

CITY OF LINDSAY
AUDITED BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

**CITY OF LINDSAY
 BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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INTRODUCTORY SECTION

Tamara Laken
Finance Director
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March 31, 2015

Honorable Mayor and City Council,
Rich Wilkinson, City Manager
City of Lindsay, California

The comprehensive annual financial report of the City of Lindsay for the year ended June 30, 2014, is hereby submitted in accordance with Section 3.15 of the City Charter and California state law. The ordinance requires that the City issue annually a report on its financial position and activity, and that an independent firm of certified public accountants audit this report. Pursuant to the requirement, we hereby issue this annual financial report of the City of Lindsay (the City) for the fiscal year ended June 30, 2014.

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

The City's financial statements have been audited by Brown Armstrong Accountancy Corporation, a licensed certified public accountant firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2014, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that

there was a reasonable basis for rendering an unmodified (“clean”) opinion that the City’s financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

The City of Lindsay did not have any major federal projects or programs that met the \$500,000 threshold that requires a separate “*Single Audit*” report per the Federal Single Audit Act of 1984 and related U.S. Office of Management and Budget (OMB) Circular A-133; therefore, the City is exempt from that reporting requirement for the fiscal year ended June 30, 2014. Audit findings previously denoted in that report will be included as a supplementary section, entitled “*Summary Schedule of Prior Year Audit Findings and Responses,*” that can be found within this report.

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

Profile of the Government

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

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

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

The annual budget serves as the foundation for the City of Lindsay's financial planning and control. All departments of the City are required to submit requests for appropriations to the City Manager who uses these requests as the starting point for developing a proposed budget. The Finance Department, in conjunction with the City Council, prepares a Budget Development Calendar to establish and publish dates for public workshops to discuss goals, priorities, and challenges for the upcoming fiscal year that will affect the budget. The City Manager presents the proposed budget to the council and public for review prior to June 1. The council is required to hold public hearings on the proposed budget and to adopt the final budget no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, by department (e.g., streets, city services, etc.) and by function (e.g., sweeping, water plant chemicals, etc.). Each department head is responsible for monitoring departmental expenditures. Department heads may make transfers of appropriations within a department. The City Manager is authorized to transfer budgeted amounts between departments. Only council approval may amend the budget to increase the appropriations or otherwise change the adopted budget.

Factors Affecting Financial Condition

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

Local Economy: Lindsay's economy continues to struggle with many of the general fund revenues remaining stagnant (UT revenue only increased by .78%), experiencing an insignificant increase (only 1.89% increase for property tax revenue over the previous year), or actually declining (sales tax revenues that began the year ahead of projections, finished at a disappointing 18.3% less than the previous year) which is most likely related to the climbing unemployment rate which was 11.6% at June 30, 2014 and is currently at 13.9%. Although these rates are significantly higher than the state and national average, they are lower than 2013. Agriculture-related jobs continue to be the most common occupations of 41% of the population. Drought conditions for the state of

California remain a matter of concern for the City of Lindsay for both residential water use and the fact that the economic base is still largely agrarian; we predicted last year of the direct negative impact the lack of water resources could have on our local growers, farm workers, and packing houses, with the related indirect negative impact on our local retailers as the labor force has less money to spend and, unfortunately, the previously stated statistics seem to bear this out.

Job creation, business development, economic diversification, and retail recruitment remain a high priority for staff; the City suffered a set-back on the economic development front when the planned Dollar Store project pulled out and relocated to Strathmore taking potential jobs and retail sales tax out of Lindsay. Staff will continue to aggressively market Lindsay commercial and industrial possibilities via the Tulare County Economic Corporation, City website, the Lindsay Chamber of Commerce and social media. There has been interest in the former Lindsay Olive Growers/Tulare Frozen Foods site and staff is hopeful to bring a major employer into that site.

On a positive front, the investment the City has made in community, recreational, and quality-of-life projects and opportunities – McDermont Field House, the Downtown Project, Friday Night Market, the Lindsay Wellness Center, and the Centennial Park renovation project to name a few - has had the positive effect of making Lindsay an attractive place to live as evidenced by the 29.2% increase in home sales values. Home values increased from an average median price of \$122,000 per home (2013) to an average median price of \$155,000 per home in 2014. Although permits were down slightly in Fiscal Year (FY) 14, we are seeing a promising increase in construction of new home development projects in FY15.

Long-Term Financial Planning

An integral part of the City's budget process, the City Council continues to look forward to stabilizing revenue and expenditures. The City Council and the City's management team are evaluating ways to implement long-term changes to help the City accomplish this adaption. At the behest of the council, City staff is currently analyzing the City's organizational structure, City services and programs, cooperative partnerships, staffing needs, and revenue streams, etc. Considering current deficits, combined with projected continued short-falls in the general fund, refuse, and sewer funds, it is obvious that new strategies are needed to solve the situation. Sewer and Refuse rates were reduced in July 2011 which resulted in a deficit and reduction to fund balance over the past four years; staff is proposing to return the rates to the same rate structure of 2011 in order to ensure revenue will meet expenditures, with adequate reserves, in those two enterprise funds.

Recent changes to the California Public Employees' Retirement System (CalPERS) amortization and smoothing polices are expected to increase employer contribution rates by as much as 10% to 16% over the next five years. The methodology change and resulting rate increases will have a significant impact on retirement costs for the City. The Employer Contribution rate for FY14 for Safety was 28.667% for Classic members

hired before Jan. 1, 2013 and 11.50% for those hired after known as PEPRA members (named after the California Public Employees' Pension Reform Act (PEPRA)); 23.615% for Classic Misc. and 6.25% for PEPRA. FY15 Rates are 29.334% for Safety, 29.045% for Misc., no change in PEPRA. Currently, the City pays 5% of the Public Safety employees' share of Employer Paid Member Contributions (EPMC) and 3% of the miscellaneous employees. A graduated increase of cost percentage to the employees is being proposed for the FY2015-16 budget and continuing in future budgets until the employees are paying 100% of the EPMC.

The City will continue to pay 100% for employee-only group health coverage and 50% for dependent care, but will seek to join a Joint Power Authority (JPA) in order to reduce plan costs and insurance premiums. Elimination of currently funded, but vacant positions, are planned for the FY16 budget – these positions were either never filled, or never replaced, in FY15 due to budget concerns.

There is no doubt that the State will continue to try to solve its budget issues on the backs of local governments; it is imperative to develop and implement budget-balancing strategies that will allow for the greatest level of service to our citizens while also providing contingency for consistent repair and maintenance of all the City's infrastructure.

As part of the budgeting process, the City annually reviews its 5-year capital improvement plan. All Capital Improvements projects budgeted in FY14 were completed as scheduled and budgeted, with the exception of \$95 thousand carried forward for streets and \$310 thousand for Sewer SCADA and the Laurel Avenue Water Line Project. Section 8.08B of the Charter allows carry-forward of unexpended capital outlay appropriations. Projects included the relocation of the skate park from McDermont Sports Complex to the main City park, construction of the X-Fit Arena in McDermont Sports Complex and \$644 thousand in streets renovation projects. \$1.170 million of streets renovation projects are included in the FY15 budget.

The City of Lindsay could not survive without the cooperative arrangements with other agencies such as the Lindsay Hospital District Board who generously donated a new Light Engine Rescue Truck to the citizens of Lindsay with a value of \$98,450; and, the Lindsay Unified School District (LUSD) with whom we have many Memorandums of Understanding (MOUs) for facility and cost-sharing programs that benefit the City's youth. LUSD also picked up a portion of the School Resource Officer for FY14 and is funding 70% of that officer for FY15.

Cash Management Policies and Practices

Cash temporarily idle during the fiscal year was either invested in the Local Agency Investment Fund (LAIF), a State investment pool that provided an average annual yield of 0.246%, or Certificates of Deposit (CDs) held at Bank of the Sierra that provided an average annual yield of 0.42%. It is the goal of this administration to continue to increase the City's reserve cash.

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. Additional information can be found in NOTE 11 in the notes to the basic financial statements.

Pension and Other Postemployment Benefits

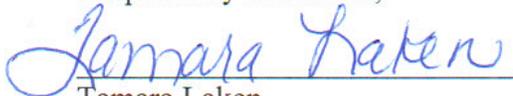
The City participates in the defined benefit pension plan administered by the California Public Employees’ Retirement System (CalPERS) for all full-time employees. Each fiscal year, CalPERS calculates the amount of the annual contribution the City must make to the pension plan to ensure the plan will be able to fully meet its obligation to retired employees on a timely basis.

The City also provides post-retirement health benefits for retirees that meet the eligibility requirements. As of the end of the current fiscal year, there were seven (7) retired employees receiving these benefits, with the current portion financed on a pay-as-you-go-basis with the retiree paying a portion and the City paying a portion that is included in the annual budget. Additional information on the City’s pension arrangements and postemployment benefits can be found in NOTE 8, NOTE 9, and NOTE 12 in the Notes to the Basic Financial Statements.

Acknowledgements

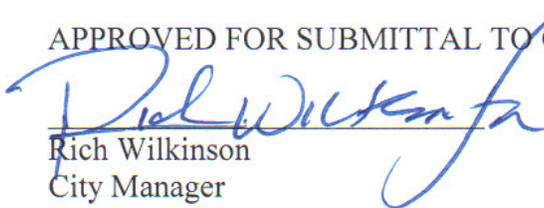
The preparation of this document could not have been accomplished without the dedicated services of the entire staff of the Finance Department and the assistance of Maria Knutson, Deputy City Clerk. All departments contributed necessary data to complete this report and I appreciate their contribution.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

Respectfully submitted,



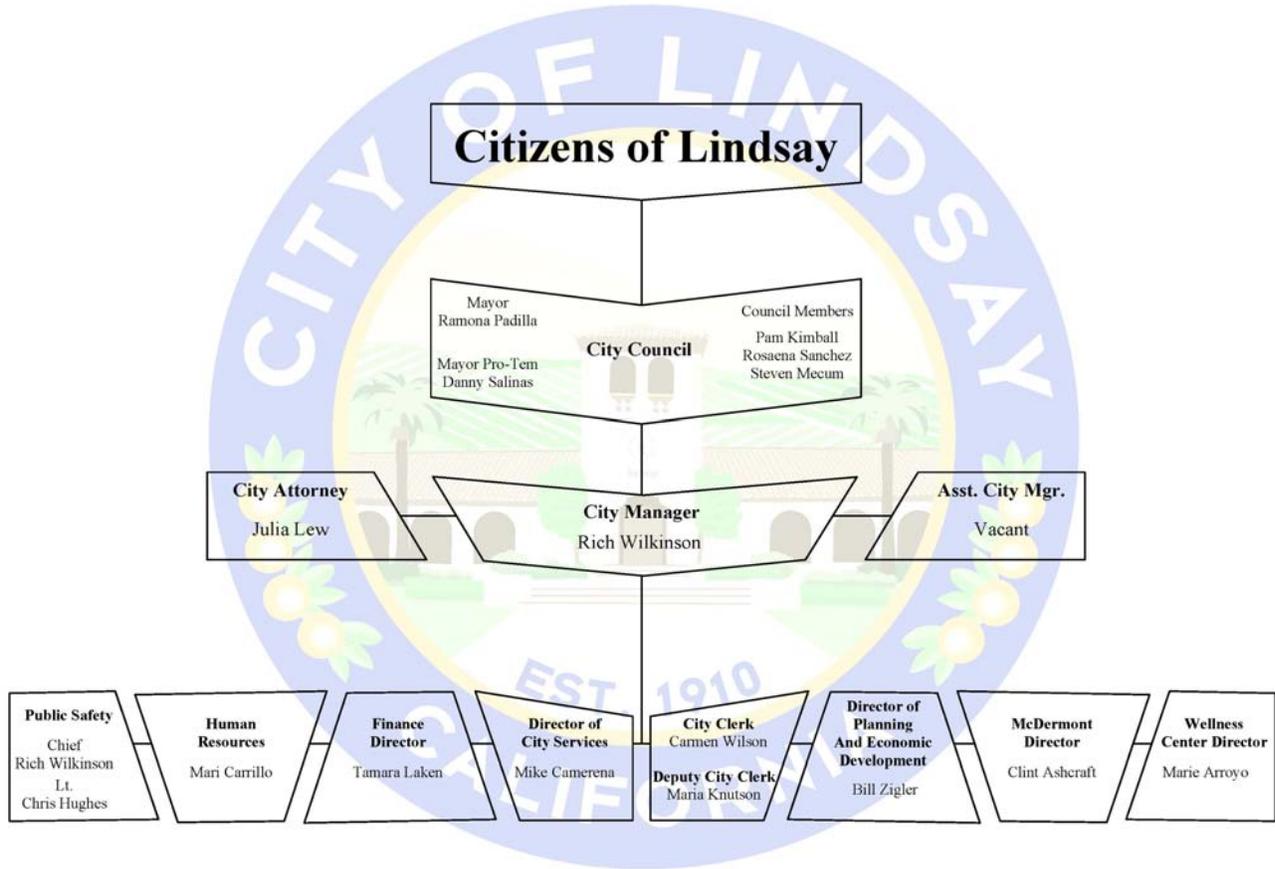
Tamara Laken
Director of Finance

APPROVED FOR SUBMITTAL TO CITY COUNCIL:



Rich Wilkinson
City Manager

CITY OF LINDSAY DEPARTMENT ORGANIZATION



**CITY OF LINDSAY
PRINCIPAL CITY OFFICIALS
JUNE 30, 2014**

City Council

Ramona Padilla
Danny Salinas
Steven Mecum
Pam Kimball
Rosaena Sanchez

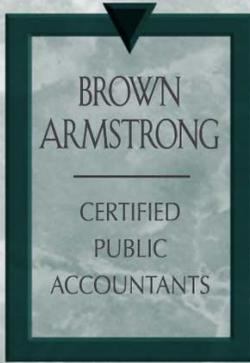
Mayor
Mayor Pro-Tem
Council Member
Council Member
Council Member

Administrative Officials and Department Heads

Rich Wilkinson
Tamara Laken
Michael Camarena
Clint Ashcraft
Marie Arroyo
Diane Bucaroff
Carmen Wilson

City Manager/Public Safety Director
Finance Director/City Treasurer
City Services Director
McDermont Field House Director
Wellness Center Director
Community and Economic Development
City Clerk

FINANCIAL SECTION



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lindsay (the City), California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which modified the current financial reporting of those elements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and statistical sections and the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
March 31, 2015

**CITY OF LINDSAY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014**

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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$53,535 (*net position*). Of this amount, \$(22,174) (*unrestricted net position*) 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 \$9,234.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, 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 Water, Sewer, Refuse, Wellness Center, and McDermont Sports Complex Departments function for all practical purposes as departments of the City, and therefore have been included as an integral part of the primary government.

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

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

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

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

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

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

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Lindsay, assets exceeded liabilities by \$53,535 at the close of the most recent fiscal year.

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

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

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 29,685	\$ 29,265	\$ (9,523)	\$ (9,522)	\$ 20,162	\$ 19,743
Capital assets	24,317	25,659	51,012	52,414	75,329	78,073
Total assets	54,002	54,924	41,489	42,892	95,491	97,816
Long-term liabilities	22,772	22,546	15,898	15,491	38,670	38,037
Other liabilities	438	358	2,848	3,231	3,286	3,589
Total liabilities	23,210	22,904	18,746	18,722	41,956	41,626
Net assets:						
Net investment in capital assets	22,769	22,768	36,475	37,634	59,244	60,402
Restricted	16,465	16,829	-	-	16,465	16,829
Unrestricted	(8,442)	(7,577)	(13,732)	(13,464)	(22,174)	(21,041)
Total net assets	\$ 30,792	\$ 32,020	\$ 22,743	\$ 24,170	\$ 53,535	\$ 56,190

A portion of the City's net position, \$16,465 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$(22,174), represents the governmental activities negative balance of \$8,442, combined with the business-type activities negative balance of \$13,732. At fiscal year-end, the City reported negative balances in the unrestricted categories of net position, both for the government as a whole, as well as for the 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 Net Position
(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 29,685	\$ 29,265	\$ (9,523)	\$ (9,522)	\$ 20,162	\$ 19,743
Capital assets	24,317	25,659	51,012	52,414	75,329	78,073
Total assets	54,002	54,924	41,489	42,892	95,491	97,816
Long-term liabilities	22,772	22,546	15,898	15,491	38,670	38,037
Other liabilities	438	358	2,848	3,231	3,286	3,589
Total liabilities	23,210	22,904	18,746	18,722	41,956	41,626
Net assets:						
Net investment in capital assets	22,769	22,768	36,475	37,634	59,244	60,402
Restricted	16,465	16,829	-	-	16,465	16,829
Unrestricted	(8,442)	(7,577)	(13,732)	(13,464)	(22,174)	(21,041)
Total net assets	\$ 30,792	\$ 32,020	\$ 22,743	\$ 24,170	\$ 53,535	\$ 56,190

Governmental activities. Governmental activities decreased the City's net position by \$1,227.

Business-type activities. Business-type activities decreased the City's net position by \$1,312.

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 \$9,234.

The fund balance of the City's General Fund decreased by \$53 during the current fiscal year. Key factors in this decrease are as follows:

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

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 position of the Water, Sewer, Refuse, McDermont Sports Complex, and Wellness Center activities at the end of the year amounted to \$(13,732). The decrease in net position for all these funds was \$1,312 due primarily to the losses in the McDermont Sports Complex, Sewer, and Wellness Center Funds.

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, 2014, amounts to \$75,329 (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 budgeted streets renovation projects in the amount of \$644,508 with \$95,492 carried forward. Completion of the skate park relocation/X-Fit Arena for \$45,674. Donation of Emergency Vehicle Light Engine to Public Safety by Lindsay Hospital Board with value of \$98,450. Construction-in-progress as of the end of the current fiscal year had reached \$5,984 of \$310,000 budgeted for Wastewater Plant SCADA and Laurel Avenue Water Line Project.

City of Lindsay's Capital Assets

(Net of depreciation)

(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 772	\$ 797	\$ 684	\$ 684	\$ 1,456	\$ 1,481
Buildings and improvements	2,907	3,169	36,259	37,101	39,166	40,270
Machinery and equipment	425	394	178	415	603	809
Infrastructure	20,197	19,796	13,859	14,214	34,056	34,010
Construction in progress	16	1,503	32	-	48	1,503
Total	<u>\$ 24,317</u>	<u>\$ 25,659</u>	<u>\$ 51,012</u>	<u>\$ 52,414</u>	<u>\$ 75,329</u>	<u>\$ 78,073</u>

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

	Governmental activities		Business-type activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ -	\$ 5	\$ -	\$ -	\$ -	\$ 5
Certificates of participation	1,817	1,894	2,184	2,221	4,001	4,115
Revenue bonds	-	-	9,728	10,011	9,728	10,011
Capital lease	-	-	-	18	-	18
Lindsay Olive Grower pond closure	-	-	2,571	2,571	2,571	2,571
Compensated absences	165	164	83	87	248	251
Other postemployment benefits	758	614	707	583	1,465	1,197
Total	\$ 2,740	\$ 2,677	\$ 15,273	\$ 15,491	\$ 18,013	\$ 18,168

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$18,013.

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 (\$193,300,475 for fiscal year 2013 per Tulare County Assessor). The City Charter Section 9.05A sets a 10% limitation. The current debt limitation for the City is \$19,330,048, which is not in excess of the City's outstanding general obligation debt and in compliance with State and City statutes.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the City is currently 13.9%, which is a decrease over the previous year of 3.3%. With 41% of the City's working population employed in agriculture-related fields, the continued drought is of major concern for this community due to the potential domino effect un- and/or under-employment can create on the local retail businesses as already seen with the drop in sales tax revenue.
- Water conservation and drought mitigation measures will remain a top priority as staff pursues funding to assist with fixing our wells and ensuring a safe, adequate supply of potable water.
- The Water Feasibility Study was completed in Fiscal Year (FY) 14; the Rate Study is on-going. No rate increases are included in the FY15 budget, but will be recommended in Sewer and Refuse in FY16.
- The number of issued building permits in fiscal year 2014 was 234 with a valuation of \$12.014 million compared to 229 issued in 2013 (\$8.231 million valuation). Zoning and permit fees collected totaled \$197,265 (down from \$275,739 in 2013).
- The administration is actively courting development companies to take over the site of the former Tulare Frozen Foods which would provide a marked increase to available jobs and the overall economic base of the City.
- Pension costs, the Affordable Care Act, health care premiums, and workmen's compensation rates continue to increase and strain the City's resources. Staff will begin exploring options to shift some of the burden of the cost of benefits to the employees in preparation for the steep increases in employer rates that go into effect July 1, 2015.
- Total budgeted Capital Outlay for FY15 is \$2.370 million, of which \$1.171 million is dedicated to streets projects.
- The Curb & Gutter loan program was reprised in FY14 - available resources are currently \$31,641 in the revolving loan fund that has been established to assist home-owners with repairs and/or new construction of sidewalks.

Additional Information

FUND RECLASSIFICATION:

In FY14 the Gas Tax and Transportation Fund were separated and the Street Improvement fees collected as part of the utility billing are now accounted for within a separate special revenue in order to ensure proper accountability and fund balance maintenance. Staff continues to strive to achieve the highest level of transparency and clarity to our citizens.

MAJOR ACHIEVEMENTS AND INITIATIVES:

CITY SERVICES:

- Streets
 - Streets projects completed by end of June 30, 2014:
 - a. Apia Street, Mt. Vernon to Olive
 - b. Alameda Street, Bond to Orange
 - c. Hickory/Parkside intersection rehab
 - d. Frazier Street, Sweet Brier to Elmwood
 - e. Valencia Street, Foster to AT&SF Railroad tracks
 - f. Chip and Slurry projects (Sweet Brier Ave., Mirage Ave., Elmwood Ave., Alameda St., Frazier St., Lewis St.)
 - g. Hermosa Street asphalt repair, Hwy. 65 to Sweet Brier
- Public Projects
 - a. Sequoia Avenue/Hickory Street Granite Pathway
 - b. Public Safety Parking Lot Renovate
 - c. Community Center Parking Lot Renovate
 - d. Gale Hill Bike Route Striping
 - e. Skate Park Relocation
 - f. Lindsay Xtreme Arena
 - g. Sharps Ordinance
- Utility Projects
 - a. SCADA (Supervisory Control and Data Acquisition) installations on both water and wastewater systems

PLANNING:

- Completed two major Annexations and one Sphere of Influence Amendment in 2014 – Roosevelt Elementary School Area and Lindsay High School, which added approximately 80 acres to the City.
- Completed four lot line adjustments, enabling the expansion of VitaPakt, the separation of a business from an industrial site (Vinny's Welding), and allowing for the construction of several new homes along Cambridge and Stanford.
- Facilitated the transfer of the Animal Control Site to the City of Porterville, adding over \$250,000 to the City's budget.
- Facilitated the sale of the old Cardinal Zone, which brought \$69,000 into the City budget and enabled a new local business to open.
- Coordinated the transfer of the Sequoia Villas project to the Housing Authority of Tulare County.
- Completed the site plan review of a Lindsay Unified School District (LUSD)/City of Lindsay communications project, which will help bring free Wi-Fi to district learners.
- Served on the Tulare County Association of Governments (TCAG) Regional Transportation Plan/Sustainable Communities Roundtable, helping form plans and objectives for future growth and transportation needs for the region.

- Served on the Regional Housing Needs Assessment Methodology Committee, helping determine each city's fair-share affordable housing requirement.
- Updated and improved the City website to include available city properties for sale, subdivisions available for development, the streamlined posting of audio City Council Minutes, and various other virtual forms and City references.

FINANCE:

- Completed the upgrade and conversion of the Financial Management System
- Began cross-training all staff – training to be completed in FY15
- Improved the Budget Document and Quarterly Reporting Documents to Council
- Assisted City Manager with negotiations with California Department of Transportation (CalTrans) and Community Development Block Grant (CDBG) on disputed items
- Assisted Human Resources in Memorandum of Understanding (MOU) Employee Bargaining Unit negotiations
- Prepared all Recognized Obligation Payments Schedules (ROPS) to ensure funding for Successor Agency obligations

PUBLIC SAFETY:

The Lindsay Department of Public Safety began the 2013-2014 fiscal year with three goals: purchase of a fire apparatus, implementation of a modern dispatch center, and the purchase of three police canines. The department is proud to recognize all three goals were met with not only the hard work of the department members but with help from the great community of Lindsay. Without this partnership, these goals would have not been met.

In the fiscal year 2013-2014, the department recognized a need for a smaller more useable fire apparatus. The goal was to purchase a smaller lighter vehicle that would be optimal for daily use within the community of Lindsay. The department partnered with the Lindsay Hospital District and purchased a 2013 Dodge Ram 4500 Rescue vehicle. Rescue 87 is equipped with a pumping operation which allows personnel to drive while pumping water. This feature is especially appreciated with small fast moving grass fires. This ability was not a possibility prior to this year. The department also outfitted Rescue 87 with more modern vehicle extrication equipment to assist personnel and victims at the scene of traffic accidents. Prior to the purchase, the department relied on heavy outdated cutting tools from the 1960's to remove injured victims from vehicles. The department was able to purchase the more common Jaws of Life hydraulic extrication tools which allow personnel the ability to remove the injured from traffic accident scenes quickly.

The department also set out to upgrade its communications or dispatch center in the fiscal year 2013-2014. The department teamed up with the Porterville Police Department to upgrade the communications center through grant funding. The department was able to upgrade its capabilities to a computer aided dispatch system which allows for better communication between the dispatch center and the police officers in the field. Prior to this upgrade dispatchers relied on manual data entry to maintain police dispatch records.

During the 2013-2014 fiscal year, officers and the community worked very hard to provide the department the luxury of purchasing three new police canines. The purchase of these canines and the officers' training were completely funded by donations from the community. This is a tribute to the hard working and caring community of the City of Lindsay.

MCDERMONT SPORTS COMPLEX:

As part of our goal to make Lindsay the healthiest city in the central valley, we have worked hard to provide health and nutrition training. The Get Up and Move Initiative (GUM) was developed and launched in FY14. In FY15 we expect to reach over 500 students ages 11-14 for fitness and nutrition training in an effort to combat childhood obesity. Three LUSD test classes were introduced to the program in FY14. All LUSD 7th grade students were invited to attend at the beginning of this 14/15 school year. They will attend 3 times during the school year. The program will be marketed to all Tulare County schools.

We have seen a consistent increase in Fitness memberships and consistent increase of participation in youth recreation sports. Lindsay is a community that prides itself on the many health and fitness opportunities in the community; McDermont Sports Complex coordinates all youth and adult sports in the City as well as the Patriots intra-mural competitive sports programs for the middle school students.

Revenues increased 6.9% FY14 over FY13.

LINDSAY WELLNESS CENTER:

- Coordinated use of the Aquatic Center with McDermont Sports Complex members, Wellness Center Members, Pro-PT Physical Therapy, LUSD After-school Program, Lindsay High School swim Team, Skimmers swim team that hosted the regional finals.
- Increased memberships and aggressively marketed the facility for outside rentals.
- Revenue increased 19.75% in FY14 over FY13.

Requests for Information

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



BASIC FINANCIAL STATEMENTS

**CITY OF LINDSAY
STATEMENT OF NET POSITION
JUNE 30, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 2,084,905	\$ 1,253,702	\$ 3,338,607
Accounts receivable, net	70,789	252,312	323,101
Interest receivable	650	342	992
Prepaid expense	59,954	-	59,954
Internal balances	11,028,892	(11,028,892)	-
Due from other governments	178,936	-	178,936
Investment in property	16,260,501	-	16,260,501
Capital assets (net of accumulated depreciation)			
Land	771,699	683,671	1,455,370
Buildings and improvements	2,907,531	36,259,059	39,166,590
Infrastructure	20,197,406	13,858,710	34,056,116
Equipment	424,817	178,054	602,871
Construction in progress	15,966	32,369	48,335
Net Capital Assets	<u>24,317,419</u>	<u>51,011,863</u>	<u>75,329,282</u>
Total Assets	<u>\$ 54,002,046</u>	<u>\$ 41,489,327</u>	<u>\$ 95,491,373</u>
LIABILITIES			
Cash overdraft	\$ -	\$ 1,952,146	\$ 1,952,146
Accounts and other payables	263,300	576,930	840,230
Accrued wages	145,295	56,132	201,427
Accrued interest	19,229	234,961	254,190
Refundable deposits	10,812	28,461	39,273
Long-term - other			
Due to other governments	943,599	-	943,599
Advances from private-purpose trust fund	2,820,677	-	2,820,677
Unearned revenue	16,267,053	625,000	16,892,053
Long-term debt			
Due within one year	135,931	370,156	506,087
Due in more than one year	2,604,563	14,902,747	17,507,310
Total Liabilities	<u>23,210,459</u>	<u>18,746,533</u>	<u>41,956,992</u>
NET POSITION			
Net investment in capital assets	22,768,371	36,475,775	59,244,146
Restricted	16,464,870	-	16,464,870
Unrestricted	<u>(8,441,654)</u>	<u>(13,732,981)</u>	<u>(22,174,635)</u>
Total Net Position	<u>30,791,587</u>	<u>22,742,794</u>	<u>53,534,381</u>
Total Liabilities and Net Position	<u>\$ 54,002,046</u>	<u>\$ 41,489,327</u>	<u>\$ 95,491,373</u>

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

**CITY OF LINDSAY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 1,965,887	\$ 345,829	\$ -	\$ 1,817,830
Public safety	2,609,648	-	-	-
Parks and recreation	268,991	-	-	-
Public works	353,619	-	-	-
Streets and transportation	430,074	-	-	-
Community development	876,319	-	-	-
Interest on long-term debt	99,690	-	-	-
Total Governmental Activities	<u>6,604,228</u>	<u>345,829</u>	<u>-</u>	<u>1,817,830</u>
Business-Type Activities:				
Water fund	1,612,122	1,656,514	-	-
Sewer fund	1,415,106	1,158,554	-	-
Refuse fund	979,857	882,841	-	-
McDermont sports complex fund	3,336,582	1,879,489	250,000	-
Wellness center fund	628,299	119,197	233,888	-
Total Business-Type Activities	<u>7,971,966</u>	<u>5,696,595</u>	<u>483,888</u>	<u>-</u>
Total Primary Government	<u>\$ 14,576,194</u>	<u>\$ 6,042,424</u>	<u>\$ 483,888</u>	<u>\$ 1,817,830</u>

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, 2014

Functions/Programs	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Primary Government:			
Governmental Activities:			
General government	\$ 197,772	\$ -	\$ 197,772
Public safety	(2,609,648)	-	(2,609,648)
Parks and recreation	(268,991)	-	(268,991)
Public works	(353,619)	-	(353,619)
Streets and transportation	(430,074)	-	(430,074)
Community development	(876,319)	-	(876,319)
Interest on long-term debt	(99,690)	-	(99,690)
Total Governmental Activities	<u>(4,440,569)</u>	<u>-</u>	<u>(4,440,569)</u>
Business-Type Activities:			
Water fund	-	44,392	44,392
Sewer fund	-	(256,552)	(256,552)
Refuse fund	-	(97,016)	(97,016)
McDermont sports complex fund	-	(1,207,093)	(1,207,093)
Wellness center fund	-	(275,214)	(275,214)
Total Business-Type Activities	<u>-</u>	<u>(1,791,483)</u>	<u>(1,791,483)</u>
Total Primary Government	<u>(4,440,569)</u>	<u>(1,791,483)</u>	<u>(6,232,052)</u>
General Revenues:			
Property taxes	513,288	-	513,288
Sales tax	545,294	-	545,294
Utility users tax	763,173	-	763,173
Franchise tax	99,028	-	99,028
Transient occupancy tax	31,715	-	31,715
Other taxes	2,100,629	-	2,100,629
Note collections	475,717	-	475,717
Sale of assets	(129,527)	-	(129,527)
Other income	256,296	104,030	360,326
Unrestricted investment earnings	79,099	1,730	80,829
Transfer of assets to other governments	(1,147,919)	-	(1,147,919)
Transfers	(373,118)	373,118	-
Total General Revenues	<u>3,213,675</u>	<u>478,878</u>	<u>3,692,553</u>
Change in Net Position	<u>(1,226,894)</u>	<u>(1,312,605)</u>	<u>(2,539,499)</u>
Net Position - Beginning	32,019,912	24,170,223	56,190,135
Prior Period Adjustment	(1,431)	(114,824)	(116,255)
Net Position - Ending	<u>\$ 30,791,587</u>	<u>\$ 22,742,794</u>	<u>\$ 53,534,381</u>

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

**CITY OF LINDSAY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General	Community Development	Local Transportation Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 235,573	\$ 750,161	\$ 480,049	\$ 619,122	\$ 2,084,905
Accounts receivable - net	69,232	939	-	618	70,789
Interest receivable	-	518	-	132	650
Prepaid expense	59,954	-	-	-	59,954
Due from other funds	422,190	1,099,999	9,898	-	1,532,087
Due from other governments	129,425	-	47,236	2,275	178,936
Notes receivable	93,580	16,162,419	-	4,502	16,260,501
Advances to other funds	13,476,016	34,092	-	-	13,510,108
Total Assets	\$ 14,485,970	\$ 18,048,128	\$ 537,183	\$ 626,649	\$ 33,697,930
Liabilities					
Accounts and other payables	\$ 207,932	\$ 14,679	\$ -	\$ 40,688	\$ 263,299
Accrued wages	140,445	-	269	4,581	145,295
Due to other funds	3,587,497	391,714	-	-	3,979,211
Due to other governments	943,599	-	-	-	943,599
Unearned revenue	100,131	16,162,420	-	4,502	16,267,053
Advances from other funds	2,854,770	-	-	-	2,854,770
Refundable deposits	7,832	2,980	-	-	10,812
Total Liabilities	7,842,206	16,571,793	269	49,771	24,464,039
Fund Balances					
Nonspendable	258,610	939	47,236	2,275	309,060
Restricted	93,580	16,121,183	236,990	13,117	16,464,870
Committed	737,608	551,192	252,688	18,272	1,559,760
Assigned	194,736	-	-	543,214	737,950
Unassigned	5,359,230	(15,196,979)	-	-	(9,837,749)
Total Fund Balances	6,643,764	1,476,335	536,914	576,878	9,233,891
Total Liabilities and Fund Balances	\$ 14,485,970	\$ 18,048,128	\$ 537,183	\$ 626,649	\$ 33,697,930

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

**CITY OF LINDSAY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Fund balances of governmental funds	\$ 9,233,891
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	44,838,684
Accumulated depreciation has not been included in the governmental funds.	(20,521,265)
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	(1,816,852)
Compensated absences	(165,481)
Other postemployment benefits	(758,161)
Accrued interest payable on long-term debt	<u>(19,229)</u>
Net position of governmental activities	<u>\$ 30,791,587</u>

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, 2014**

	General	Community Development	Local Transportation Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Note collections	\$ 1,579	\$ 469,005	\$ -	\$ 5,133	\$ 475,717
Property taxes	513,288	-	-	-	513,288
Other taxes	3,480,405	-	-	59,434	3,539,839
Licenses and permits	300,981	-	-	-	300,981
Intergovernmental	161,608	434,936	727,330	493,956	1,817,830
Charges for services	44,848	-	-	-	44,848
Fees and fines	37,365	-	-	-	37,365
Interest revenue	4,484	74,460	-	155	79,099
Other revenue	114,334	5,326	-	821	120,481
Total revenues	4,658,892	983,727	727,330	559,499	6,929,448
EXPENDITURES					
Current:					
General government	897,491	-	-	57,496	954,987
Public safety	2,609,648	-	-	-	2,609,648
Parks and recreation	230,030	-	-	38,961	268,991
Public works	353,619	-	-	-	353,619
Streets and transportation	83,518	-	16,971	329,585	430,074
Community development	-	876,319	-	-	876,319
Debt service:					
Principal	15,741	-	61,774	-	77,515
Interest and administrative charges	39,865	-	60,579	-	100,444
Capital outlay	-	778,520	-	-	778,520
Total expenditures	4,229,912	1,654,839	139,324	426,042	6,450,117
Excess (deficiency) of revenues over (under) expenditures	428,980	(671,112)	588,006	133,457	479,331
OTHER FINANCING SOURCES (USES)					
Sale of land	75,976	-	-	-	75,976
Transfers in	70,949	753,920	-	-	824,869
Transfers out	(629,111)	(3,500)	(354,956)	(210,420)	(1,197,987)
Total other financing sources (uses)	(482,186)	750,420	(354,956)	(210,420)	(297,142)
Net change in fund balances	(53,206)	79,308	233,050	(76,963)	182,189
Fund balances - beginning	5,705,825	1,397,027	-	1,955,281	9,058,133
Prior period adjustment	991,145	-	303,864	(1,301,440)	(6,431)
Fund balances - ending	\$ 6,643,764	\$ 1,476,335	\$ 536,914	\$ 576,878	\$ 9,233,891

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, 2014**

Net change in fund balances - total governmental funds	\$	182,189
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 \$(864,888) exceeded capital outlay \$778,520 in the current period.		(86,368)
Transfer of governmental assets to the other governmental entities.		(1,047,624)
Donated assets are not reported in the governmental funds, but the fair market value of the asset on the date of donation is reported as revenue in the statement of activities.		98,450
Proceeds from the disposal of capital assets are reported as revenue in the governmental funds, but only the gain or loss is reported in the statement of activities. This is the difference between the proceeds and the resulting gain or loss.		(305,798)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Change in accrued interest payable		754
Repayment of long-term debt is reported as an expenditure in governmental funds. In the statement of net position, the repayment reduces long-term liabilities:		
Bond and note principal		77,515
Long-term compensated absences reported in the statement of activities are not reported as expenditures in governmental funds.		(1,670)
Amortization of net other postemployment benefits obligation activities to individual funds.		<u>(144,342)</u>
Change in net position of governmental activities	\$	<u><u>(1,226,894)</u></u>

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

**CITY OF LINDSAY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014**

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Refuse Fund	McDermont Sports Complex Fund
ASSETS				
Current assets				
Cash and cash equivalents	\$ 686,221	\$ 541,876	\$ -	\$ -
Accounts receivable, net	179,665	27,414	35,633	9,000
Interest receivable	-	342	-	-
Due from other funds	800,000	1,500,000	-	-
Total current assets	<u>1,665,886</u>	<u>2,069,632</u>	<u>35,633</u>	<u>9,000</u>
Non-current assets				
Capital assets				
Construction in progress	32,369	-	-	-
Land	68,377	216,555	-	217,413
Buildings and improvements	5,104,546	6,800,531	-	22,987,873
Infrastructure	8,856,659	12,602,765	-	-
Equipment	21,356	180,700	-	1,518,732
Less accumulated depreciation	<u>(4,992,925)</u>	<u>(8,010,923)</u>	<u>-</u>	<u>(3,619,223)</u>
Total non-current assets	<u>9,090,382</u>	<u>11,789,628</u>	<u>-</u>	<u>21,104,795</u>
Total assets	<u>\$ 10,756,268</u>	<u>\$ 13,859,260</u>	<u>\$ 35,633</u>	<u>\$ 21,113,795</u>
LIABILITIES AND NET POSITION				
Current liabilities				
Cash overdraft	\$ -	\$ -	\$ 18,263	\$ 1,933,883
Accounts and other payables	193,751	45,100	70,040	59,837
Accrued wages	8,464	6,514	1,561	32,073
Accrued interest	34,659	107,526	-	13,228
Compensated absences payable	4,945	5,341	1,197	13,228
Due to other funds	-	-	-	167,824
Unearned revenue	-	-	-	-
Refundable deposits	28,461	-	-	-
Long-term debt - current portion	<u>59,550</u>	<u>148,308</u>	<u>-</u>	<u>96,519</u>
Total current liabilities	<u>329,830</u>	<u>312,789</u>	<u>91,061</u>	<u>2,355,604</u>
Non-current liabilities				
Other postemployment benefits	72,999	64,295	20,805	445,667
Advances from other funds	-	-	-	13,476,016
Long-term debt	<u>1,937,939</u>	<u>8,467,390</u>	<u>2,394</u>	<u>1,636,431</u>
Total non-current liabilities	<u>2,010,938</u>	<u>8,531,685</u>	<u>23,199</u>	<u>15,558,114</u>
Total liabilities	<u>2,340,768</u>	<u>8,844,474</u>	<u>114,260</u>	<u>17,913,718</u>
NET POSITION				
Net investment in capital assets	7,092,893	3,173,930	-	19,371,845
Unrestricted	<u>1,322,607</u>	<u>1,840,856</u>	<u>(78,627)</u>	<u>(16,171,768)</u>
Total net position	<u>8,415,500</u>	<u>5,014,786</u>	<u>(78,627)</u>	<u>3,200,077</u>
Total liabilities and net position	<u>\$ 10,756,268</u>	<u>\$ 13,859,260</u>	<u>\$ 35,633</u>	<u>\$ 21,113,795</u>

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

**CITY OF LINDSAY
STATEMENT OF NET POSITION (Continued)
PROPRIETARY FUNDS
JUNE 30, 2014**

	Business-Type Activities - Enterprise Funds	
	Wellness Center Fund	Total Proprietary Funds
ASSETS		
Current assets		
Cash and cash equivalents	\$ 25,605	\$ 1,253,702
Accounts receivable, net	600	252,312
Interest receivable	-	342
Due from other funds	314,948	2,614,948
	<u>341,153</u>	<u>4,121,304</u>
Total current assets		
Non-current assets		
Capital assets		
Construction in progress	-	32,369
Land	181,326	683,671
Buildings and improvements	8,595,050	43,488,000
Infrastructure	824,260	22,283,684
Equipment	-	1,720,788
Less accumulated depreciation	(573,578)	(17,196,649)
	<u>9,027,058</u>	<u>51,011,863</u>
Total non-current assets		
	<u>\$ 9,368,211</u>	<u>\$ 55,133,167</u>
LIABILITIES AND NET POSITION		
Current liabilities		
Cash overdraft	\$ -	\$ 1,952,146
Accounts and other payables	208,202	576,930
Accrued wages	7,520	56,132
Accrued interest	40,536	234,961
Compensated absences payable	2,871	27,582
Due to other funds	-	167,824
Unearned revenue	625,000	625,000
Refundable deposits	-	28,461
Long-term debt - current portion	38,197	342,574
	<u>922,326</u>	<u>4,011,610</u>
Total current liabilities		
Non-current liabilities		
Other postemployment benefits	103,073	706,839
Advances from other funds	-	13,476,016
Long-term debt	2,151,754	14,195,908
	<u>2,254,827</u>	<u>28,378,763</u>
Total non-current liabilities		
	<u>3,177,153</u>	<u>32,390,373</u>
NET POSITION		
Net investment in capital assets	6,837,107	36,475,775
Unrestricted	(646,049)	(13,732,981)
	<u>6,191,058</u>	<u>22,742,794</u>
Total net position		
	<u>\$ 9,368,211</u>	<u>\$ 55,133,167</u>

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

**CITY OF LINDSAY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Refuse Fund	McDermont Sports Complex Fund
Operating revenues				
Service fees	\$ 1,656,514	\$ 1,158,554	\$ 882,841	\$ 1,879,489
Total operating revenues	<u>1,656,514</u>	<u>1,158,554</u>	<u>882,841</u>	<u>1,879,489</u>
Operating expenses				
Salaries	234,341	171,064	47,313	949,252
Benefits	185,118	143,402	31,308	411,615
Materials, services, and supplies	844,558	517,005	901,236	1,116,896
Depreciation	277,601	388,066	-	758,828
Total operating expenses	<u>1,541,618</u>	<u>1,219,537</u>	<u>979,857</u>	<u>3,236,591</u>
Operating income (loss)	<u>114,896</u>	<u>(60,983)</u>	<u>(97,016)</u>	<u>(1,357,102)</u>
Nonoperating revenues (expenses)				
Intergovernmental	-	-	-	250,000
Other income	-	26,511	-	-
Loan proceeds	-	-	-	-
Interest earnings	11	271	-	-
Interest expense	(70,504)	(195,569)	-	(99,991)
Total nonoperating revenue (expenses)	<u>(70,493)</u>	<u>(168,787)</u>	<u>-</u>	<u>150,009</u>
Other financing sources (uses)				
Transfers in	3,500	-	336,888	-
Transfers out	-	-	-	(6,000)
Total other financing sources (uses)	<u>3,500</u>	<u>-</u>	<u>336,888</u>	<u>(6,000)</u>
Change in net position	47,903	(229,770)	239,872	(1,213,093)
Total net position - beginning	8,527,734	5,093,798	(312,155)	4,512,271
Prior period adjustment	(160,137)	150,758	(6,344)	(99,101)
Total net position - ending	<u>\$ 8,415,500</u>	<u>\$ 5,014,786</u>	<u>\$ (78,627)</u>	<u>\$ 3,200,077</u>

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

**CITY OF LINDSAY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION (Continued)
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Business-Type Activities - Enterprise Funds	
	Wellness Center Fund	Total Proprietary Funds
Operating revenues		
Service fees	\$ 119,197	\$ 5,696,595
Total operating revenues	<u>119,197</u>	<u>5,696,595</u>
Operating expenses		
Salaries	128,345	1,530,315
Benefits	60,187	831,630
Materials, services, and supplies	197,775	3,577,470
Depreciation	152,952	1,577,447
Total operating expenses	<u>539,259</u>	<u>7,516,862</u>
Operating income (loss)	<u>(420,062)</u>	<u>(1,820,267)</u>
Nonoperating revenues (expenses)		
Intergovernmental	233,888	483,888
Other income	23,866	50,377
Loan proceeds	53,653	53,653
Interest earnings	1,448	1,730
Interest expense	(89,040)	(455,104)
Total nonoperating revenue (expenses)	<u>223,815</u>	<u>134,544</u>
Other financing sources (uses)		
Transfers in	38,730	379,118
Transfers out	-	(6,000)
Total other financing sources (uses)	<u>38,730</u>	<u>373,118</u>
Change in net position	(157,517)	(1,312,605)
Total net position - beginning	6,348,575	24,170,223
Prior period adjustment	-	(114,824)
Total net position - ending	<u>\$ 6,191,058</u>	<u>\$ 22,742,794</u>

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, 2014**

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Refuse Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 1,503,829	\$ 1,333,372	\$ 869,351
Payments to employees	(398,630)	(299,843)	(74,435)
Payments to suppliers	(766,398)	(702,992)	(906,805)
Net cash provided (used) by operating activities	<u>338,801</u>	<u>330,537</u>	<u>(111,889)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other income	-	26,511	-
Transfers in	3,500	-	336,888
Transfers out	-	-	-
Net cash provided by noncapital financing activities	<u>3,500</u>	<u>26,511</u>	<u>336,888</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Disposal of capital assets	(113,507)	-	-
Proceeds from long-term debt	-	-	-
Purchase of capital assets	-	-	-
Interest paid on long-term debt	(70,504)	(195,569)	-
Principal payments on long-term debt	(57,242)	(143,563)	-
Net cash used by capital and related financing activities	<u>(241,253)</u>	<u>(339,132)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	11	33	-
Net cash provided by investing activities	<u>11</u>	<u>33</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	101,059	17,949	224,999
Balances - beginning of year	<u>585,162</u>	<u>523,927</u>	<u>(243,262)</u>
Balances - end of the year	<u>\$ 686,221</u>	<u>\$ 541,876</u>	<u>\$ (18,263)</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 114,896	\$ (60,983)	\$ (97,016)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	277,601	388,066	-
Changes in assets and liabilities:			
(Increase) Decrease in receivables	(152,685)	174,818	(13,490)
(Increase) Decrease in due from other funds	-	-	-
Increase (Decrease) in accounts payable	74,560	20,679	(5,569)
Increase (Decrease) in compensated absences	(213)	(687)	(94)
Increase (Decrease) in net postemployment benefits	16,098	12,342	3,488
Increase (Decrease) in customer deposits	3,600	(206,666)	-
Increase (Decrease) in unearned revenue	-	-	-
Increase (Decrease) in salaries and benefits payable	4,944	2,968	792
Net cash provided (used) by operating activities	<u>\$ 338,801</u>	<u>\$ 330,537</u>	<u>\$ (111,889)</u>

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, 2014**

	Business-Type Activities - Enterprise Funds		
	McDermont Sports Complex Fund	Wellness Center	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 1,901,989	\$ 745,126	\$ 6,353,667
Payments to employees	(1,273,990)	(173,140)	(2,220,038)
Payments to suppliers	(1,137,916)	(185,884)	(3,699,995)
Net cash provided (used) by operating activities	<u>(509,917)</u>	<u>386,102</u>	<u>433,634</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other income	250,000	257,754	534,265
Transfers in	-	38,730	379,118
Transfers out	(6,000)	-	(6,000)
Net cash provided by noncapital financing activities	<u>244,000</u>	<u>296,484</u>	<u>907,383</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Disposal of capital assets	-	-	(113,507)
Proceeds from long-term debt	-	53,653	53,653
Purchase of capital assets	(62,209)	-	(62,209)
Interest paid on long-term debt	(99,991)	(89,040)	(455,104)
Principal payments on long-term debt	(99,824)	(36,640)	(337,269)
Net cash used by capital and related financing activities	<u>(262,024)</u>	<u>(72,027)</u>	<u>(914,436)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	-	1,448	1,492
Net cash provided by investing activities	<u>-</u>	<u>1,448</u>	<u>1,492</u>
Net increase (decrease) in cash and cash equivalents	(527,941)	612,007	428,073
Balances - beginning of year	<u>(1,405,942)</u>	<u>(586,402)</u>	<u>(1,126,517)</u>
Balances - end of the year	<u>\$ (1,933,883)</u>	<u>\$ 25,605</u>	<u>\$ (698,444)</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,357,102)	\$ (420,062)	\$ (1,820,267)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	758,828	152,952	1,577,447
Changes in assets and liabilities:			
(Increase) Decrease in receivables	-	-	8,643
(Increase) Decrease in due from other funds	22,500	-	22,500
Increase (Decrease) in accounts payable	(21,020)	12,491	81,141
Increase (Decrease) in compensated absences	-	929	(65)
Increase (Decrease) in net postemployment benefits	80,757	11,537	124,222
Increase (Decrease) in customer deposits	-	(600)	(203,666)
Increase (Decrease) in unearned revenue	-	625,000	625,000
Increase (Decrease) in salaries and benefits payable	6,120	3,855	18,679
Net cash provided (used) by operating activities	<u>\$ (509,917)</u>	<u>\$ 386,102</u>	<u>\$ 433,634</u>

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

**CITY OF LINDSAY
STATEMENT OF FIDUCIARY NET POSITION (DEFICIT)
FIDUCIARY FUND
JUNE 30, 2014**

	Private-Purpose Trust Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,276,570
Notes receivable	1,398,960
Land held for resale	1,705,000
Advances to the City	2,820,678
Cash with fiscal agent	1,126,434
Total assets	8,327,642
LIABILITIES	
Accounts payable	22,919
Unearned revenue	1,398,960
Due to other governments	150,000
Accrued interest payable	1,332,552
Long-term debt	
Due within one year	1,337,974
Due in more than one year	19,247,556
Total liabilities	23,489,961
NET POSITION (DEFICIT)	
Net position (deficit) held in trust	\$ (15,162,319)

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

**CITY OF LINDSAY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Private-Purpose Trust Fund
ADDITIONS	
Redevelopment Agency Property Tax Trust Fund	\$ 1,444,164
Loan repayments	7,139
Other income	38,578
Total additions	1,489,881
DEDUCTIONS	
Administrative expenses	33,784
Interest on long-term debt	1,254,946
Total deductions	1,288,730
Transfers out	(16,202)
Change in net position	184,949
Net position, beginning	(13,898,752)
Prior period adjustment	(1,448,516)
Net position, beginning, restated	(15,347,268)
Net position, ending	\$ (15,162,319)

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

CITY OF LINDSAY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

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

Additionally, the City reports the following fiduciary fund type:

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

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Revenue – Exchange and Non-Exchange Transactions

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

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

Unearned Revenue

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

Deferred Outflows and Inflows

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

In addition to assets, the Statement of Financial Position will sometimes report a separate schedule for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The City has no items which qualify for reporting in this category.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate schedule for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. The City has no items which qualify for reporting in this category.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

F. Cash, Cash Equivalents, and Investments

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. City investment policy authorizes investment in the State of California Local Agency Investment Fund to a maximum of \$10,000,000, and 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

G. Accounts Receivable

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

H. Inventory and Prepays

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

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

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 Fund (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 XIII A of the State of California Constitution (Proposition 13) to levy a maximum tax of 1% of assessed value, plus other increases as approved by the voters.

N. Encumbrances

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

O. Use of Estimates

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

P. Postemployment Benefits Other than Pensions

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Fund Balance

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

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

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

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

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

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

R. Current Governmental Accounting Standards Board Statements – Implemented Pronouncements

For the fiscal year ended June 30, 2014, the City implemented the following GASB standards:

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. There was no effect on the City's accounting or financial reporting as a result of implementing this standard.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GASB Statement No. 66 – *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62.* The provisions of GASB Statement No. 66 are effective for financial statements beginning after December 15, 2012. There was no effect on the City's accounting or financial reporting as a result of implementing this standard.

GASB Statement No. 67 – *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25.* The provisions of GASB Statement No. 67 are effective for financial statements beginning after June 15, 2013. There was no effect on the City's accounting or financial reporting as a result of implementing this standard.

GASB Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* The provisions of GASB Statement No. 70 are effective for financial statements beginning after June 15, 2013. There was no effect on the City's accounting or financial reporting as a result of implementing this standard.

S. Future Governmental Accounting Standards Board Statements

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

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.

GASB Statement No. 69 – *Government Combinations and Disposals of Government Operations.* The provisions of GASB Statement No. 69 are effective for financial statements beginning after December 15, 2013. The City has not fully judged the effect of the implementation of GASB Statement No. 69 as of the date of the basic financial statements.

GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.* The provisions of this statement will be applied simultaneously with the provisions of GASB Statement 68.

GASB Statement No. 72 – *Fair Value Measurement and Application.* The provisions of GASB Statement No. 72 are effective for financial statements beginning June 15, 2015. The City has not fully judged the effect of the implementation of GASB Statement No. 72 as of the date of the basic financial statements.

NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents, and investments

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

	Governmental Funds	Enterprise Funds	Private-Purpose Trust Fund	Total
Cash and cash equivalents	\$ 2,084,905	\$ 1,253,702	\$ 1,276,570	\$ 4,615,177
Investments held by bond trustees	-	-	1,126,434	1,126,434
Cash overdraft	-	(1,952,146)	-	(1,952,146)
Total cash, cash equivalents, and investments	<u>\$ 2,084,905</u>	<u>\$ (698,444)</u>	<u>\$ 2,403,004</u>	<u>\$ 3,789,465</u>

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

Cash, cash equivalents, and investments (Continued)

Cash, cash equivalents, and investments as of June 30, 2014, consist of the following:

Deposits with fiscal institutions	\$ 2,062,002
Money Market - U.S. Treasury held with bond trustee	1,126,434
Investments - Local Agency Investment Fund (LAIF)	<u>601,029</u>
 Total cash, cash equivalents, and investments	 <u>\$ 3,789,465</u>

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Securities	5 years	None	None
U.S. Agency Securities	5 years	None	None
Bankers Acceptances	270 days	30%	30%
Certificates of 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:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
LAIF	\$ 601,029	\$ 601,029	\$ -	\$ -	\$ -
Held by bond trustee:					
Money market - U.S. Treasury	<u>1,126,434</u>	<u>1,126,434</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,727,463</u>	<u>\$ 1,727,463</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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	\$ 601,029	N/A	\$ -	\$ -	\$ 601,029
Held by bond trustees:					
Money Market/CDs - U.S. Treasury	1,126,434		-	-	1,126,434
Total	<u>\$ 1,727,463</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,727,463</u>

Concentration of credit risk

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

Issuer	Investment Type	Reported Amount
None	N/A	\$ -

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 fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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

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

Custodial credit risk (Continued)

As of June 30, 2014, 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, 2014, the City's investments in the following investment types were held by its bond trustees:

<u>Investment Type</u>	<u>Reported Amount</u>
Money Market/CDs - U.S. Treasury Fund	<u>\$ 1,126,434</u>

Investment in State Investment Pool

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

NOTE 3 – INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at June 30, 2014, are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 422,190	\$ 3,587,497
Local Transportation Fund	9,898	-
Community Development Fund	1,099,999	391,714
Wellness Center Fund	314,948	-
Water Fund	800,000	-
Sewer Fund	1,500,000	-
McDermont Sport Complex Fund	-	167,824
	<u>\$ 4,147,035</u>	<u>\$ 4,147,035</u>

NOTE 4 – TRANSFERS IN AND OUT

The purpose of the majority of transfers is to reimburse a fund which has made expenditures on behalf of another fund. Transfers between funds during the fiscal year ended June 30, 2014, were as follows:

	Purpose	Transfers In	Transfers Out
Governmental Activities:			
General Fund	Tulare County Transit Authority - Principal and Interest	\$ 70,949	\$ -
General Fund	Transfer to Other Funds	-	629,111
Community Development Fund	Capital Improvement	753,920	3,500
Local Transportation Fund	Streets Projects - Local Transportation Funds	-	354,956
Gas Tax Fund	Streets Projects - Surface Transportation Program	-	210,420
	Total Governmental Activities	824,869	1,197,987
Business-Type Activities:			
Wellness Center Fund	To apply to aquatic center expenses	38,730	-
McDermont Sports Complex Fund	To transfer capital asset expenditures	-	6,000
Refuse Fund	To eliminate fund deficit	336,888	-
Water Fund	To transfer capital asset expenditures	3,500	-
	Total Business-Type Activities	379,118	6,000
	Total Transfers	\$ 1,203,987	\$ 1,203,987

NOTE 5 – ADVANCES FROM AND TO OTHER FUNDS

Interfund advances from and to other fund balances at June 30, 2014, are as follows:

	Advances To	Advances From
General Fund	\$ 13,476,016	\$ 2,854,770
McDermont Sports Complex Fund	-	13,476,016
Community Development Fund	34,092	-
Private-Purpose Trust Fund	2,820,678	-
	\$ 16,330,786	\$ 16,330,786

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

The advances to the Private-Purpose Trust Fund and Community Development Fund were funds that were used to help with various Downtown projects and for land transactions that occurred between the former City of Lindsay Redevelopment Agency and the City.

NOTE 6 – NOTES RECEIVABLE

The following are notes receivable recorded in various funds at June 30, 2014:

	General Fund	Community Development Fund	Curb and Gutter Fund	Private- Purpose Trust Fund	Total
Individuals					
7% unsecured notes with annual principal and interest payments of \$5,002.	\$ -	\$ -	\$ 4,502	\$ -	\$ 4,502
Business loans	93,580	-	-	-	93,580
Non-interest and below-market rate secured notes with deferred payments of monthly principal and interest. Collateralized by trust deeds on improved property.	-	16,162,419	-	1,398,960	17,561,379
	<u>\$ 93,580</u>	<u>\$ 16,162,419</u>	<u>\$ 4,502</u>	<u>\$ 1,398,960</u>	<u>\$ 17,659,461</u>

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	June 30, 2013 Balance	Additions	Deletions	June 30, 2014 Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 796,733	\$ -	\$ (25,034)	\$ 771,699
Construction in progress	1,503,029	62,080	(1,549,143)	15,966
Total capital assets, not being depreciated	<u>2,299,762</u>	<u>62,080</u>	<u>(1,574,177)</u>	<u>787,665</u>
Capital assets, being depreciated:				
Buildings	4,359,986	-	(374,920)	3,985,066
Improvements other than buildings	35,777,375	1,119,409	-	36,896,784
Machinery and equipment	3,227,666	98,450	(156,947)	3,169,169
Total capital assets, being depreciated	<u>43,365,027</u>	<u>1,217,859</u>	<u>(531,867)</u>	<u>44,051,019</u>
Less accumulated depreciation for:				
Buildings	(1,191,048)	(79,193)	192,706	(1,077,535)
Improvements other than buildings	(15,980,972)	(718,406)	-	(16,699,378)
Machinery and equipment	(2,834,010)	(67,289)	156,947	(2,744,352)
Total accumulated depreciation	<u>(20,006,030)</u>	<u>(864,888)</u>	<u>349,653</u>	<u>(20,521,265)</u>
Total capital assets, being depreciated, net	<u>23,358,997</u>	<u>352,971</u>	<u>(182,214)</u>	<u>23,529,754</u>
Governmental activities capital assets, net	<u>\$ 25,658,759</u>	<u>\$ 415,051</u>	<u>\$ (1,756,391)</u>	<u>\$ 24,317,419</u>

NOTE 7 – CAPITAL ASSETS (Continued)

	June 30, 2013 Balance	Additions	Deletions	June 30, 2014 Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 683,671	\$ -	\$ -	\$ 683,671
Construction in progress	-	32,369	-	32,369
Total capital assets, not being depreciated	683,671	32,369	-	716,040
Capital assets, being depreciated:				
Buildings and improvements	43,488,000	-	-	43,488,000
Improvements other than buildings	22,202,546	-	-	22,202,546
Machinery and equipment	1,673,769	143,347	(15,190)	1,801,926
Total capital assets, not being depreciated	67,364,315	143,347	(15,190)	67,492,472
Less accumulated depreciation for:				
Buildings and improvements	(6,386,887)	(842,054)	-	(7,228,941)
Improvements other than buildings	(7,988,652)	(436,322)	-	(8,424,974)
Machinery and equipment	(1,258,853)	(299,071)	15,190	(1,542,734)
Total accumulated depreciation	(15,634,392)	(1,577,447)	15,190	(17,196,649)
Total capital assets, being depreciated, net	51,729,923	(1,434,100)	-	50,295,823
Business-type activities capital assets, net	<u>\$ 52,413,594</u>	<u>\$ (1,401,731)</u>	<u>\$ -</u>	<u>\$ 51,011,863</u>

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

Governmental activities:	
General government	\$ 864,888
Total depreciation expense - governmental activities	<u>\$ 864,888</u>
Business-type activities:	
Water Fund	\$ 277,601
Sewer Fund	388,066
McDermont Sport Complex Fund	758,828
Wellness Center Fund	152,952
Total depreciation expense - business-type activities	<u>\$ 1,577,447</u>

NOTE 8 – LONG-TERM DEBT

Governmental Activities

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, 2014, the balance of the COP was \$1,315,307.

On May 12, 2010, the City entered into a COP with the USDA RD for the construction of the Library Project in the amount of \$750,000. The COP has annual principal and interest payments of approximately \$37,000 a year at 4.125% through 2040. As of June 30, 2014, the balance of the COP was \$501,545.

NOTE 8 – LONG-TERM DEBT (Continued)

Business-Type Activities

Certificates of Participation

On June 20, 2007, the City entered into a COP with USDA RD for the Wellness Center in the amount of \$1,130,689. The total amount of the COP will be \$3,000,000 if totally drawn. The Wellness Center Fund has annual principal and interest payments of approximately \$129,000 a year at 4.25% through 2032. As of June 30, 2014, the balance of the COP was \$2,184,209.

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, 2014, the balance of the revenue bond was \$69,449.

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, 2014, the balance due was \$5,618,177.

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, 2014, the balance due was \$1,918,150.

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, 2014, the balance due was \$415,858.

On November 1, 2012, the City entered into a refunding bond with US Bank National Association for refunding of the City's \$1,500,000 Mid Valley Services, Inc., promissory note dated November 19, 2009. The annual principal payments are due annually beginning on January 1, 2014. Interest ranging from 4.0% to 6.4% on the bonds is payable on January 1st and July 1st of each year, commencing on July 1, 2013. As of June 30, 2014, the balance due was \$1,750,000.

NOTE 8 – LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

Revenue Bonds Payable (Continued)

The annual requirements to amortize all debt outstanding as of June 30, 2014, including interest, are as follows:

Year Ended June 30,	Governmental Activities		
	Certificates of Participation		Total
	2008	2010	
	USDA RD Roads COP	USDA RD Library COP	
2015	\$ 120,406	\$ 37,060	\$ 157,466
2016	120,110	37,039	157,149
2017	119,801	37,018	156,819
2018	119,479	36,996	156,475
2019	119,143	36,973	156,116
2020-2024	590,162	184,485	774,647
2025-2029	465,969	183,754	649,723
2030-2034	-	182,866	182,866
2035-2039	-	181,786	181,786
2040-2044	-	2,258	2,258
	1,655,070	920,235	2,575,305
Less interest	(339,763)	(418,690)	(758,453)
	<u>\$ 1,315,307</u>	<u>\$ 501,545</u>	<u>\$ 1,816,852</u>

Year Ended June 30,	Business-Type Activities						
	Revenue Bonds Payable				COPs	Lease Revenue	
	1993	1999	2000	2004	2007	2012	
	CSCDA Refunding Bonds	USDA RD Waste Water	USDA RD Water Line	USDA RD Waste Water	USDA RD Wellness Center	Refunding Bonds	
2015	\$ 16,754	\$ 323,470	\$ 109,874	\$ 25,623	\$ 129,403	\$ 197,950	\$ 803,074
2016	16,754	323,470	109,874	25,623	129,334	193,700	798,755
2017	16,754	323,470	109,874	25,623	129,262	194,200	799,183
2018	16,754	323,470	109,874	25,623	129,187	194,475	799,383
2019	16,754	323,470	109,874	25,623	129,108	194,250	799,079
2020-2024	16,754	1,617,350	549,370	128,115	644,249	986,338	3,942,176
2025-2029	-	1,617,350	549,370	128,115	641,731	591,875	3,528,441
2030-2034	-	1,617,350	549,370	128,115	638,633	-	2,933,468
2035-2039	-	1,617,350	549,370	128,115	634,816	-	2,929,651
2040-2044	-	319,926	131,196	100,316	630,116	-	1,181,554
2045-2049	-	-	-	-	499,905	-	499,905
	100,524	8,406,676	2,878,046	740,891	4,335,744	2,552,788	19,014,669
Less interest	(31,075)	(2,788,499)	(959,896)	(325,033)	(2,151,535)	(802,788)	(7,058,826)
	<u>\$ 69,449</u>	<u>\$ 5,618,177</u>	<u>\$ 1,918,150</u>	<u>\$ 415,858</u>	<u>\$ 2,184,209</u>	<u>\$ 1,750,000</u>	<u>\$ 11,955,843</u>

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, 2014, were as follows:

Operating Lease	
Year Ending June 30,	Amount
2015	\$ 7,320
2016	7,320
2017	5,490
Total	<u>\$ 20,130</u>

A schedule of changes in long-term debt for the year ended June 30, 2014, is shown below:

	Adjusted Balance July 1, 2013	Additions/ Adjustments	Deductions	Balance June 30, 2014	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$ 5,000	\$ -	\$ 5,000	\$ -	\$ -
Certificates of Participation (COP)					
2008 USDA RD Roads COP	1,377,081	-	61,774	1,315,307	64,400
2010 USDA RD Library COP	517,286	-	15,741	501,545	16,371
Compensated Absences	163,811	120,317	118,647	165,481	55,160
Net Other Postemployment Benefits Obligation	613,819	198,639	54,297	758,161	-
Governmental Activities Long-Term Liabilities	<u>\$ 2,676,997</u>	<u>\$ 318,956</u>	<u>\$ 255,459</u>	<u>\$ 2,740,494</u>	<u>\$ 135,931</u>
	Adjusted Balance July 1, 2013	Additions/ Adjustments	Deductions	Balance June 30, 2014	Due Within One Year
Business-Type Activities					
Revenue Bonds					
1993 CSCDA Refunding Bonds	\$ 80,653	\$ -	\$ 11,204	\$ 69,449	\$ 12,016
1999 USDA RD Waste Water Expansion	5,754,622	-	136,445	5,618,177	140,879
2000 USDA RD Water Line Project	1,964,188	-	46,038	1,918,150	47,534
2004 USDA RD Waste Water Project	422,976	-	7,118	415,858	7,429
2012 Taxable Lease Revenue Refunding Bonds	1,835,000	-	85,000	1,750,000	100,000
Bond Issuance Discount	(46,988)	-	(3,481)	(43,507)	(3,481)
Total Revenue Bonds	<u>10,010,451</u>	<u>-</u>	<u>282,324</u>	<u>9,728,127</u>	<u>304,377</u>
Certificates of Participation (COP)					
2007 USDA RD Wellness Center COP	2,220,849	-	36,640	2,184,209	38,197
Capital Lease					
Cypress Financial Corporation	18,305	-	18,305	-	-
Lindsay Olive Growers Pond Closure Cost Liability	2,570,981	-	-	2,570,981	-
Compensated Absences	87,325	60,164	64,741	82,748	27,582
Net Other Post Employment Benefits Obligation	582,617	170,948	46,727	706,838	-
Business-Type Activities Long-Term Liabilities	<u>\$ 15,490,528</u>	<u>\$ 231,112</u>	<u>\$ 448,737</u>	<u>\$ 15,272,903</u>	<u>\$ 370,156</u>

NOTE 9 – RETIREMENT PLANS

Plan Description

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

Funding Policy

Participants hired before January 1, 2011, (Classic 1st Tier) are required to contribute 4% (of the 8% employer paid member contribution (EPMC) - Misc / 9% EPMC - Safety) of their annual covered salary; participants hired after January 1, 2011, but before January 1, 2013, (Classic 2nd Tier), are required to contribute the entire EPMC per their employee group; Participants hired after January 1, 2013, are subject to the new Public Employees' Retirement Pension Act (PERPA) regulations which sets the EPMC rates at 6.25% for Miscellaneous and 11.5% for Safety with no tax deferred option. The City makes the contributions required of City employees, per the previous statement, on their behalf and for their account. The City is required to contribute at an actuarially determined rate of annual covered payroll: The rate for the fiscal year ended June 30, 2014, was 23.615% for Classic non-safety employees, and 6.25% for PERPA employees; 28.667% for Classic safety employees, 11.5% for PERPA. The contribution of plan members and the City are established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2013-14, the City's annual pension cost was \$929,186 and was equal to the City's required and actual contributions. The required contribution for fiscal year 2013-14 was determined as part of the June 30, 2013, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: (a) 18% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.30% to 14.20% for miscellaneous and safety plan members; and (c) 2% cost-of-living adjustment. Both (a) and (b) include an inflation component of 2.75%. The actuarial value of the plans' assets was determined using a technique that smoothes the effects of short-term volatility in the market value of investments over a five-year period. The Miscellaneous Plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2013, was 18 years for the Miscellaneous Plan and 16 years for the Safety Plan.

Three Year Trend Information

	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
<u>Miscellaneous Plan</u>	6/30/2012	\$ 421,307	100%
	6/30/2013	\$ 408,042	100%
	6/30/2014	\$ 472,858	100%
<u>Safety Plan</u>	6/30/2012	\$ 484,240	100%
	6/30/2013	\$ 436,004	100%
	6/30/2014	\$ 456,601	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 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-four (54) cities in the 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:

	<u>For the Year Ended June 30, 2014</u>
Total Assets	\$ 80,694,798
Total Liabilities	<u>65,440,947</u>
Total Net Assets	<u>15,253,851</u>
Total Liabilities and Net Assets	<u>\$ 80,694,798</u>
Revenues	\$ 32,108,146
Expenses	<u>32,739,704</u>
Change in Net Assets	<u>\$ (631,558)</u>

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:
 - Meet the requirements for CalPERS service or disability retirement (i.e., retirement at age 50 or older with 5 years of CalPERS membership or an approved disability retirement);
 - Have completed 15 or more years of continuous service with the City; and
 - Have not yet reached age 65.
- **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
				\$ 567.62	\$ 31.72	\$ 5.80
Less than 15	0.0%	22	77.0%	Rates are per month as of January 1, 2015		
15	52.5%	23	80.5%			
16	56.0%	24	84.0%			
17	59.5%	25	87.5%			
18	63.0%	26	91.0%			
19	66.5%	27	84.5%			
20	70.0%	28	98.0%			
21	73.5%	29 or more	100.0%			

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 \$34,437 Explicit Subsidy + \$45,825 Implicit Subsidy for \$80,262 of the total current year benefit of \$84,312 per the actuarial report (Future Retiree Implicit Subsidy is \$4,050).
- The claims experience of active and retired members is co-mingled in setting premium rates for the plans in which City employees and retirees participate which results in an “implicit subsidy”:
 - The valuation report performed by Bickmore Risk Services & Consulting includes cost analysis for an implicit subsidy – same premium rates for retirees as active employees which provide a lower premium rate for retiree(s) than if rated separately from younger and healthier active employees.
 - Paragraph 13.a of GASB Statement No. 45 generally requires an implicit subsidy of retiree premium rates be valued as an other postemployment benefits (OPEB) liability.

Funding Policy and Actuarial Assumptions

The City’s funding policy for the plan is to fund benefits on a pay-as-you-go basis. The annual required contribution was determined as part of the June 30, 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 <i>plus</i> the Normal Cost <u><i>plus</i> Present Value of Future Normal</u> equals Present Value of Future Benefits	Past Years’ Costs Current Year’s Costs <u>Future Year’s Costs</u> Total Benefit Costs
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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, 2011, the date of the actuarial valuation, 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 \$27,500 for payment of *explicit* costs for the fiscal year-end June 30, 2014, and will calculate, based on current and immediate participation, the explicit cost to be set aside within the annual City budget equal to one year's explicit subsidy benefit. Accounting principles generally accepted in the United States of America permit assets to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such assets are placed in an irrevocable trust or equivalent arrangement. Since the City's contribution did not meet this requirement, the assets have been excluded from the actuarial study and calculation. This funding policy means that the City contributions are considered to be on a pay-as-you-go basis. As a result, the City has calculated and recorded the Net OPEB Obligation, representing the difference between the annual required contribution and the pay-as-you-go contributions as presented below.

Summary of employer contributions for OPEB is as follows:

Fiscal Year Ended	Annual Required Contribution (ARC)	Employer Actual Contribution*	Percentage of ARC Contributed	Net OPEB Obligation (Asset)
6/30/2011	\$ 306,048	\$ 80,589	26%	\$ 648,871 **
6/30/2012	\$ 322,362	\$ 71,093	22%	\$ 900,139
6/30/2013	\$ 355,664	\$ 61,569	17%	\$ 1,196,436
6/30/2014	\$ 368,396	\$ 100,923	27%	\$ 1,464,999

*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, 2014, is as follows:

Annual required contribution	\$ 368,764
Interest on net OPEB obligation	47,925
Adjustments to annual required contribution	<u>(47,102)</u>
Annual OPEB cost	369,587
Contributions made	<u>(101,024)</u>
Change in net OPEB obligation (asset)	268,563
Net OPEB obligation (asset) - beginning of year	<u>1,196,436</u>
Net OPEB obligation (asset) - end of year	<u>\$ 1,464,999</u>

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.

The California Department of Transportation (Caltrans) completed an audit for grant funding totaling \$3,197,924 for work performed under six agreements during the time period of July 1, 2008 through December 31, 2011. Based on Caltrans audit procedures, it was determined that reimbursed project costs totaling \$1,800,736 were not supported and were not in compliance with respective agreement provisions or state and federal regulations. Although Caltrans is requesting full payment of the \$1,800,736, the City is in the process of contesting these changes. As of June 30, 2014, it is unknown what amount the City will be required to pay as a result of the Caltrans audit report dated February 18, 2014, but indications are the repayment request will be limited to the single item found to have been paid by two different funding sources and the one item the City agreed was ineligible for an estimated repayment total of approximately \$138,875.

Also, during December 2012, the Department of Housing and Community Development (HCD) completed its review of the City's Grant No. 06-FREZ-2512, Grant No. 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. Although, not confirmed at this time, we believe that the evidence and argument presented in support of our position that the City did meet the National Objective requirements of the Grant(s) is being reconsidered by Community Development Block Grant (CDBG) and the City will be granted leave to move forward with use of program income and eligibility for future grant awards without repaying the disputed amount.

There is a possibility of unrecorded commitments that may be required from the State Controller's Office – Division of Gas Tax audit – in the amount of \$400,000 for Proposition 1B funds disbursed to the City in February 2008. The matter is still pending resolution. With the resolution still pending, it is still unknown what amount the City will be required to repay.

NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

Street Improvement Fee

The City has established a street improvement 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, 2014. However, additional amounts might be needed in the future in order to clean up the site, and the issue will be reviewed in Fiscal Year (FY) 15 to ascertain if any additional amounts should be accrued.

Budgetary Concerns – Cash Overdraft

McDermont Sports Complex has a large cash deficit which is attributable to previous years' activity wherein revenues fell far short of expenditures. McDermont Sports Complex has a very large cash deficit that goes back to fiscal year 2012 when that facility suffered a loss in excess of \$1,000,000. While the losses have been reduced under the new administration, that department continues to challenge the City's financial well being. It should be noted that approximately \$100,000 of the deficit are funds expended on community recreation programs that in previous years had been accounted for within the General Fund. McDermont Sports Complex has done an excellent job in trimming costs; unfortunately, the revenues continue to fall short of operational costs, thus the note of concern. McDermont Sports Complex was able to increase its revenue stream by 6.9% in FY14, while reducing expenditures by 4.65%.

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:

	<u>June 30, 2014</u>
RELATED PARTY LOANS	
Employee Loans	
Deferred Payment Loans	\$ 1,177,351
Deferred No Interest Loans	302,578
No Interest Loans	7,080
Below Market Interest Rate Loans	<u>225,836</u>
Total Employee Loans	<u>1,712,845</u>
Loans to Employees' Relatives	
Deferred Payment Loans	875,723
Deferred No Interest Loans	133,993
No Interest Loans	17,330
Below Market Interest Rate Loans	<u>266,237</u>
Total Loans to Employees' Relatives	<u>1,293,283</u>
Total All Related Party Loans	<u>\$ 3,006,128</u>

NOTE 15 – SUBSEQUENT EVENTS

In accordance with accounting standards generally accepted in the United States, subsequent events have been evaluated through March 31, 2015, the date in which the financial statements have been issued.

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

	Governmental Activities	Business-Type Activities	Private-Purpose Trust Fund
Net position at July 1, 2013, as previously stated	\$ 32,019,912	\$ 24,170,223	\$ (13,898,752)
To remove capital assets	-	-	(746,034)
Remove 1972 Bonds	5,000	-	-
Remove bond issuance costs	-	(99,101)	(702,482)
To account for unreconciled differences in cash	18,540	-	-
Adjust utility billing accounts receivable to its true balance	(1,306,520)	(222,389)	-
Transfer incorrectly booked activity from prior year	1,294,794	-	-
Reconcile liability accounts	40,005	-	-
To correct prior year expenditures	-	206,666	-
Correct due to/from balances from Local Transportation Fund	(53,250)	-	-
Total prior period adjustment	<u>(1,431)</u>	<u>(114,824)</u>	<u>(1,448,516)</u>
Net position at July 1, 2013, as restated	<u>\$ 32,018,481</u>	<u>\$ 24,055,399</u>	<u>\$ (15,347,268)</u>

Governmental Funds					
	General Fund	Local Transportation Fund	Gas Tax Fund	Transit Fund	Total
Fund balance at July 1, 2013, as previously stated	\$ 5,705,825	\$ -	\$ 1,886,325	\$ -	\$ 7,592,150
To account for unreconciled differences in cash	18,540	-	-	-	18,540
Adjust accounts receivable to its true balance	918	-	-	-	918
Transfer in prior year activity	-	1,294,794	(1,308,064)	626	(12,644)
Reconcile liability accounts	34,007	-	-	5,998	40,005
Correct due to/from balances from Local Transportation Fund	937,680	(990,930)	-	-	(53,250)
Total prior period adjustment	<u>991,145</u>	<u>303,864</u>	<u>(1,308,064)</u>	<u>6,624</u>	<u>(6,431)</u>
Fund balance at July 1, 2013, as restated	<u>\$ 6,696,970</u>	<u>\$ 303,864</u>	<u>\$ 578,261</u>	<u>\$ 6,624</u>	<u>\$ 7,585,719</u>

Enterprise Funds					
	Water Fund	Sewer Fund	McDermont Sport Complex Fund	Refuse Fund	Total
Fund balance at July 1, 2013, as previously stated	\$ 8,527,734	\$ 5,093,798	\$ 4,512,271	\$ (312,155)	\$ 17,821,648
Remove bond issuance costs	-	-	(99,101)	-	(99,101)
To correct prior year expenditures	-	206,666	-	-	206,666
Adjust accounts receivable to its true balance	(160,137)	(55,908)	-	(6,344)	(222,389)
Total prior period adjustment	<u>(160,137)</u>	<u>150,758</u>	<u>(99,101)</u>	<u>(6,344)</u>	<u>(114,824)</u>
Fund balance at July 1, 2013, as restated	<u>\$ 8,367,597</u>	<u>\$ 5,244,556</u>	<u>\$ 4,413,170</u>	<u>\$ (318,499)</u>	<u>\$ 17,706,824</u>

NOTE 17 – SUCCESSOR AGENCY TAX ALLOCATION BOND REFINANCE

As noted in Note 21, the City issued tax allocation bonds in 2005, 2007, 2008, and 2009, that were from pledged tax revenues allocated and paid to the Successor Agency from properties in the project area. On February 10, 2015, the City Council approved the Successor Agency's request to refinance the 2005, 2007, and 2008 tax allocation bonds. At this time, the City and legal counsel are finalizing the amount of bonds to be issued.

NOTE 18 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2014, expenditures exceeded appropriations in the individual major funds as follows:

<u>Fund</u>	<u>Appropriations Category</u>	<u>Excess Expenditures</u>
General Fund	General government	\$ 73,275
	Public safety	139,840
	Parks and recreation	3,276
	Debt service:	
	Principal	15,741
	Interest and administrative charges	39,865
Community Development	Community development	876,319
	Capital outlay	778,520

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 Fund	Local Transportation Fund	Other Governmental Funds	Total
Fund balances:					
Nonspendable:					
Receivables	\$ 198,656	\$ 939	\$ 47,236	\$ 2,275	\$ 249,106
Prepaid expense	59,954	-	-	-	59,954
Restricted for:					
Note receivable	93,580	16,121,183	-	6,702	16,221,465
Road construction and maintenance	-	-	236,990	6,415	243,405
Committed to:					
General Fund	165,206	-	-	-	165,206
Road construction and maintenance	-	-	125,000	-	125,000
Community development	-	179,436	-	-	179,436
Wellness Center	32,730	-	-	-	32,730
Debt service	120,312	73,566	127,688	-	321,566
McDermont Sports Complex	194,736	-	-	-	194,736
Construction projects	224,624	224,624	-	-	449,248
Refuse Fund	-	73,566	-	-	73,566
Curb and gutter	-	-	-	18,272	18,272
Assigned to:					
Community development	-	-	-	-	-
Agency programs	194,736	-	-	-	194,736
Special assessments	-	-	-	9,817	9,817
Gas tax	-	-	-	533,397	533,397
Unassigned:	5,359,230	(15,196,979)	-	-	(9,837,749)
Total fund balances	<u>\$ 6,643,764</u>	<u>\$ 1,476,335</u>	<u>\$ 536,914</u>	<u>\$ 576,878</u>	<u>\$ 9,233,891</u>

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 Lindsay Redevelopment Agency (the Agency).

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

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

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

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

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

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

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

Successor Agency Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

<u>Capital Assets - Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
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:				
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:				
Buildings and improvements	(102,557)	-	102,557	-
Equipment/vehicles	(53,649)	-	53,649	-
Total accumulated depreciation	(156,206)	-	156,206	-
Total capital assets, being depreciated, net	487,436	-	(487,436)	-
Private-Purpose Trust Activities Capital Assets, Net	<u>\$ 757,834</u>	<u>\$ -</u>	<u>\$(757,834)</u>	<u>\$ -</u>

Depreciation expense at June 30, 2014, was \$0.

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.

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

Successor Agency Long-Term Debt (Continued)

The debt of the Successor Agency Trust as of June 30, 2014, is as follows:

<u>Year Ending June 30,</u>	<u>Successor Agency Trust</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,330,000	\$ 731,187
2016	340,000	691,317
2017	355,000	677,672
2018	370,000	662,989
2019	385,000	646,664
2020-2024	7,150,000	3,823,607
2025-2029	2,835,000	2,326,990
2030-2034	3,630,000	1,525,814
2035-2039	4,012,237	490,750
Sub-total	<u>20,407,237</u>	<u>11,576,990</u>
Add: Original issue premium	<u>178,293</u>	<u>-</u>
Total	<u>\$ 20,585,530</u>	<u>\$ 11,576,990</u>

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, 2014, the balance on the bonds was \$3,925,000.

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, 2014, the balance on the bonds was \$6,895,000.

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, 2014, the balance on the bonds was \$3,270,000.

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, 2014, the balance on the bonds was \$1,000,000.

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

Notes Payable

On March 30, 2004, the Agency entered into a loan agreement with the California Housing Finance Agency (CalHFA) for the purpose of assisting the Agency in operating a local housing program through the CalHFA HELP program. The loan is in the amount of \$1,250,000, bears a simple annual interest rate of 3.0%, and repayment of principal and interest is deferred for a term of 10 years from date of the note. As of June 30, 2014, there remained an unpaid balance due on the CalHFA HELP loan of \$1,250,000. On July 30, 2013, the Successor Agency obtained an amendment to the original loan extending the unpaid balance due date to March 30, 2019.

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, 2014, 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, 2014, there remained an unpaid balance due on the CalHFA loan of \$3,690,000. On July 30, 2013, the Successor Agency obtained an amendment to the original loan extending the unpaid balance due date to May 7, 2021.

Changes in Long-Term Liabilities

Successor Agency long-term liabilities activity for the fiscal year ended June 30, 2014, was as follows:

Successor Agency Trust Activities:	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Bonds Payable					
2005 Tax Allocation Bond	\$ 4,025,000	\$ -	\$ (100,000)	\$ 3,925,000	\$ 105,000
2007 Tax Allocation Bond	7,055,000	-	(160,000)	6,895,000	165,000
2008 Tax Allocation Bond	3,325,000	-	(55,000)	3,270,000	60,000
2009 Tax Allocation Bond	1,000,000	-	-	1,000,000	1,000,000
Subtotal bonds payable	15,405,000	-	(315,000)	15,090,000	1,330,000
Add: bond premiums	186,267	-	(7,974)	178,293	7,974
Total bonds payable	15,591,267	-	(322,974)	15,268,293	1,337,974
Notes payable					
CalHFA - RDLP Loan	3,690,000	-	-	3,690,000	-
CalHFA - HELP Loan	1,250,000	-	-	1,250,000	-
COL Housing Program Loan	377,237	-	-	377,237	-
Total notes payable	5,317,237	-	-	5,317,237	-
Total Successor Agency Trust Activities	\$ 20,908,504	\$ -	\$ (322,974)	\$ 20,585,530	\$ 1,337,974

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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Note collections	\$ -	\$ -	\$ 1,579	\$ 1,579
Property taxes	375,689	375,689	513,288	137,599
Other taxes	1,657,535	1,657,535	3,480,405	1,822,870
Licenses and permits	161,500	161,500	300,981	139,481
Intergovernmental	871,500	871,500	161,608	(709,892)
Charges for services	-	-	44,848	44,848
Fees and fines	-	-	37,365	37,365
Interest revenue	-	-	4,484	4,484
Other revenue	202,500	202,500	114,334	(88,166)
Total revenues	3,268,724	3,268,724	4,658,892	1,390,168
EXPENDITURES				
Current:				
General government	824,216	824,216	897,491	(73,275)
Public safety	2,469,808	2,469,808	2,609,648	(139,840)
Parks and recreation	226,754	226,754	230,030	(3,276)
Public works	370,456	370,456	353,619	16,837
Streets and transportation	179,754	179,754	83,518	96,236
Debt service:				
Principal	-	-	15,741	(15,741)
Interest and administrative charges	-	-	39,865	(39,865)
Total expenditures	4,070,988	4,070,988	4,229,912	(158,924)
Excess (deficiency) of revenues over (under) expenditures	(802,264)	(802,264)	428,980	1,231,244
OTHER FINANCING SOURCES (USES)				
Sale of land	-	-	75,976	75,976
Transfers in	-	-	70,949	70,949
Transfers out	-	-	(629,111)	(629,111)
Total other financing sources (uses)	-	-	(482,186)	(482,186)
Net change in fund balance	\$ (802,264)	\$ (802,264)	(53,206)	\$ 749,058
Fund balance - beginning			5,705,825	
Prior period adjustment			991,145	
Fund balance - ending			\$ 6,643,764	

**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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Note collections	\$ -	\$ -	\$ 469,005	\$ 469,005
Intergovernmental	-	-	434,936	434,936
Interest revenue	-	-	74,460	74,460
Other revenues	-	-	5,326	5,326
Total revenues	-	-	983,727	983,727
EXPENDITURES				
Current:				
Community development	-	-	876,319	(876,319)
Capital outlay	-	-	778,520	(778,520)
Total expenditures	-	-	1,654,839	(1,654,839)
Excess (deficiency) of revenues over (under) expenditures	-	-	(671,112)	(671,112)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	753,920	753,920
Transfers out	-	-	(3,500)	(3,500)
Total other financing sources (uses)	-	-	750,420	750,420
Net change in fund balance	\$ -	\$ -	79,308	\$ 79,308
Fund balance - beginning			1,397,027	
Prior period adjustment			-	
Fund balance - ending			\$ 1,476,335	

*Note that a formal budget for the Community Development Fund was not established for fiscal year 2014. Community Development Block Grant (CDBG) program income was frozen during fiscal year 2013 and the City's housing department was out-sourced to Self-Help Enterprises which precluded the need for the establishment of a community development operations budget.

**CITY OF LINDSAY
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
LOCAL TRANSPORTATION FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 417,015	\$ 417,015	\$ 727,330	\$ 310,315
Total revenues	<u>417,015</u>	<u>417,015</u>	<u>727,330</u>	<u>310,315</u>
EXPENDITURES				
Current:				
Streets and transportation	164,327	164,327	16,971	147,356
Debt service:				
Principal	61,774	61,774	61,774	-
Interest and administrative charges	<u>65,914</u>	<u>65,914</u>	<u>60,579</u>	<u>5,335</u>
Total expenditures	<u>292,015</u>	<u>292,015</u>	<u>139,324</u>	<u>152,691</u>
Excess (deficiency) of revenues over (under) expenditures	<u>125,000</u>	<u>125,000</u>	<u>588,006</u>	<u>463,006</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>-</u>	<u>-</u>	<u>(354,956)</u>	<u>(354,956)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(354,956)</u>	<u>(354,956)</u>
Net change in fund balance	<u>\$ 125,000</u>	<u>\$ 125,000</u>	233,050	<u>\$ 108,050</u>
Fund balance - beginning			-	
Prior period adjustment			<u>303,864</u>	
Fund balance - ending			<u>\$ 536,914</u>	

**CITY OF LINDSAY
REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2014**

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*						
6/30/2011	\$ 2,486,708,579	\$ 1,981,073,089	\$ 505,635,490	79.7%	\$ 427,300,410	118.3%
6/30/2012	2,680,181,441	2,178,799,790	501,381,651	81.3%	417,600,034	120.1%
6/30/2013**	11,805,627,557	9,093,458,815	2,712,168,742	77.0%	1,909,639,449	142.0%
Safety Plan*						
6/30/2011	\$ 2,061,923,933	\$ 1,759,286,797	\$ 302,637,136	85.3%	\$ 225,026,216	134.5%
6/30/2012	2,183,549,942	1,896,139,291	287,410,651	86.8%	232,078,083	123.8%
6/30/2013**	16,086,316,273	12,092,373,658	3,993,942,615	75.2%	1,263,625,356	316.1%

* The City was unable to obtain the information for the Miscellaneous Plan or Safety Plan for the year ended June 30, 2014.

**On June 30, 2013, CalPERS changed its amortization and rate smoothing policies. Also, all pooled plans are combined into two active risk pools, one for all miscellaneous groups and one for all safety groups.

**CITY OF LINDSAY
 REQUIRED SUPPLEMENTARY INFORMATION
 OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 SCHEDULE OF FUNDING PROGRESS
 JUNE 30, 2014**

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	\$ -	\$ 2,669,745	\$ 2,669,745	0%	\$ 2,713,321	98.39%

SUPPLEMENTARY INFORMATION

**CITY OF LINDSAY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	Special Revenue			Capital Projects	Total Non-Major Governmental Funds
	Special Assessment Districts	Gas Tax	Transit	Curb and Gutter	
Assets					
Cash and cash equivalents	\$ 20,785	\$ 564,680	\$ 6,433	\$ 27,224	\$ 619,122
Accounts receivable, net	-	-	-	618	618
Interest receivable	-	-	-	132	132
Due from other governments	2,275	-	-	-	2,275
Notes receivable	-	-	-	4,502	4,502
Total assets	\$ 23,060	\$ 564,680	\$ 6,433	\$ 32,476	\$ 626,649
Liabilities					
Accounts and other payables	\$ 10,387	\$ 27,283	\$ 18	\$ 3,000	\$ 40,688
Accrued wages	581	4,000	-	-	4,581
Due to other funds	-	-	-	-	-
Unearned revenue	-	-	-	4,502	4,502
Total liabilities	10,968	31,283	18	7,502	49,771
Fund balances					
Nonspendable	2,275	-	-	-	2,275
Restricted	-	-	6,415	6,702	13,117
Committed	-	-	-	18,272	18,272
Assigned	9,817	533,397	-	-	543,214
Unassigned	-	-	-	-	-
Total fund balances	12,092	533,397	6,415	24,974	576,878
Total liabilities and fund balances	\$ 23,060	\$ 564,680	\$ 6,433	\$ 32,476	\$ 626,649

**CITY OF LINDSAY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Special Revenue			Capital Projects	Total Non-Major Governmental Funds
	Special Assessment Districts	Gas Tax	Transit	Curb and Gutter	
REVENUES					
Note collections	\$ -	\$ -	\$ -	\$ 5,133	\$ 5,133
Other taxes	59,434	-	-	-	59,434
Intergovernmental	-	493,956	-	-	493,956
Interest revenue	-	155	-	-	155
Other revenue	-	-	821	-	821
Total revenues	59,434	494,111	821	5,133	559,499
EXPENDITURES					
Current:					
General government	45,581	-	-	11,915	57,496
Parks and recreation	38,961	-	-	-	38,961
Streets and transportation	-	328,555	1,030	-	329,585
Total expenditures	84,542	328,555	1,030	11,915	426,042
Excess (deficiency) of revenues over (under) expenditures	(25,108)	165,556	(209)	(6,782)	133,457
OTHER FINANCING SOURCES (USES)					
Transfer in	-	-	-	-	-
Transfer out	-	(210,420)	-	-	(210,420)
Total other financing sources (uses)	-	(210,420)	-	-	(210,420)
Net change in fund balances	(25,108)	(44,864)	(209)	(6,782)	(76,963)
Fund balances - beginning	37,200	1,886,325	-	31,756	1,955,281
Prior period adjustment	-	(1,308,064)	6,624	-	(1,301,440)
Fund balances - ending	\$ 12,092	\$ 533,397	\$ 6,415	\$ 24,974	\$ 576,878