,802	$ 14,723,318	$ 1,770,521

NOTE 9 – 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 adjustments, 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.

Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012, was 11.05% for non-safety employees and 12.70% for safety employees of annual covered payroll. The contribution of plan members and the City are established and may be amended by PERS.

NOTE 9 – RETIREMENT PLANS (Continued)

Annual Pension Cost

For fiscal year 2011-12, the City's annual pension cost was $905,548 and was equal to the City's required and actual contributions. The required contribution for fiscal year 2011-12 was determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.75% to 14.20% for miscellaneous members and 4.27% and 11.59% for the Safety Police and Fire Plan; and (c) 0% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.5%. The actuarial value of the plans' assets was determined using a technique that smoothes the effects of short-term volatility in the market value of investments over a three-year period. Miscellaneous Plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2012, was 16 years for the Miscellaneous Plan, 15 years for the Safety Police Plan, and 19 years for the Safety Fire Plan.

Three Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
Miscellaneous Plan	6/30/2010	$ 385,230	100%
	6/30/2011	$ 508,918	100%
	6/30/2012	$ 421,307	100%
Safety Plan	6/30/2010	$ 291,514	100%
	6/30/2011	$ 399,012	100%
	6/30/2012	$ 484,240	100%

NOTE 10 – HOUSING AND COMMUNITY DEVELOPMENT LOAN PROGRAM

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

NOTE 11 – 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 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. CSJVRMA participates in an excess pool that provides general liability coverage from $1,000,000 to $10,000,000. CSJVRMA participates in an excess pool that provides workers' compensation coverage from $250,000 to $500,000 and purchases excess insurance above the $500,000 to the statutory limit.

CSJVRMA is a consortium of fifty-five (55) cities in San Joaquin Valley, California. It was established under the provision of California Government Code Section 6500 et seq. 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 hired by CSJVRMA.

The most recent condensed financial information of CSJVRMA is as follows:

	For the Year Ended June 30, 2012
Total Assets	$ 70,671,479
Total Liabilities	58,388,460
Total Net Assets	12,283,019
Total Liabilities and Net Assets	$ 70,671,479
Revenues	$ 30,698,619
Expenses	31,914,578
Change in net assets	$ (1,215,959)

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

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

NOTE 12 – POST-RETIREMENT HEALTH CARE DEFINED BENEFIT PLAN

Plan Description

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

- **Access to coverage:** This coverage is available for employees who retire from the City and:
  - o Meet the requirements for California Public Employees' Retirement System (CalPERS) service or disability retirement (i.e., retirement at age 50 or older with 5 years of CalPERS membership or an approved disability retirement);
  - o Have completed 15 or more years of continuous service with the City; and
  - o Have not yet reached age 65.

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

Continuous Years of City Service	Percent of Employee-Only Premium Paid	Continuous Years of City Service	Percent of Employee Only Premium Paid	Medical	Dental	Vision
				$ 500.87	$ 23.88	$ 8.36
Less than 15	0.0%	22	77.0%			
15	52.5%	23	80.5%	Rates are per month as of July 1, 2011		
16	56.0%	24	84.0%			
17	59.5%	25	87.5%			
18	63.0%	26	91.0%			
19	66.5%	27	84.5%			
20	70.0%	28	98.0%			
21	73.5%	29 or more	100.0%			

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

- There are currently seven retirees receiving these health care benefits which account for current year $30,121 Explicit Subsidy + $40,078 Implicit Subsidy for $70,199 of the total current year benefit of $71,093 per the actuarial report (Future Retiree Implicit Subsidy is $894).

- The claims experience of active and retired members is co-mingled in setting premium rates for the plans in which City employees and retirees participate which results in an "implicit subsidy":
  - o The valuation report performed by Bickmore Risk Services & Consulting includes cost analysis for an implicit subsidy – same premium rates for retirees as active employees which provide a lower premium rate for retiree(s) than if rated separately from younger and healthier active employees.
  - o Paragraph 13.a of GASB Statement No. 45 generally requires an implicit subsidy of retiree premium rates be valued as an other postemployment benefits (OPEB) liability.

Funding Policy and Actuarial Assumptions

The City's funding policy for the plan is to fund benefits on a pay-as-you-go basis. The annual required contribution was determined as part of the June 20, 2011, actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued:

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

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

Funding Policy and Actuarial Assumptions (Continued)

In selecting an appropriate discount rate as part of the actuarial assumptions, GASB states that the discount rate should be based on the expected long-term yields of investments used to finance benefits. No OPEB trust has yet been established so there are no funds invested. The City approved calculation of liabilities on a pay-as-you-go basis used a 4.0% discount rate based on the non-funded status. Additional actuarial assumptions included a 3.25% projected annual salary increase, a 9% inflation rate, and a 9.5% health inflation increase. The actuarial methods and assumptions used include techniques that are designed to reduce the short-term volatility in actuarial accrued liability. Actuarial calculations reflect a long-term perspective and actuarial calculations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The City's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2012, is 30 years.

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

The City did set aside within its General Fund, the amount of $28,550 for payment of *explicit* costs for the fiscal year-end June 30, 2012, and will calculate, based on current and immediate participation, the explicit cost to be set aside within the annual City budget equal to one year's explicit subsidy benefit. Accounting principles generally accepted in the United States of America permit assets to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such assets are place in an irrevocable trust or equivalent arrangement. Since the City's contribution did not meet this requirement, the assets have been excluded from the actuarial study and calculation. This funding policy means that the City contributions are considered to be on a pay-as-you-go basis. As a result, the City has calculated and recorded the Net OPEB Obligation, representing the difference between the annual required contribution and the pay-as-you-go contributions as presented below.

Summary of employer contributions for other postemployment benefits is as follows:

Fiscal Year Ended	Annual Required Contribution (ARC)	Employer Actual Contribution*	Percentage of ARC Contributed	Net OPEB Obligation (Asset)	
6/30/2009	$ 275,192	$ 67,638	25%	$ 207,554	**
6/30/2010	$ 290,344	$ 74,485	26%	$ 423,413	**
6/30/2011	$ 306,048	$ 80,589	26%	$ 648,871	**
6/30/2012	$ 322,362	$ 71,093	22%	$ 900,139	

**Includes the projected value of the current year's implicit subsidy of retiree premiums*
***Based on roll back of the July 1, 2011 actuarial valuation results to July 1, 2008*

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

Funding Policy and Actuarial Assumptions (Continued)

OPEB cost for the year ended June 30, 2012, is as follows:

Annual required contribution	$ 321,341
Interest on net OPEB obligation	25,955
Adjustments to annual required contribution	(24,934)
Annual OPEB cost	322,362
Contributions made	(71,094)
Change in net OPEB obligation (asset)	251,268
Net OPEB obligation (asset) - beginning of year	648,871
Net OPEB obligation (asset) - end of year	$ 900,139

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Federal and State Grants

The City has received federal funds for specific purposes that are subject to review and audit by the grantor agencies. Due to the past practices, these audits could generate material expenditure disallowances under terms of the grants.

Currently, the City is under review by the California Department of Transportation over improper administrative cost allocations that could result in disallowances up to $447,513. This review is still in process as the City will be able to refute these amounts and provide support to lower the potential disallowed amount. As such, the City will not accrue any amount of this potential liability since the final amount of disallowances cannot be determined at this time.

Also, during December 2012, the Department of Housing and Community Development (HCD) completed its review of the City's 06-FREZ-2512, 04-STBG-1963, and program income. As a result of its review, the HCD is requesting the City repay $976,880. The City is currently disputing the full amount requested and seeks mediation with HCD to settle on the final amount actually owed.

Franchise Fee

The City 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 Refuse Fund. This is the method that will be used to bring the Refuse Fund into a positive position.

Remediation Liability

The City's Sewer Fund is responsible for the contamination of two water basins at the City's sewer plant. The preliminary cost of the clean up referred to as the Lindsay Olive Growers (LOG) Pond Closure liability is estimated at $2,570,981. This amount has been accrued as of June 30, 2012. However, additional amounts might be needed in the future in order to clean up the site.

NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

California Housing Finance Agency (CalHFA) RDLP Loan

As discussed in full detail in Note 21, the City saw the dissolution of the City of Lindsay Redevelopment Agency (the City's Agency) on February 1, 2012. However, during the seven months that the Agency was still existence, we noted that the Agency was not in compliance with its CalHFA RDLP-090806-03, in the amount of $3,690,000. Due to the dissolution, this loan was transferred to a private-purpose trust fund as the City became the Agency's successor agency.

California Housing Finance Agency (CalHFA) HELP Loan

As discussed in full detail in Note 21, the City saw the dissolution of the Agency on February 1, 2012. However, during the seven months that the City's Agency was still existence, we noted that the City's Agency was not in compliance with its CalHFA HELP-080803-06 loan in the amount of $1,250,000. Due to the dissolution, this loan was transferred to a private-purpose trust fund as the City became the Agency's successor agency.

Lindsay Redevelopment Agency Tax Allocation Bonds and Notes

As discussed in full detail in Note 21, the City saw the dissolution of the City's Agency on February 1, 2012. However, during the seven months that the City's Agency was still existence, we noted that the City's Agency is currently out of compliance with the following US Bank held debt: 2005, 2007, and 2008 Tax Allocation Bonds, and the 2009 Tax Allocation Notes. These bonds and the notes currently have outstanding principal balances of $4,120,000, $7,205,000, $3,380,000, and $1,000,000, respectively. As a result of the noncompliance, the Agency is subject to an event of default, which would cause the total amount of the outstanding principal and accrued interest to be called and become immediately due. The City currently lacks the adequate reserves to pay the outstanding amounts should the debt be called.

NOTE 14 – RELATED PARTY TRANSACTIONS

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

	June 30, 2012
RELATED PARTY LOANS	
Employee Loans	
Deferred Payment Loans	$ 1,407,041
Deferred No Interest Loans	403,071
No Interest Loans	8,460
Below Market Interest Rate Loans	338,011
Total Employee Loans	2,156,583
Loans to Employees' Relatives	
Deferred Payment Loans	880,523
Deferred No Interest Loans	197,904
No Interest Loans	203,644
Below Market Interest Loans	279,549
Total Loans to Employees' Relatives	1,561,620
Total All Related Party Loans	$ 3,718,203

NOTE 15 – SUBSEQUENT EVENTS

In accordance with accounting standards generally accepted in the United States, subsequent events have been evaluated through July 23, 2013, the date in which the financial statements have been issued.

Mid Valley Services, Inc., Loan Refinance

As noted in Note 8, the City entered into a promissory note with Mid Valley Services, Inc., secured by the McDermont Sports Complex property for $1,500,000. The full amount of the debt and accrued interest was due on December 1, 2012. On November 1, 2012, the City was able to refinance this debt under a new debt agreement in the new amount of $1,835,000.

The City issued a taxable lease revenue refunding bond in the amount of $1,835,000 at interest rates from 4.0%-6.25%. These bonds have annual principal payments each January 1 starting in 2014 and continuing through 2027 and accrue interest at 4.0%-6.25%, which is payable semi-annually.

Department of Finance Due Diligence Reviews of Low and Moderate Income Housing Fund and Redevelopment Agency Other Funds and Accounts

In a letter dated February 21, 2013, the Department of Finance (DOF) informed the City that after a review of the City's Low and Moderate Income Housing Fund (LMIHF) Due Diligence Review (DDR), the amount that was to be paid to the county auditor-controller was $2,288,422. After a meeting and conference with the DOF, the City was informed in a letter dated March 25, 2013, that the revised amount of the amount to be repaid was $578,422. This amount was to be repaid within 5 working days; however, the City was able to pay an initial amount of $200,000 and will repay the remaining amount within the next year.

Furthermore, in a letter dated April 9, 2013, the DOF informed the City that after a review of the City's Redevelopment Agency Other Funds and Accounts (OFA) DDR, the amount that was to be paid to the county auditor-controller was $1,537,273. After a meeting and conference with the DOF, the City was informed in a letter dated May 9, 2013, that the revised amount of the amount to be repaid was $0.

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

	Governmental Activities	Business-Type Activities
Net assets at July 1, 2011, as previously stated	$ 28,554,689	$ 20,102,314
Correct compensated absences	215,786	-
Book prior year OPEB	(343,253)	(305,618)
Add capital assets not recorded in prior year	241,196	-
Correct accrued wages	78,304	43,551
Account for unreconciled difference in cash	(197,410)	-
Adjust accounts receivable to its true balance	(162,630)	(278,870)
Correct incorrectly posted revenues	(53,948)	-
Transfer incorrectly booked activity from prior year	16,335	(16,335)
Reconcile liability accounts	13,362	88,546
Reverse prior sale of land held for resale	17,883	-
Reconcile utility billing deposits	-	153,482
Correct construction in progress	-	(39,639)
Total prior period adjustment	(174,375)	(354,883)
Net assets at July 1, 2011, as restated	$ 28,380,314	$ 19,747,431

NOTE 16 – PRIOR PERIOD ADJUSTMENTS (Continued)

	Governmental Funds				
	General Fund	Community Development Fund	Gas Tax Fund	Redevelopment Agency Capital Projects Fund	Total
Fund balance at July 1, 2011, as previously stated	$ 5,424,051	$ 1,892,899	$ 1,422,116	$ 2,639,796	$ 11,378,862
Correct accrued wages	48,645	8,133	21,526	-	78,304
Reconcile the City's general account	(197,410)	-	-	-	(197,410)
Reconcile due to other government amounts	54,160	(6,534)	(311,236)	-	(263,610)
Adjust accounts receivable to its true balance	100,980	-	-	-	100,980
Transfer incorrectly booked activity in the prior year	-	16,335	-	-	16,335
Reconcile liability accounts	13,362	-	-	-	13,362
Reverse prior sale of Hunter Lots	17,883	-	-	-	17,883
Correct incorrectly posted revenues	(53,948)	-	-	-	(53,948)
Correct due to/from balances from the Agency	99,631	-	-	(99,631)	-
Total prior period adjustment	83,303	17,934	(289,710)	(99,631)	(288,104)
Fund balance at July 1, 2011, as restated	$ 5,507,354	$ 1,910,833	$ 1,132,406	$ 2,540,165	$ 11,090,758

	Enterprise Funds					
	Water Fund	Sewer Fund	Refuse Fund	McDermont Sport Complex Fund	Wellness Center Fund	Total
Fund balance at July 1, 2011, as previously stated	$ 8,271,083	$ 3,639,856	$ (84,684)	$ 8,276,059	$ -	$ 20,102,314
Book prior year OPEB	(29,848)	(27,253)	(9,084)	(191,417)	(48,016)	(305,618)
Reconcile liability accounts	40,227	36,307	-	12,012	-	88,546
Correct accrued wages	10,448	15,404	2,891	-	14,808	43,551
Transfer incorrectly booked activity	-	-	-	-	(16,335)	(16,335)
Reconcile UB Deposits	65,737	87,745	-	-	-	153,482
Correct CIP	-	-	-	-	(39,639)	(39,639)
Reconcile AR	22,062	(202,513)	-	(9,000)	(89,419)	(278,870)
Total prior period adjustment	108,626	(90,310)	(6,193)	(188,405)	(178,601)	(354,883)
Fund balance at July 1, 2011, as restated	$ 8,379,709	$ 3,549,546	$ (90,877)	$ 8,087,654	$ (178,601)	$ 19,747,431

NOTE 17 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2012, expenditures exceeded appropriations in the individual major funds as follows:

Fund	Appropriations Category	Excess Expenditures
General Fund	General government	$ 306,632
	Public safety	123,939
	Parks and recreation	29,316
	Public works	185,605
	Debt service:	
	Principal	42,775
	Interest and administrative charges	19,751
	Capital outlay	431,801
Community Development Fund	Capital outlay	351,543
	Debt service:	
	Principal	350,562
	Interest and administrative charges	10,534

NOTE 18 – GOING CONCERN

During the last few years, the City began experiencing financial difficulties due to the large number and dollar amount of construction projects it undertook, which resulted in expenditures well exceeding revenues. The excessive spending has caused the City's unrestricted cash balances to drop to only $261,107. In addition, the City's former Redevelopment Agency (the Agency) and current City private-purpose trust fund, as the City currently serves as the successor agency, is out of compliance with two separate debt agreements with CalHFA. The two debt agreements in question are the RDLP-090806-03 agreement totaling $3,690,000 and the HELP-080806-03 agreement totaling $1,250,000. In addition to the above principal amounts borrowed, the estimated amount of accrued interest stands at $628,878 for two loans. As a result of the former Agency's noncompliance, the principal and interest could be called immediately by the CalHFA, making these loans current liabilities.

In response to these fiscal pressures, the City has taken several measures to improve the current situation, including a construction project freeze and implementing a City-wide reduction in staffing and overall expenditures.

The ability of the City to continue as a going concern is dependent upon the success of these actions.

The financial statements do not include any adjustments that might be necessary if the City is unable to continue as a going concern.

NOTE 19 – FUND DEFICIT

The Refuse Fund presently has a total fund deficit. The deficit is expected to be repaid with future General Fund transfers.

NOTE 20 – FUND BALANCE

	General Fund	Community Development	Other Governmental Funds	Total
Fund balances:				
Nonspendable:				
Receivables	$ 557,506	$ 129	$ 8,040	$ 565,675
Investment in property	77,689	621	2,452	80,762
Restricted for:				
Note receivable	63,590	-	-	63,590
Road construction and maintenance	554,768	-	-	554,768
Community development	-	938,533	-	938,533
Wellness Center	28,903	-	-	28,903
Restricted cash	22,084	18,351	1,011,164	1,051,599
Committed to:				
General Fund	814,957	-	-	814,957
Curb and gutter	-	-	27,096	27,096
Assigned to:				
General Fund	119,861	-	-	119,861
Agency programs	219,788	-	-	219,788
Special assessments	-	-	32,458	32,458
Gas tax	1,000,000		384,124	1,384,124
Unassigned:	2,090,538	-	-	2,090,538
Total fund balances	$ 5,549,684	$ 957,634	$ 1,465,334	$ 7,972,652

NOTE 21 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

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

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

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

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

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

NOTE 21 – <u>SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY</u> (Continued)

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

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

Prior to that date, the final seven months of the activity of the Agency are reported in the governmental funds of the City. After the date of dissolution, as allowed under Section 34176(a) of the Bill, the City elected to retain the housing assets and functions previously performed by the former Agency. The assets and activities for the Successor Agency Housing Fund continue to be reported in the City's governmental fund financial statements. The remaining assets, liabilities, and activities of the dissolved Agency are reported in the Successor Agency fiduciary fund (Private-Purpose Trust Fund) in the financial statements of the City.

The movement of the assets and liabilities of the former redevelopment agency as of February 1, 2012, (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012, was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary loss (gain) recognized in the governmental funds will not be the same amount as the extraordinary gain (loss) that will be recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary gain reported in governmental funds - decrease to net assets of the Private-Purpose Trust Fund	$ 6,402,463
Assets recorded in the government-wide financial statements - increase to net assets of the Private-Purpose Trust Fund	1,507,238
Long-term debt reported in the government-wide financial statements - decrease to net assets of the Private-Purpose Trust Fund	(22,052,357)
Net increase to net assets of the Private-Purpose Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	$ (14,142,656)

NOTE 21 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

Successor Agency Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

Capital Assets - Primary Government	Beginning Balance	Private-Purpose Trust Fund Extraordinary Gain	Additions	Deletions	Ending Balance
Private-Purpose Trust Activities:					
Capital assets, not being depreciated:					
Land	$ -	$ 270,398	$ -	$ -	$270,398
Total capital assets not being depreciated	-	270,398	-	-	270,398
Capital assets, being depreciated:					
Infrastructure	-	-	-	-	-
Buildings and improvements	-	589,993	-	-	589,993
Equipment/vehicles	-	53,649	-	-	53,649
Total capital assets being depreciated	-	643,642	-	-	643,642
Less accumulated depreciation for:					
Infrastructure	-	-	-	-	-
Buildings and improvements	-	(97,640)	(4,917)	-	(102,557)
Equipment/vehicles	-	(53,649)	-	-	(53,649)
Total accumulated depreciation	-	(151,289)	(4,917)	-	(156,206)
Total capital assets, being depreciated, net	-	492,353	(4,917)	-	487,436
Private-Purpose Trust Activities Capital Assets, Net	$ -	$ 762,751	$ (4,917)	$ -	$757,834

Successor Agency Long-Term Debt

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

The debt of the Successor Agency Trust as of June 30, 2012, is as follows:

	Successor Agency Trust	
Year Ending June 30,	Principal	Interest
2013	$ 3,990,000	$ 1,293,102
2014	1,565,000	1,049,509
2015	1,330,000	731,187
2016	340,000	691,317
2017	355,000	677,672
2018-2022	2,015,000	3,140,965
2023-2027	2,565,000	2,594,464
2028-2032	3,290,000	1,870,683
2033-2037	4,592,237	939,376
2038-2042	980,000	52,156
Total	$ 21,022,237	$ 13,040,431

NOTE 21 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

Successor Agency Long-Term Debt (Continued)

Tax Allocation Bonds Payable

The Agency refunded 1994 tax allocation bonds in the amount of $1,655,000, with the refunding issue of 2005 in the amount of $4,700,000. The bonds have principal payments each August 1 through 2035 and accrue interest at 2.25% – 5.0%, which is payable semiannually. The bonds are payable solely from pledged tax revenues allocated and paid to the Agency from properties in the project area. As of June 30, 2012, the balance on the bonds was $4,120,000.

The 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 semiannually. The bonds are payable solely from pledged tax revenues allocated and paid to the Agency from properties in the project area. As of June 30, 2012, the balance on the bonds was $7,205,000.

The 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. As of June 30, 2012, the balance on the bonds was $3,380,000.

On November 17, 2009, the Agency issued a 2009 tax allocation bond series in the amount of $1,000,000 at a 5.4% interest rate. These bonds have interest payments each April 1 and October 1 through 2014, with the final interest and total principal payment being made on October 1, 2014. The bonds are payable solely from pledged tax revenues allocated and paid to the Agency from properties in the project area. As of June 30, 2012, the balance on the bonds was $1,000,000.

Notes Payable

On March 30, 2004, the Agency entered into a loan agreement with the CalHFA for the purpose of assisting the Agency in operating a local housing program through the CalHFA HELP program. The loan is in the amount of $1,250,000, bears a simple annual interest rate of 3.0%, and repayment of principal and interest is deferred for a term of 10 years from date of the note. As a result of Agency activity, this loan is now in default and has been reclassified as current as it can be called immediately by CalHFA. As of June 30, 2012, the balance of the note payable was $1,250,000.

On May 5, 2004, the Agency entered into a Deferred Payment Loan Agreement in the amount of $377,237 with the City'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. As of June 30, 2012, the balance of the loan was $377,237.

On August 7, 2007, the Agency entered into a loan agreement with CalHFA for the purpose of assisting the Agency in operating a local housing program through the CalHFA Residential Development Loan Program (RDLP). The loan is in the amount of $3,690,000, bears a simple annual interest rate of 3.0%, and repayment of principal and interest is deferred for a term of 5 years from date of the note. As of June 30, 2012, the balance of the note payable was $3,690,000. As a result of Agency activity, this loan is now in default and has been reclassified as current as it can be called immediately by CalHFA.

NOTE 21 – SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (Continued)

Changes in Long-Term Liabilities

Successor Agency long-term liabilities activity for the fiscal year ended June 30, 2012, was as follows:

Successor Agency Trust Activities:	Beginning Balance	Private-Purpose Trust Fund Extraordinary Loss	Additions	Deletions	Ending Balance	Due Within One Year
Bonds Payable						
2005 Tax Allocation Bond	$ -	$ 4,120,000	$ -	$ -	$ 4,120,000	$ 95,000
2007 Tax Allocation Bond	-	7,205,000	-	-	7,205,000	150,000
2008 Tax Allocation Bond	-	3,380,000	-	-	3,380,000	55,000
2009 Tax Allocation Bond	-	1,000,000	-	-	1,000,000	-
Subtotal bonds payable	-	15,705,000	-	-	15,705,000	300,000
Add: bond premiums	-	197,563	-	(3,322)	194,241	7,974
Total bonds payable	-	15,902,563	-	(3,322)	15,899,241	307,974
Notes payable						
CalHFA - RDLP Loan	-	3,690,000	-	-	3,690,000	3,690,000
CalHFA - HELP Loan	-	1,250,000	-	-	1,250,000	1,250,000
COL Housing Program Loan	-	377,237	-	-	377,237	-
Total notes payable	-	5,317,237	-	-	5,317,237	4,940,000
Total Successor Agency Trust Activities	$ -	$ 21,219,800	$ -	$ (3,322)	$ 21,216,478	$ 5,247,974

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LINDSAY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Note collections	$ -	$ -	$ 3,409	$ 3,409
Property taxes	333,500	333,500	487,209	153,709
Other taxes	1,359,353	1,359,353	3,548,934	2,189,581
Licenses and permits	142,300	142,300	280,761	138,461
Intergovernmental	1,026,710	1,026,710	266,534	(760,176)
Charges for services	-	-	28,500	28,500
Fees and fines	-	-	7,164	7,164
Interest revenue	35,400	35,400	4,642	(30,758)
Other revenue	1,596,743	1,596,743	156,818	(1,439,925)
Total revenues	4,494,006	4,494,006	4,783,971	286,556
EXPENDITURES				
Current:				
General government	837,048	837,048	1,143,680	(306,632)
Public safety	2,376,841	2,376,841	2,500,780	(123,939)
Parks and recreation	158,835	158,835	188,151	(29,316)
Public works	258,573	258,573	444,178	(185,605)
Streets and transportation	1,143,019	1,143,019	178,465	964,554
Debt service:				
Principal	-	-	42,775	(42,775)
Interest and administrative charges	-	-	19,751	(19,751)
Capital outlay	-	-	431,801	(431,801)
Total expenditures	4,774,316	4,774,316	4,949,581	(175,265)
Excess (deficiency) of revenues over (under) expenditures	(280,310)	(280,310)	(165,610)	111,291
OTHER FINANCING SOURCES (USES)				
Loans proceeds	-	-	178,853	178,853
Transfers in	-	-	81,382	81,382
Transfers out	-	-	(52,295)	(52,295)
Total other financing sources (uses)	-	-	207,940	207,940
Net change in fund balance	$ (280,310)	$ (280,310)	42,330	$ 319,231
Fund balance - beginning			5,424,051	
Prior period adjustment			83,303	
Fund balance - ending			$ 5,549,684	

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

CITY OF LINDSAY
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Note collections	$ -	$ -	$ 411,960	$ 411,960
Intergovernmental	3,818,551	3,818,551	474,654	(3,343,897)
Interest revenue	-	-	30,212	30,212
Total revenues	3,818,551	3,818,551	916,826	(2,901,725)
EXPENDITURES				
Current:				
Community development	3,753,274	3,753,274	1,200,771	2,552,503
Debt service:				
Principal	-	-	350,562	(350,562)
Interest and administrative charges	-	-	10,534	(10,534)
Capital outlay	-	-	351,543	(351,543)
Total expenditures	3,753,274	3,753,274	1,913,410	1,839,864
Excess (deficiency) of revenues over (under) expenditures	65,277	65,277	(996,584)	(1,061,861)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	43,385	43,385
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	43,385	43,385
Net change in fund balance	$ 65,277	$ 65,277	(953,199)	$ (1,018,476)
Fund balance - beginning			1,892,899	
Prior period adjustment			17,934	
Fund balance - ending			$ 957,634	

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

CITY OF LINDSAY
REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2012

Both of the City's defined benefit pension plans, the Miscellaneous Plan and the Safety Plan, are cost-sharing multiple employer defined benefit pension plans that provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The information presented below in the schedule of funding progress and employer contributions relates to the plan as a whole, of which the City is one participating employer.

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability (Excess Assets)	Funded Status	Annual Covered Payroll	Unfunded Actuarial Liability as Percent of Covered Payroll
Miscellaneous Plan*						
6/30/2009	$ 2,140,438,884	$ 1,674,260,302	$ 466,178,582	78.2%	$ 440,071,499	105.9%
6/30/2010	2,297,871,345	1,815,671,616	482,199,729	79.0%	434,023,381	111.1%
6/30/2011	2,486,708,579	1,981,073,089	505,635,490	79.7%	427,300,410	118.3%
Safety Plan						
6/30/2009	$ 1,802,882,330	$ 1,520,081,328	$ 282,801,002	84.3%	$ 221,600,192	127.6%
6/30/2010	1,915,095,826	1,628,915,283	286,180,543	85.1%	224,562,008	127.4%
6/30/2011	2,061,923,933	1,759,286,797	302,637,136	85.3%	225,026,216	134.5%

* The City was unable to obtain the information for the Miscellaneous Plan for the year ended June 30, 2012.

CITY OF LINDSAY
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS (OPEB)
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2012

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

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

SUPPLEMENTARY INFORMATION

CITY OF LINDSAY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Special Revenue				
	Wellness Center Fund	Aquatic Center Fund	Special Assessment Districts	Redevelopment Agency Low and Moderate Income Housing	Gas Tax
Assets					
Cash and cash equivalents	$ -	$ -	$ 37,522	$ -	$ 401,342
Interest receivable	-	-	-	-	23
Due from other funds	-	-	-	-	1,000,000
Notes receivable	-	-	-	-	-
Investment in property	-	-	2,452	-	-
Total assets	$ -	$ -	$ 39,974	$ -	$ 1,401,365
Liabilities					
Accounts and other payables	$ -	$ -	$ 2,532	$ -	$ 7,328
Accrued wages	-	-	-	-	1,281
Deferred revenue	-	-	-	-	-
Total liabilities	-	-	2,532	-	8,609
Fund balances					
Nonspendable	-	-	2,452	-	-
Restricted	-	-	2,532	-	1,008,632
Committed	-	-	-	-	-
Assigned	-	-	32,458	-	384,124
Total fund balances	-	-	37,442	-	1,392,756
Total liabilities and fund balances	$ -	$ -	$ 39,974	$ -	$ 1,401,365

CITY OF LINDSAY
COMBINING BALANCE SHEET (Continued)
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Capital Projects		
	Curb and Gutter	Redevelopment Agency Capital Projects	Total Non-Major Governmental Funds
Assets			
Cash and cash equivalents	$ 34,999	$ -	$ 473,863
Interest receivable	137	-	160
Due from other funds	-	-	1,000,000
Notes receivable	7,903	-	7,903
Investment in property	-	-	2,452
Total assets	$ 43,039	$ -	$ 1,484,378
Liabilities			
Accounts and other payables	$ -	$ -	$ 9,860
Accrued wages	-	-	1,281
Deferred revenue	7,903	-	7,903
Total liabilities	7,903	-	19,044
Fund balances			
Nonspendable	8,040	-	10,492
Restricted	-	-	1,011,164
Committed	27,096	-	27,096
Assigned	-	-	416,582
Total fund balances	35,136	-	1,465,334
Total liabilities and fund balances	$ 43,039	$ -	$ 1,484,378

CITY OF LINDSAY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Special Revenue				
	Wellness Center Fund	Aquatic Center Fund	Special Assessment Districts	Redevelopment Agency Low and Moderate Income Housing	Gas Tax
REVENUES					
Note collections	$ -	$ -	$ -	$ 209,209	$ -
Other taxes	-	-	42,386	-	-
Intergovernmental	-	-	-	-	676,999
Interest revenue	-	-	-	403	163
Other revenue	-	-	-	8,538	721
Total revenues	-	-	42,386	218,150	677,883
EXPENDITURES					
Current:					
General government	-	-	24,048	-	-
Parks and recreation	-	-	23,591	-	-
Streets and transportation	-	-	-	-	324,287
Community development	-	-	-	7,611	-
Debt service:					
Principal	-	-	-	-	56,840
Interest and administrative charges	-	-	-	10,219	-
Capital outlay	-	-	20,145	-	36,406
Total expenditures	-	-	67,784	17,830	417,533
Excess (deficiency) of revenues over (under) expenditures	-	-	(25,398)	200,320	260,350
OTHER FINANCING SOURCES (USES)					
Transfer in	-	2,877	-	-	-
Transfer out	(341,947)		-	-	-
Total other financing sources (uses)	(341,947)	2,877	-	-	-
Net change in fund balances before extraordinary items	(341,947)	2,877	(25,398)	200,320	260,350
Extraordinary items:					
Redevelopment agency dissolution asset transfers	-	-	-	(6,562,216)	-
Redevelopment agency dissolution liability transfers	-	-	-	2,000,170	-
Total extraordinary items	-	-	-	(4,562,046)	-
Net change in fund balances	(341,947)	2,877	(25,398)	(4,361,726)	260,350
Fund balances - beginning	341,947	(2,877)	62,840	4,361,726	1,422,116
Prior period adjustment	-	-	-	-	(289,710)
Fund balances - ending	$ -	$ -	$ 37,442	$ -	$ 1,392,756

CITY OF LINDSAY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (Continued)
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Curb and Gutter	Redevelopment Agency Capital Projects	Total Non-Major Governmental Funds
REVENUES			
Note collections	$ 2,076	$ -	$ 211,285
Other taxes	-	-	42,386
Intergovernmental	-	-	676,999
Interest revenue	52	25	643
Other revenue	-	15	9,274
Total revenues	2,128	40	940,587
EXPENDITURES			
Current:			
General government	-	-	24,048
Parks and recreation	-	-	23,591
Streets and transportation	-	-	324,287
Community development	-	18,316	25,927
Debt service:			
Principal	-	290,000	346,840
Interest and administrative charges	-	391,472	401,691
Capital outlay	-	-	56,551
Total expenditures	-	699,788	1,202,935
Excess (deficiency) of revenues over (under) expenditures	2,128	(699,748)	(262,348)
OTHER FINANCING SOURCES (USES)			
Transfer in	-	-	2,877
Transfer out	-	-	(341,947)
Total other financing sources (uses)	-	-	(339,070)
Net change in fund balances before extraordinary items	2,128	(699,748)	(601,418)
Extraordinary items:			
Redevelopment agency dissolution asset transfers	-	(2,125,119)	(8,687,335)
Redevelopment agency dissolution liability transfers	-	284,702	2,284,872
Total extraordinary items	-	(1,840,417)	(6,402,463)
Net change in fund balances	2,128	(2,540,165)	(7,003,881)
Fund balances - beginning	33,008	2,639,796	8,858,556
Prior period adjustment	-	(99,631)	(389,341)
Fund balances - ending	$ 35,136	$ -	$ 1,465,334