

CITY OF LINDSAY
AUDITED BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

**CITY OF LINDSAY
 BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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INTRODUCTORY SECTION



City of Lindsay



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September 25, 2012

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

Contained herein is the City of Lindsay Comprehensive Annual Financial Report. This year's report has been formatted to comply with the financial reporting model as prescribed by the Governmental Accounting Standards Board (GASB). These statements have been audited in accordance with Generally Accepted Auditing Standards (GAAS) by a firm of licensed certified public accountants as required by State law. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Lindsay of the fiscal year ended June 30, 2011.

This report consists of management's representations concerning the finances of the City of Lindsay. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, current management of the City of Lindsay has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Lindsay financial statements in conformity with Generally Accepted Accounting Principles (GAAP). It was discovered during the previous audit (FY2009-10) that that prior management did not enforce, or did override, existing internal control policies, failed to obtain council approval for cost overrides and use of reserve funds, and failed to adhere to a reasonable debt limit plan, particularly as regards short-term debt, the result of which is a number of weaknesses and deficiencies being identified that have carried over to the this report that covers the period July 1, 2010 through June 30, 2011. Although this report has identified a number of concerns, weaknesses, and deficiencies, that occurred under the stewardship of a management team that is no longer with the City, current management can provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we attest that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Lindsay's financials statements have been audited by Brown Armstrong Accountancy Corporation, Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Lindsay for the fiscal year ended June 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amount and disclosures in the financial statement; 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 they are unable to render an opinion on the City of Lindsay's financial statements for the fiscal year ended June 30, 2011; the independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Lindsay was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies.

LINDSAY...
THE FRIENDLY CITY



HEART OF CENTRAL
CALIFORNIA ORANGE AREA

The standards governing the Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are presented in the Single Audit section of this comprehensive annual financial report.

GAAP require that management provide 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 of Lindsay 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 and filed with the State of California in April 1996. Lindsay is located in the middle of the state in the Central San Joaquin Valley. The Central Valley is considered to be a national and world leader in the agricultural industry, with dairy, citrus and deciduous crops the primary commodity around the Lindsay area. The City of Lindsay currently occupies an incorporated area of 2.5 miles with an urban development boundary of 3.9 miles and serves a population of 11,957.

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. Note: In January 2011, elected council member Suzi Picasso resigned to pursue personal business interests and was replaced, via the appointment process, by Ramona Padilla to fulfill that term. 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 the policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments.

The City of Lindsay provides a full range of services, including police and fire protection; the construction, maintenance, and cleaning of streets and other infrastructure; planning and development services; water services; contracting for refuse collection, disposal, and recycling services; sewer service; storm drainage; contracting for transit services; recreation activities and general administration. Some community development services are provided through a legally separate Redevelopment Agency, which functions, in essence, as a department of the City of Lindsay and therefore has been included as an integral part of the City of Lindsay financial statements. Additional information on the Lindsay Redevelopment Agency can be found in a separate audit conducted and prepared by the independent auditors specific to redevelopment activities. Note: The Agency was formally dissolved October 1, 2011.

The annual budget serves as the foundation for the City's financial planning and control. Prior management did propose, and convince council to adopt a multi-year budget, which has been determined to have been a major factor in the lack of controls, communication, and accountability to council that is required for the governing body to be able to adequately perform their assigned duties. Adopting a two year budget beginning with fiscal year 2009-10 and continuing with 2010-11, without adequate periodic reporting to the council and redevelopment agency board did allow former

management to make decisions, without consulting council or gaining their approval, that did create an on-going concern issue for the city that continued into the end of the fiscal year covered by this audit report. Although, there was a significant change in management mid-year in FY2010-11, the repercussions of lack of internal controls would carry over from FY2009-10 into FY2010-11 with many of the deficiencies and weaknesses identified actually stemming from activity that took place in FY2007-2009. The current audit firm did not commence review of the City until February 2011 (for the FY2009-10 audit) and did not issue preliminary recommendations until April 2011; therefore, most of the findings from FY2009-10 are carried over into this report despite the corrections that have been put in place. One finding that did not carry over and should not have been included last year was the overcharging of the enterprise funds as that finding was based on the spreadsheet of allocations that was provided to the auditors; during the Measure R forensic examination it was determined that the allocations were overridden into the transportation fund which has resulted in an ineligible cost and repayment situation on that front which is disclosed elsewhere in this report. The comparison of budget-to-actual, which represents staff projections for expenses and revenues, shows a clear picture of management's failure to amend the budget at any point during the fiscal year when changes warranted. Financial updates are crucial to providing a clear picture of the fiscal health of the city; failing to provide full disclosure of the financial state of the city to the governing body can result in poor decision-making as decisions are only as good as the information upon which they are based. Withholding crucial pertinent factors created some very negative conditions, particularly as regards debt obligations. Communication to council and to the City's stakeholders has been a top priority with the new administration.

Factors Affecting Financial Condition

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

Local Economy: The local economy continues to be affected by the economic slowdown and will take some time to recover. Property values continue to trend lower when compared to the previous year. Building activity continues to be slower than the 10 year average. FY2011 did see the construction and near completion of a 73-unit senior apartment complex as well as a new development sponsored by Self-Help enterprises which encourages owner-sweat equity in the construction of new homes. City of Lindsay has been a leader in providing First-time Homebuyer Assistance to our citizens with a current portfolio of 291 home loans (of 3,193) – Lindsay has a 53.3% homeownership rate. Lindsay has been attractive to developers of affordable housing and has encouraged and facilitated, via a stream-lined permit process, the development of four new projects over the past few years with a 90% occupancy rate which has contributed to the overall population increase of 1.6%. Council has now instructed staff to begin addressing the need for rehabilitation of existing housing. The City's unemployment rate continues to be of concern with an approximate rate of 19.2%, well above the County, State, and National average. Economic development and job creation are top priorities of staff and the governing body.

The development of McDermont Field House has been a major project for the City of Lindsay and has provided full time and part time employment for a number of Lindsay residents. This facility is a draw for many people from neighboring communities and we believe can be directly credited, along with the Friday Night Farmer's Market with the 8.3% increase in Retail Sales tax revenue between FY10 and FY11.

The Friday Night Market (FNM), now in its 6th year of operation, has been expanded into the entire downtown area now that the reconstruction of the downtown area is complete. This expansion has

significantly increased the participation of the vendors which has resulted in greater sales tax revenue and is responsible for attracting an average of 5,000 people to the City of Lindsay downtown area every week from mid-March to mid-November. The success of the FNM, originally started as a redevelopment project, has made the Chamber of Commerce totally self-sufficient which enabled the City to reduce the amount of retail business license fees, a portion of which had been used to fund the Chamber, thus providing much needed relief to our businesses who are struggling in these tough economic times. Making the Downtown not only attractive, but pedestrian-friendly to a population, many of whom do not have conventional transportation, has greatly increased foot traffic to downtown and the businesses that anchor the downtown area. We are also seeing increased use of the County transit system at the bus stops located within the downtown area; an additional bus stop was added in 2010 to better serve south-bound passengers across from the north-bound shelter located adjacent to City Hall and there will be seven more added in FY2011-12 thanks to a Public Transportation Act grant.

State Budgetary Actions: The budget problems at the State level are a major concern for the City of Lindsay as they severely reduced the Vehicle License Fee (VLF) revenue in FY2010-11 and eliminated this revenue stream entirely early in FY2011-12 which results in a loss of approximately \$43,000 per year. ABX126 eliminated all redevelopment agencies, but does include provisions for meeting all debt obligations that has property tax revenue originally pledged for debt service. The State has not addressed its structural budget problems and will most likely have continuing budget deficits that will have an adverse effect on all local agencies.

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.

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

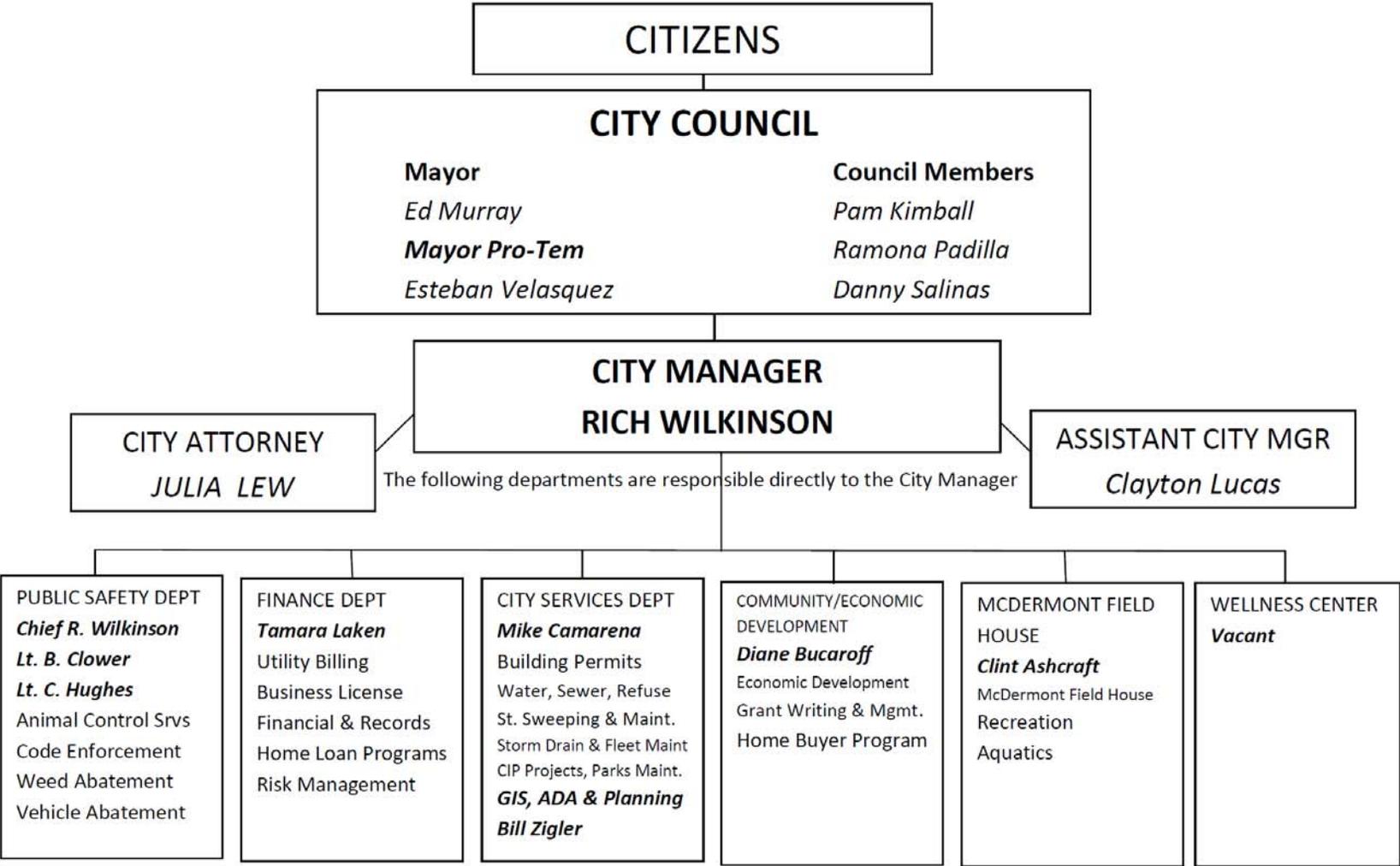
The preparation of this report has been delayed as staffing resources have been responding to additional audit and review requests by many State agencies as a result of the FY2009-10 audit report. Our major concern has been to correct the deficiencies going forward. I wish to thank all Finance staff for their cooperation and dedication to the preparation of this report and acknowledge the professional assistance of the audit team from Brown Armstrong Accountancy Corporation whose recommendations have resulted in significant improvements.

Respectfully submitted,



Tamara Laken
Finance Director

CITY OF LINDSAY DEPARTMENT ORGANIZATION



CITY OF LINDSAY
PRINCIPAL CITY OFFICIALS
JUNE 30, 2011

City Council

Ed Murray	Mayor
Esteban Velasquez	Vice Mayor
Danny Salinas	Council Member
Pam Kimball	Council Member
Ramona Padilla*	Council Member

Administrative Officials and Department Heads

Rich Wilkinson*	City Manager
Clayton Lucas*	Assistant City Manager/HR Director
Tamara Laken*	Finance Director/City Treasurer
Michael Camarena	City Services Director
Rich Wilkinson	Public Safety Director
Clint Ashcraft*	McDermont Field House Director
Vacant*	Wellness Center Director
Diane Bucaroff	Community & Economic Development
Carmen Wilson*	City Clerk

* Suzi Picasso resigned from the council and was replaced via the appointment process 1-25-11

*July 1, 2010 thru November 10, 2010 the City Manager was Scot Townsend

*July 1, 2010 thru October 21, 2010 the Finance Director/City Treasurer/City Clerk was Ken Walker

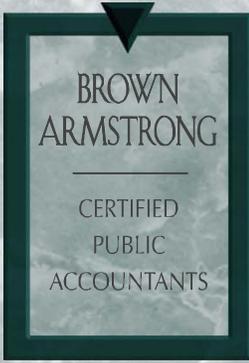
*July 1, 2010 thru March 11, 2011 the Assistant City Manager/HR Director was Kindon Meik

*July 1, 2010 thru April 26, 2011 the Recreation/McDermont Director was Brad Albert

*July 1, 2010 thru January 8, 2011 the Wellness Center Director was Doug Clark

The City experienced massive turn-over in staff at the highest levels in FY11; the individuals with an asterisk beside their names were named to an interim capacity at the departure date of their predecessor(s) with all appointments made permanent per contract, or Council appointment, in May 2011 or within the months following.

FINANCIAL SECTION



BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lindsay, California, (the City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. Because of the matters described in the basis for disclaimer of opinion paragraph below, we were not able to obtain sufficient appropriate audit evidence to provide a basis of opinion.

The basis for disclaiming an opinion on the City of Lindsay's financial statements is as follows: the City failed to implement basic internal controls during the year to prevent misstatements and errors in the financial statements, the City failed to perform monthly cash accounts reconciliation to the general ledger and bank statements, the City failed to reconcile its Due to and Due from accounts and its transfer in and out accounts, the City was unable to reconcile the City's accounts receivable balances to the aging report and the general ledger, the City did not take an inventory of its capital assets, the City's depreciation expense has not been properly recorded, the City's internal controls over payroll were not operating effectively, the City's compensated absences were misallocated to the enterprise funds, the City did not record its other postemployment benefit liability, the City's internal controls over cash disbursements were not operating effectively and several expenditures lacked supporting documentation and were miscoded to the wrong accounts, the City was unable to provide support for numerous credit card and travel expenditures, the City lacks internal controls over posting journal entries, the City does not keep track of its budget and no budget amendment or tracking was conducted during the year, the City lacks internal controls over contract change orders, the City is out of compliance with several bond agreements, and was out of compliance with several Federal grant awards. The City inflated purchases of land held for redevelopment. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary to the financial statements. Please see the City's separate Single Audit Report for a listing of all current year findings.

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Because of the significance of the matters described in the basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide an audit opinion. Accordingly, we do not express an opinion on the financial statements referred to above and the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lindsay, California, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

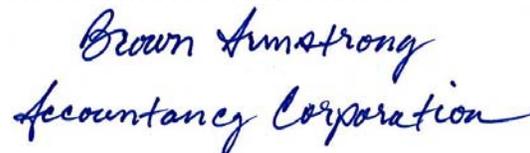
As discussed in Note 1 to the financial statements, the City has adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section and combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the matters described above, it is inappropriate to, and we do not express, an opinion on the supplementary information referred to above.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation".

Bakersfield, California
September 24, 2012

**CITY OF LINDSAY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

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, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

(All Amounts in Thousands)

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$48,657 (*net assets*). Of this amount, \$(9,652) (*unrestricted net assets*) may be used to meet the government'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 \$16,176. All of this is available *for spending* at the government's discretion (*unreserved fund balance*).

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Redevelopment Agency. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The Water, Sewer, Refuse, and 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 ten 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, Gas Tax, Community Development, Redevelopment Agency Capital Projects, and Redevelopment Agency Low and Moderate Income Housing Funds, all of which are considered to be major funds. Data from the other five 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 two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, Refuse, and the McDermont Sports Complex.

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

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

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

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

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Lindsay, assets exceeded liabilities by \$48,714 at the close of the most recent fiscal year.

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

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

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 37,916	\$ 35,448	\$ 2,748	\$ 3,476	\$ 40,664	\$ 38,924
Capital assets	38,053	27,710	44,670	46,266	82,723	73,976
Total assets	75,969	63,158	47,418	49,742	123,387	112,900
Long-term liabilities	38,571	37,875	24,576	26,201	63,147	64,076
Other liabilities	8,844	7,356	2,739	1,328	11,583	8,684
Total liabilities	47,415	45,231	27,315	27,529	74,730	72,760
Net assets:						
Invested in capital assets, net of related debt	17,469	9,252	31,946	34,735	49,415	43,987
Restricted	8,894	9,060	-	-	8,894	9,060
Unrestricted	2,191	(385)	(11,843)	(12,522)	(9,652)	(12,907)
Total net assets	\$ 28,554	\$ 17,927	\$ 20,103	\$ 22,213	\$ 48,657	\$ 40,140

A portion of the City's net assets, \$8,894, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$(9,595), represents the governmental activities surplus of \$2,249, combined with the business-type activities negative balance of \$11,844. At fiscal year-end, the City reported negative balances in the unrestricted categories of net assets, both for the government as a whole, as well as for the General Fund and Gas Tax Fund of its separate governmental activities. The other non-major governmental funds had a combined positive fund balance at year-end.

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

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Program revenue:						
Charges for services	\$ 314	\$ 358	\$ 7,573	\$ 7,762	\$ 7,887	\$ 8,120
Operating grants and contributions	2,910	3,624	-	-	2,910	3,624
Capital grants and contributions	4,872	4,725	-	-	4,872	4,725
General revenues:						
Property taxes	2,036	1,673	-	-	2,036	1,673
Other taxes	3,602	3,517	-	-	3,602	3,517
Miscellaneous	922	1,019	35	-	957	1,019
Transfers	(105)	(26,145)	105	930	-	(25,215)
Total revenues	14,551	(11,229)	7,713	8,692	22,264	(2,537)
Expenses:						
General government	2,832	1,492	-	-	2,832	1,492
Public safety	2,761	2,777	-	-	2,761	2,777
Parks and recreation	1,045	1,409	-	-	1,045	1,409
Public works	329	356	-	-	329	356
Street and transportation	985	1,096	-	-	985	1,096
Community Development	2,265	3,023	-	-	2,265	3,023
Interest on long-term debt	1,086	958	-	-	1,086	958
Water fund	-	-	2,539	1,811	2,539	1,811
Sewer fund	-	-	2,085	1,815	2,085	1,815
Refuse fund	-	-	1,432	1,257	1,432	1,257
McDermont sport complex fund	-	-	3,406	4,497	3,406	4,497
Animal control fund	-	-	-	87	-	87
Total expenses	11,303	11,111	9,462	9,467	20,765	20,578
Changes in net assets	3,248	(22,340)	(1,749)	(775)	1,499	(23,115)
Net assets - beginning	17,927	21,594	22,213	1,712	40,140	23,306
Prior period adjustments	7,379	18,673	(361)	21,276	7,018	39,949
Net assets - beginning, restated	25,306	40,267	21,852	22,988	47,158	63,255
Net assets - ending	<u>\$ 28,554</u>	<u>\$ 17,927</u>	<u>\$ 20,103</u>	<u>\$ 22,213</u>	<u>\$ 48,657</u>	<u>\$ 40,140</u>

Governmental activities. Governmental activities increased the City's net assets by \$3,248.

Business-type activities. Business-type activities decreased the City's net assets by \$1,749.

Financial Analysis of the Government'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 \$16,176.

The fund balance of the City's General Fund decreased by \$740 during the current fiscal year. Key factors in this increase are as follows:

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

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water, Sewer, Refuse, and McDermont Sports Complex activities at the end of the year amounted to \$(11,843). The decrease in net assets for all these funds was \$1,749 due primarily to the losses in the McDermont Sports Complex and Water Fund.

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, 2011, amounts to \$82,723 (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 the Downtown Renovation and Hermosa Round-About Projects; the Safe-Routes-to-School projects at the intersections of Hermosa sidewalks began and construction on the Wellness Center took on new focus with the completion target date set for August 31, 2011; construction in progress as of the end of the current fiscal year had reached \$7,062.

This facility has been made possible by a \$1 million grant from the Rural Communities Assistance Corporation and the ongoing support of the Lindsay District Hospital District Board who has pledged an annual contribution to the Wellness Center of \$233 in addition to the generous contributions made to the design and construction. The City works closely with the Board to discuss programming needs and wellness opportunities that will be provided at the center which will serve all the outlying rural areas. Fiscal year 2012 will see the Wellness Center transfer from CIP status to the Capital Asset schedule and will be redefined as an Enterprise Fund that will also include the Aquatic Center that is currently classified as a Special Revenue Fund.

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

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 2,563	\$ 853	\$ 1,236	\$ 1,236	\$ 3,799	\$ 2,089
Right of way	247	247	-	-	247	247
Buildings and improvements	6,841	6,776	30,322	30,868	37,163	37,644
Machinery and equipment	498	514	772	1,264	1,270	1,778
Infrastructure	20,842	15,660	12,340	12,898	33,182	28,558
Construction in progress	7,062	3,660	-	-	7,062	3,660
Total	<u>\$ 38,053</u>	<u>\$ 27,710</u>	<u>\$ 44,670</u>	<u>\$ 46,266</u>	<u>\$ 82,723</u>	<u>\$ 73,976</u>

City of Lindsay's Outstanding Debt
 General Obligation and Revenue Bonds
 (amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 5	\$ 5	\$ -	\$ -	\$ 5	\$ 5
Notes payable	5,668	5,707	1,500	1,500	7,168	7,207
Certificates of participation	3,334	2,972	-	-	3,334	2,972
Tax allocation bonds	16,197	16,485	-	-	16,197	16,485
Revenue bonds	-	-	8,603	8,790	8,603	8,790
Capital lease	58	-	50	63	108	63
LOG pond closure cost	-	-	2,571	2,571	2,571	2,571
Compensated absences	332	332	78	78	410	410
Total	\$ 25,594	\$ 25,501	\$ 12,802	\$ 13,002	\$ 38,396	\$ 38,503

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$38,396.

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 (\$353,124 for fiscal year 2011 per Tulare County Assessor). The current debt limitation for the City is \$52,969, which is in excess of the City's outstanding general obligation debt and in compliance with State statutes. The City will incur no new debt - other than draws for USDA loans that were approved in previous years to complete projects already in progress - in the next five years unless there is a catastrophic event involving the public health and welfare that dictates emergency action be taken. Reducing and/or restructuring existing debt is a top priority.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City is currently 19.2%, which is an increase over the previous year of 0.5%. The concern of the City Council with the residents' economic and employment status will be key factors in considering the fiscal year 2012 budget and was one of the primary reasons that former management developed the concept of the McDermont Sports Complex, which employs a number of City residents, provides additional retail sales tax to the community, provides entertainment and recreational opportunities within the community for those with limited travel means, and significantly reduced a blighted area.
- Developers proposed thirteen separate subdivisions in the City in fiscal year 2009-10. The thirteen subdivisions represented a potential for 737 new housing units. However, the slump in the economy combined with the downward spiral of housing prices, virtually halted all but two of the planned developments. The increase in housing is significantly less than predicted in 2009, which will have a negative impact on the repayment plan for two of the short-term loans that the City and Lindsay Redevelopment Agency took out expecting to make repayment when the properties were fully developed and sold (Additional information can be found in the Debt Agreement disclosure). Restructuring the two loans, which equal \$4.85 million, of the City, and City as Successor Agent for the former Redevelopment Agency, will be a top priority in the next fiscal years with the outcome of this pursuit of great importance to the recovery and restoration to good fiscal health.
- The number of issued building permits in fiscal year 2011 was 237 which was 10 less than the 247 issued in fiscal year 2010. We predict that fiscal year 2012 will see even less development as the economy remains depressed and the State continues to offer little solace with its own budgetary crisis that has proven time and again to have a negative impact on local agencies.

- Property values have seen a significant decrease in the last twelve months. This results in stagnant sales of the existing housing inventory and reduced tax increment for the City and Lindsay Redevelopment Agency. The poor economy and increase in unemployment are also having a negative impact on revenue received via property tax as many property owners are not paying their property taxes and many properties have fallen into foreclosure which also lowers property values.

Water rates were not increased for the 2011 budget year; Sewer rates were reduced by a flat \$6 per residential unit and Refuse rates were lowered by 5% and shall remain at the reduced rate through mid-fiscal year 2012-13 at which time the water rate and water feasibility studies will be complete and staff will reassess if the revenues are adequate to meet expenses including capital reserves. Sewer rates for restaurants, laundry mats and car washes were also studied and reduced in fiscal year 2010-11.

Additional Information

GOING CONCERN:

The current City Manager (who took control November 10, 2010) has implemented a very strict set of internal controls under which all departments operate. He has eliminated the use of petty cash; restricted the use of credit cards; increased the standards of accountability; provided training opportunities for staff; and improved the communication between staff, City Council, himself, and the concerned citizens group to whom he has an open-door accessibility policy. He has reviewed every City program and service and made cuts wherever possible, including many high paid administrative staff, to reduce costs. He has committed to finishing the projects begun under previous management and only begin new projects that have a readily identifiable funding source that will pay for them. He has ordered staff to prepare reports that give all information relative to a project and has made it clear he will use his powers of reprimand, including termination, for any employee that does not strictly adhere to the internal control policies set forth. He has reviewed all salary rates and distributions and in many cases made reductions. He put a moratorium on leave accrual and implemented a leave reduction program to reduce that liability. Overall, the implemented changes resulted in a tangible savings for fiscal year 2011 of over \$1.5 million. With the completion of the Wellness Center in August 2011, the construction crew will be laid off which will significantly reduce salary and benefit costs. Additional cost reduction measures, particularly in the realm of employee benefits, are being researched and will be phased in over the next three years. These cost savings measures have been necessary to counter the City's going-concern designation that exists because of the numerous actions by previous management's overambitious City transformation schedule. Actions that incurred substantial debt, reduced reserves, and due to extraordinary lack of controls have created a condition where the City is being reviewed on projects as far back as fiscal year 2004-05 to determine if there were any inappropriate reimbursements that will have to be repaid. These projects include the Freeze Relief Project of 2005-2007, the CDBG infrastructure project of 2009-2011 and the Downtown Project that spanned the years 2006-2011. At this date only one agency has determined that there are funds to be repaid: The total agreed figure that the City must repay TCAG is \$1,048,443; payments to be made in 80 quarterly installments commencing on October 1, 2012. Until current staff is able to complete all these reviews and satisfactorily resolve them, it is likely the City will continue to be designated as a going-concern.

FUND RECLASSIFICATION:

In order to provide greater transparency for all concerned parties, current management has reclassified the McDermont Sports Complex from a General Fund department to an enterprise, or proprietary fund, that has its own balance sheet for ease of identifying all revenues, expenses, debt service, capital and fixed assets, and depreciation unique to that enterprise. The Aquatic Center has been set up as a special revenue fund to separately track the activity relative to that facility; the activity for this fund was formerly accounted for under the Parks section of the General Fund and did not provide enough information for our citizens regarding the expenses associated with the maintenance and operation of that facility. The Animal Control Fund has been eliminated and all associated activity shall be accounted for in the General Fund, including the assets of the land and kennels that are currently being leased to the City of Porterville. The City currently has nine separate assessment districts; for accounting purposes, a special revenue fund has been set up relative to the overall combined activity of all assessment districts and under which each individual assessment district is then identified and tracked for annual reevaluation to ensure all activity is properly recorded.

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

Although the City implemented GASB Statement No. 34 as required in 2005, it was discovered during the audit process of fiscal year 2010 that the schedule developed by the consultant in 2004 was not entirely complete and had not been subsequently updated to include acquisitions or disposition of property, both real and tangible, account for the multi-million dollar infrastructure improvements the City had effected in years subsequent to the report date, or properly reclassify projects from Capital Improvement (construction-in-progress) to complete depreciable capital assets. There were a number of fund balance restatements in the audit of fiscal year 2009-10 to account for the capital assets in the financial statements and additional additions and deletions were made to the schedule in fiscal year 2010-11. Depreciation was not properly calculated and booked in fiscal year 2010-11, but will be corrected in fiscal year 2011-12.

DEBT AGREEMENTS:

During the property scheduling process described above, which entailed all activity relative to the acquisition of the property including any debt incurred for purchase, it was discovered that two loan agreements – CalHFA Loan No. RDLP-090806-03 and CalHFA HELP Loan No. RDLP 080803-06 – that were entered into by the Lindsay Redevelopment Agency with the stated intent of affordable housing development and loan program (two projects were identified in the applications) are outside the loan agreement parameters which could subject the loan/bond balance to immediately be called. Current management brought this irregularity to the attention of the CalHFA via email correspondence and received the response from all issuers that their primary concern is whether or not the City or the Lindsay Redevelopment Agency intends to repay the amounts – which unequivocally they do – and if so, they indicated they are not likely to call the notes before the due date. These debt obligations have been clearly identified on the Lindsay Redevelopment Agency Enforceable Obligations Payment Schedule that was adopted by the Lindsay Redevelopment Agency's Board of Directors on August 23, 2011. It is unknown at this time if the lenders will exercise their option of immediate recall – they are awaiting receipt of the audited financial statements – but it is believed they will not as it is not in the best interest of either party to do so. The best solution is repayment of the debt and staff is working diligently to keep overall expenses to a minimum while improving our reserves so as to meet the repayment obligations when they come due. Restructuring of these two loans is of the highest priority. A major subsequent event that occurred in fiscal year 2010-11, and was subsequently settled in fiscal year 2011-12, was the dispute between the City of Lindsay and the Tulare County Association of Governments (TCAG) regarding the eligibility of expenses submitted for reimbursement on the Downtown Project. Two very thorough examinations of that project were done by two independent auditors. While every dollar was accounted for, there was no missing funds as some had erroneously charged, it was determined that an inordinate amount of administrative labor was charged to the project. As administrative staff are considered exempt and do not keep time sheets, the hours claimed were not sufficiently supported to qualify for reimbursement. Also, the grant agreement allows for rental of tools and equipment, but not for purchase, which resulted in further disallowance. The total agreed figure that the City must repay TCAG is \$1,048,443; payments to be made in 80 quarterly installments commencing on October 1, 2012.

SUMMARY:

Many great things have been accomplished in the past four years within the City of Lindsay: the new library, Sweet Briar Plaza, the new Aquatic Center, the enhancement of the Downtown, the improvement to the crumbling infrastructure, the improvement to the main traffic arteries feeding into the City, the joint-project improvement of the Lindsay High School football and soccer fields, the creation of the unique multi-use facility that is McDermont Field House and Sports Complex, and the completion of the Lindsay Wellness Center. The main City park renovation will begin soon and a reconstruction schedule of the City's streets has been prepared with work to begin in fiscal year 2011-12 and continue until all streets have been adequately repaired. Additional bus shelters will be built in fiscal year 2011-12 to accommodate public transit users. Staff, both former and current, has been committed to enhancing the quality of life within our community. The City Council has been farsighted in developing a community with as many quality affordable housing options, recreational, entertainment, and wellness opportunities as are available in the City of Lindsay, or will be in the very near future with the completion of the Wellness Center and park renovation project. With fuel prices ever rising, creating a community that can be self-sustaining and entertaining will prove to be worth the effort as long as the effort is tempered with conservation and control going forward.

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 government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, P.O. Box 369, City of Lindsay, CA 93247.

BASIC FINANCIAL STATEMENTS

**CITY OF LINDSAY
STATEMENT OF NET ASSETS
JUNE 30, 2011**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 1,625,707	\$ 340,036	\$ 1,965,743
Accounts receivable, net	934,991	362,549	1,297,540
Interest receivable	10,434	197	10,631
Internal balances	(1,840,000)	1,840,000	-
Due from other governments	1,141,550	204,476	1,346,026
Restricted cash with fiscal agent	1,144,132	-	1,144,132
Notes receivable	18,642,183	-	18,642,183
Investment in property	2,019,470	-	2,019,470
Advances to other funds	13,476,016	-	13,476,016
Debt issuance costs	761,780	-	761,780
Capital Assets (Net of Accumulated Depreciation)			
Land	2,563,440	1,236,360	3,799,800
Right of way	246,519	-	246,519
Buildings and improvements	6,841,296	30,321,711	37,163,007
Infrastructure	20,841,959	12,340,275	33,182,234
Equipment	498,321	771,911	1,270,232
Construction in progress	7,061,711	-	7,061,711
Net Capital Assets	38,053,246	44,670,257	82,723,503
Total Assets	\$ 75,969,509	\$ 47,417,515	\$ 123,387,024
LIABILITIES			
Cash overdraft	\$ 681,952	\$ 205,660	\$ 887,612
Accounts and other payables	326,950	258,793	585,743
Accrued wages	201,974	40,755	242,729
Accrued interest	842,284	155,775	998,059
Due to other governments	1,048,443	-	1,048,443
Refundable deposits	20,618	376,112	396,730
Advances from other funds	-	13,476,016	13,476,016
Unearned revenue	18,699,040	-	18,699,040
Long-term liabilities			
Due within one year	5,721,865	1,702,285	7,424,150
Due in more than one year	19,871,694	11,099,805	30,971,499
Total Liabilities	47,414,820	27,315,201	74,730,021
NET ASSETS			
Invested in capital assets, net of related debt	17,468,813	31,945,764	49,414,577
Restricted	8,894,421	-	8,894,421
Unrestricted	2,191,455	(11,843,450)	(9,651,995)
Total Net Assets	28,554,689	20,102,314	48,657,003
Total Liabilities and Net Assets	\$ 75,969,509	\$ 47,417,515	\$ 123,387,024

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, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 2,705,324	\$ 124,402	\$ 686,179	\$ -
Public safety	2,760,899	31,149	325,673	-
Parks and recreation	1,045,366	103,689	33,081	-
Public works	328,777	54,684	-	-
Streets and transportation	985,281	-	-	3,428,276
Community development	2,265,120	-	1,865,118	1,443,788
Interest on long-term debt	1,212,614	-	-	-
Total Governmental Activities	<u>11,303,381</u>	<u>313,924</u>	<u>2,910,051</u>	<u>4,872,064</u>
Business-Type Activities:				
Water fund	2,539,348	1,817,794	-	-
Sewer fund	2,084,831	2,007,569	-	-
Refuse fund	1,431,690	1,251,682	-	-
McDermont sport complex fund	3,406,156	2,496,130	-	-
Animal control fund	-	-	-	-
Total Business-Type Activities	<u>9,462,025</u>	<u>7,573,175</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 20,765,406</u>	<u>\$ 7,887,099</u>	<u>\$ 2,910,051</u>	<u>\$ 4,872,064</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, 2011

Functions/Programs	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Primary Government:			
Governmental Activities:			
General government	\$ (1,894,743)	\$ -	\$ (1,894,743)
Public safety	(2,404,077)	-	(2,404,077)
Parks and recreation	(908,596)	-	(908,596)
Public works	(274,093)	-	(274,093)
Streets and transportation	2,442,995	-	2,442,995
Community development	1,043,786	-	1,043,786
Interest on long-term debt	(1,212,614)	-	(1,212,614)
Total Governmental Activities	(3,207,342)	-	(3,207,342)
Business-Type Activities:			
Water fund	-	(721,554)	(721,554)
Sewer fund	-	(77,262)	(77,262)
Refuse fund	-	(180,008)	(180,008)
McDermont sport complex fund	-	(910,026)	(910,026)
Animal control fund	-	-	-
Total Business-Type Activities	-	(1,888,850)	(1,888,850)
Total Primary Government	(3,207,342)	(1,888,850)	(5,096,192)
General Revenues:			
Property taxes	2,036,391	-	2,036,391
Sales tax	456,060	-	456,060
Utility users tax	845,356	-	845,356
Franchise tax	99,116	-	99,116
Transient occupancy tax	20,188	-	20,188
Motor vehicle in-lieu	53,511	-	53,511
Other taxes	2,128,263	-	2,128,263
Note collections	392,643	-	392,643
Sale of land	-	-	-
Other income	425,512	34,568	460,080
Unrestricted investment earnings	103,375	374	103,749
Transfers	(105,147)	105,147	-
Total General Revenues	6,455,268	140,089	6,595,357
Change in Net Assets	3,247,926	(1,748,761)	1,499,165
Net Assets - Beginning	17,926,870	22,212,738	40,139,608
Prior Period Adjustment	7,379,893	(361,663)	7,018,230
Net Assets - Ending	\$ 28,554,689	\$ 20,102,314	\$ 48,657,003

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

**CITY OF LINDSAY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General	Gas Tax	Community Development
Assets			
Cash and cash equivalents	\$ 130,074	\$ 31,830	\$ 266,411
Accounts receivable - net	1,480	-	184,385
Interest receivable	150	86	99
Due from other funds	1,260,369	1,000,000	1,100,000
Due from other governments	188,976	463,682	451,662
Notes receivable	67,615	-	16,677,019
Investment in property	29,470	-	-
Advances to other funds	13,476,016	-	-
Restricted - cash/fiscal agent	-	-	-
Total Assets	<u>\$ 15,154,150</u>	<u>\$ 1,495,598</u>	<u>\$ 18,679,576</u>
Liabilities			
Cash overdraft	\$ -	\$ -	\$ -
Accounts and other payables	147,494	1,652	85,117
Accrued wages	156,507	21,526	9,133
Due to other funds	8,298,277	-	-
Due to other governments	1,048,443	-	-
Deferred revenue	74,168	50,304	16,677,019
Refundable deposits	5,210	-	15,408
Total Liabilities	<u>9,730,099</u>	<u>73,482</u>	<u>16,786,677</u>
Fund Balances			
Nonspendable	29,470	-	-
Restricted	-	1,371,812	1,640,899
Committed	8,493	50,304	252,000
Assigned	5,386,088	-	-
Unassigned	-	-	-
Total Fund Balances	<u>5,424,051</u>	<u>1,422,116</u>	<u>1,892,899</u>
Total Liabilities and Fund Balances	<u>\$ 15,154,150</u>	<u>\$ 1,495,598</u>	<u>\$ 18,679,576</u>

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

**CITY OF LINDSAY
BALANCE SHEET (Continued)
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Redevelopment Agency Capital Projects	Redevelopment Agency Low and Moderate Income Housing	Other Governmental Funds (Non-Major)	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 735,789	\$ 356,038	\$ 105,565	\$ 1,625,707
Accounts receivable - net	642	161	748,323	934,991
Interest receivable	1,553	8,405	141	10,434
Due from other funds	1,076,883	1,940,001	357,124	6,734,377
Due from other governments	29,626	7,406	198	1,141,550
Notes receivable	42,097	1,845,150	10,302	18,642,183
Investment in property	10,000	1,980,000	-	2,019,470
Advances to other funds	-	-	-	13,476,016
Restricted - cash/fiscal agent	915,306	228,826	-	1,144,132
Total Assets	\$ 2,811,896	\$ 6,365,987	\$ 1,221,653	\$ 45,728,860
Liabilities				
Cash overdraft	\$ -	\$ -	\$ 681,952	\$ 681,952
Accounts and other payables	4,775	8,239	79,673	326,950
Accrued wages	-	-	14,808	201,974
Due to other funds	125,228	150,872	-	8,574,377
Due to other governments	-	-	-	1,048,443
Deferred revenue	42,097	1,845,150	10,302	18,699,040
Refundable deposits	-	-	-	20,618
Total Liabilities	172,100	2,004,261	786,735	29,553,354
Fund Balances				
Nonspendable	-	-	748,323	777,793
Restricted	1,717,846	4,210,854	-	8,941,411
Committed	896,292	-	33,008	1,240,097
Assigned	25,658	150,872	62,840	5,625,458
Unassigned	-	-	(409,253)	(409,253)
Total Fund Balances	2,639,796	4,361,726	434,918	16,175,506
Total Liabilities and Fund Balances	\$ 2,811,896	\$ 6,365,987	\$ 1,221,653	\$ 45,728,860

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

**CITY OF LINDSAY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

Fund balances of governmental funds	\$ 16,175,506
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	56,539,830
Accumulated depreciation has not been included in the governmental funds.	(18,486,584)
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 notes payable	(25,059,076)
Deferred charge for issuance costs (to be amortized over life of debt)	761,780
Compensated absences	(332,269)
Accrued interest payable on long-term debt	(842,284)
Issuance premiums/discounts (to be amortized as interest expense)	<u>(202,214)</u>
Net assets of governmental activities	<u><u>\$ 28,554,689</u></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, 2011**

	General	Gas Tax	Community Development
REVENUES			
Note collections	\$ -	\$ -	\$ 364,601
Property taxes	471,303	-	-
Other taxes	3,543,725	-	-
Licenses and permits	802,781	-	-
Intergovernmental	437,216	1,294,320	3,539,024
Charges for services	14,370	-	-
Fees and fines	405,612	-	-
Interest revenue	6,417	462	85,531
Other revenue	375,603	833	-
Total revenues	6,057,027	1,295,615	3,989,156
EXPENDITURES			
Current:			
General government	796,366	-	-
Public safety	2,760,899	-	-
Parks and recreation	942,960	-	-
Public works	328,777	-	-
Streets and transportation	138,624	846,657	-
Community development	-	-	1,985,776
Debt service:			
Principal	40,294	54,523	39,564
Interest and administrative charges	137,876	-	10,436
Capital outlay	273,113	82,564	2,112,302
Total expenditures	5,418,909	983,744	4,148,078
Excess (deficiency) of revenues over (under) expenditures	638,118	311,871	(158,922)
OTHER FINANCING SOURCES (USES)			
Bond and loans proceeds	253,819	-	-
Repayment of ineligible cost to other governments	(114,870)	-	-
Transfers in	874,052	1,650,634	917,181
Transfers out	(2,391,286)	(460)	(533,871)
Total other financing sources (uses)	(1,378,285)	1,650,174	383,310
Net change in fund balances	(740,167)	1,962,045	224,388
Fund balances -- beginning	6,289,582	(489,625)	1,550,322
Prior period adjustment	(125,364)	(50,304)	118,189
Fund balances -- ending	\$ 5,424,051	\$ 1,422,116	\$ 1,892,899

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 (Continued)
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Redevelopment Agency Capital Projects	Redevelopment Agency Low and Moderate Income Housing	Other Governmental Funds (Non-Major)	Total Governmental Funds
REVENUES				
Note collections	\$ 2,896	\$ 23,440	\$ 1,706	\$ 392,643
Property taxes	1,251,227	313,861	-	2,036,391
Other taxes	-	-	58,769	3,602,494
Licenses and permits	-	-	-	802,781
Intergovernmental	-	-	982,044	6,252,604
Charges for services	-	-	34,982	49,352
Fees and fines	-	-	-	405,612
Interest revenue	1,294	9,570	101	103,375
Other revenue	-	49,076	-	425,512
Total revenues	1,255,417	395,947	1,077,602	14,070,764
EXPENDITURES				
Current:				
General government	-	-	-	796,366
Public safety	-	-	-	2,760,899
Parks and recreation	-	-	102,406	1,045,366
Public works	-	-	-	328,777
Streets and transportation	-	-	-	985,281
Community development	293,854	38,580	-	2,318,210
Debt service:				
Principal	224,000	56,000	32,339	446,720
Interest and administrative charges	638,850	199,003	55,607	1,041,772
Capital outlay	-	-	1,349,941	3,817,920
Total expenditures	1,156,704	293,583	1,540,293	13,541,311
Excess (deficiency) of revenues over (under) expenditures	98,713	102,364	(462,691)	529,453
OTHER FINANCING SOURCES (USES)				
Bond and loans proceeds	-	-	207,925	461,744
Repayment of ineligible cost to other governments	-	-	-	(114,870)
Transfers in	-	346,272	64,498	3,852,637
Transfers out	(700,968)	(354,694)	(32,529)	(4,013,808)
Total other financing sources (uses)	(700,968)	(8,422)	239,894	185,703
Net change in fund balances	(602,255)	93,942	(222,797)	715,156
Fund balances -- beginning	3,242,051	4,267,784	657,715	15,517,829
Prior period adjustment	-	-	-	(57,479)
Fund balances -- ending	\$ 2,639,796	\$ 4,361,726	\$ 434,918	\$ 16,175,506

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, 2011**

Net change in fund balances -- total governmental funds	\$ 715,156
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 capital outlay \$3,817,920 exceeded depreciation (\$1,164,211) in the current period.	2,653,709
Transfer of capital assets to the enterprise funds.	204,622
Loss on sale of capital assets.	(36,717)
Proceeds of long-term debt issued in the current year.	(461,744)
Repayment of long-term debt is reported as an expenditure in governmental funds. In the statement of net assets, the repayment reduces long-term liabilities: Bond and note principal	446,720
Accrued interest on long-term debt reported in the statement of activities is not reported as an expenditure in governmental funds.	(149,173)
Annual amortization of bond issuance costs reported in government-wide presentation.	(29,643)
Annual amortization of bond premiums reported in government-wide presentation.	7,974
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	(102,978)
Change in net assets of governmental activities	\$ 3,247,926

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

**CITY OF LINDSAY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011**

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Refuse Fund	McDermont Sports Complex Fund
ASSETS				
Current assets				
Cash and cash equivalents	\$ 87,859	\$ 252,177	\$ -	\$ -
Accounts receivable, net	58,645	282,863	12,041	9,000
Interest receivable	-	197	-	-
Due from other funds	800,000	1,540,000	-	-
Due from other governments	-	34,943	-	169,533
Notes receivable	-	-	-	-
Total current assets	946,504	2,110,180	12,041	178,533
Non-current assets				
Capital assets				
Land	45,248	219,285	-	971,827
Buildings and improvements	5,165,476	6,800,531	-	22,987,874
Infrastructure	8,775,521	10,732,224	-	-
Equipment	36,546	180,700	7,000	1,272,275
Less accumulated depreciation	(4,213,091)	(6,896,607)	(1,365)	(1,413,187)
Total non-current assets	9,809,700	11,036,133	5,635	23,818,789
Total assets	10,756,204	13,146,313	17,676	23,997,322
LIABILITIES AND NET ASSETS				
Current liabilities				
Cash overdraft	-	-	15,492	190,168
Accounts and other payables	121,657	20,775	82,914	33,447
Accrued wages	10,448	15,404	2,891	12,012
Accrued interest	38,287	117,488	-	-
Compensated absences payable	40,227	36,307	1,063	-
Due to other funds	40,000	-	-	460,000
Refundable deposits	81,701	294,411	-	-
Advances from other funds	-	-	-	13,476,016
Long-term debt - current portion	52,925	134,524	-	1,514,836
Total current liabilities	385,245	618,909	102,360	15,686,479
Non-current liabilities				
Long-term debt	2,099,876	8,887,548	-	34,784
Total non-current liabilities	2,099,876	8,887,548	-	34,784
Total liabilities	2,485,121	9,506,457	102,360	15,721,263
NET ASSETS				
Invested in capital assets, net of related debt	7,656,899	2,014,061	5,635	22,269,169
Unrestricted	614,184	1,625,795	(90,319)	(13,993,110)
Total net assets	8,271,083	3,639,856	(84,684)	8,276,059
Total liabilities and net assets	\$ 10,756,204	\$ 13,146,313	\$ 17,676	\$ 23,997,322

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

CITY OF LINDSAY
STATEMENT OF NET ASSETS (Continued)
PROPRIETARY FUNDS
JUNE 30, 2011

	Business-Type Activities - Enterprise Funds		Internal Service Funds
	Animal Control Fund (Non-Major)	Total Proprietary Funds	
ASSETS			
Current assets			
Cash and cash equivalents	\$ -	\$ 340,036	\$ -
Accounts receivable, net	-	362,549	-
Interest receivable	-	197	-
Due from other funds	-	2,340,000	-
Due from other governments	-	204,476	-
Notes receivable	-	-	-
Total current assets	-	<u>3,247,258</u>	-
Non-current assets			
Capital assets			
Land	-	1,236,360	-
Buildings and improvements	-	34,953,881	-
Infrastructure	-	19,507,745	-
Equipment	-	1,496,521	-
Less accumulated depreciation	-	<u>(12,524,250)</u>	-
Total non-current assets	-	<u>44,670,257</u>	-
Total assets	-	<u>47,917,515</u>	-
LIABILITIES AND NET ASSETS			
Current liabilities			
Cash overdraft	-	205,660	-
Accounts and other payables	-	258,793	-
Accrued wages	-	40,755	-
Accrued interest	-	155,775	-
Compensated absences payable	-	77,597	-
Due to other funds	-	500,000	-
Refundable deposits	-	376,112	-
Advances from other funds	-	13,476,016	-
Long-term debt - current portion	-	<u>1,702,285</u>	-
Total current liabilities	-	<u>16,792,993</u>	-
Non-current liabilities			
Long-term debt	-	<u>11,022,208</u>	-
Total non-current liabilities	-	<u>11,022,208</u>	-
Total liabilities	-	<u>27,815,201</u>	-
NET ASSETS			
Invested in capital assets, net of related debt	-	31,945,764	-
Unrestricted	-	<u>(11,843,450)</u>	-
Total net assets	-	<u>20,102,314</u>	-
Total liabilities and net assets	<u>\$ -</u>	<u>\$ 47,917,515</u>	<u>\$ -</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 ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011**

	Business-Type Activities - Enterprise Funds			
	Water Fund	Sewer Fund	Refuse Fund	McDermont Sports Complex Fund
Operating revenues				
Service fees	\$ 1,817,794	\$ 2,007,569	\$ 1,251,682	\$ 2,411,130
Total operating revenues	<u>1,817,794</u>	<u>2,007,569</u>	<u>1,251,682</u>	<u>2,411,130</u>
Operating expenses				
Salaries	257,442	348,618	92,372	474,504
Benefits	158,833	193,384	50,612	217,224
Material, service, and supply	1,228,520	973,300	1,137,464	1,712,060
Bad debt expense	539,800	-	151,102	-
Depreciation	278,817	350,657	140	708,050
Total operating expenses	<u>2,463,412</u>	<u>1,865,959</u>	<u>1,431,690</u>	<u>3,111,838</u>
Operating income (loss)	<u>(645,618)</u>	<u>141,610</u>	<u>(180,008)</u>	<u>(700,708)</u>
Nonoperating revenues (expenses)				
Intergovernmental	-	-	-	85,000
McDermont Business Loan Bad Debt Expense	-	-	-	(245,177)
Other income	-	34,568	-	-
Interest earnings	69	305	-	-
Interest expense	(75,936)	(218,872)	-	(49,141)
Total nonoperating revenue (expenses)	<u>(75,867)</u>	<u>(183,999)</u>	<u>-</u>	<u>(209,318)</u>
Other financing sources (uses)				
Transfers in	-	428,802	-	-
Transfers out	-	(101,909)	-	(50,288)
Total other financing sources (uses)	<u>-</u>	<u>326,893</u>	<u>-</u>	<u>(50,288)</u>
Change in net assets	(721,485)	284,504	(180,008)	(960,314)
Total net assets - beginning	8,956,515	3,629,134	93,486	9,362,145
Prior period adjustment	36,053	(273,782)	1,838	(125,772)
Total net assets - ending	<u>\$ 8,271,083</u>	<u>\$ 3,639,856</u>	<u>\$ (84,684)</u>	<u>\$ 8,276,059</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 ASSETS (Continued)
PROPRIETARY FUNDS
JUNE 30, 2011

	Business-Type Activities - Enterprise Funds		Internal Service Funds
	Animal Control Fund (Non-Major)	Total Proprietary Funds	
Operating revenues			
Service fees	\$ -	\$ 7,488,175	\$ 585,690
Total operating revenues	-	7,488,175	585,690
Operating expenses			
Salaries	-	1,172,936	-
Benefits	-	620,053	-
Material, service, and supply	-	5,051,344	744,747
Bad debt expense	-	690,902	-
Depreciation	-	1,337,664	-
Total operating expenses	-	8,872,899	744,747
Operating income (loss)	-	(1,384,724)	(159,057)
Nonoperating revenues (expenses)			
Intergovernmental	-	85,000	-
McDermont Business Loan Bad Debt Expense	-	(245,177)	-
Other income	-	34,568	-
Interest earnings	-	374	55
Interest expense	-	(343,949)	-
Total nonoperating revenue (expenses)	-	(469,184)	55
Other financing sources (uses)			
Transfers in	-	428,802	89,849
Transfers out	(171,458)	(323,655)	(33,825)
Total other financing sources (uses)	(171,458)	105,147	56,024
Change in net assets	(171,458)	(1,748,761)	(102,978)
Total net assets - beginning	171,458	22,212,738	102,978
Prior period adjustment	-	(361,663)	-
Total net assets - ending	\$ -	\$ 20,102,314	\$ -

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, 2011**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Refuse Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customer	\$ 1,792,697	\$ 1,937,049	\$ 1,247,465
Payments to employees	(416,275)	(542,002)	(142,982)
Payments to suppliers	(1,216,549)	(1,201,248)	(1,120,479)
Net cash provided (used) by operating activities	<u>159,873</u>	<u>193,799</u>	<u>(15,996)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other income	-	34,568	-
Advances from other funds	-	-	-
Transfers in	-	428,802	-
Transfers out	-	(101,909)	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>361,461</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Disposal of capital assets	-	-	-
Remediation liability	-	-	-
Notes receivable	-	-	-
Debt issued	-	-	-
Purchase of capital assets	-	-	-
Interest paid on long-term debt	(75,936)	(218,872)	-
Principal payments on long-term debt	(50,687)	(130,221)	-
Net cash provided (used) by capital and related financing activities	<u>(126,623)</u>	<u>(349,093)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	69	305	-
Net cash provided by investing activities	<u>69</u>	<u>305</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	33,319	206,472	(15,996)
Balances - beginning of year	54,540	45,705	504
Balances - end of the year	<u>\$ 87,859</u>	<u>\$ 252,177</u>	<u>\$ (15,492)</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (645,618)	\$ 141,610	\$ (180,008)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	278,817	350,657	140
Changes in assets and liabilities:			
(Increase) Decrease in receivables	474,703	4,423	146,885
(Increase) Decrease in due from other funds	-	-	-
(Increase) Decrease in due from other governments	-	(34,943)	-
(Increase) Decrease in inventory	-	-	-
Increase (Decrease) in accounts payable	8,037	2,260	16,987
Increase (Decrease) in due to other funds	40,000	(40,000)	-
Increase (Decrease) in compensated absences	-	-	-
Increase (Decrease) in customer deposits	3,934	(230,208)	-
Increase (Decrease) in deferred revenue	-	-	-
Increase (Decrease) in salaries and benefits payable	-	-	-
Net cash provided (used) by operating activities	<u>\$ 159,873</u>	<u>\$ 193,799</u>	<u>\$ (15,996)</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, 2011

	Business-Type Activities - Enterprise Funds			Internal Service Funds
	McDermont Sports Complex Fund	Animal Control Fund (Non-Major)	Total Proprietary Funds	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customer	\$ 2,251,597	\$ -	\$ 7,228,808	\$ 585,690
Payments to employees	(691,728)	-	(1,792,987)	-
Payments to suppliers	(1,455,213)	(33,164)	(5,026,653)	(744,747)
Net cash provided (used) by operating activities	<u>104,656</u>	<u>(33,164)</u>	<u>409,168</u>	<u>(159,057)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Other income	85,000	-	119,568	-
Advances from other funds	-	-	-	-
Transfers in	-	-	428,802	89,849
Transfers out	(50,288)	(171,458)	(323,655)	(33,825)
Net cash provided (used) by noncapital financing activities	<u>34,712</u>	<u>(171,458)</u>	<u>224,715</u>	<u>56,024</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Disposal of capital assets	-	204,622	204,622	-
Remediation liability	-	-	-	-
Notes receivable	19,220	-	19,220	-
Debt issued	-	-	-	-
Purchase of capital assets	(308,170)	-	(308,170)	-
Interest paid on long-term debt	(49,141)	-	(343,949)	-
Principal payments on long-term debt	(13,356)	-	(194,264)	-
Net cash provided (used) by capital and related financing activities	<u>(351,447)</u>	<u>204,622</u>	<u>(622,541)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	-	-	374	55
Net cash provided by investing activities	<u>-</u>	<u>-</u>	<u>374</u>	<u>55</u>
Net increase (decrease) in cash and cash equivalents	(212,079)	-	11,716	(102,978)
Balances - beginning of year	21,911	-	122,660	102,978
Balances - end of the year	<u>\$ (190,168)</u>	<u>\$ -</u>	<u>\$ 134,376</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (700,708)	\$ -	\$ (1,384,724)	\$ (159,057)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	708,050	-	1,337,664	-
Changes in assets and liabilities:				
(Increase) Decrease in receivables	10,000	-	636,011	-
(Increase) Decrease in due from other funds	(169,533)	-	(169,533)	-
(Increase) Decrease in due from other governments	-	-	(34,943)	-
(Increase) Decrease in inventory	-	-	-	-
Increase (Decrease) in accounts payable	6,847	(1,055)	33,076	-
Increase (Decrease) in due to other funds	250,000	-	250,000	-
Increase (Decrease) in compensated absences	-	-	-	-
Increase (Decrease) in customer deposits	-	(32,109)	(258,383)	-
Increase (Decrease) in deferred revenue	-	-	-	-
Increase (Decrease) in salaries and benefits payable	-	-	-	-
Net cash provided (used) by operating activities	<u>\$ 104,656</u>	<u>\$ (33,164)</u>	<u>\$ 409,168</u>	<u>\$ (159,057)</u>

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

**CITY OF LINDSAY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of the City of Lindsay (the City) are prepared in conformity with accounting principles generally accepted in the United States of America. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accompanying financial statements present the City and its component unit, an entity for which the government is considered to be financially accountable. This component unit, although a legally separate entity, is, in substance, part of the government's operation. As such, this operation is "blended" with the City's. The more significant of the City's accounting policies are described below.

Blended component units. The Lindsay Redevelopment Agency (the Agency) was established during 1986-87 pursuant to the California Community Redevelopment Laws contained in Section 33000 et seq. of Division 24 of the Health and Safety Code. The primary purpose of the Agency is to revitalize targeted areas of blight and deterioration within the City limits so as to eliminate or mitigate existing and potential physical, social, and economic liabilities in the interest of the health, safety, and welfare of all its citizens. A board consisting of the City's elected City Council governs the Agency.

The City and the Agency have a financial and operational relationship which meets the reporting entity definitions criteria of GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the Agency as a component unit of the City. Accordingly, the financial activities of the Agency have been included in the financial statements of the City.

Complete financial statements for the component unit may be obtained from the City of Lindsay Finance Department, 251 East Honolulu, Lindsay, CA 93247.

B. Government-Wide and Fund Financial Statements

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives 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 *Gas Tax Fund* is used to account for financial resources to be used for the street maintenance operations and construction.

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 *Redevelopment Agency Capital Projects Fund* accounts for the resources accumulated and payments made for principal and interest on long-term obligation and for the acquisition or construction of major capital projects of the Agency.

The *Redevelopment Agency Low and Moderate Income Housing Fund* accounts for resources accumulated to fund low and moderate income housing projects and programs.

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).

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Amounts reported as *program revenues* include:

- 1) charges to customers or applicants for goods, services, or privileges provided;
- 2) operating grants and contributions; and
- 3) capital grants and contributions, including special assessments.

Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

Revenue – Exchange and Non-Exchange Transactions

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

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

Deferred Revenue

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

NOTE 1 – 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 certificate of deposit and U.S. Governmental Securities with maturities not exceeding five years.

California banks and savings and loan associations are required to secure a city's deposits by pledging government securities as collateral. The fair value of the pledged securities must equal at least 110 percent of a city's deposits. The City Treasurer, at his or her discretion, may waive the 110 percent collateral requirement for deposits that are insured up to \$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 Prepaids

Governmental funds inventories are valued at average cost using the first-in/first-out (FIFO) method and are recorded as expenditures when consumed rather than when purchased. Business-type 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 noncurrent portion of these liabilities is recognized in the general long-term debt account group. Proprietary funds record the full liability as the vested benefits to the employees accrue.

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

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 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in-lieu sales tax, and supplemental property tax, apportioned to cities, counties, and special districts (excluding redevelopment agencies). The State is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California state legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the City was \$104,863.

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

Q. Postemployment Benefits Other than Pensions

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

R. Fund Balance

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Fund Balance (Continued)

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

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

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

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

S. Current Governmental Accounting Standards Board Statements – Implemented Pronouncement

For the fiscal year ended June 30, 2011, the City implemented the following GASB standard:

GASB Statement No. 54 – *Fund Balance Reporting and Governmental Fund Type Definitions*. The requirements of this statement are effective for financial statement periods beginning after June 15, 2010. The objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied, and it clarifies the existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are described in the Fund Balance section of this footnote. It also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. The definitions of the General Fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are also clarified by the provisions in this statement.

T. Future Governmental Accounting Standards Board Statements

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Future Governmental Accounting Standards Board Statements (Continued)

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

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, modifies current financial reporting of those elements. The largest change will be the replacement of the current Statement of Net Assets with a Statement of Net Position and a Statement of Changes in Net Position instead of the current Statement of Activities upon implementation for periods beginning after December 15, 2011. The City will implement this change for the fiscal year ended June 30, 2012.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, amends current accounting and financial reporting related to terminations of swap agreements due to default or other termination events. In certain instances where swap counterparties or credit support providers are replaced, hedge accounting may continue, rather than cease. The provisions of GASB Statement No. 64 are effective for financial statements beginning after June 15, 2011. As of the date of the basic financial statements, the City has not made an assessment of any changes that will occur upon this statement's implementation.

NOTE 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:

Statement of net assets:	
Cash and cash equivalents	\$ 1,625,707
Investments held by bond trustees	1,144,132
Cash overdraft	<u>(681,952)</u>
Total cash, cash equivalents, and investments	<u>\$ 2,087,887</u>

Cash, cash equivalents, and investments as of June 30, 2011, consist of the following:

Deposits with fiscal institutions	\$ 679,322
Investments	<u>1,408,565</u>
Total cash, cash equivalents, and investments	<u>\$ 2,087,887</u>

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

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

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

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

Investment Type	Total	Remaining Maturity (in months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
State investment pool	\$ 264,433	\$ 264,433	\$ -	\$ -	\$ -
Held by bond trustee:					
Money market - U.S. Treasury	1,144,132	1,144,132	-	-	-
Total	\$ 1,408,565	\$ 1,408,565	\$ -	\$ -	\$ -

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.

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

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	AAA	Aa	Not Rated
		Legal Rating			
LAIF	\$ 264,433	N/A	\$ -	\$ -	\$ 264,433
Held by bond trustees:					
Money Market - U.S. Treasury	<u>1,144,132</u>		<u>-</u>	<u>-</u>	<u>1,144,132</u>
Total	<u>\$ 1,408,565</u>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,408,565</u>

Concentration of credit risk

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

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

Custodial credit risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits:

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

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

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

Custodial credit risk (Continued)

As of June 30, 2011, the City's deposits with financial institutions did not exceed federal depository insurance limits and were held in uncollateralized accounts. The City's deposits held by bond trustees are not federally insured and are held in uncollateralized accounts. As of June 30, 2011, 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 - U.S. Treasury Fund	\$ 1,144,132

Investment in State Investment Pool

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

NOTE 3 – INTERFUND RECEIVABLE AND PAYABLE BALANCES

Interfund receivable and payable balances at June 30, 2011, are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 1,260,369	\$ 8,298,277
Gas Tax Fund	1,000,000	-
Community Development Fund	1,100,000	-
Redevelopment Agency Capital Projects Fund	1,076,883	125,228
Redevelopment Agency Low and Moderate Income Housing Fund	1,940,001	150,872
Wellness Center Fund	357,124	-
Water Fund	800,000	40,000
Sewer Fund	1,540,000	-
McDermont Sport Complex Fund	-	460,000
	<u>\$ 9,074,377</u>	<u>\$ 9,074,377</u>

NOTE 4 – TRANSFERS IN AND OUT

Transfers in and out at June 30, 2011, were:

	Purpose	Transfers In	Transfers Out
General Fund			
Animal Control Fund	To remove Animal Control Fund	\$ 171,458	\$ -
Gas Tax Fund	To reconcile cash balances	460	-
Community Development Fund	To reconcile cash balances	533,871	-
Non-Major Capital Projects Fund	To reconcile cash balances	32,529	-
Sewer Fund	To reconcile cash balances	101,909	-
Internal Service Fund	To remove Internal Service Fund	33,825	-
Community Development Fund	To close 07-PTAG-3664 fund	-	1,400
Redevelopment Agency Capital Projects Fund	To repay capital outlay expenditures	-	346,272
Gas Tax Fund	Tulare County Association of Governments Liability	-	933,573
Community Development Fund	To remove Park Improvements Fund	-	8,451
Community Development Fund	To remove 07-PTAE-3130 fund	-	4,305
Community Development Fund	To remove Freeze Relief Fund	-	271,087
Internal Service Fund	To remove Internal Service Fund	-	89,849
Community Development Fund	Congestion Mitigation and Air Quality Improvement Project	-	56,288
Community Development Fund	Neighborhood Stabilization Program Project	-	15,299
Aquatic Fund	Supplement Aquatic Fund costs	-	44,210
Sewer Fund	To reconcile cash balances	-	428,802
Community Development Fund	To reconcile cash balances	-	167,343
Community Development Fund	To remove 06-STBG-2647 fund	-	8,314
Gas Tax Fund	Street lights project	-	16,093
		<u>874,052</u>	<u>2,391,286</u>
Gas Tax Fund			
General Fund	Street lights project	16,093	-
Redevelopment Agency Capital Projects Fund	Downtown project	700,968	-
General Fund	Tulare County Association of Governments Liability	933,573	-
General Fund	To reconcile cash balances	-	460
		<u>1,650,634</u>	<u>460</u>
Community Development Fund			
General Fund	To remove Park Improvements Fund	8,451	-
General Fund	To remove 07-PTAE-3130 fund	4,305	-
Redevelopment Agency Low and Moderate Income Housing Fund	Capital outlay expenditures	125,000	-
McDermont Sports Complex Fund	To remove 06-FREZ-2512 fund	30,000	-
General Fund	To remove Freeze Relief Fund	271,087	-
General Fund	To remove 06-STBG-2647 fund	8,314	-
General Fund	To reconcile cash balances	167,343	-
General Fund	Neighborhood Stabilization Program Project	15,299	-
General Fund	Congestion Mitigation and Air Quality Improvement Project	56,288	-
Redevelopment Agency Low and Moderate Income Housing Fund	Sequoia Villas Project Costs	229,694	-
General Fund	To close 07-PTAG-3664 fund	1,400	-
General Fund	To reconcile cash balances	-	533,871
		<u>917,181</u>	<u>533,871</u>
Redevelopment Agency Capital Projects Fund			
Gas Tax Fund	To repay capital outlay expenditures	-	700,968
Redevelopment Agency Low and Moderate Income Housing Fund			
General Fund	To repay capital outlay expenditures	346,272	-
Community Development Fund	To repay capital outlay expenditures	-	354,694
		<u>346,272</u>	<u>354,694</u>

(Continued)

NOTE 4 – TRANSFERS IN AND OUT (Continued)

Sewer Fund				
General Fund	To reconcile cash balances	428,802	-	
General Fund	To reconcile cash balances	-	101,909	
Total Sewer Fund		<u>428,802</u>	<u>101,909</u>	
Internal Service Fund				
General Fund	To remove Internal Service Fund	89,849	-	
General Fund	To remove Internal Service Fund	-	33,825	
Total Internal Service Fund		<u>89,849</u>	<u>33,825</u>	
Animal Control Fund				
General Fund	To close Animal Control fund	-	171,458	
Non-Major Capital Projects Fund				
General Fund	To reconcile cash balances	-	32,529	
Aquatic Fund				
General Fund	Supplement Aquatic Fund costs	44,210	-	
McDermont Sports Complex Fund	Supplement Aquatic Fund costs	20,288	-	
Total Aquatic Fund		<u>64,498</u>	<u>-</u>	
McDermont Sports Complex Fund				
Community Development	To remove 06-FREZ-2512 fund	-	30,000	
Aquatic Fund	Supplement Aquatic Fund costs	-	20,288	
Total McDermont Sports Complex Fund		<u>-</u>	<u>50,288</u>	
Totals		<u>\$ 4,371,288</u>	<u>\$ 4,371,288</u>	

NOTE 5 – ADVANCES FROM AND TO OTHER FUNDS

Interfund advances from and to other fund balances at June 30, 2011, are as follows:

	Advances From	Advances To
General Fund	\$ 13,476,016	\$ -
McDermont Sports Complex Fund	<u>-</u>	<u>13,476,016</u>
	<u>\$ 13,476,016</u>	<u>\$ 13,476,016</u>

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.

NOTE 6 – NOTES RECEIVABLE

The following are notes receivable recorded in various funds at June 30, 2011:

	General Fund	Community Development	Redevelopment Agency Low and Moderate Income Housing	Redevelopment Agency Capital Projects	Curb and Gutter	Total
Individuals						
7% unsecured notes with annual principal and interest payments of \$5,002.	\$ -	\$ -	\$ -	\$ -	\$ 10,302	\$ 10,302
Sierra Vista Estates	48,219	-	-	-	-	48,219
Business loans	19,396	-	-	-	-	19,396
Micro-business loans	-	-	-	-	-	-
Non-interest and below-market rate secured notes with deferred payments of monthly principal and interest payments. Collateralized by trust deeds on improved property.	-	16,677,019	1,845,150	42,097	-	18,564,266
	<u>\$ 67,615</u>	<u>\$ 16,677,019</u>	<u>\$ 1,845,150</u>	<u>\$ 42,097</u>	<u>\$ 10,302</u>	<u>\$ 18,642,183</u>

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	June 30, 2010 Balance	Prior Period Adjustment	Additions	Deletions	Current Year Transfers	June 30, 2011 Balance
Governmental activities:						
Capital assets, not being depreciated:						
Land	\$ 853,440	\$ 1,710,000	\$ -	\$ -	\$ -	\$ 2,563,440
Right of way	246,519	-	-	-	-	246,519
Construction in progress	3,660,192	31,195	3,370,324	-	-	7,061,711
Total capital assets, not being depreciated	<u>4,760,151</u>	<u>1,741,195</u>	<u>3,370,324</u>	<u>-</u>	<u>-</u>	<u>9,871,670</u>
Capital assets, being depreciated:						
Buildings	7,817,063	-	-	-	292,318	8,109,381
Improvements other than buildings	35,322,168	-	82,564	-	-	35,404,732
Machinery and equipment	2,939,815	-	365,032	(150,800)	-	3,154,047
Total capital assets, being depreciated	<u>46,079,046</u>	<u>-</u>	<u>447,596</u>	<u>(150,800)</u>	<u>292,318</u>	<u>46,668,160</u>
Less accumulated depreciation for:						
Buildings	(1,040,838)	18,142	(157,693)	-	(87,696)	(1,268,085)
Improvements other than buildings	(19,662,590)	5,806,259	(706,442)	-	-	(14,562,773)
Machinery and equipment	(2,426,212)	(43,521)	(300,076)	114,083	-	(2,655,726)
Total accumulated depreciation	<u>(23,129,640)</u>	<u>5,780,880</u>	<u>(1,164,211)</u>	<u>114,083</u>	<u>(87,696)</u>	<u>(18,486,584)</u>
Total capital assets, being depreciated, net	<u>22,949,406</u>	<u>5,780,880</u>	<u>(716,615)</u>	<u>(36,717)</u>	<u>204,622</u>	<u>28,181,576</u>
Governmental activities capital assets, net	<u>\$ 27,709,557</u>	<u>\$ 7,522,075</u>	<u>\$ 2,653,709</u>	<u>\$ (36,717)</u>	<u>\$ 204,622</u>	<u>\$ 38,053,246</u>

NOTE 7 – CAPITAL ASSETS (Continued)

	June 30, 2010 Balance	Prior Period Adjustment	Additions	Deletions	Current Year Transfers	June 30, 2011 Balance
Business-type activities:						
Capital assets, not being depreciated:						
Land	\$ 1,236,360	\$ -	\$ -	\$ -	\$ -	\$ 1,236,360
Construction in progress	-	-	-	-	-	-
Total capital assets, not being depreciated	1,236,360	-	-	-	-	1,236,360
Capital assets, being depreciated:						
Buildings and improvements	34,938,029	-	308,170	-	(292,318)	34,953,881
Improvements other than buildings	19,507,745	-	-	-	-	19,507,745
Machinery and equipment	1,496,521	-	-	-	-	1,496,521
Total capital assets, not being depreciated	55,942,295	-	308,170	-	(292,318)	55,958,147
Less accumulated depreciation for:						
Buildings and improvements	(4,070,137)	43,183	(692,912)	-	87,696	(4,632,170)
Improvements other than buildings	(6,609,690)	(167,624)	(390,156)	-	-	(7,167,470)
Machinery and equipment	(232,792)	(237,222)	(254,596)	-	-	(724,610)
Total accumulated depreciation	(10,912,619)	(361,663)	(1,337,664)	-	87,696	(12,524,250)
Total capital assets, being depreciated, net	45,029,676	(361,663)	(1,029,494)	-	(204,622)	43,433,897
Business-type activities capital assets, net	\$ 46,266,036	\$ (361,663)	\$ (1,029,494)	\$ -	\$ (204,622)	\$ 44,670,257

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

Governmental activities:	
General government	\$ 1,164,211
Total depreciation expense - governmental activities	<u>\$ 1,164,211</u>
Business-type activities:	
Water Fund	\$ 278,817
Sewer Fund	350,657
Refuse Fund	140
McDermont Sport Complex Fund	708,050
Total depreciation expense - business-type activities	<u>\$ 1,337,664</u>

NOTE 8 – LONG-TERM DEBT

Governmental Activities

General Obligation Bonds

Improvement Bonds Assessment District No. 1 serial bonds issued January 2, 1972, in the amount of \$140,000. The bonds bear interest at 6% payable semi-annually with bonds maturing annually through July 2, 1997. The remaining balance of \$5,000 is a bond not yet submitted for payment.

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, 2011, the balance on the bonds was \$4,215,000.

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, 2011, the balance on the bonds was \$7,350,000.

NOTE 8 – LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Tax Allocation Bonds Payable (Continued)

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, 2011, the balance on the bonds was \$3,430,000.

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, 2011, the balance on the bonds was \$1,000,000.

Notes Payable

On October 19, 1999, the City entered into a loan agreement with the California Housing Finance Agency (CalHFA) for the purpose of assisting the City in operating a local housing program through the CalHFA Housing Enabled by Local Partnerships (HELP) program. The loan is in the amount of \$500,000, bears a simple annual interest rate of 3.0%, and repayment of principal and interest is deferred for a term of 10 years from date of the note. However, during the year, \$109,874 was paid off and a two year extension of time was granted to the loan agreement. The new balance is due October 19, 2012. As of June 30, 2011, the balance of the note payable was \$350,265.

On March 30, 2004, the Agency entered into a loan agreement with the CalHFA for the purpose of assisting the Agency in operating a local housing program through the CalHFA HELP program. The loan is in the amount of \$1,250,000, bears a simple annual interest rate of 3.0%, and repayment of principal and interest is deferred for a term of 10 years from date of the note. As a result of Agency activity, this loan is now in default and has been reclassified as current as it can be called immediately by CalHFA. As of June 30, 2011, the balance of the note payable was \$1,250,000.

On May 5, 2004, the Agency entered into a Deferred Payment Loan Agreement in the amount of \$377,237 with the City's Housing Program, which provided funding to purchase the Ashland Apartments. There is a 15 year restriction on the rental income conditions to make affordable rental housing available to low and very low income families. The note is due in 2035 and accrues interest at a rate of 0% per annum. As of June 30, 2011, 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, 2011, the balance of the note payable was \$3,690,000. As a result of Agency activity, this loan is now in default and has been reclassified as current as it can be called immediately by CalHFA.

Certificates of Participation

On June 20, 2007, the City entered into a certificate of participation (COP) with the United States Department of Agriculture Rural Development Agency (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 of \$78,416 at 4.25% through 2032. As of June 30, 2011, the balance of the COP was \$1,472,476.

On October 1, 2008, the City entered into a COP with the 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, 2011, the balance of the COP was \$1,493,177.

NOTE 8 – LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

Certificates of Participation (Continued)

On May 12, 2010, the City entered into a COP with the USDA RD for the construction of the Library Project in the amount of \$750,000. The COP has annual principal and interest payments of \$44,030 at 4.125% through 2040. As of June 30, 2011, the balance of the COP was \$368,123.

Business-Type Activities

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, 2011, the balance of the revenue bond was \$100,839.

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, 2011, the balance due was \$6,014,762.

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, 2011, the balance due was \$2,051,962.

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, 2011, the balance due was \$436,329.

Notes Payable

On November 19, 2009, the City entered into a promissory note with Mid Valley Services, Inc., secured by the McDermont Sports Complex property for \$1,500,000. The interest payments of \$187,500 at 12.5% are payable through November 19, 2013, at which time the entire principal amount will be due. As of June 30, 2011, the balance was \$1,500,000.

NOTE 8 – LONG-TERM DEBT (Continued)

The annual requirements to amortize all debt outstanding as of June 30, 2011, including interest, are as follows:

Year Ended June 30,	Governmental Activities				
	Bonds Payable				
	General Obligation Bonds	2005 Tax Allocation Bonds	2007 Tax Allocation Bonds	2008 Tax Allocation Bonds	2009 Tax Allocation Bonds
2012	\$ 5,000	\$ 299,263	\$ 497,350	\$ 233,131	\$ 54,000
2013	-	295,938	497,058	236,406	54,000
2014	-	297,375	499,558	234,371	54,000
2015	-	298,375	498,558	237,254	1,027,000
2016	-	299,175	497,288	234,854	-
2017-2021	-	1,491,638	2,484,900	1,181,705	-
2022-2026	-	1,490,500	2,487,250	1,180,320	-
2027-2031	-	1,477,500	2,481,250	1,201,783	-
2032-2036	-	1,489,750	2,489,000	1,175,908	-
2037-2040	-	-	995,000	1,068,812	-
	5,000	7,439,514	13,427,212	6,984,544	1,189,000
Less interest	-	(3,224,514)	(6,077,212)	(3,554,544)	(189,000)
	<u>\$ 5,000</u>	<u>\$ 4,215,000</u>	<u>\$ 7,350,000</u>	<u>\$ 3,430,000</u>	<u>\$ 1,000,000</u>

(Continued)

Governmental Activities							
Notes Payable				Certificates of Participation			
CalHFA 1999 HELP Loan Program	2004 Lindsay Housing Loan Program	CalHFA 2004 HELP Loan Program	CalHFA 2007 RDLP Loan Program	2007 USDA RD Wellness Center	2008 USDA RD Roads Loan	2010 USDA RD Library Loan	Total
\$ 362,265	\$ -	\$ 1,475,000	\$ 4,022,100	\$ 94,800	\$ 121,475	\$ 29,739	\$ 7,194,123
-	-	-	-	94,737	121,225	29,721	1,329,085
-	-	-	-	94,670	120,963	29,701	1,330,638
-	-	-	-	94,602	120,691	29,682	2,306,162
-	-	-	-	94,529	120,406	29,662	1,275,914
-	-	-	-	471,456	597,327	147,971	6,374,997
-	-	-	-	469,139	588,176	147,321	6,362,706
-	-	-	-	466,288	349,161	88,023	6,064,005
-	-	-	-	421,277	-	-	5,575,935
-	377,237	-	-	-	-	-	2,441,049
362,265	377,237	1,475,000	4,022,100	2,301,498	2,139,424	531,820	40,254,614
(11,703)	-	(225,000)	(332,100)	(829,022)	(646,247)	(163,697)	(15,253,039)
<u>\$ 350,562</u>	<u>\$ 377,237</u>	<u>\$ 1,250,000</u>	<u>\$ 3,690,000</u>	<u>\$ 1,472,476</u>	<u>\$ 1,493,177</u>	<u>\$ 368,123</u>	<u>\$ 25,001,575</u>

NOTE 8 – LONG-TERM DEBT (Continued)

Year Ended June 30,	Business-Type Activities					Notes Payable 2009 Mid Valley Loan	Total
	Revenue Bonds Payable						
	1993 CSCDA	1999 USDA RD	2000 USDA RD	2004 USDA RD			
	Refunding Bonds	Waste Water	Bonds	Water Line			
2012	\$ 16,754	\$ 323,470	\$ 109,874	\$ 25,623	\$ 187,500	\$ 663,221	
2013	16,754	323,470	109,874	25,623	1,593,750	2,069,471	
2014	16,754	323,470	109,874	25,623	-	475,721	
2015	16,754	323,470	109,874	25,623	-	475,721	
2016	16,754	323,470	109,874	25,623	-	475,721	
2017-2021	50,262	1,617,350	549,370	128,115	-	2,345,097	
2022-2026	-	1,617,350	549,370	128,115	-	2,294,835	
2027-2031	-	1,617,350	549,370	128,115	-	2,294,835	
2032-2036	-	1,617,350	549,370	128,115	-	2,294,835	
2037-2041	-	1,290,337	460,818	128,115	-	1,879,270	
2042-2043	-	-	-	49,070	-	49,070	
	134,032	9,377,087	3,207,668	817,760	1,781,250	15,317,797	
Less interest	(33,193)	(3,362,325)	(1,155,706)	(381,431)	(281,250)	(5,213,905)	
	<u>\$ 100,839</u>	<u>\$ 6,014,762</u>	<u>\$ 2,051,962</u>	<u>\$ 436,329</u>	<u>\$ 1,500,000</u>	<u>\$ 10,103,892</u>	

Capital Lease

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

The future minimum lease payments under the capital lease and the net present value of the future minimum lease payments at June 30, 2011, were as follows:

Total minimum lease payments	\$ 58,105
Less amount representing interest	<u>(8,485)</u>
Present value of net minimum lease payments	49,620
Current maturities of capital lease	<u>14,836</u>
Long-term capital lease less current maturity	<u><u>\$ 34,784</u></u>

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

The future minimum lease payments under the capital lease and the net present value of the future minimum lease payments at June 30, 2011, were as follows:

Total minimum lease payments	\$ 60,756
Less amount representing interest	<u>(3,255)</u>
Present value of net minimum lease payments	57,501
Current maturities of capital lease	<u>28,222</u>
Long-term capital lease less current maturity	<u><u>\$ 29,279</u></u>

NOTE 8 – LONG-TERM DEBT (Continued)

A schedule of changes in long-term debt for the year ended June 30, 2011, is shown below:

	Adjusted Balance July 1, 2010	Additions/ Adjustments	Deductions	Balance June 30, 2011	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$ 5,000	\$ -	\$ -	\$ 5,000	\$ -
Tax Allocation Bonds Payable	16,275,000	-	280,000	15,995,000	290,000
Add: Bond Premiums	<u>210,188</u>	<u>-</u>	<u>7,974</u>	<u>202,214</u>	<u>7,974</u>
Total General and Tax Bonds Payable	16,490,188	-	287,974	16,202,214	297,974
Compensated Absences	332,269	-	-	332,269	-
Capital Lease					
West America- Fire Truck Lease	84,703		27,202	57,501	28,222
Notes Payable					
1999 CalHFA HELP Loan	390,126	-	39,564	350,562	350,562
2004 Lindsay Housing Program Loan	377,237	-	-	377,237	-
2004 CalHFA HELP Loan	1,250,000	-	-	1,250,000	1,250,000
2008 CalHFA RDLP Loan	3,690,000	-	-	3,690,000	3,690,000
Certificates of Participation (COP)					
2007 USDA RD Wellness Center COP	1,296,890	207,925	32,339	1,472,476	33,713
2008 USDA RD Roads COP	1,547,700	-	54,523	1,493,177	56,840
2010 USDA RD Library COP	<u>127,396</u>	<u>253,819</u>	<u>13,092</u>	<u>368,123</u>	<u>14,554</u>
Governmental Activities Long-Term Liabilities	<u>\$ 25,586,509</u>	<u>\$ 461,744</u>	<u>\$ 454,694</u>	<u>\$ 25,593,559</u>	<u>\$ 5,721,865</u>
	Adjusted Balance July 1, 2010	Additions/ Adjustments	Deductions	Balance June 30, 2011	Due Within One Year
Business-Type Activities					
Revenue Bonds					
1993 CSCDA Refunding Bonds	\$ 109,700	\$ -	\$ 8,861	\$ 100,839	\$ 9,740
1999 USDA RD Waste Water Expansion	6,138,723	-	123,961	6,014,762	127,990
2000 USDA RD Water Line Project	2,093,788	-	41,826	2,051,962	43,185
2004 USDA RD Waste Water Project	442,589	-	6,260	436,329	6,534
Note Payable					
Mid Valley Note Payable	1,500,000	-	-	1,500,000	1,500,000
Capital Lease					
Cypress Financial Corporation	62,976	-	13,356	49,620	14,836
Compensated Absences	77,597	-	-	77,597	-
Lindsay Olive Growers Pond Closure Cost Liability	<u>2,570,981</u>	<u>-</u>	<u>-</u>	<u>2,570,981</u>	<u>-</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 12,996,354</u>	<u>\$ -</u>	<u>\$ 194,264</u>	<u>\$ 12,802,090</u>	<u>\$ 1,702,285</u>

NOTE 9 – RETIREMENT PLANS

Plan Description

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

Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 9.373% for non-safety employees, 12.260% for police employees, and 66.971% for fire employees, of annual covered payroll. The contribution of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For fiscal year 2010-2011, the City's annual pension cost was \$907,930 and was equal to the City's required and actual contributions. The required contribution for fiscal year 2010-2011 was determined as part of the June 30, 2008, actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included: (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service ranging from 3.75% to 14.20% for miscellaneous members and 4.27% and 11.59% for the Safety Police and Fire Plan; and (c) 0% cost-of-living adjustment. Both (a) and (b) include an inflation component of 3.5%. The actuarial value of the plan's assets was determined using a technique that smoothes the effects of short-term volatility in the market value of investments over a three-year period. Miscellaneous Plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2011, was 16 years for the Miscellaneous Plan, 15 years for the Safety Police Plan, and 19 years for the Safety Fire Plan.

Three Year Trend Information

	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
<u>Miscellaneous Plan</u>	6/30/2009	\$ 449,131	100%
	6/30/2010	\$ 385,230	100%
	6/30/2011	\$ 508,918	100%
<u>Safety Plan</u>	6/30/2009	\$ 250,714	100%
	6/30/2010	\$ 291,514	100%
	6/30/2011	\$ 399,012	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 Capital Projects 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 Capital Projects Fund.

NOTE 11 – JOINT VENTURE – SELF-INSURANCE PROGRAM

The City participates with other public entities in a joint venture under a joint powers agreement which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA).

The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

The City is covered for the first \$1,000,000 of each general liability claim and \$250,000 of each workers' compensation claim through CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$25,000 and workers' compensation losses under \$250,000. CSJVRMA participates in an excess pool that provides general liability coverage from \$1,000,000 to \$10,000,000. CSJVRMA participates in an excess pool that provides workers' compensation coverage from \$250,000 to \$500,000 and purchases excess insurance above the \$500,000 to the statutory limit.

CSJVRMA is a consortium of fifty-five (55) cities in San Joaquin Valley, California. It was established under the provision of California Government Code Section 6500 et seq. CSJVRMA is governed by a Board of Directors, which meets 3-4 times per year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group hired by CSJVRMA.

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

	<u>For the Year Ended June 30, 2011</u>
Total Assets	\$ 69,444,059
Total Liabilities	<u>55,945,081</u>
Total Net Assets	<u>13,498,978</u>
Total Liabilities and Net Assets	<u><u>\$ 69,444,059</u></u>
Revenues	\$ 27,941,713
Expenses	<u>26,326,659</u>
Change in net assets	<u><u>\$ 1,615,054</u></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 – OTHER POSTEMPLOYMENT BENEFITS

The City provides other postemployment benefits (OPEB) for its employees. Retired employees who had 15 or more years with the City are eligible to purchase the City's medical, dental, and/or vision plan benefits for themselves and their dependents. The City will pay 3.5% of the retired employee portion of premium for each year of service to the City. The City does not pay anything toward dependent care coverage. Medical plan benefit coverage for retirees and eligible dependents will be effective until they reach Medicare eligible age.

The City funds its annual OPEB cost on a pay as you go basis. The actual costs for the last three fiscal years are shown below:

<u>Fiscal Year Ending</u>	<u>Actual Cost Paid</u>
6/30/2009	\$ 14,292
6/30/2010	\$ 56,450
6/30/2011	\$ 28,563

The City failed to implement GASB Statement No. 45 as it did not obtain the required actuary report in order to determine the City's OPEB liability as of June 30, 2011. The City is in the process of obtaining the required actuarial analysis of its OPEB plan and will show this liability in future financial statements.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Federal and State Grants

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

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

Franchise Fee

The City has established a franchise fee for the Water, Sewer, and Refuse charges that is designed for street repairs, maintenance, and construction. The City will continue to collect this fee into the future. This fee will be transferred to the City's General Fund and then the General Fund will transfer the balance to the Gas Tax Fund. This is the method that will be used to bring the Gas Tax Fund into a positive position.

Measure R Grant Funding

The City and the Tulare County Association of Governments (TCAG) are in a dispute over the misuse of Measure R grant funding. The City has determined that approximately \$1,048,443 in expenditures, out of a total of \$3,746,977 charged to the grant, were ineligible. The City has accrued the \$1,048,443 as of June 30, 2011, and intends to repay this amount when the City's financial condition improves.

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, 2011. However, additional amounts might be needed in the future in order to clean up the site.

NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

California Housing Finance Agency (CalHFA) RDLP Loan

The Agency is out of compliance with the \$3,690,000 CalHFA RDLP-090806-03 loan agreement. As a result of the noncompliance, the total amount of the outstanding principal and accrued interest could be called and become immediately due. As of June 30, 2011, this liability has been classified as current.

California Housing Finance Agency (CalHFA) HELP Loan

The Agency is out of compliance with the \$1,250,000 CalHFA HELP-080803-06 loan agreement. As a result of the noncompliance, the total amount of the outstanding principal and accrued interest could be called and become immediately due. As of June 30, 2011, this liability has been classified as current.

Lindsay Redevelopment Agency Tax Allocation Bonds and Notes

The Agency is currently out of compliance with the following US Bank held debt: 2005, 2007, and 2008 Tax Allocation Bonds, and the 2009 Tax Allocation Notes. These bonds and the note currently have outstanding principal balances of \$4,215,000, \$7,350,000, \$3,430,000, and \$1,000,000; respectively. As a result of the noncompliance, the Agency is subject to an event of default, which would cause the total amount of the outstanding principal and accrued interest to be called and become immediately due. The City currently lacks adequate reserves to pay the outstanding amounts should the debt be called.

Excessive Surplus and 20% Housing Fund Set Aside

The Agency is out of compliance with Health and Safety Code Section 33334.12 regarding excess surplus and Health and Safety Code 33334.2 regarding the 20% set aside of low and moderate income housing funds. As a result of the noncompliance, the Agency is subject to numerous sanctions and fines from the State of California. The amount of these sanctions and fines were not able to be determined as of June 30, 2011, and no accrual has been made.

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, 2011</u>
RELATED PARTY LOANS	
Employee Loans	
Deferred Payment Loans	\$ 1,636,577
Deferred No Interest Loans	406,300
No Interest Loans	9,180
Below Market Interest Rate Loans	499,700
Micro-Business Loans - McDermont	-
	<hr/>
Total Employee Loans	2,551,757
	<hr/>
Loans to Employees' Relatives	
Deferred Payment Loans	823,723
Deferred No Interest Loans	198,704
No Interest Loans	205,494
Below Market Interest Loans	285,345
	<hr/>
Total Loans to Employees' Relatives	1,513,266
	<hr/>
Total All Related Party Loans	\$ 4,065,023
	<hr/> <hr/>

NOTE 15 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 24, 2012.

City of Lindsay Redevelopment Agency

The Agency operates pursuant to the provisions of California Redevelopment Law (Health & Safety Code Section 33000 et seq.). On June 28, 2011, the California Legislature adopted Assembly Bill X1 26 (Dissolution Act) and Assembly Bill X1 27 (Voluntary Program Act), which taken together are known as the Redevelopment Restructuring Act. The express purpose of the Dissolution Act was to provide for the elimination of redevelopment agencies and to direct the orderly distribution of a former redevelopment agency's assets and liabilities. The purpose of the Voluntary Program Act was to provide a voluntary alternative for local governments to continue redevelopment activities. The Redevelopment Restructuring Act requires the Agency and its sponsoring government (County of Kings) to take several legislative actions to implement the various provisions of each assembly bill.

On December 29, 2011, in its decision in the California Redevelopment Association v. Matosantos case, the California Supreme Court struck down the provisions in Assembly Bill X1 27. As a result, effective February 1, 2012, all redevelopment agencies in the State of California ceased to exist. On January 31, 2012, the City became the Successor Agency for the former City of Lindsay Redevelopment Agency. As such the City will receive reimbursement for administrative expenses incurred while concluding redevelopment related business. Subject to approval of the Oversight Board of the former City of Lindsay Redevelopment Agency, the Successor Agency's annual administrative costs will be an amount up to five percent of the property tax allocated to the Successor Agency for fiscal year 2011-12 and up to three percent of the property tax allocated to the Successor Agency each succeeding fiscal year, provided however that the annual amount shall not be less than \$250,000 for any fiscal year (or such lesser amount as agreed to by the Successor Agency).

McDermont Sports Complex Notes Receivables

During the current and prior fiscal years, the City, under the direction of prior management, made loans to former McDermont Sports Complex employees for business loans to run the McDermont Sports Complex attractions/venues. The final total for the amount of loans disbursed was \$448,872 by June 30, 2011. Although some attractions were able generate revenue and repay their loans, the majority of the loans were determined to be uncollectible and, as a result, current City management decided to write-off the remaining balance of \$245,177. The write-off went to the City Council and was approved on May 15, 2012.

McDermont Sports Complex Improvement Claim

In October of 2008 a vendor was contracted with for improvements within the McDermont Sports Complex. In addition to the original work that was contracted for, additional work was requested by the City; however, a contract change order was never completed. The vendor performed the work, but was never compensated for that additional work. This was brought to the attention of current management and the City and the vendor were able to settle the unpaid work for approximately \$67,000.

Measure R Grant Funding

On April 2, 2012, a Settlement Agreement was signed between the City and the Tulare County Transportation Authority (TCTA) whereby the City is required to repay \$1,048,443 of the \$3,746,967 funds received in connection with its Downtown Project under the TCAG Measure R grant. Principal payments shall be made in 80 quarterly installments commencing on October 1, 2012, in addition to interest on the outstanding balance.

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

	Governmental Activities	Business-Type Activities
Net assets at July 1, 2010, as previously stated	\$ 40,267,812	\$ 22,988,029
Correct accumulated depreciation	5,780,880	(361,663)
Remove inactive funds eliminated in the prior year	(204,622)	-
Deferred revenues incorrectly classified	270	-
Reconcile the City's General Cash Account	12,081	-
Account for unreconciled difference in cash	100,630	-
Adjust accounts receivable to its true balance	47,750	-
Transfer incorrectly booked in the prior year	(13,588)	-
Add capital assets not recorded in prior years	1,741,195	-
Total prior period adjustment	<u>7,464,596</u>	<u>(361,663)</u>
Net assets at July 1, 2010, as restated	<u>\$ 47,732,408</u>	<u>\$ 22,626,366</u>

	General Fund	Gas Tax Fund	Community Development Fund	Total
Fund balance at July 1, 2010, as previously stated	\$ 6,289,582	\$ (489,625)	\$ 1,550,322	\$ 7,350,279
Remove inactive funds eliminated in the prior year	(204,622)	-	-	(204,622)
Deferred revenues incorrectly classified	(67,615)	(50,304)	118,189	270
Reconcile the City's General Cash Account	12,081	-	-	12,081
Account for unreconciled difference in cash	100,630	-	-	100,630
Adjust accounts receivable to its true balance	47,750	-	-	47,750
Transfer incorrectly booked in the prior year	(13,588)	-	-	(13,588)
Total prior period adjustment	<u>(125,364)</u>	<u>(50,304)</u>	<u>118,189</u>	<u>(57,479)</u>
Fund balance at July 1, 2010, as restated	<u>\$ 6,164,218</u>	<u>\$ (539,929)</u>	<u>\$ 1,668,511</u>	<u>\$ 7,292,800</u>

Enterprise Funds

	Water Fund	Sewer Fund	Refuse Fund	McDermont Sport Complex Fund	Total
Fund balance at July 1, 2010, as previously stated	\$ 8,956,515	\$ 3,629,134	\$ 93,486	\$ 9,362,145	\$ 22,041,280
Correct accumulated depreciation	36,053	(273,782)	1,838	(125,772)	(361,663)
Total prior period adjustment	<u>36,053</u>	<u>(273,782)</u>	<u>1,838</u>	<u>(125,772)</u>	<u>(361,663)</u>
Fund balance at July 1, 2010, as restated	<u>\$ 8,992,568</u>	<u>\$ 3,355,352</u>	<u>\$ 95,324</u>	<u>\$ 9,236,373</u>	<u>\$ 21,679,617</u>

NOTE 17 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2011, 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	\$ 623,363
	Public safety	2,735,436
	Parks and recreation	750,728
	Public works	30,965
	Debt service:	
	Principal	40,294
	Capital outlay	273,113
Gas Tax Fund	Streets and transportation	553,263
Community Development Fund	Community development	785,776
	Debt service:	
	Principal	39,564
	Interest	10,436
Redevelopment Agency Capital Projects Fund	Debt service:	
	Interest	638,850
Redevelopment Agency Low and Moderate Income Housing Fund	Community development	38,580
	Debt service:	
	Interest	199,003

NOTE 18 – GOING CONCERN

During the last few years, the City began experiencing financial difficulties due to the large number and dollar amount of construction projects it undertook, which resulted in expenditures well exceeding revenues. The excessive spending has caused the City's unrestricted cash balances to drop to only \$943,755 as of June 30, 2011. In addition, the City's Redevelopment Agency (the Agency) is out of compliance with two separate debt agreements with CalHFA. The two debt agreements in question are the RDLP-090806-03 agreement totaling \$3,690,000 and HELP-080806-03 agreement totaling \$1,250,000. In addition to the above principal amounts borrowed, the Agency also has an estimated outstanding balance of accrued interest of \$480,500 total for the two loans. As a result of the Agency's noncompliance, the principal and interest could be called immediately by the CalHFA, making these loans current liabilities. The total amount of the City's and the Agency's current liabilities owed to external parties as of June 30, 2011, was \$11,555,244.

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

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

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

NOTE 19 – FUND DEFICIT

The Refuse Fund and Aquatic Center Fund presently have a total fund deficit. The deficits are expected to be repaid with future General Fund transfers.

NOTE 20 – FUND BALANCE

	General Fund	Gas Tax	Community Development	Redevelopment Agency Capital Projects	Redevelopment Agency Low and Moderate Income Housing	Other Governmental Funds (Non-Major)	Total
Fund balances:							
Nonspendable:							
Receivables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 748,323	\$ 748,323
Investment in property	29,470	-	-	-	-	-	29,470
Restricted for:							
Investment in property	-	-	-	10,000	1,980,000	-	1,990,000
Note receivable	-	-	-	-	-	-	-
Road construction and maintenance	-	1,371,812	-	-	-	-	1,371,812
Redevelopment Agency programs	-	-	-	792,540	2,002,028	-	2,794,568
Community development	-	-	1,640,899	-	-	-	1,640,899
Wellness center	-	-	-	-	-	-	-
Restricted cash	-	-	-	915,306	228,826	-	1,144,132
Committed to:							
General Fund	8,493	-	-	-	-	-	8,493
Public Transportation Modernization, Improvement, and Service Enhancement Project	-	50,304	-	-	-	-	50,304
Community development	-	-	252,000	-	-	-	252,000
Redevelopment Agency programs	-	-	-	896,292	-	-	896,292
Curb and gutter	-	-	-	-	-	33,008	33,008
Assigned to:							
General Fund	5,386,088	-	-	-	-	-	5,386,088
Redevelopment Agency programs	-	-	-	25,658	-	-	25,658
Special assessments	-	-	-	-	-	62,840	62,840
Gas tax	-	-	-	-	150,872	-	150,872
Unassigned:							
	-	-	-	-	-	(409,253)	(409,253)
Total fund balances	\$ 5,424,051	\$ 1,422,116	\$ 1,892,899	\$ 2,639,796	\$ 4,361,726	\$ 434,918	\$ 16,175,506

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, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 191,000	\$ 191,000	\$ 471,303	\$ 280,303
Other taxes	1,417,000	1,417,000	3,543,725	2,126,725
Licenses and permits	143,550	143,550	802,781	659,231
Intergovernmental	884,300	884,300	437,216	(447,084)
Charges for services	130,800	130,800	14,370	(116,430)
Fees and fines	927,659	927,659	405,612	(522,047)
Interest revenue	-	-	6,417	6,417
Other revenue	11,800	11,800	375,603	363,803
Total revenues	<u>3,706,109</u>	<u>3,706,109</u>	<u>6,057,027</u>	<u>2,350,918</u>
EXPENDITURES				
Current:				
General government	299,563	299,563	796,366	(496,803)
Public safety	25,463	25,463	2,760,899	(2,735,436)
Parks and recreation	192,232	192,232	942,960	(750,728)
Public works	297,812	297,812	328,777	(30,965)
Streets and transportation	299,526	299,526	138,624	160,902
Debt service:				
Principal	-	-	40,294	(40,294)
Capital outlay	-	-	273,113	(273,113)
Total expenditures	<u>1,114,596</u>	<u>1,114,596</u>	<u>5,418,909</u>	<u>(4,304,313)</u>
Excess (deficiency) of revenues over expenditures	<u>2,591,513</u>	<u>2,591,513</u>	<u>638,118</u>	<u>(1,953,395)</u>
OTHER FINANCING SOURCES (USES)				
Loans proceeds	-	-	253,819	253,819
Repayment of ineligible cost to TCAG	-	-	(114,870)	(114,870)
Transfers in	-	-	874,052	874,052
Transfers out	-	-	(2,391,286)	(2,391,286)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,378,285)</u>	<u>(1,378,285)</u>
Net change in fund balance	<u>\$ 2,591,513</u>	<u>\$ 2,591,513</u>	<u>(740,167)</u>	<u>\$ (3,331,680)</u>
Fund balance -- beginning			6,289,582	
Prior period adjustment			(125,364)	
Fund balance -- ending			<u>\$ 5,424,051</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 BALANCE – BUDGET AND ACTUAL
GAS TAX FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 1,782,182	\$ 1,782,182	\$ 1,294,320	\$ (487,862)
Interest	-	-	462	462
Other revenues	-	-	833	833
	<u>1,782,182</u>	<u>1,782,182</u>	<u>1,295,615</u>	<u>(486,567)</u>
EXPENDITURES				
Current:				
Streets and transportation	293,394	293,394	846,657	(553,263)
Debt service:				
Principal	54,523	54,523	54,523	-
Capital outlay	<u>1,626,432</u>	<u>1,626,432</u>	<u>82,564</u>	<u>1,543,868</u>
	<u>1,974,349</u>	<u>1,974,349</u>	<u>983,744</u>	<u>990,605</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(192,167)</u>	<u>(192,167)</u>	<u>311,871</u>	<u>502,743</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,650,634	1,650,634
Transfers out	-	-	(460)	(460)
	<u>-</u>	<u>-</u>	<u>1,650,174</u>	<u>1,650,174</u>
Net change in fund balance	<u>\$ (192,167)</u>	<u>\$ (192,167)</u>	1,962,045	<u>\$ 2,152,917</u>
Fund balance -- beginning			(489,625)	
Prior period adjustment			<u>(50,304)</u>	
Fund balance -- ending			<u>\$ 1,422,116</u>	

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

**CITY OF LINDSAY
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Note collections	\$ -	\$ -	\$ 364,601	\$ 364,601
Intergovernmental	4,812,500	4,812,500	3,539,024	(1,273,476)
Interest	-	-	85,531	85,531
Total revenues	<u>4,812,500</u>	<u>4,812,500</u>	<u>3,989,156</u>	<u>(823,344)</u>
EXPENDITURES				
Current:				
Community development	1,200,000	1,200,000	1,985,776	(785,776)
Debt service:				
Principal	-	-	39,564	(39,564)
Interest and administrative charges	-	-	10,436	(10,436)
Capital outlay	<u>4,178,672</u>	<u>4,178,672</u>	<u>2,112,302</u>	<u>2,066,370</u>
Total expenditures	<u>5,378,672</u>	<u>5,378,672</u>	<u>4,148,078</u>	<u>1,230,594</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(566,172)</u>	<u>(566,172)</u>	<u>(158,922)</u>	<u>407,250</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	917,181	917,181
Transfers out	-	-	(533,871)	(533,871)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>383,310</u>	<u>383,310</u>
Net change in fund balance	<u>\$ (566,172)</u>	<u>\$ (566,172)</u>	<u>224,388</u>	<u>\$ 790,560</u>
Fund balance -- beginning			1,550,322	
Prior period adjustment			<u>118,189</u>	
Fund balance -- ending			<u>\$ 1,892,899</u>	

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

**CITY OF LINDSAY
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
REDEVELOPMENT AGENCY LOW AND MODERATE INCOME HOUSING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 249,000	\$ 249,000	\$ 313,861	\$ 64,861
Note collections	-	-	23,440	23,440
Interest	600	600	9,570	8,970
Other revenues	-	-	49,076	49,076
Total revenues	<u>249,600</u>	<u>249,600</u>	<u>395,947</u>	<u>146,347</u>
EXPENDITURES				
Current:				
Community development	-	-	38,580	(38,580)
Debt service:				
Principal	206,858	206,858	56,000	150,858
Interest and administrative charges	-	-	199,003	(199,003)
Total expenditures	<u>206,858</u>	<u>206,858</u>	<u>293,583</u>	<u>(86,725)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>42,742</u>	<u>42,742</u>	<u>102,364</u>	<u>59,622</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	-	-	-
Bond discounts and issuance costs	-	-	-	-
Transfer in	-	-	346,272	346,272
Transfer out	-	-	(354,694)	(354,694)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(8,422)</u>	<u>(8,422)</u>
Net change in fund balance	<u>\$ 42,742</u>	<u>\$ 42,742</u>	93,942	<u>\$ 51,200</u>
Fund balance -- beginning			4,267,784	
Prior period adjustment			-	
Fund balance -- ending			<u>\$ 4,361,726</u>	

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

**CITY OF LINDSAY
REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2011**

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*						
6/30/2007	\$ 1,627,025,950	\$ 1,362,059,317	\$ 264,966,633	83.7%	\$ 376,292,121	70.4%
6/30/2008	1,823,366,479	1,529,548,799	293,817,680	83.9%	414,589,514	70.9%
6/30/2009	2,140,438,884	1,674,260,302	466,178,582	78.2%	440,071,499	105.9%
Safety Plan						
6/30/2008	\$ 1,755,559,311	\$ 1,517,609,609	\$ 237,949,702	86.4%	\$ 210,590,567	113.0%
6/30/2009	1,802,882,330	1,520,081,328	282,801,002	84.3%	221,600,192	127.6%
6/30/2010	1,915,095,826	1,628,915,283	286,180,543	85.1%	224,562,008	127.4%

* The City was unable to obtain the information for the Miscellaneous Plan for the year ended June 30, 2010.

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

SUPPLEMENTARY INFORMATION

**CITY OF LINDSAY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
REDEVELOPMENT AGENCY CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 983,400	\$ 983,400	\$ 1,251,227	\$ 267,827
Note collections	-	-	2,896	2,896
Interest	5,950	5,950	1,294	(4,656)
Total revenues	<u>989,350</u>	<u>989,350</u>	<u>1,255,417</u>	<u>266,067</u>
EXPENDITURES				
Current:				
Community development	558,038	558,038	293,854	264,184
Debt service:				
Principal	827,430	827,430	224,000	603,430
Interest	-	-	638,850	(638,850)
Total expenditures	<u>1,385,468</u>	<u>1,385,468</u>	<u>1,156,704</u>	<u>228,764</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(396,118)</u>	<u>(396,118)</u>	<u>98,713</u>	<u>494,831</u>
OTHER FINANCING SOURCES (USES)				
Bonds proceeds	-	-	-	-
Bonds discounts and issuance costs	-	-	-	-
Transfers out	-	-	(700,968)	(700,968)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(700,968)</u>	<u>(700,968)</u>
Net change in fund balance	<u>\$ (396,118)</u>	<u>\$ (396,118)</u>	<u>(602,255)</u>	<u>\$ (206,137)</u>
Fund balance -- beginning			3,242,051	
Prior period adjustment			-	
Fund balance -- ending			<u>\$ 2,639,796</u>	

**CITY OF LINDSAY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Special Revenue		
	Wellness Center	Special Assessment Districts	Aquatic Center
Assets			
Cash and cash equivalents	\$ -	\$ 63,566	\$ 9,132
Accounts receivable	748,323	-	-
Interest receivable	-	-	-
Due from other funds	357,124	-	-
Due from other governments	-	198	-
Notes receivable	-	-	-
Total assets	<u>\$ 1,105,447</u>	<u>\$ 63,764</u>	<u>\$ 9,132</u>
Liabilities			
Cash overdraft	\$ 681,952	\$ -	\$ -
Accounts and other payables	78,749	924	-
Accrued wages	2,799	-	12,009
Deferred revenue	-	-	-
Total liabilities	<u>763,500</u>	<u>924</u>	<u>12,009</u>
Fund balances			
Nonspendable	748,323	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	62,840	-
Unassigned	<u>(406,376)</u>	<u>-</u>	<u>(2,877)</u>
Total fund balances	<u>341,947</u>	<u>62,840</u>	<u>(2,877)</u>
Total liabilities and fund balances	<u>\$ 1,105,447</u>	<u>\$ 63,764</u>	<u>\$ 9,132</u>

**CITY OF LINDSAY
COMBINING BALANCE SHEET (Continued)
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Curb and Gutter</u>	
Assets		
Cash and cash equivalents	\$ 32,867	\$ 105,565
Accounts receivable	-	748,323
Interest receivable	141	141
Due from other funds	-	357,124
Due from other governments	-	198
Notes receivable	10,302	10,302
	<u>10,302</u>	<u>10,302</u>
 Total assets	<u>\$ 43,310</u>	<u>\$ 1,221,653</u>
 Liabilities		
Cash overdraft	\$ -	\$ 681,952
Accounts and other payables	-	79,673
Accrued wages	-	14,808
Deferred revenue	10,302	10,302
	<u>10,302</u>	<u>10,302</u>
 Total liabilities	<u>10,302</u>	<u>786,735</u>
 Fund balances		
Nonspendable	-	748,323
Restricted	-	-
Committed	33,008	33,008
Assigned	-	62,840
Unassigned	-	(409,253)
	<u>33,008</u>	<u>434,918</u>
 Total fund balances	<u>33,008</u>	<u>434,918</u>
 Total liabilities and fund balances	<u>\$ 43,310</u>	<u>\$ 1,221,653</u>

**CITY OF LINDSAY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Special Revenue		
	Wellness Center	Special Assessment Districts	Aquatic Center
REVENUES			
Note collections	\$ -	\$ -	\$ -
Other taxes	-	58,769	-
Intergovernmental	982,044	-	-
Charges for services	-	-	34,982
Interest revenue	43	-	-
Total revenues	<u>982,087</u>	<u>58,769</u>	<u>34,982</u>
EXPENDITURES			
Current:			
General government	-	-	-
Parks and recreation	-	14,937	87,469
Debt service:			
Principal	32,339	-	-
Interest and administrative charges	55,607	-	-
Capital outlay	1,349,941	-	-
Total expenditures	<u>1,437,887</u>	<u>14,937</u>	<u>87,469</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(455,800)</u>	<u>43,832</u>	<u>(52,487)</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds	207,925	-	-
Transfer in	-	-	64,498
Transfer out	-	-	-
Total other financing sources (uses)	<u>207,925</u>	<u>-</u>	<u>64,498</u>
Net change in fund balances	<u>(247,875)</u>	<u>43,832</u>	<u>12,011</u>
Fund balances -- beginning	589,822	19,008	(14,888)
Prior period adjustment	-	-	-
Fund balances -- ending	<u><u>\$ 341,947</u></u>	<u><u>\$ 62,840</u></u>	<u><u>\$ (2,877)</u></u>

**CITY OF LINDSAY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (Continued)
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Curb and Gutter</u>	
REVENUES		
Note collections	\$ 1,706	\$ 1,706
Other taxes	-	58,769
Intergovernmental	-	982,044
Charges for services	-	34,982
Interest revenue	58	101
Total revenues	1,764	1,077,602
EXPENDITURES		
Current:		
General government	-	-
Parks and recreation	-	102,406
Debt service:		
Principal	-	32,339
Interest and administrative charges	-	55,607
Capital outlay	-	1,349,941
Total expenditures	-	1,540,293
Excess (deficiency) of revenues over (under) expenditures	1,764	(462,691)
OTHER FINANCING SOURCES (USES)		
Loan proceeds	-	207,925
Transfer in	-	64,498
Transfer out	(32,529)	(32,529)
Total other financing sources (uses)	(32,529)	239,894
Net change in fund balances	(30,765)	(222,797)
Fund balances -- beginning	63,773	657,715
Prior period adjustment	-	-
Fund balances -- ending	\$ 33,008	\$ 434,918