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BROWN ARMSTRONG
Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lindsay (the City), 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 and have issued our report thereon dated March 31, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies, described in the accompanying schedule of findings and responses, to be material weaknesses: 2014-01 through 2014-07.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We noted no deficiencies to be significant deficiencies; all deficiencies described in the accompanying schedule of findings and responses are assessed as material weaknesses.

Compliance and Other Matters

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

The City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
March 31, 2015

2014-01: Notes Receivable

Criteria:

In accordance with Governmental Accounting Standards, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, or compliance with applicable laws and regulations.

Condition:

During our year-end audit procedures, we noted that, as of the date of fieldwork, the year-end reconciliation of notes receivable to the City of Lindsay's (the City) general ledger had not yet been completed. We noted that multiple material adjustments were required to arrive at the accurate and complete notes receivable balances as of June 30, 2014.

Cause of Condition:

During our walkthrough of the notes receivable process and testing, we noted the City does not reconcile notes receivable in a timely manner.

Effect of Condition:

Although the City makes adjustments to bring notes receivable to its true balance, not reconciling notes receivable on a consistent, timely basis throughout the year allows errors to accumulate and delays the year-end closing and audit process.

Recommendation:

We recommend that the City reconcile notes receivable on a monthly basis, or at the very least quarterly, in order to mitigate errors found at year-end and improve the year-end closing audit procedures.

Management's Response:

With the addition of the Management Analyst position in fiscal year (FY) 15, we have been able to create spreadsheets to assist with the reconciliation process. All Loan Portfolios – Business and Home Loans – are now reconciled quarterly and are balanced, with all adjustments to the accounts receivable and deferred revenue lines of the general ledger posted for each fund. As of this date (3-20-15), all Community Loan Funds are balanced to the last complete quarter of 12-31-14. The portfolios shall be updated and maintained, with reconciliations and general ledger adjustments occurring the week following the end of the previous month.

2014-02: Segregation of Duties

Criteria:

In accordance with Governmental Accounting Standards, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, or compliance with applicable laws and regulations.

Condition:

While performing our audit procedures over cash, we noted that cash reconciliations were not being completed in a timely manner as the Finance Director was the only City personnel with adequate accounting knowledge required to complete the reconciliations. We also noted during the financial reporting process that the Finance Director handled most all the year-end closing procedures, including calculating and posting year-end accruals, preparation of final trial balance figures, reconciling due to/due from and transfers in/out, and implementing new Governmental Accounting Standards Board (GASB) Statements.

Cause of Condition:

City staff lack adequate knowledge of governmental accounting to ensure the accounting records are correctly stated for preparation of the financial statements. Currently, the Finance Director is the only City personnel with knowledge of governmental accounting.

Effect of Condition:

The Finance Director is able to prepare cash reconciliations and conduct financial closing procedures with little oversight. This may result in the misstatement of financial information due to improper postings of journal entries or improper financial closing procedures. In addition, lack of governmental accounting knowledge by City personnel has resulted in late filing of both the Comprehensive Annual Financial Report (CAFR) and Single Audit report.

Recommendation:

We recommend that the City either hire individuals with governmental accounting knowledge to aid the Finance Director in completing financial reporting duties or train current staff to obtain a basic understanding of governmental accounting. To improvement segregation of duties, cash reconciliations should be prepared by an individual other than the Finance Director, limiting the Finance Director's role to review and approval of reconciliations. In addition, journal entries should be approved by someone other than the preparer of the entry.

Managements Response:

Staff did implement a better system for segregation of duties last FY and have a different staff member enter and post all journal entries than the person that created it; however, we will be more diligent in ensuring each staff member remember to "wet" initial the document to provide proof of segregation. Training is on-going to improve the accounting knowledge of other staff members in addition to the Finance Director. We did add the position of Management Analyst in FY15 which we expect to improve both our reconciliation and reporting procedures. Unfortunately, the salary offered was not competitive enough to attract anyone with extensive municipal accounting experience so we have to train on all levels and the time frame is longer than we would like. However, the educational requirement did provide us with a candidate who is technically qualified and is proving to be a great addition to the department, particularly to shore up these areas.

2014-03: Financial Reporting

Criteria:

The City should design and implement internal controls over the financial reporting process to ensure the following: 1) that the general ledger undergoes adequate procedures to ensure the proper application of fiscal year cut-off, 2) that the general ledger fiscal year period is closed and related financial statement supporting schedules are prepared in a timely manner allowing for a more efficient audit, and 3) that the final trial balance figures are subject to sufficient management review so that balances are presented in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition:

During our fieldwork, we noted that the City did not have year-end closing procedures in place which would have allowed the financial statements to be issued in a timely manner. We noted that the closing procedures currently in place did not include a sufficient review of the information before it was provided to the external auditors. Based upon our audit, we noted there were several post-close adjustments made by the City. Adjustments made by management considered to be material to the financial statements were related to beginning fund balance/net position for prior period adjustments, accounts payable, accounts receivable, notes receivable, unearned revenue, capital assets, long-term debt, and revenue and expenditure/expense accounts. Also, during our testing of year-end cutoff procedures and over financial statements account balances, we proposed audit adjustments to properly state the year-end account balances of certain accounts in accordance with GAAP. All adjustments that were proposed during the current year audit were presented to management and subsequently posted to the financial statements.

Cause of Condition:

Internal controls have not been suitably designed and implemented over the financial reporting process to ensure that the timely closure of the general ledger and sufficient management supervision of this process results in reliable and materially correct ending account balances in accordance with GAAP. In addition, the City has not implemented training programs for staff with financial reporting responsibilities.

Effect of Condition:

Untimely closing and lack of financial statement preparation procedures resulted in final fieldwork for the audit of the City's being postponed. As a result, material adjustments were proposed and posted to the City's financial statements for the year ended June 30, 2014.

Recommendation:

We recommend that the City implement stronger policies and procedures to ensure that a comprehensive closing of the general ledger is performed in a timely manner and that sufficient resources and adequate oversight are available to oversee the City's year-end closing procedures and preparation of the financial statement supporting schedules. We also recommend that the City strengthen its year-end closing procedures to ensure that all transactions related to the fiscal year are properly captured and recorded in the general ledger to ensure the accuracy and completeness of the financial statements. Lastly, we recommend the City invest in training and cross-training programs for those employees with financial reporting responsibilities.

Managements Response:

Staff has implemented the auditor's recommendations regarding quarterly reconciliations which will tremendously help with the year-end closing process. With many of the problems of previous years resolved, or at least thoroughly reviewed with the appropriate agencies – CalTrans, SCO, DOF, CalPERS – and settlements proposed, we have been able to spend more time on training and cross-training within the department. We are currently developing a written year-end closing procedures manual that will assign specific portions of the year-end closing procedures to various staff members, which will ensure the previously mentioned segregation of duties as well as alleviate overburdening a single individual with all the required transactions. These written procedures manual will include a checklist and timeline for completion. Staff intends to have FY15 closed out and ready for audit by September 18th (the accrual period runs July 1st thru August 31st) with a target date for audit completion of 12-31-2015.

2014-04: Reconciling Accounts to Supporting Documentation – Accounting Controls

Criteria:

In accordance with Governmental Accounting Standards, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, or compliance with applicable laws and regulations.

Condition:

The City does not reconcile its general ledger accounts to supporting documents. In order to make the interim and annual financial statements meaningful, we recommend the City reconcile the general ledger accounts for cash accounts, accounts receivable, and notes receivable to supporting documentation on a monthly or routine basis. During our audit, we identified numerous adjustments to general ledger assets and liabilities that impacted the operating results of the City.

Cause of Condition:

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

Effect of Condition:

The absence of performing monthly and/or routine reconciliations provides an opportunity for errors to accumulate and these errors may go undetected. The benefit of monthly reconciliations is that errors do not accumulate, but can be identified and attributed to a particular period (month), which makes it easier to perform future reconciliations. Because the procedures recommended below were not in place during the year ended June 30, 2014, this finding is considered a material weakness because a material misstatement of the financial statements would have occurred and not been prevented or detected by the City's existing internal controls.

Recommendation:

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

- Cash should be reconciled from the bank statement balance to the general ledger balance on a monthly basis to determine that all cash transactions have been recorded properly, and to discover banking errors. The proper recordation of cash activity will provide for the fair presentation of the financial statements.

- An aging schedule for accounts receivable should be generated from the City's financial system on a monthly basis. Anything deemed uncollectable per the aging schedule should be written off. The proper recordation of uncollectable accounts receivable balances will provide for fair presentation of the accounts receivable balance per the year-end financial statements.

- Notes receivable should be reconciled from the payment history reports month-end balance to the notes receivable schedules kept by City personnel on a monthly basis to ensure that all note holder payments are properly recorded. The proper recordation of note holder payments will provide for fair presentation of the notes receivable balance per the year-end financial statements.

Management's Response:

As previously mentioned, the notes receivable issue has been resolved and all accounts are reconciled to the general ledger and supporting documents for each fund, with adjustments balanced to the General Ledger as of 12-31-14 (for this date of 3-20-15) with the next reconciliation date for the quarter JAN-MAR 2015 to occur the first month of April as soon as all revenues are posted. Staff has created reconciliation spreadsheets for these programs that will be included as part of the Quarterly Update reporting process to the City Council.

The cash accounts are being reconciled monthly and all but 2 accounts are reconciled through 2-28-15 as of this date (3-20-15) with all cash adjustments posted to the general ledger and supported by the bank statements. Training someone who understands this procedure has been challenging, while trying to maintain the segregation of duties – i.e., the person that posts the revenues and signs the checks cannot be the same person that reconciles the accounts, but the current staff configuration is meeting this requirement.

The conversion to the upgraded financial system did not go as smoothly as we had planned and it took longer to work out the bugs than we anticipated. We are still coming across issues that take precedent over the reconciliation of the aging accounts receivable on a monthly basis. It is currently done on an annual basis when we have a full year's history of billings vs. collections. In FY16 we will create procedures for quarterly reconciliations of the aging accounts receivable with requests to council for any items deemed uncollectible and subject to write off in accordance with the City's *Uncollectible Receivables* policy which asserts a receivable must be "deemed uncollectible for a period of six months or longer", before it is subject to write-off. The last "write-off" of uncollectible accounts occurred in FY12.

2014-05: Cash and Cash Equivalents

Criteria:

In accordance with Governmental Accounting Standards, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, or compliance with applicable laws and regulations.

Condition:

While performing our audit procedures over cash and cash equivalents, we noted the City was not performing cash reconciliations to the general ledger on a timely basis.

Cause of Condition:

The City Finance Department is short-staffed and did not have an accountant that could reconcile cash accounts on a monthly basis.

Effect of Condition:

By not regularly performing cash reconciliations, errors or discrepancies are allowed to accumulate and create difficulty in reconciling accounts. Regular reconciliations would address discrepancies as they arise and aid in preparing year-end reconciliations.

Recommendation:

We recommend the City perform cash reconciliations for all accounts on a monthly basis.

Management's Response:

Staff corrected this problem in FY15, which we had stated previously we would do, with the addition of a staff member with a higher level of accounting experience. Council approved the new position in the FY15 budget and we have made significant improvements over past years. The cash accounts are being reconciled monthly and all but 2 accounts are reconciled through 2-28-15 as of this date (3-20-15) with all cash adjustments posted to the general ledger and supported by the bank statements. Training someone who understands this procedure has been challenging, while trying to maintain the segregation of duties – i.e., the person that posts the revenues and signs the checks cannot be the same person that reconciles the accounts, but the current staff configuration is meeting this requirement. In FY16, we will begin to utilize the bank reconciliation feature that is available with the software upgrade we purchased last year – we have not yet had any training on this feature.

2014-06: Due to/from

Criteria:

In accordance with Governmental Accounting Standards, transfer of funds using due to/from are intended to be short-term in nature. A due to/from remaining outstanding over an entity's operating cycle is essentially a loan and should be classified as such.

Condition:

While performing our audit of due to/from, we noted that the total $4.5 million due to/from balance was composed of transactions outstanding for more than one year. Further, we noted that $4.1 million of the outstanding balance was attributable to amounts owed to other funds from the City's General Fund. Due to the City not being a going concern as of June 30, 2013, and City funding shortages, we believe that there is a low probability this $4.1 million will be paid back to the corresponding funds.

Cause of Condition:

Due to the City's cash flow issues, prior management would transfer funds from one fund to another in order to avoid showing negative cash balances. However, this was usually done without the intention of the funds being paid back. Due to a current shortage of funds, the City has been unable to fix these improper transfers made by prior management.

Effect of Condition;

Allowing due to/due from transactions to last more than one year creates misleading fund balances. Due to/due from transactions are indented to be short-term in nature, and therefore, transfers which exceed one year are long-term.

Recommendation:

We recommend that the City transfer funds using due to/due from only if the funds are expected to be paid back within one year. We also recommend that the City take the necessary steps to reclassify, reverse, or pay-down the outstanding $4.5 million balance due to/from balance composed of transactions outstanding for more than one year.

Management's Response:

Staff whole-heartedly concurs with this finding and the recommendation set forth. We will be preparing a schedule to relieve the Due To/From amounts for any transactions that occurred prior to June 30, 2011, as current staff has not used this accounting function, with the exception of a temporary use in FY12 that was immediately reversed per acceptable GAAP standards. The schedule will be presented to Council for approval, with no interest sought between funds, with the accounting action to be completed prior to June 30, 2015. By reversing these balances from prior years, we will effectively correct all fund balance amounts within each fund.

2014-07: Utility Billing Receipts

Criteria:

In accordance with Governmental Accounting Standards, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, or compliance with applicable laws and regulations.

Condition:

During our test of controls procedures over the City's utility billing process, we noted three instances out of the 40 billings tested where the City was using unauthorized billing rates for either refuse or sewer services.

Cause of Condition:

In two instances, we noted the City was applying a senior discount for disposal services when senior discounts are no longer authorized. We also noted one instance the City charged the incorrect rate of $7.36 rather than the hotel/motel and hospital rate of $7.27.

Effect of Condition:

The City is not properly applying authorized billing rates across all customer accounts which results in the under and over collection of utility billing revenue.

Recommendation:

We recommend that the City identify those customers who are being charges unauthorized billing rates for water, refuse, and sewer services and make the necessary corrections in the City's billing software.

Management's Response:

Staff ran a report to check the billing codes in our system 3/20/15, the results are as follows:

- **WATER:** 2,855 active water accounts being billed (includes 232 for PageMoor Tract), 23 billing codes used depending on size of meter, property type, etc., -0- irregularities.
- **REFUSE:** 2,647 active refuse accounts being billed, 32 billing codes used depending on size of container, frequency, property type, etc., -0- irregularities; however, during the initial auditor internal controls testing phase in October 2014, there were about 40 accounts that were discovered to have still had the senior discount code which was billing at $2 *less* than the regular refuse code, the senior discount rate was discontinued in 2010. All accounts are now carrying the correct codes, the city will not seek to bill for the additional amounts not collected.
- **SEWER:** 2,627 active sewer accounts (this includes 118 for El Rancho/Toneyville), 29 billing codes used depending on property type, etc., 6 irregularities all related to a single commercial code that we traced back to billing of 8/01/2008; the increase of 7/01/2008 had been input incorrectly in the system. Staff determined the overcharge amounted to $2.80 per month for a period of 76 months. As this was a flat rate code, the credit due to each account could be determined quickly with the amounts applied to each account that experienced an overcharge – all related to hotels or multiple units. The combined total of the overcharge for all six (6) accounts during the 76-month period amounted to $888.44. The credit has been applied to each individual account and the billing code corrected for the 4/01/15 billing which is for charges incurred in March 2015.

CITY OF LINDSAY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

2013-01: Accounts Receivable

Criteria:

In accordance with *Government Auditing Standards* and accounting principles generally accepted in the United States of America, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial performance reporting, or compliance with applicable laws and regulations.

Condition:

During our analysis of the City of Lindsay's (the City) accounts receivable, we noted that multiple material adjustments were required to arrive at the accurate and complete accounts receivable balance as of June 30, 2013.

Cause of Condition:

The City does not reconcile accounts receivable and we have noted various deficiencies in the Accounts Receivable Cycle which include the following: first, the Billing Clerk can make changes to the Utility Billing software along with post adjustments that are not reviewed by a second person. At times, the Billing Clerk will collect utility payments at the front desk while being capable of overriding the system; second, the City does not currently have a written policy for the write-off of receivables; and lastly, there is no reconciliation of accounts receivable module to the general ledger which has caused a difference between the accounts receivable aging report and the general ledger.

Effect of Condition:

The ability of the Billing Clerk to make changes to the Utility Billing software, as well as make adjustments that are not reviewed, presents a serious lack of segregation of duties. In addition, although the City has made multiple adjustments to bring accounts receivable to its true balance, not reconciling accounts receivable on a consistent basis throughout the year may cause accounts receivable and revenue to be overstated. Management has stated that at times adjustments get posted to the accounts receivable module and not updated on the general ledger, contributing to the need for consistent reconciliation of accounts receivable.

Recommendation:

The City should consider implementing controls to insure that only the Finance Director can post an adjustment to an account by having the Billing Clerk write down adjustments on paper cards approved by the Billing Clerk, then final approval and posting by the Reconciling Accountant or Finance Director. Lastly, we recommend the City reconcile the accounts receivable module directly to the general ledger on a monthly basis to insure both modules reconcile.

Management's Response:

The administration recognizes that this continues to be a weakness in our daily operating routine and has taken some steps to establish better controls relative to both the adjustment and reconciliation procedures, including a provision for the segregation of duties requirement. Unfortunately, as a small department - that does not close for the lunch period as many cities do - all staff is cross-trained to work any module within the department as the work flow and employee attendance dictates, which includes taking and entering payments, in order to ensure the highest level of customer service for our citizens. The City is in the midst of an upgrade to the financial system, including the Utility Billing system that will be completed before the end of fiscal year 2014; the new system will have improved reporting and reconciliation features, not available with the current system that will facilitate this process.

Current Year Status:

Implemented.

2013-02: Accounts Payable

Criteria:

In accordance with *Government Auditing Standards* and accounting principles generally accepted in the United States of America, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial performance reporting, or compliance with applicable laws and regulations.

Condition:

During our audit of accounts payable, we noted that the City failed to reverse prior year accruals, resulting in a material adjustment to reconcile accounts payable to the City's general ledger.

Cause of Condition:

The City lacks adequate staff with sufficient accounting knowledge to ensure accounts payable is correctly stated for year-end financial statement presentation.

Effect of Condition:

Failure to reverse prior year accruals results in a misstatement of accounts payable.

Recommendation:

We recommend that the City reconcile accounts payable during the year-end financial close process, which includes reversing prior year accruals and accruing expense incurred prior to the fiscal year-end.

Management's Response:

Staff has concentrated on writing, implementing, and strictly enforcing purchasing controls in the last few years, which has eliminated wasteful and/or unnecessary spending, as well as ensuring proper accounting for all expenditures. While staff agrees that all accounting practices are important, priority was given to the control of *actual cash expenditures* vs. expenditure reallocation to the previous year; steps are being taken to reorganize the Finance Department in a manner that redistributes duties and provides additional training so personnel, other than the Finance Director, have the capability of assisting with reconciliation and year-end financial close procedures.

Current Year Status:

Implemented.

2013-03: Capital Assets

Criteria:

In accordance with *Government Auditing Standards* and accounting principles generally accepted in the United States of America, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, or compliance with applicable laws and regulations.

Condition:

During our testing of capital assets, we noted several material deficiencies affecting capital assets as follows:

- The City failed to post current year depreciation expense for multiple depreciable assets. We also noted that the City failed to set assets to depreciate in its capital asset system which resulted in multiple depreciation adjustments.
- The City failed to properly track multiple capital outlay additions and deletions.
- We noted during our physical observation of assets that the City failed to delete an obsolete asset from its capital asset tracking software. Further, the City replaced the obsolete asset with a new asset that was improperly excluded from the City's capital asset listing.
- We noted during capital asset additions testing that the City inadvertently submitted the same equipment invoice twice for reimbursement for a State funded project which resulted in capital asset additions being overstated.

Cause of Condition:

The City lacks adequate controls and staff lack adequate knowledge of capital asset accounting to ensure capital assets are correctly accounted for on the financial statements and reconciled on a timely basis.

Effect of Condition:

The absence of performing monthly and/or routine capital asset reconciliations provides an opportunity that errors can accumulate and these errors may go undetected. The benefit of monthly reconciliations is that errors do not accumulate, but can be identified and attributed to a particular period (month), which makes it easier to perform future reconciliations. Because the procedures recommended below were not in place during the year ended June 30, 2013, these are considered material weaknesses because a material misstatement of the financial statements would have occurred and not been prevented or detected by the City's existing internal controls.

Recommendation:

We recommend management establish the following functions:

- We recommend the City perform reconciliation of all capital assets on a quarterly basis to insure assets can be capitalized in a timely manner.
- City should keep better track of all costs for construction related assets to insure all assets/costs can be accounted for and vouched. Also, upon project completion all construction related assets should be transferred and depreciated according the City's capital asset policy.
- As part of the closing process, the City should make the necessary entries to account for depreciation expense.

Management's Response:

Although the City has made tremendous strides in updating and managing the capital assets system, management recognizes the need for improvement. Staff constraints in both time and expertise have made it difficult to properly maintain the database which is not only time intensive, but requires a very high level of accounting experience. Staff has made improvements by hiring a consultant to assist with updating the database and reconciling to the general ledger, segregating equipment purchased with federal funds, increasing the capitalization threshold, requiring all department heads to update their inventory annually, and implementing the use of project coding within the general ledger which will assist with the identification of capital expenses, particularly infrastructure improvements. Staff will allocate more time and resources to implementing the auditor recommendations in fiscal year 2014.

Current Year Status:

Implemented.

2013-04: Notes Receivable

Criteria:

In accordance with *Government Auditing Standards* and accounting principles generally accepted in the United States of America, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, or compliance with applicable laws and regulations.

Condition:

During our year-end audit procedures, we noted that, as of the date of fieldwork, the year-end reconciliation of notes receivable to the City's general ledger had not yet been completed. In addition, during our notes receivable payment testing, we noted instances where payments were not being properly applied to outstanding note balances for those loan holders with multiple outstanding loans.

Cause of Condition:

During our walkthrough of the notes receivable process and testing, we noted the City does not reconcile notes receivable in a timely manner. It was further noted during notes receivable payment testing that the City does not verify the proper allocation of principal payments for those notes receivables managed by Self-Help Enterprises.

Effect of Condition:

Although the City makes adjustments to bring notes receivable to its true balance, not reconciling notes receivable on a consistent, timely basis throughout the year allows errors to accumulate and delays the year-end closing and audit process. In addition, improper allocation of receivable payments results in the misstatement of year-end outstanding loan balances.

Recommendation:

We recommend that the City reconcile notes receivable on a monthly basis, or at the very least quarterly. During the reconciliation process, we recommend that the City verify the proper allocation of payments to outstanding loan balances. Payments should be allocated based on amortization schedules. Any payments received in excess of the amortization schedule should be applied in proportion of the outstanding loan balance for those loans that are being amortized. If a loan holder makes a payment and all loans are deferred, the payment should be applied in proportion of the outstanding loan balances.

Management's Response:

Steps are being taken to reorganize the Finance Department in a manner that redistributes duties and provides additional training so personnel, other than the Finance Director, have the capability of assisting with reconciliation and year-end financial close procedures that will ensure more timeliness in the reconciliations process. This procedure will become a priority in fiscal year 2014, but has been delayed due to other more pressing matters such as cash flow and debt restructuring.

Current Year Status:

See current year finding.

2013-05: Lack of Segregation of Duties

Criteria:

In accordance with *Government Auditing Standards* and accounting principles generally accepted in the United States of America, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, or compliance with applicable laws and regulations.

Condition:

While performing our test of controls and walkthrough of the City's journal entry process, we noted several journal entries did not have a signature of approval on the journal entry or the Finance Director would prepare, enter, and approve the journal entry. While performing our audit procedures over cash, we noted that cash reconciliations were not being completed in a timely manner as the Finance Director was the only City personnel with adequate accounting knowledge required to complete the reconciliations. Lastly, we noted during the financial reporting process that the Finance Director handled most all the year-end closing procedures including calculating and posting year-end accruals, preparation of final trial balance figures, reconciling due to/due from and transfers in/out, and implementing new accounting principles generally accepted in the United States of America (GAAP) and Governmental Accounting Standards Board (GASB) Statements.

Cause of Condition:

City staff lack adequate knowledge of governmental accounting that would ensure the accounting records are correctly stated for preparation of the financial statements. Currently, the Finance Director is the only City personnel with knowledge of governmental accounting.

Effect of Condition:

The Finance Director is able to post journal entries, prepare cash reconciliations, and conduct financial closing procedures with little oversight. This may result in the misstatement of financial information due to improper postings of journal entries or improper financial closing procedures.

Recommendation:

We recommend that the City either hire individuals with governmental accounting knowledge to aid the Finance Director in completing financial reporting duties or train current staff to obtain a basic understanding of governmental accounting. To improve segregation of duties, cash reconciliations should be prepared by an individual other than the Finance Director, limiting the Finance Director's role to review and approval of reconciliations. In addition, journal entries should be approved by someone other than the preparer of the entry.

Management's Response:

Steps are being taken to reorganize the Finance Department in a manner that redistributes duties and provides additional training so personnel, other than the Finance Director, have the capability of assisting with reconciliation and year-end financial close procedures that will ensure more timeliness in the reconciliations process as well as ensure the segregation of duties.

This procedure will become a priority in fiscal year 2014, but has been delayed due to other more pressing matters such as the writing, implementing, and enforcing of internal control policies, cash flow management, debt restructuring, and the financial system upgrade project.

Current Year Status:

See current year finding.

2013-06: Financial Reporting

Criteria:

The City should design and implement internal controls over the financial reporting process to ensure the following: 1) that the general ledger undergoes adequate procedures to ensure the proper application of fiscal year cut-off, 2) that the general ledger fiscal year period is closed and related financial statement supporting schedules are prepared in a timely manner allowing for a more efficient audit, and 3) that the final trial balance figures are subject to sufficient management review so that balances are presented in accordance with GAAP.

Condition:

During our fieldwork, we noted that the City did not have year-end closing procedures in place which would have allowed the financial statements to be issued in a timely manner. We noted that the closing procedures currently in place did not include a sufficient review of the information before it was provided to the external auditors. Based upon our audit, we noted there were several post-close adjustments made by the City which included errors that led to additional adjustments and reversal of adjustments. Adjustments made by management considered to be material to the financial statement were related to beginning fund balance/net position for prior period adjustments, accounts payable, accounts receivable, unearned revenue, capital assets, long-term debt, and revenue and expenditure/expense accounts. Also, during our testing of year-end cutoff procedures and over financial statements account balances, we proposed audit adjustments to properly state the year-end account balances of certain accounts in accordance with GAAP. All adjustments that were proposed during the current year audit were presented to management and subsequently posted to the financial statements.

Cause of Condition:

Internal controls have not been suitably designed and implemented over the financial reporting process to ensure that the timely closure of the general ledger and sufficient management supervision of this process results in reliable and materially correct ending account balances in accordance with GAAP. In addition, the City has not implemented training programs for staff with financial reporting responsibilities.

Effect of Condition:

Untimely closing and lack of financial statement preparation procedures resulted in final fieldwork for the audit of the City's being postponed. This was aggravated by employees who were not properly trained in financial closing processes. As a result, material adjustments were proposed and posted to the City's financial statements for the year ended June 30, 2013.

Recommendation:

We recommend that the City implement stronger policies and procedures to ensure that a comprehensive closing of the general ledger is performed in a timely manner and that sufficient resources and adequate oversight are available to oversee the City's year-end closing procedures and preparation of the financial statement supporting schedules. We also recommend that the City strengthen its year-end closing procedures to ensure that all transactions related to the fiscal year are properly captured and recorded in the general ledger to ensure the accuracy and completeness of the financial statements. Lastly, we recommend the City invest in training and cross-training programs for those employees with financial reporting responsibilities.

Management's Response:

Financial reporting to the governing body has been significantly improved in the past few years and continues to be a top priority for this administration as we consider information and transparency of the utmost importance in the decision-making process. While the more complicated financial reporting processes used for audit purposes have been greatly improved, there are still weaknesses and deficiencies, as defined above, that staff is working to correct. As previously stated: Steps are being taken to reorganize the Finance Department in a manner that redistributes duties and provides additional training so personnel, other than the Finance Director, have the capability of assisting with reconciliation and year-end financial close procedures that will ensure more timeliness in the reconciliations process as well as ensure the segregation of duties.

Staff hopes we can achieve the auditor's recommendation that the City assign "sufficient resources" to the financial reporting and close-out process. As we move forward and correct the most serious negative conditions that faced, or are facing the City, the priority list will change to address these remaining deficiencies and fully implement all the auditor recommendations as outlined herein. Staff is appreciative of the diligence of the audit staff and can attest to the effectiveness of auditor recommendations implementation from previous years.

Current Year Status:

See current year finding.

2013-07: Reconciling Accounts to Supporting Documentation

Criteria:

In accordance with *Government Auditing Standards* and accounting principles generally accepted in the United States of America, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, or compliance with applicable laws and regulations.

Condition:

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

Cause of Condition:

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

Effect of Condition:

The absence of performing monthly and/or routine reconciliations provides an opportunity for errors to accumulate and these errors may go undetected. The benefit of monthly reconciliations is that errors do not accumulate, but can be identified and attributed to a particular period (month), which makes it easier to perform future reconciliations. Because the procedures recommended below were not in place during the year ended June 30, 2013, these are considered material weaknesses because a material misstatement of the financial statements could have occurred and not been prevented or detected by the City's existing internal controls.

Recommendation:

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

- Cash and investments held with the City's fiscal agent should be reconciled from the bond trustee's statement balance to the general ledger balance on a monthly basis to determine that all cash transactions, including investment earnings, have been recorded properly, and to discover trustee errors. The proper recordation of fiscal transactions will provide for the fair presentation of the financial statements.

- An aging schedule for accounts receivable should be generated from the City's financial system on a monthly basis. Anything deemed uncollectable per the aging schedule should be written off. The proper recordation of uncollectable accounts receivable balances will provide for fair presentation of the accounts receivable balance per the year-end financial statements.

- Notes receivable should be reconciled from the payment history reports month-end balance to the notes receivable schedules kept by City personnel on a monthly basis to ensure that all note holder payments are properly recorded. The proper recordation of note holder payments will provide for fair presentation of the notes receivable balance per the year-end financial statements.

Management's Response:

Staff appreciates the thorough and concise recommendations made by the audit team and have made many improvements in this area; we will strive to continue to improve the reconciliation processes as defined above.

Current Year Status:

See current year finding.

2013-08: Cash and Cash Equivalents

Criteria:

In accordance with *Government Auditing Standards* and accounting principles generally accepted in the United States of America, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, or compliance with applicable laws and regulations.

Condition:

While performing our audit procedures over cash and cash equivalents, we noted that the City was not performing cash reconciliations to the general ledger on a timely basis.

Cause of Condition:

The City Finance Department is short staffed and did not have an accountant that could reconcile cash accounts on a monthly basis.

Effect of Condition:

By not regularly performing cash reconciliations, errors or discrepancies are allowed to accumulate and create difficulty in reconciling accounts. Regular reconciliations would address discrepancies as they arise and aid in preparing year-end reconciliations.

Recommendation:

We recommend that the City perform cash reconciliations for all accounts on a monthly basis.

Management's Response:

Staff concurs with the finding and recommendation – reorganization of existing staff and additional training on these procedures have been implemented, but we are still falling short in this area and are hoping to find the resources to add one additional staff person with accounting expertise to assume the reconciliation duties for cash and notes receivable.

Current Year Status:

See current year finding.

2013-09: Due To/From Other Funds

Criteria:

In accordance with Government Accounting Standards, transfer of funds using due to/from are intended to be short-term in nature. A due to/from remaining outstanding over an entity's operating cycle is essentially a loan and should be classified as such.

Condition:

While performing our audit of due to/from, we noted that the total $5.5 million due to/from balance was composed of transactions outstanding for more than one year. Further, we noted that $4.8 million of the outstanding balance was attributable to amounts owed to other funds from the City's General Fund. Due to City funding shortages, we believe that there is a low probability this $4.8 million will be paid back to the corresponding funds.

Cause:

Due to the City's cash flow issues, prior management would transfer funds from one fund to another in order to avoid showing negative cash balances. However, this was usually done without the intention of the funds being paid back. Due to a current shortage of funds, the City has been unable to fix these improper transfers made by prior management.

Effect:

Allowing due to/from transactions to last more than one year creates misleading fund balances. Due to/from transactions are indented to be short-term in nature and, therefore, transfers which exceed one year are long-term.

Recommendation:

We recommend that the City transfer funds using due to/from only if the funds are expected to be paid back within one year. We also recommend that the City take the necessary steps to reclassify, reverse, or pay-down the outstanding $5.5 million balance due to/from balance composed of transactions outstanding for more than one year.

Management's Response:

Referring back to the "Cause of Condition" section: The amounts in the Due To/From general ledger lines are compounded amounts from many, many years worth of entries that were made without proper documentation and support which makes proper reconciliation impossible. The best we can hope do to is unravel the stated amounts, tracing back through many years of entries, and attempt to discern the proper reconciling entries. Staff has not addressed this issue to date and will not do so until we feel the reconciling entries are true, correct, and properly supported. Our goal is to have this condition corrected by the end of fiscal year 2014.

Current Year Status:

See current year finding.

2013-10: Utility Billing Receipts

Criteria:

In accordance with Government Accounting Standards, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial performance reporting, or compliance with applicable laws and regulations.

Condition:

During our test of controls over the City's utility billing process, we noted 5 instances out of the 40 billings tested where the City was using unauthorized billing rates for either refuse or sewer services.

Cause:

In one instance, we noted that the City was using a “split-can” rate for disposal services which was an old rate that had been phased out several years prior. We noted three instances whereby the City applied a senior discount to the users’ disposal charge when senior discounts are no longer authorized. The remaining discrepancy is not attributable to the use of a rate that was previously authorized and phased out but instead appears to be a sewer rate that was improperly entered in the City’s utility billing software upon set-up of the customer’s account. As a result, the customer was being over-charged $6.86 per billing cycle for sewer usage during the fiscal year under audit.

Effect:

The City is not properly applying authorized billing rates across all customer accounts which results in the over and under collection of utility billing revenue.

Recommendation:

We recommend that the City identify those customers who are being charged unauthorized billings rates for water, refuse, and sewer services and make the necessary corrections in the City’s billing software.

Management’s Response:

The City is in the midst of upgrading the entire financial reporting system, including the utility billing and business license modules that have become cumbersome and inaccurate over the many years as special rates have been added or discontinued. Staff concurs that an internal audit review is necessary to ensure all accounts are being properly billed. This process has already been started, in cooperation with Sunset Waste, to ensure the accounts and service for which the City is being billed matches the City’s billing records. This is a very tedious process; staff is optimistic that this internal review will be completed with the conversion to the upgraded financial system in May 2014.

Current Year Status:

See current year finding.

2013-11: Payroll Testing

Criteria:

In accordance with Government Accounting Standards, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial performance reporting, or compliance with applicable laws and regulations.

Condition:

During our test of controls over the City’s payroll process, we noted two controls deficiencies as follows:

1) During our test of controls, for 1 out of 40 payroll disbursements selected for testing, we noted that an employee was given a 3% motorcycle stipend as authorized per review of the employee’s personnel file. However, upon recalculation, we noted that the employee was receiving $4.07 more than the authorized motorcycle stipend of 3%.

2) During our testing of controls, for 1 out of 40 payroll disbursements selected for testing, we noted that an employee was receiving additional assignment pay based on a flat rate. Per review of the employee’s personnel file, we noted that additional assignment pay was authorized based on a percentage of the employee’s gross pay, not a flat rate.

Cause:

The cause of the first deficiency was attributable to the stipend being incorrectly entered into the City's payroll system upon set-up. The cause of the second deficiency was attributable to inadequate documentation of the employee's change in assignment pay determination. Although change from a percentage to a flat rate was later determined to be authorized, it was not properly documented in the employee's personnel file.

Effect:

Paying employees at a rate different from what is documented in his or her personnel file indicates that personnel files are not maintained or updated regularly and that employees have the ability to be paid at rates other than those at which they are approved.

Recommendation:

We recommend that the City compare authorized rates per employee personnel files to rates input into the City's payroll system to ensure that the appropriate payroll amounts are being paid to employees each pay period.

Management's Response:

The City has implemented a biannual comparison check between the Human Resources Department, that maintains the employee files, and the Payroll Department, that processes the payroll, to ensure accuracy.

Current Year Status:

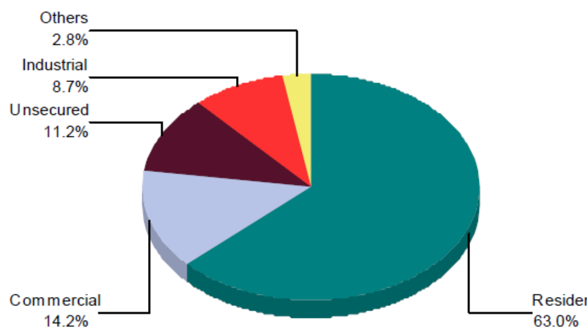
Implemented.

STATISTICAL SECTION

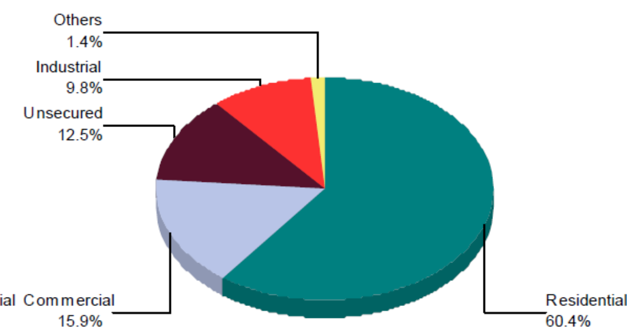
CITY OF LINDSAY
2013-14 USE CATEGORY SUMMARY
BASIC PROPERTY VALUE TABLE

Category	Parcels	Assessed Value		Net Taxable Value	
Residential	2,401	$ 256,219,552	63.0%	$ 218,904,123	60.3%
Commercial	178	57,888,880	14.2%	57,764,891	15.9%
Industrial	55	35,427,368	8.7%	35,427,368	9.8%
Dry Farm	3	275,965	0.1%	275,965	0.1%
Government Owned	1	29,993	0.0%	-	0.0%
Institutional	34	6,955,618	1.7%	861,047	0.2%
Irrigated	24	2,002,552	0.5%	2,002,552	0.6%
Miscellaneous	106	703,160	0.2%	703,160	0.2%
Recreational	5	760,559	0.2%	468,912	0.1%
Vacant	1	193,800	0.1%	193,800	0.1%
SBE Nonunitary	(10)	584,566	0.1%	584,566	0.2%
Unsecured	(372)	45,455,097	11.2%	45,357,593	12.5%
Totals	2,426	$ 406,497,110		$ 362,543,977	

ASSESSED VALUE



NET TAXABLE VALUE



Data Source: Tulare County Assessor 2013-14 Combined Tax Rolls

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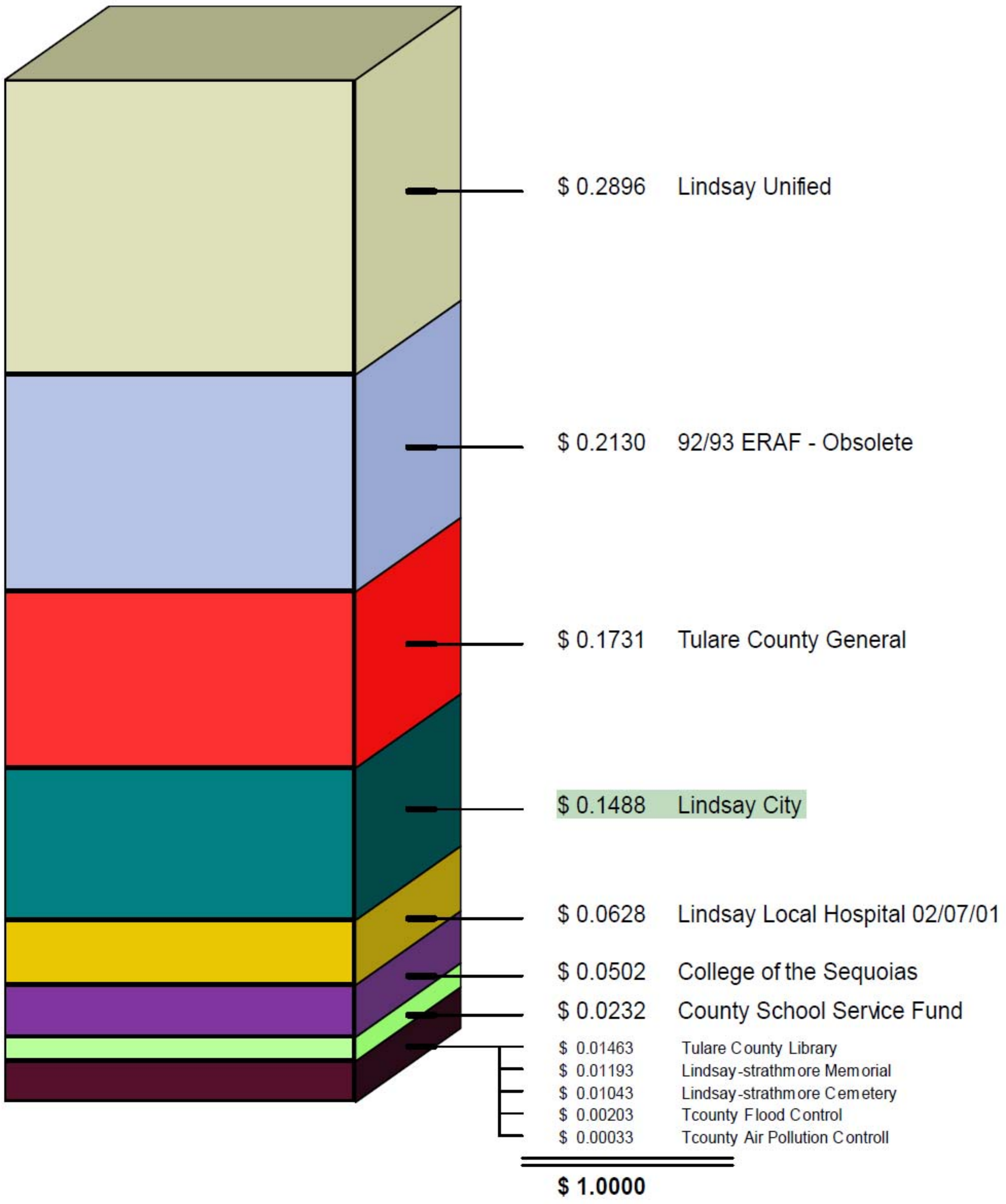
CITY OF LINDSAY
PROPERTY TAX DOLLAR BREAKDOWN



ATI (Annual Tax Increment) Ratios for Tax Rate Area 003-000, Excluding Redevelopment Factors and Additional Debt Service

Data Source: Tulare County Assessor 2013-14 Annual Tax Increment Tables

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CITY OF LINDSAY
2013-14 ROLL SUMMARY
TAXABLE PROPERTY VALUES

	Secured	Nonunitary Utilities	Unsecured
Parcels	2,808	10	372
TRAs	27	3	19
Values			
Land	$ 84,127,189	$ 584,566	$ 135,392
Improvements	19,857,394	-	26,655,056
Personal Property	4,642,828	-	18,213,058
Fixtures	251,830,036	-	451,591
Aircraft	-	-	-
Total Value	360,457,447	584,566	45,455,097
Exemptions			
Real Estate	3,185,963	-	96,800
Personal Property	361,025	-	704
Fixtures	40,308,641	-	-
Aircraft	-	-	-
Homeowners*	7,157,317	-	-
Total Exemptions*	43,855,629	-	97,504
Total Net Value	$ 316,601,818	$ 584,566	$ 45,357,593

Combined Values	Total
Total Values	$ 406,497,110
Total Exemptions	43,953,133
Net Total Values	$ 362,543,977

* Note: Homeowner Exemptions are not included in Total Exemptions

Data Source: Tulare County Assessor 2013-14 Combined Tax Rolls

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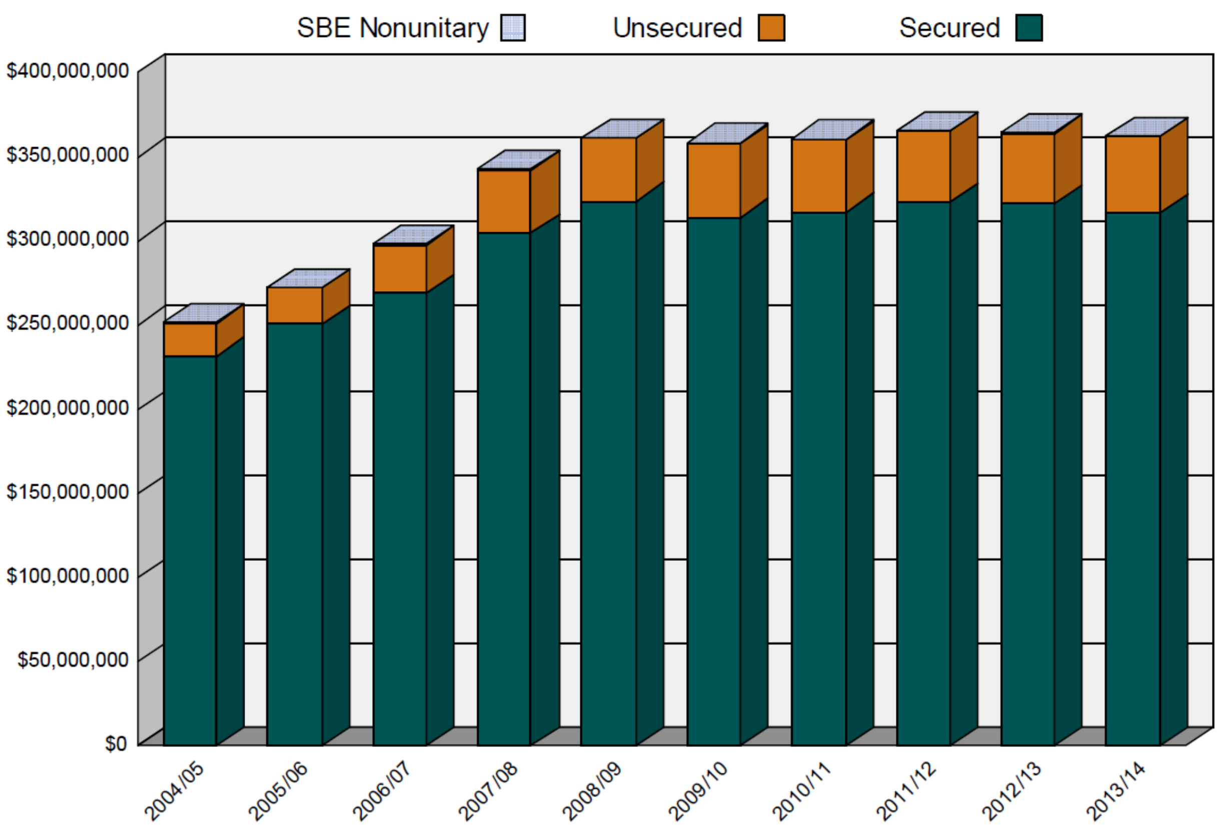
CITY OF LINDSAY
NET TAXABLE ASSESSED VALUE HISTORY
2004-05 – 2013-14 TAXABLE PROPERTY VALUES

Lien Year	Secured	Unsecured	SBE Nonunitary	Net Total AV	% Change
2004-05	$ 231,562,145	$ 19,483,776	$ 538,541	$ 251,584,462	
2005-06	250,562,793	21,511,423	537,021	272,611,237	8.36%
2006-07	268,854,137	28,810,747	568,251	298,233,135	9.40%
2007-08	304,861,330	37,444,859	279,885	342,586,074	14.87%
2008-09	323,965,148	36,958,380	279,885	361,203,413	5.43%
2009-10	313,920,895	44,173,781	388,029	358,482,705	-0.75%
2010-11	317,176,151	43,001,252	388,029	360,565,432	0.58%
2011-12	322,987,316	42,350,192	388,029	365,725,537	1.43%
2012-13	321,908,761	42,056,326	388,029	364,353,116	-0.38%
2013-14	316,601,818	45,357,593	584,566	362,543,977	-0.50%



Data Source: Tulare County Assessor 2013-14 Combined Tax Rolls

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CITY OF LINDSAY
ASSESSED VALUE OF TAXABLE PROPERTY
2004-05 – 2013-14 TAXABLE PROPERTY VALUES

Category	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Residential	$ 147,990,173	$ 161,845,956	$ 178,901,221	$ 199,010,278	$ 208,760,644	$ 204,269,302	$ 211,897,063	$ 219,508,471	$ 218,315,145	$ 218,904,123
Commercial	34,163,825	36,397,505	39,826,305	43,246,940	52,175,026	53,056,140	59,044,117	58,316,800	58,784,904	57,764,891
Industrial	41,939,874	44,174,620	33,893,052	37,835,262	37,004,419	39,609,319	40,660,810	40,020,979	39,615,974	35,427,368
Dry Farm	3,805	3,881	3,959	4,038	4,119	4,201	267,457	265,249	270,554	275,965
Government Owned	-	-	-	-	150,000	153,000	-	-	-	-
Institutional	4,249,698	4,565,698	5,830,569	5,755,954	5,840,821	4,982,966	826,540	669,686	686,945	861,047
Irrigated	2,271,752	2,662,776	4,318,128	14,039,996	15,369,042	2,530,861	2,206,902	1,943,252	1,964,027	2,002,552
Miscellaneous	402,194	410,067	5,614,063	4,543,234	4,291,845	8,975,334	1,186,458	1,570,555	1,603,711	703,160
Recreational	540,824	502,290	466,840	425,628	369,232	339,772	777,539	526,081	477,501	468,912
Vacant	-	-	-	-	-	-	309,265	166,243	190,000	193,800
SBE Nonunitary	538,541	537,021	568,251	279,885	279,885	388,029	388,029	388,029	388,029	584,566
Unsecured	19,483,776	21,511,423	28,810,747	37,444,859	36,958,380	44,173,781	43,001,252	42,350,192	42,056,326	45,357,593
Totals	$ 251,584,462	$ 272,611,237	$ 298,233,135	$ 342,586,074	$ 361,203,413	$ 358,482,705	$ 360,565,432	$ 365,725,537	$ 364,353,116	$ 362,543,977
Total Direct Rate	0.43269	0.45601	0.50135	0.54414	0.54459	0.55849	0.55096	0.56157	0.55690	0.14867

Notes:

Exempt values are not included in Total.

In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Data Source: Tulare County Assessor 2004-05 – 2013-14 Combined Tax Rolls

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CITY OF LINDSAY
2013-14 TOP TEN PROPERTY TAXPAYERS
TOP PROPERTY OWNERS BASED ON NET VALUES

	Secured			Unsecured			Combined		Primary Use and Primary Agency
Owner	**Parcels**	**Value**	**% of Net AV**	**Parcels**	**Value**	**% of Net AV**	**Value**	**% of Net AV**	
1 Robert J. and Sharon J. Hilarides	1	$ 18,304,215	5.15%				$ 18,304,215	4.56%	Dry Farm Successor Agency
2 National Diversified Sales Inc				5	$16,781,729	36.88%	$ 16,781,729	4.18%	Unsecured Successor Agency
3 Vita-Pakt Citrus Products Company	3	$ 6,616,399	1.86%	3	$ 6,659,600	14.63%	$ 13,275,999	3.31%	Unsecured Successor Agency
4 Olivewood Properties LLC	6	$ 10,831,093	3.05%				$ 10,831,093	2.70%	Commercial Lindsay City
5 Suntreat Investment Inc	10	$ 5,161,681	1.45%	4	$ 3,752,410	8.25%	$ 8,914,091	2.22%	Industrial Successor Agency
6 Lo Bue Bros Inc	9	$ 6,903,446	1.94%	2	$ 8,140	0.02%	$ 6,911,586	1.72%	Industrial Successor Agency
7 Capstone Business Credit LLC	2	$ 6,043,893	1.70%				$ 6,043,893	1.51%	Industrial Successor Agency
8 Lansco Properties Inc	3	$ 5,707,745	1.61%				$ 5,707,745	1.42%	Commercial Successor Agency
9 Tulare County Property LLC	1	$ 4,835,015	1.36%				$ 4,835,015	1.21%	Commercial Successor Agency
10 Lindsay Mission Estates LLC	96	$ 4,607,346	1.30%				$ 4,607,346	1.15%	Residential Successor Agency
Top Ten Total	131	$ 69,010,833	19.42%	14	$ 27,201,879	59.78%	$ 96,212,712	23.98%	
City Total		$ 355,527,537			$45,505,384		$ 401,032,921 * *Value includes outer TRAs		

Data Source: Tulare County Assessor 2013-14 Combined Tax Rolls and the SBE Nonunitary Tax Roll

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CITY OF LINDSAY
2004-05 TOP TEN PROPERTY TAX PAYERS
TOP PROPERTY OWNERS BASED ON NET VALUES

Owner	Secured Parcels	Secured Value	Secured % of Net AV	Unsecured Parcels	Unsecured Value	Unsecured % of Net AV	Combined Value	Combined % of Net AV	Primary Use and Primary Agency
1 Suntreat Investment Inc	12	$ 7,037,880	2.94%	2	$ 3,028,460	15.54%	$ 10,066,340	3.89%	Industrial Successor Agency
2 National Diversified Sales Inc	3	$ 8,786,300	3.67%				$ 8,786,300	3.40%	Industrial Successor Agency
3 Robert J. and Sharon J. Hilarides	1	$ 7,026,510	2.94%				$ 7,026,510	2.72%	Dry Farm Successor Agency
4 Edward T. Console	2	$ 5,967,220	2.50%				$ 5,967,220	2.31%	Industrial Successor Agency
5 Sworlco	3	$ 4,638,522	1.94%	1	$ 353,689	1.82%	$ 4,992,211	1.93%	Industrial Successor Agency
6 Donald C. Smith Gen Ptnr	1	$ 4,187,636	1.75%	2	$ 263,710	1.35%	$ 4,451,346	1.72%	Industrial Lindsay City
7 Lo Bue Bros Inc	12	$ 4,242,617	1.77%				$ 4,242,617	1.64%	Industrial Successor Agency
8 Cal Citrus Service Two LLC	7	$ 4,059,715	1.70%				$ 4,059,715	1.57%	Industrial Successor Agency
9 HIT Products Corporation				1	$ 3,973,662	20.39%	$ 3,973,662	1.54%	Unsecured Successor Agency
10 Olivewood Plaza LSR	3	$ 3,693,813	1.54%				$ 3,693,813	1.43%	Commercial Lindsay City
Top Ten Total	44	$ 49,640,213	20.75%	6	$ 7,619,521	39.10%	$ 57,259,734	22.15%	
City Total		$ 239,127,196			$19,483,776		$ 258,610,972 * *Value includes outer TRAs		

Data Source: Tulare County Assessor 2004-05 Combined Tax Rolls and the SBE Nonunitary Tax Roll

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CITY OF LINDSAY
DIRECT AND OVERLAPPING PROPERTY TAX RATES
(RATE PER $100 OF TAXABLE VALUE)
LAST TEN FISCAL YEARS

Agency	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Basic Levy [1]	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Cos Tulare Sfid	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.02770	0.02770	0.02770
Exeter Elementary Bond 2008A	0.00000	0.00000	0.00000	0.00000	0.02900	0.02900	0.02900	0.03660	0.00000	0.00000
Exeter High Bond	0.03810	0.03380	0.02960	0.04870	0.03980	0.03980	0.03980	0.04170	0.00000	0.00000
Kaweah Delta Water Sp	0.00090	0.00050	0.00050	0.00040	0.00040	0.00040	0.00040	0.00050	0.00010	0.00010
Lindsay Unified Bond	0.00000	0.00000	0.00000	0.00000	0.02130	0.02130	0.02130	0.07050	0.07000	0.07000
Lindsay Unified Bond 2002	0.06000	0.06000	0.06000	0.05500	0.03370	0.03370	0.03370	0.05480	0.00000	0.00000
Reedley Elementary Building	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.05000	0.05000
Total Direct and Overlapping[2] Tax Rates	**1.09900**	**1.09430**	**1.09010**	**1.10410**	**1.12420**	**1.12420**	**1.12420**	**1.23180**	**1.14780**	**1.14780**
City's Share of 1% Levy Per Prop 13 [3]	0.14794	0.14794	0.14794	0.14794	0.14784	0.14880	0.14880	0.14880	0.14880	0.14880
General Obligation Debt Rate										
Redevelopment Rate [4]	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000		
Total Direct Rate [5]	0.43269	0.45601	0.50135	0.54414	0.54459	0.55849	0.55096	0.56157	0.55690	0.14867

Notes:

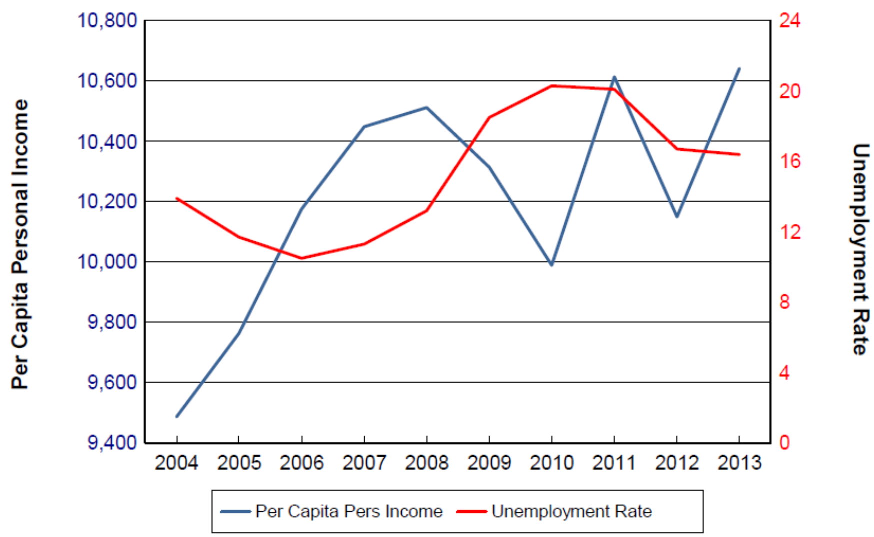
[1] In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.
[2] Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.
[3] City's share of 1% Levy is based on the City's share of the General Fund tax rate area with the largest net taxable value within the City. Educational Revenue Augmentation Funds (ERAF) General Fund tax shifts may not be included in tax ratio figures.
[4] Redevelopment rate is based on the largest Redevelopment Agency (RDA) tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.
[5] Total direct rate is the weighted average of all individual direct rates applied to by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14, the total direct rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as General Fund revenue.

Data Source: Tulare County Assessor 2004-05 – 2013-14 Tax Rate Tables

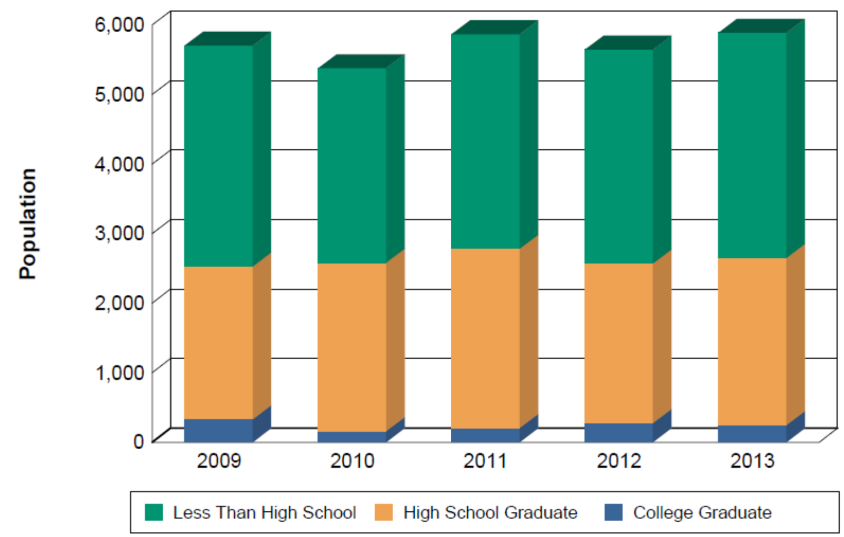
CITY OF LINDSAY
DEMOGRAPHIC AND ECONOMIC STATISTICS

Calendar Year	Population	Personal Income (In Thousands)	Per Capital Personal Income	Unemployment Rate	Median Age	% of Population 25+ with High School Degree	% of Population 25+ with Bachelor's Degree
2004	10,772	$ 102,188	$ 9,486	13.9%			
2005	10,998	107,380	9,764	11.7%			
2006	11,103	112,976	10,175	10.5%			
2007	11,071	115,680	10,449	11.3%			
2008	11,485	120,732	10,512	13.2%			
2009	11,665	120,312	10,314	18.5%	25.4	44.3%	5.8%
2010	11,800	117,870	9,989	20.3%	25.3	48.0%	3.0%
2011	12,262	130,149	10,614	20.1%	25.8	47.4%	3.5%
2012	12,376	125,616	10,150	16.7%	24.3	45.5%	4.9%
2013	12,650	134,621	10,642	16.4%	24.3	45.0%	4.2%

Personal Income and Unemployment



Education Level Attained for Population 25 and Over



Notes and Data Sources:

Population: California State Department of Finance.
Unemployment Data: California Employment Development Department
2000-2009 – Income, Age, and Education Data: ESRI - Demographic Estimates are based on the last available Census. Projections are developed by incorporating all of the prior census data released to date. Demographic Data is totaled from Census Block Groups that overlap the City's boundaries
2010 and later – Income, Age and Education Data: US Census Bureau, most recent American Community Survey

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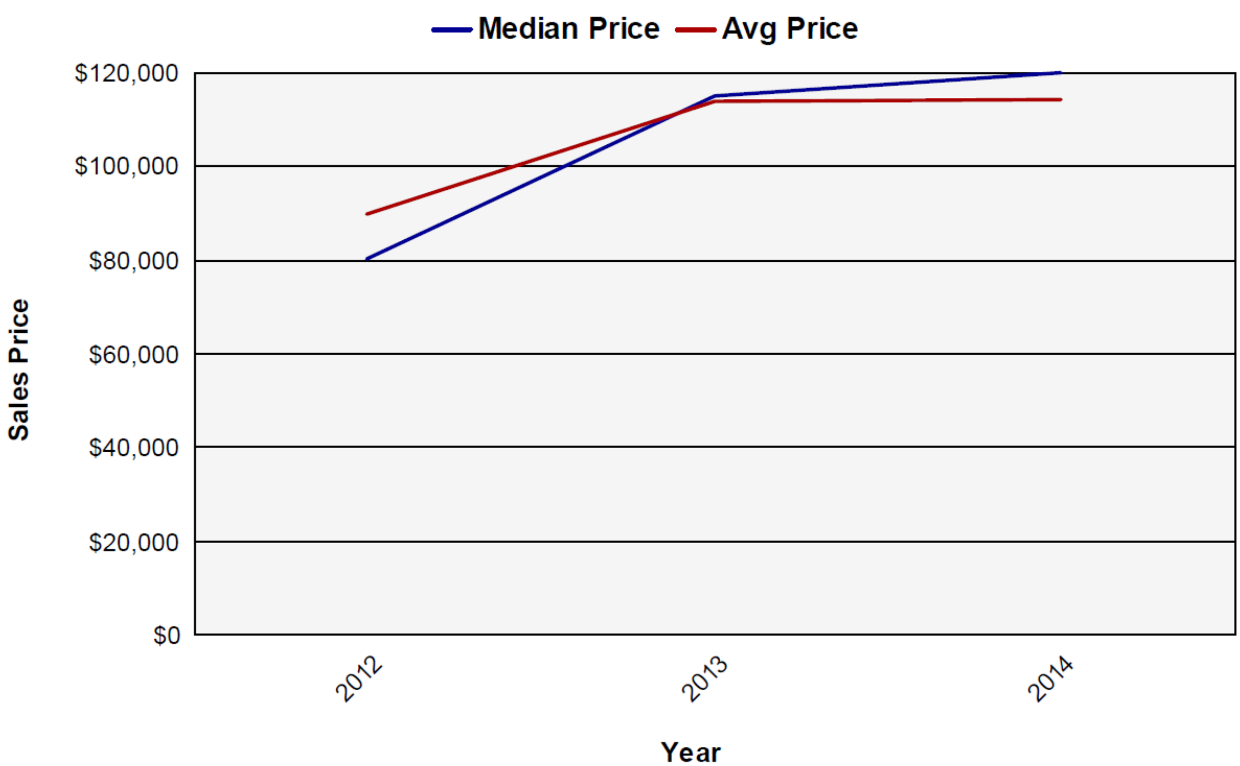
CITY OF LINDSAY
SALES VALUE HISTORY
SINGLE FAMILY RESIDENTIAL FULL VALUE SALES (01-01-2012 – 08-31-2014)

Year	Full Value Sales	Average Price	Median Price	Median % Change
2012	68	$ 89,830	$ 80,250	
2013	54	$ 113,889	$ 115,000	43.30%
2014	31	$ 114,387	$ 120,000	4.35%



Notes:

Sales not included in the analysis are quitclaim deeds, trust transfers, timeshares, and partial sales.

Data Source: Tulare County Recorder

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