



BROWN ARMSTRONG

Certified Public Accountants

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lindsay (the City) for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 12, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in the notes to the financial statements, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The objective of GASB Statement No. 68 is to improve accounting and financial reporting by state and local governments for pensions. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimates of the Other Postemployment Benefit (OPEB), net pension liabilities, and related deferred outflows of resources and deferred inflows of resources, which are based on actuarial reports prepared and provided by an independent third party. We evaluated the key factors and assumptions used to develop the estimates of the OPEB, net pension liabilities, and related deferred outflows of resources and deferred inflows of resources in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosures regarding the Retirement Plans and OPEB in Notes 9 and 12, respectively.

BAKERSFIELD OFFICE (MAIN OFFICE)

4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE

7673 N. INGRAM AVENUE
SUITE 101
FRESNO, CA 93711
TEL 559.476.3592
FAX 559.476.3593

PASADENA OFFICE

260 S. LOS ROBLES AVENUE
SUITE 310
PASADENA, CA 91101
TEL 626.204.6542
FAX 626.204.6547

STOCKTON OFFICE

5250 CLAREMONT AVENUE
SUITE 150
STOCKTON, CA 95207
TEL 209.451.4833

The disclosure of the City's going concern in Note 18 to the financial statements, which was partially caused by the City's net loss of \$695,105 in the government-wide financial statements and cash overdraft in various proprietary funds during the year ended June 30, 2015. The ability of the City to continue as a going concern and meet its obligations as they become due is dependent on the City's ability to develop and implement a plan that will successfully increase cash flows.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached misstatements were detected as a result of audit procedures and were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 12, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining financial statements and individual fund statements, which accompanies the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in

the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section, which accompanies the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of Honorable Mayor, Members of the City Council, and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
August 12, 2016

Client: 48005 - City of Lindsay
 Engagement: 6/30/15 Audit
 Period Ending: 6/30/2015
 Trial Balance: TB - Trial Balance
 Workpaper: AJE - Adjusting Journal Entry

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 2		XX		
To expense immaterial differences in fund balance				
101-4010-021000	OFFICE SUPPLIES		8,077.00	
261-4160-031000	PROFESSIONAL SERVICES		40.00	
263-4180-065013	SHE LOAN PORFOLIO PAYMNTS		9,898.00	
264-4190-038001	EXP BUDGET CONTROL		1.00	
300-0000-490030	FUND BALANCE		60,804.00	
400-0000-490030	FUND BALANCE		3,665.00	
400-4400-023000	REPAIR & MAINT SUPPLIES		194.00	
552-4552-021000	OFFICE SUPPLIES		212.00	
553-0000-490030	FUND BALANCE		30.00	
553-0000-490030	FUND BALANCE		7,203.00	
554-4554-022015	VEHICLE REPAIR & MAINT		5,029.00	
554-4554-024001	SHOP SUPPLIES		1,054.00	
660-0000-490030	FUND BALANCE		2,000.00	
720-4720-095003	SUPPLIES & MATERIALS		1,433.00	
889-4889-022002	ADMINISTRATIVE COSTS		64.00	
101-0000-490030	FUND BALANCE			8,077.00
261-0000-490030	FUND BALANCE			40.00
263-0000-490030	FUND BALANCE			9,898.00
264-0000-490030	FUND BALANCE			1.00
300-0000-300003	OTHER MCD REVENUE			60,804.00
400-0000-490030	FUND BALANCE			194.00
400-4400-010001	SALARIES - FULL TIME			3,665.00
552-0000-490030	FUND BALANCE			212.00
553-4553-010001	SALARIES - FULL TIME			7,203.00
553-4553-021000	OFFICE SUPPLIES			30.00
554-0000-490030	FUND BALANCE			1,054.00
554-0000-490030	FUND BALANCE			5,029.00
660-0000-369090	OTHER MISC REVENUES			2,000.00
720-0000-490030	FUND BALANCE			1,433.00
889-0000-490030	FUND BALANCE			64.00
Total			99,704.00	99,704.00
Adjusting Journal Entries JE # 3		PSR-23-6		
To reverse a journal entry that was booked twice.				
101-0000-200203	DUE TO OTHER FUNDS		937,680.00	
101-0000-490030	FUND BALANCE		18,540.00	
101-0000-100106	CHECKING ACCOUNT-PAYROLL			18,540.00
101-0000-490030	FUND BALANCE			937,680.00
Total			956,220.00	956,220.00
Adjusting Journal Entries JE # 39		PSR-23-7		

Client: **48005 - City of Lindsay**
 Engagement: **6/30/15 Audit**
 Period Ending: **6/30/2015**
 Trial Balance: **TB - Trial Balance**
 Workpaper: **AJE - Adjusting Journal Entry**

Account	Description	W/P Ref	Debit	Credit
To adjust compensated absences in enterprise funds at June 30, 2015				
300-0000-200209	ACCRUED LEAVES PAYABLE		4,908.00	
300-0000-200213	COMP ABS- LONG TERM PORTN		9,815.00	
400-0000-200209	ACCRUED LEAVES PAYABLE		368.00	
400-0000-200213	COMP ABS- LONG TERM PORTN		737.00	
552-4552-010001	SALARIES - FULL TIME		675.00	
553-0000-200209	ACCRUED LEAVES PAYABLE		774.00	
553-0000-200213	COMP ABS- LONG TERM PORTN		1,547.00	
554-0000-200209	ACCRUED LEAVES PAYABLE		348.00	
554-0000-200213	COMP ABS- LONG TERM PORTN		696.00	
300-4300-010001	SALARIES - FULL TIME			14,723.00
400-4400-010001	SALARIES - FULL TIME			1,105.00
552-0000-200209	ACCRUED LEAVES PAYABLE			225.00
552-0000-200213	COMP ABS- LONG TERM PORTN			450.00
553-4553-010001	SALARIES - FULL TIME			2,321.00
554-4554-010001	SALARIES - FULL TIME			1,044.00
Total			19,868.00	19,868.00
Adjusting Journal Entries JE # 40				
To write off RDA loan				
PSR-23-8				
660-0000-220221	NOTES PAYABLE-GOV'T LOANS		377,237.00	
720-0000-200208	DEFERRED REVENUES		377,237.00	
660-0000-369090	OTHER MISC REVENUES			377,237.00
720-0000-120127	LOANS RECEIVABLE			377,237.00
Total			754,474.00	754,474.00
Adjusting Journal Entries JE # 41				
To book correcting AJEs provided by the client.				
PSR-23-8				
101-0000-369300	GRANT FUNDS RECEIVED		26,087.00	
263-0000-090200	TRANSFERS OUT		9,898.00	
263-0000-130135	DUE FROM OTHER FUNDS		9,898.00	
264-0000-200203	UNIFORM ALLOWANCE - PSO		9,898.00	
264-0000-200203	UNIFORM ALLOWANCE - PSO		11,994.00	
101-0000-369304	AB109 PS MITIGATION GRANT			26,087.00
263-0000-130135	DUE FROM OTHER FUNDS			9,898.00
263-0000-490030	FUND BALANCE			9,898.00
264-0000-390100	TRANSFERS IN			9,898.00
264-0000-490030	FUND BALANCE			11,994.00
Total			67,775.00	67,775.00
Adjusting Journal Entries JE # 42				
GASB 68 Entries for Enterprise Funds				
PSR-23-9				
300-0000-190100	DEFERRED OUTFLOWS - PENSIONS		82,213.00	
300-0000-490030	FUND BALANCE		728,616.00	
400-0000-190100	DEFERRED OUTFLOWS - PENSIONS		13,652.00	
400-0000-490030	FUND BALANCE		120,993.00	
552-0000-190100	DEFERRED OUTFLOWS - PENSIONS		35,435.00	
552-0000-490030	FUND BALANCE		314,047.00	
553-0000-190100	DEFERRED OUTFLOWS - PENSIONS		27,013.00	
553-0000-490030	FUND BALANCE		239,406.00	

Client: **48005 - City of Lindsay**
 Engagement: **6/30/15 Audit**
 Period Ending: **6/30/2015**
 Trial Balance: **TB - Trial Balance**
 Workpaper: **AJE - Adjusting Journal Entry**

Account	Description	W/P Ref	Debit	Credit
554-0000-190100	DEFERRED OUTFLOWS - PENSIONS		6,958.00	
554-0000-490030	FUND BALANCE		61,663.00	
300-0000-280100	NET PENSION LIABILITY			637,796.00
300-0000-290100	DEFERRED INFLOWS - PENSIONS			146,878.00
300-4300-015200	PENSION EXPENSE			26,155.00
400-0000-280100	NET PENSION LIABILITY			105,912.00
400-0000-290100	DEFERRED INFLOWS - PENSIONS			24,390.00
400-4400-015200	PENSION EXPENSE			4,343.00
552-0000-280100	NET PENSION LIABILITY			274,902.00
552-0000-290100	DEFERRED INFLOWS - PENSIONS			63,307.00
552-4552-015200	PENSION EXPENSE			11,273.00
553-0000-280100	NET PENSION LIABILITY			209,565.00
553-0000-290100	DEFERRED INFLOWS - PENSIONS			48,260.00
553-4553-015200	PENSION EXPENSE			8,594.00
554-0000-280100	NET PENSION LIABILITY			53,977.00
554-0000-290100	DEFERRED INFLOWS - PENSIONS			12,430.00
554-4554-015200	PENSION EXPENSE			2,214.00
Total			1,629,996.00	1,629,996.00

Adjusting Journal Entries JE # 43

To record AJE PBC 6-28-2016

101-0000-100100	BOTS ACCOUNTS PAYABLE		2,150,000.00	
101-0000-100106	CHECKING ACCOUNT-PAYROLL		2,550,000.00	
261-0000-130135	DUE FROM OTHER FUNDS		100,000.00	
263-0000-130135	DUE FROM OTHER FUNDS		700,000.00	
552-0000-130135	DEFERRED COMP BENEFIT		540,000.00	
669-0000-130135	REPAIR & MAINT SUPPLIES		300,000.00	
678-0000-130135	DUE FROM OTHER FUNDS		1,300,000.00	
700-0000-130135	DUE FROM OTHER FUNDS		160,000.00	
720-0000-130135	DUE FROM OTHER FUNDS		1,200,000.00	
792-0000-130135	WATER RIGHTS FEE - BOE		400,000.00	
101-0000-200203	DUE TO OTHER FUNDS			4,700,000.00
261-0000-100106	CHECKING ACCOUNT-PAYROLL			100,000.00
263-0000-100100	BOTS ACCOUNTS PAYABLE			200,000.00
263-0000-100106	CHECKING ACCOUNT-PAYROLL			500,000.00
552-0000-100100	BOTS ACCOUNTS PAYABLE			400,000.00
552-0000-100106	CHECKING ACCOUNT-PAYROLL			140,000.00
669-0000-100100	BOTS ACCOUNTS PAYABLE			200,000.00
669-0000-100106	CHECKING ACCOUNT-PAYROLL			100,000.00
678-0000-100106	CHECKING ACCOUNT-PAYROLL			1,300,000.00
700-0000-100100	BOTS ACCOUNTS PAYABLE			100,000.00
700-0000-100106	CHECKING ACCOUNT-PAYROLL			60,000.00
720-0000-100100	BOTS ACCOUNTS PAYABLE			850,000.00
720-0000-100106	CHECKING ACCOUNT-PAYROLL			350,000.00
792-0000-100100	BOTS ACCOUNTS PAYABLE			400,000.00
Total			9,400,000.00	9,400,000.00

Adjusting Journal Entries JE # 44

To tie out depreciation schedule to TB to note disclosure by adjusting immaterial differences.

400-4400-037000	OTHER SERVICES & CHARGES		47.00	
400-4400-034001	DEPRECIATION EXPENSE			47.00

Client: **48005 - City of Lindsay**
 Engagement: **6/30/15 Audit**
 Period Ending: **6/30/2015**
 Trial Balance: **TB - Trial Balance**
 Workpaper: **AJE - Adjusting Journal Entry**

Account	Description	W/P Ref	Debit	Credit
Total			<u><u>47.00</u></u>	<u><u>47.00</u></u>
Adjusting Journal Entries JE # 45		C-10-6		
To adjust note receivable for current year change.				
841-0000-200208	DEFERRED REVENUES		2,400.00	
841-0000-120124	ADVANCES-CURB & GUTTER			2,400.00
Total			<u><u>2,400.00</u></u>	<u><u>2,400.00</u></u>
Adjusting Journal Entries JE # 46		AA		
To allocate funds based on supporting schedules provided by the client.				
660-0000-210002	SHORT-TERM PORTION LTDEBT		17,974.00	
660-0000-220227	BOND PAYABLE			17,974.00
Total			<u><u>17,974.00</u></u>	<u><u>17,974.00</u></u>
Adjusting Journal Entries JE # 47				
To record CY OPEB.				
300-4300-015009	FICA/MEDICARE CITY PAID		31,071.00	
400-4400-015009	BOTS ACCOUNTS PAYABLE		5,235.00	
552-4552-015009	ACCRUED WAGES PAYABLE		13,340.00	
553-4553-015009	OPEB CURRENT LIAB EXPENSE		10,132.00	
554-4554-015009	CURRENT ACC OPEB ALLOCATION		2,702.00	
300-0000-200149	CURRENT ACC OPEB LIABILY			31,071.00
400-0000-200149	CURRENT ACC OPEB LIABILY			5,235.00
552-0000-200149	CURRENT ACC OPEB LIABILY			13,340.00
553-0000-200149	CURRENT ACC OPEB LIABILY			10,132.00
554-0000-200149	CURRENT ACC OPEB LIABILY			2,702.00
Total			<u><u>62,480.00</u></u>	<u><u>62,480.00</u></u>
Adjusting Journal Entries JE # 48		C-10-2/C-10-2-1		
To adjust trial balance to tie to supporting documentation.				
700-0000-120127	LOANS RECEIVABLE		72,511.00	
720-0000-120127	LOANS RECEIVABLE		106,079.00	
700-0000-200208	DEFERRED REVENUES			72,511.00
720-0000-200208	DEFERRED REVENUES			106,079.00
Total			<u><u>178,590.00</u></u>	<u><u>178,590.00</u></u>